

## **STONE COVERED CALL CANADIAN BANKS PLUS FUND**

### **Interim Management Report of Fund Performance**

June 30, 2021



This interim Management Report of Fund Performance contains financial highlights but does not contain either the interim financial report or annual financial statements of the investment fund. You can get a copy of the interim financial reports or annual financial statements at your request, and at no cost, by calling 1 800 336 9528; by writing to us at Stone Asset Management Limited, 276 King Street West, Suite 203, Toronto, Ontario, M5V 1J2; or by visiting our website at [www.stoneco.com](http://www.stoneco.com); or SEDAR at [www.sedar.com](http://www.sedar.com).

Securityholders may also contact us using one of these methods to request a copy of the investment fund's interim financial report, proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

# STONE COVERED CALL CANADIAN BANKS PLUS FUND

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

June 30, 2021

### INVESTMENT OBJECTIVES

The investment objective of the Stone Covered Call Canadian Banks Plus Fund (the “Fund”) is to provide investors with dividend and option premium income and seek long term capital appreciation by investing in dividend paying securities in the Canadian financial sector and employing a covered call option writing strategy on certain of those securities.

### INVESTMENT STRATEGIES

In order to achieve the Fund’s objective, the Fund expects to invest in a concentrated portfolio of ten or more dividend paying Canadian financial sector equity securities, the majority of which are commercial banks whose businesses consist of commercial lending operations, small and medium enterprise corporate lending, retail banking and wealth management.

In order to supplement the current income received from dividends paid on the Fund’s equity investments and mitigate some of the downside risk which would otherwise be experienced, the Fund will write covered call options on equity securities owned from time to time. The amount of covered call options sold by the Fund may vary.

### RISK

The overall long-term risk of the Fund is as described in the most recent simplified prospectus. No material changes occurred that would significantly increase the risk associated with an investment in the Fund during the period.

### RESULTS OF OPERATIONS

#### Market Overview and Impact on the Fund

Stocks closed out the first half of 2021 with double-digit gains led by the economic recovery, continued fiscal stimulus and strong corporate earnings. Data on everything from consumer spending to hiring to small business confidence has bounced back and stayed above the pandemic lows. The Morningstar® Developed Markets Large-Mid Cap Index was up 9.9% for the period. The Morningstar® US Large Cap Index was up 11.3% for the period.

The Canadian markets was one of the best performing global markets for 2021 with the Morningstar® Canada Index posting a 17.2% return for the period. The best performing sectors were energy and financials as they have benefited from the global economic reopening after the pandemic-driven downturn. Energy and financials make up a significant portion of the Canadian markets and these sectors benefited from the move to cyclical and value names. Oil prices topped \$75/barrel for the first time since 2018 as the reopening economy caused surging demand for oil in the industrialized economies.

Energy demand was also boosted by domestic consumption as the extreme weather events in the year saw both a deep freeze in Texas as well as record-setting heat temperatures on the North American west coast. The weakest sector on the Canadian markets was the materials group as the price of gold remained depressed for the period.

The precious metal has suffered since its record close of \$2,069/oz in August 2020 and is now down 14.0% from that high point. Forecasts of a solid economic recovery from vaccinations and stimulus spending have tarnished gold’s allure as a safety haven in times of uncertainty.

The steady rise in bond yields accelerated earlier in the year roiling markets and questioning central banks’ ability of controlling the pace of economic recovery. Government bond yields soared globally popping the US 10-year Treasury yields to 1.7% in April (tripling from its low last summer) before falling back to the 1.5% level.

This was a level not seen since February 2020. Even though the economic data does not suggest a return to solid economic recovery any time soon, the markets have begun to price in much faster growth. Canadian bond yields also moved in tandem with their US counterparts with yields on the 10-year Canadian jumping to 1.6% before settling at 1.4%.

Expectations are that the Bank of Canada will “taper” its rate of buying government bonds and raise rates sooner than the US Federal Reserve.

Economists and investment managers believe the bond market is moving on faster-than-expected economic growth as the Coronavirus vaccine rollout boosts GDP forecasts. However, the move in yields could also signal hotter inflation ahead, which weighed on equity valuations in certain periods throughout the year.

### COVID-19 impact

During the period equity markets continued to move higher, after recovering most if not all the losses incurred in the COVID-19 related bear market earlier in calendar year of 2020. Cash levels were deployed throughout the period as we became more comfortable with the reopening of the economy and recovery in corporate profits.

In addition, the Fund did not face any large redemptions that would have materially affected the performance of the Fund (see change in Net Asset Value for net sales).

