

We are pleased to publish the Independent Review Committee’s (“IRC”) Annual Report to Securityholders relating to the year ended December 31, 2019 of mutual funds managed by Stone Asset Management Limited (“Stone” or the “Manager”), listed in Appendix A.

The role of the IRC is to review and to provide approval or recommendation in respect of conflicts of interest that arise between Stone’s own interests and Stone’s duty to manage the Funds in the best interests of the Funds. Stone is responsible for referring to the IRC any matters in which a reasonable person could view Stone as having an interest that may conflict with its ability to act in the best interests of the Funds. The IRC reviews each matter and provides its approval or recommendation as to whether the proposed course of action will achieve a fair and reasonable result for the Funds. The IRC has adopted a written charter that includes its mandate, responsibilities and functions, and the policies and procedures it will follow when performing its functions.

THE IRC MEMBERS AND COMPENSATION (Calendar Year 2019)

Member	Term	Compensation
Ross MacKinnon (Chair)*	September 30, 2021	\$17,500
David Crowe*	June 30, 2021	\$15,000
Ronald Riley	December 31, 2021	\$11,250
John R. Anderson*	April 30, 2019	\$ 7,500

The aggregate compensation paid to the IRC members for the calendar year ended December 31, 2019, was \$51,250 plus HST.

*Each of the members as noted of the IRC were appointed effective July 1, 2011 with terms. Mr. Riley was appointed May 1, 2019 as Mr. Anderson’s term expired. Mr. MacKinnon and Mr. Anderson are members of the IRC for Arrow Capital Management Inc. Mr. Anderson also serves as a member of the IRC for Marquest Asset Management Inc.

The IRC reviewed its compensation, giving consideration to the best interests of the Funds; the general and specific benefits accruing to the Funds and the number, nature and complexity of the Funds for which the IRC acts. The IRC compensation was allocated between the Funds in accordance with Stone’s expense allocation policy, which has been reviewed by the IRC. No indemnities were paid to the IRC Members by the Funds or Stone during the financial year.

Holding of Securities

As of December 31, 2019 the members of the IRC collectively beneficially owned, directly or indirectly, less than 10% of the securities of any of the Funds. As of December 31, 2019, no member of the IRC beneficially owned, directly or indirectly, any securities of Stone or a company that provides services to the Funds.

IRC APPROVALS AND RECOMMENDATIONS

The IRC has approved certain Standing Instructions which permit Stone to proceed with the specific action set out in the Standing Instructions on an ongoing basis, without having to refer the Conflict of Interest Matters (“COIM”) or its proposed action to the IRC, provided that Stone complies with its terms and conditions. Stone

provided written reports to the IRC describing its reliance and compliance with any terms and conditions on any Standing Instructions.

Matters for which the IRC gave Stone Standing Instructions regarding its Conflict of Interest Matters policies and procedures include:

1. Fund Operating Expense Allocation;
2. Trade Allocation;
3. Personal Trading by Employees;
4. Brokerage Policies (best execution and soft dollar arrangements);
5. Portfolio Valuation;
6. Correction of Errors;
7. Proxy Voting;
8. Short-Term Trading and Market Timing;
9. Appointment and Changes in Sub-advisors; and
10. Complaints.

Pricing Error – Stone Dividend Yield Hog Fund

The IRC reviewed the Manager’s analysis and fund compensation for a pricing error arising from a legacy Level 3 portfolio asset which originally occurred in November 2016 under the former Manager. Stone conducted the analysis in accordance with the IFIC Bulletin 22, providing a contribution to the Fund which amounted to .48% of the Fund’s NAV at December 31, 2018 (prior to the corrected NAV as presented in the audited financial statements). The IRC ratified the Manager’s proposed course of action to correct the NAV error as outlined above concurring that the actions provided a fair and reasonable result for the Fund.

Termination of Certain Uneconomic Funds

Stone reviewed with the IRC, funds which due to their small size were uneconomic to continue, and the IRC concurred with Stone on the process and termination of these funds, and were presented with the estimated termination costs. The funds terminated are found in the list of Funds in the Appendix.

Termination of Subadvisors

The IRC reviewed and concurred with Stone’s proposal to terminate subadvisors whose mandates overlapped with those already provided by Stone’s portfolio team. The portfolio advisory services provided by SEAMARK Asset Management Ltd. for the Stone American Dividend Growth Fund and Cassels Investment Management Inc. for the Stone Global Strategy Fund were terminated during 2019.