Within our income mandates, companies that are either highly leveraged or at risk of cutting their dividends have been sold. All the portfolios have been structured as more defensive compared to their benchmark index. We believe the best way to invest in markets as these is to have a total return focus.

Investors should be rewarded by buying companies with a strong growth profile and growing dividend stream. All the public equity holdings are liquid positions and can be sold within a day.

We use our proprietary investment process daily and in volatile market conditions, we seek to ensure that we can manage downside risk and adjust the portfolios accordingly while seeking to achieve our long-term investment goals for our clients.

### Performance

The Canadian Financial sector was up 23.5% during the period. The largest holdings in the Fund were the diversified banks with weightings of approximately 8.0%. All the banks performed very well during the period with performance among the big six banks ranging from Bank of Nova Scotia up 20.1% and Bank of Montreal up 34.0%.

# STONE COVERED CALL CANADIAN BANKS PLUS FUND

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE (continued)

The next largest holdings in the Fund were Insurers with weightings averaging 5.0% to 7.0%. The performance of holdings in this sub-sector were all positive and ranged from Manulife Financial Corp. up 10.1% to Great-West Lifeco Inc. up 24.4%. The Fund managed risk of equity holdings by raising cash during the period and allocating a significant weight to preferred shares in the Financials sector.

These holdings represent approximately 4% of the portfolio and of the 10 issues selected for the portfolio, 4 have been called at par by the issuer. Each of the preferred shares added increased in value over the period with the lowest performer gaining 3.6% return.

The Portfolio Manager wrote covered call options on the portfolio throughout the period as volatility levels trended lower for Canadian financial names during the months of March, April, May and especially June. For several months during the period the Fund did not have any positions overwritten due to low premiums offered and upward trending prices, which are generally unattractive times to overwrite.

Due to the strong performance from diversified banks, the Fund's Series outperformed its benchmark.

As a result, the Fund's Series generated the following returns for the period.

Series			
A	F	O	PTF*
22.1%	22.8%	-0.8%	n/a

\*Returns are not disclosed for series of the Fund that have been in existence for less than one year.

Any differences in performance returns between Series are primarily due to different management and operating fees that are applicable to a particular Series. Please refer to "Past Performance" for details regarding the performance of the Fund's Series.

The calculation of the Fund's Series performance takes into consideration all fees and expenses of the Fund, which are not applicable in the calculation of the benchmark's performance. The Fund's benchmark (the Morningstar® Canada Index) returned 17.2% over the same period.

### Change in Net asset value

Net Assets of the Fund increased by 4.1% or \$0.5 million during the period, from \$12.2 million at December 31, 2020 to \$12.7 million at June 30, 2021. This change in Net Assets is attributed to net sales (redemptions) of (\$2.0) million and \$2.5 million to investment operations, including market appreciation (depreciation), income and expenses.

## RECENT DEVELOPMENTS

Please see "Results of Operations" for market-related developments. There are no known changes at this time to the manager, portfolio manager or the composition of the Independent Review Committee.

### Statement of Compliance

The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board ("IASB").

## RELATED PARTY TRANSACTIONS

Stone Asset Management Limited ("SAM") is the manager and portfolio manager of the Fund. SAM is a wholly owned subsidiary of Stone Investment Group Limited.

### Fund Manager

As Fund Manager, SAM is responsible for managing the Fund's overall business and day-to-day operational services, as described under the headings "Management Fees" and "Operating Fees".

### Portfolio Manager

As Portfolio Manager, SAM is responsible for providing portfolio management services to the Fund.

### Management fees

The Fund pays a management fee, calculated daily and paid monthly, based on the following schedule:

Series	A	F	O	PTF
Annual Fee (%)	1.65	0.65	-	0.65

The following table lists the major services received by the Fund, as a percentage of the Management Fee:

Series	A	F	O	PTF
Dealer Compensation (%)	50	-	-	-
Investment and Fund Management (%)	50	100	-	100
Total (%)	100	100	-	100

### Operating fees

The Fund pays operating fees (the "Operating Fees") to SAM for the day-to-day operational services. The Operating Fees include, but are not limited to: legal and audit fees, transfer agency costs, custodian costs, filing fees, administrative and overhead costs charged by SAM, and the Independent Review Committee of the Fund.

Operating fees incurred by the Fund are allocated among the Series on a reasonable basis as determined by SAM.

At its sole discretion, the manager may waive management fees or absorb expenses of the Fund. The management expense ratios of each of the series of units of the Fund with and without the waivers and absorptions are reported in the Ratios and Supplemental Data table.

### Independent Review Committee

SAM has established the Independent Review Committee (the "IRC") for the Fund in accordance with the requirements of National Instrument 81-107 – Independent Review Committee for Investment Funds in order to review conflicts of interest as they relate to investment fund management.

The compensation and other reasonable expenses of the IRC are paid pro rata out of the assets of the Fund for which the independent review committee acts. The main component of compensation is an annual retainer. The Chair of the IRC is entitled to an additional fee.

# STONE COVERED CALL CANADIAN BANKS PLUS FUND

## FINANCIAL HIGHLIGHTS

The following tables present selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the periods indicated.

### THE FUND'S NET ASSETS PER SECURITY<sup>1</sup>

Series	As at	Net assets, beginning of period <sup>2</sup>	Increase (decrease) from operations <sup>2</sup> (All figures in (\$))				Distributions <sup>2 3</sup>					Net assets, end of period	
			Total revenue	Total expenses (excluding distributions)	Realized gains (losses) for the period	Unrealized gains (losses) for the period	Total increase (decrease) from operations <sup>2</sup>	Net investment income (excluding dividends)	Dividends	Capital gains	Return of capital		Total distributions <sup>3</sup>
	Jun 2021	<b>9.05</b>	0.20	(0.14)	0.17	1.80	<b>2.03</b>	-	(0.03)	-	-	(0.03)	<b>11.02</b>
	Dec 2020	<b>9.62</b>	0.39	(0.25)	(0.65)	(0.28)	<b>(0.79)</b>	-	(0.11)	-	(0.02)	<b>(0.13)</b>	<b>9.05</b>
	Dec 2019	<b>7.99</b>	0.43	(0.33)	0.12	1.59	<b>1.81</b>	-	-	-	(0.03)	<b>(0.03)</b>	<b>9.62</b>
	Dec 2018	<b>9.77</b>	0.34	(0.33)	0.29	(1.67)	<b>(1.37)</b>	-	-	(0.31)	(0.05)	<b>(0.36)</b>	<b>7.99</b>
	Dec 2017	<b>9.42</b>	0.32	(0.21)	0.51	0.30	<b>0.92</b>	-	(0.05)	(0.43)	-	<b>(0.48)</b>	<b>9.77</b>
<b>A</b>	Dec 2016	<b>8.76</b>	0.32	(0.19)	0.88	0.89	<b>1.90</b>	-	(0.08)	(0.81)	-	<b>(0.89)</b>	<b>9.42</b>
	Jun 2021	<b>9.44</b>	0.21	(0.09)	0.19	1.81	<b>2.12</b>	-	(0.06)	-	(0.01)	<b>(0.07)</b>	<b>11.52</b>
	Dec 2020	<b>9.99</b>	0.41	(0.17)	(0.62)	(0.16)	<b>(0.54)</b>	-	(0.15)	-	(0.03)	<b>(0.18)</b>	<b>9.44</b>
	Dec 2019	<b>8.27</b>	0.54	(0.24)	0.35	1.11	<b>1.76</b>	-	(0.01)	(0.05)	(0.04)	<b>(0.10)</b>	<b>9.99</b>
	Dec 2018	<b>9.95</b>	0.35	(0.23)	0.29	(1.70)	<b>(1.29)</b>	-	-	(0.32)	(0.05)	<b>(0.37)</b>	<b>8.27</b>
	Dec 2017	<b>9.60</b>	0.34	(0.10)	0.50	0.30	<b>1.04</b>	-	(0.13)	(0.48)	-	<b>(0.61)</b>	<b>9.95</b>
<b>F</b>	Dec 2016	<b>8.94</b>	0.33	(0.09)	0.76	0.93	<b>1.93</b>	-	(0.13)	(0.89)	-	<b>(1.02)</b>	<b>9.60</b>
	Jun 2021	<b>10.00</b>	0.05	-	0.06	(0.16)	<b>(0.05)</b>	-	-	-	-	-	<b>9.92</b>
	Dec 2020	<b>10.00</b>	-	-	-	-	-	-	-	-	-	-	<b>10.00</b>
<b>O†</b>	Dec 2019	<b>10.00</b>	-	-	-	-	-	-	-	-	-	-	<b>10.00</b>
<b>PTF‡</b>	Jun 2021	<b>10.00</b>	0.12	(0.05)	0.18	0.44	<b>0.69</b>	-	(0.03)	-	-	<b>(0.03)</b>	<b>10.77</b>

†Series O was seeded on August 1, 2019 at \$10.00.

‡Series opened on March 22, 2021.