Review of Level 3 valuations in terminating Funds

Stone presented several Level 3 portfolio holdings in the terminating Stone Canadian Resource Fund, and Stone Select Growth Fund having fair values which were contingent upon medium to long-term fundraising efforts by these resource issuers with going concern matters, and hindered by unfavourable commodity prices (oil and precious metals). The IRC reviewed and concurred with Stone’s assessment of writedowns reflecting liquidation values in order to effect an orderly termination of the Fund without incurring

additional costs to defer termination, as recovery of further expenditures from these holdings are remote.

Sale of unsaleable Level 3 portfolio assets of Terminating Funds to the Manager or a related party

The IRC reviewed and concurred with Stone's recommendation that any such unsaleable, written-down Level 3 portfolio holdings held by the Stone Canadian Resource Fund be approved to be sold for nominal consideration to the Manager, or a related party, to the extent such assets cannot be disposed to a third party, to allow for the realization of taxable capital losses for the fund, and permit the wind-up of the fund. In order to effect the timely termination of the Stone Select Growth Class in January 2020, the only remaining unsold investment – common shares in a Level 3 private junior oil exploration company were sold to the CIO of the Manager.

The IRC reviewed as part of the standing instructions, the Manager's COIM submission regarding the approval of personal trading by the CIO (acquisition) in a proposed resource flow-through private placement of a TSX Venture-listed junior resource company which has been held since 2008 by Stone Select Growth Fund. As part of their concurrence, the IRC imposed conditions which were accepted and observed by the Manager.

APPENDIX A

Open-end Mutual Funds

Stone Dividend Growth Class

Stone Global Balanced Fund

Stone Growth Fund

Stone Global Growth Fund

Stone Select Growth Class [approved for termination in January 2020, terminated February 2020]

Stone EuroPlus Fund [Securityholders approved investment objective change effective 2020]

Stone Dividend Yield Hog Fund [formerly Stone Monthly Pay Fund, prior thereto Marquest Monthly Pay Fund]

Stone American Dividend Growth Fund [formerly Marquest American Dividend Growth Fund]

Stone Covered Call Canadian Banks Plus Fund [formerly Marquest Covered Call Canadian Banks Plus Fund]

Stone Global Strategy Fund [Securityholders approved investment objective change effective 2020, formerly Marquest Global Balanced Fund]

Stone Canadian Resource Fund* [formerly Marquest Canadian Resource Fund]

Stone Small Companies Fund [terminated January 2020, formerly Marquest Small Companies Fund]

Stone Canadian Bond Fund* [formerly Marquest Canadian Bond Fund]

Stone Money Market Fund* [formerly Marquest Money Market Fund]

Stone Monthly Pay Fund (Corporate Class*) [formerly Marquest Monthly Pay Fund (Corporate Class)]

Stone American Dividend Growth Fund (Corporate Class*) [formerly Marquest American Dividend Growth Fund (Corporate Class)]

Stone Covered Call Canadian Banks Plus Fund (Corporate Class*) [formerly Marquest Covered Call Canadian Banks Plus Fund (Corporate Class)]

Stone Short Term Income Fund* (Corporate Class) [formerly Marquest Short Term Income Fund (Corporate Class)]

** on January 14, 2019 Stone as Trustee and Manager of the Funds announced plans to terminate the noted funds with closures effected on or about March 20, 2019. Additionally the Corporate Class funds were approved to merge with the comparable Trust funds in June of 2019.*

For additional information please contact Stone Client Services:

P: 800 795 1142 or 416 867 8086; F: 416 364 2498

info@stoneco.com | www.stoneco.com

40 University Avenue, Suite 901, Toronto, Ontario M5J 1T1

Change in Investment Objectives of Certain Funds

During the year, Stone relied on the positive recommendation of the IRC regarding the Manager's proposed amendments to the investment objectives of the Stone Global Strategy Fund and the Stone EuroPlus Fund and changes to the relevant benchmarks, to then proceed and obtain unitholder approvals in November 2019.

The IRC is not aware of any instance in which the Manager acted in a conflict of interest matter referred to the IRC for which the IRC did not give a positive recommendation, or did not meet a condition imposed by the IRC in its recommendation.

ANNUAL ASSESSMENTS

The IRC conducted a self-assessment review during the financial year. As a result of the self-assessment review, the IRC prepared a report to Stone which set out the results of the IRC's self-assessment review.

In accordance with the IRC's written charter, the IRC conducted an annual review of the following:

- the adequacy and effectiveness of Stone's written policies and procedures concerning conflicts of interest;
- the adequacy and effectiveness of the Standing Instructions provided to Stone; and
- Compliance with any conditions imposed by the IRC in a recommendation or approval provided.