#### Explanatory Notes:

1. This information is derived from the Fund's unaudited interim financial report and annual audited financial statements.
2. Net assets and distributions are based on the actual number of securities outstanding at the relevant time. The increase/(decrease) from operations is based on the weighted average number of securities outstanding over the financial period. It is not intended that the Fund's net asset per security table act as a continuity of opening and closing net assets per security.
3. Distributions were paid in cash and/or reinvested in additional securities of the Fund.

# STONE COVERED CALL CANADIAN BANKS PLUS FUND

## FINANCIAL HIGHLIGHTS (continued)

### RATIOS AND SUPPLEMENTAL DATA

Series	As at	Total net asset value (\$000's) <sup>1</sup>	Number of securities outstanding <sup>1</sup>	Management expense ratio ("MER") (%) <sup>2</sup>	MER before waivers or absorptions (%) <sup>2</sup>	Trading expense ratio (%) <sup>3</sup>	Portfolio turnover rate (%) <sup>4</sup>	Net asset value per security (\$)
	Jun 2021	6,224	564,734	2.73	3.01	0.01	-	11.02
	Dec 2020	7,189	794,296	2.89	3.05	0.10	72	9.05
	Dec 2019	11,708	1,217,562	3.45	3.45	0.16	109	9.62
	Dec 2018	7,295	913,048	3.42	3.42	0.04	63	7.99
	Dec 2017	9,619	984,082	2.13	3.39	0.08	112	9.77
A	Dec 2016	7,686	816,071	1.97	4.28	0.09	225	9.42
	Jun 2021	6,440	559,076	1.69	1.97	0.01	-	11.52
	Dec 2020	5,045	534,197	1.85	2.01	0.10	72	9.44
	Dec 2019	4,888	489,455	2.35	2.35	0.16	109	9.99
	Dec 2018	686	82,993	2.37	2.37	0.04	63	8.27
	Dec 2017	849	85,374	1.00	1.59	0.08	112	9.95
F	Dec 2016	493	51,305	0.92	2.01	0.09	225	9.60
	Jun 2021	9	932	-	-	0.01	-	9.92
	Dec 2020	-	1	-	-	-	-	10.00
O†	Dec 2019	-	1	-	-	-	-	10.00
PTF‡	Jun 2021	51	4,745	1.55	1.83	0.01	-	10.77

†Series opened on August 1, 2019.

‡Series opened on March 22, 2021.

#### Explanatory Notes:

1. This information is provided as at each period shown.
2. Management expense ratio ("MER") for each series is based on total expenses (excluding distributions, commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average NAV during the period.
3. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
4. The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

# STONE COVERED CALL CANADIAN BANKS PLUS FUND

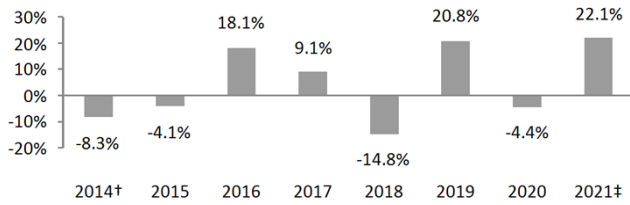
## PAST PERFORMANCE

### YEAR-BY-YEAR RETURNS

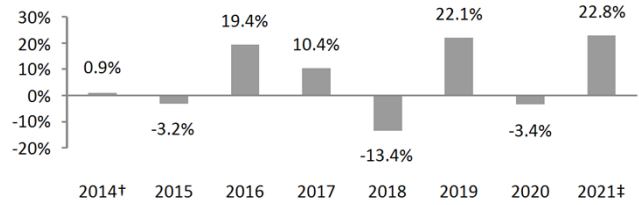
The performance information presented herein assumes all dividends of the Fund during the periods presented were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemption, or other charges that would have reduced returns or performance. Past performance of the Fund is not necessarily indicative of how it will perform in the future.

The following charts present the Fund's performance for each of the periods shown and illustrate how the Fund's performance varied from year to year. The charts show, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year, except where noted. Returns are not disclosed for series of the Fund that have been in existence for less than one year.

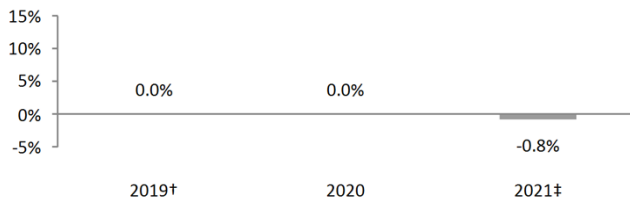
**Series A**



**Series F**



**Series O**



† From inception to December 31 of that year.

‡ For the six-month period ended June 30, 2021.

# STONE COVERED CALL CANADIAN BANKS PLUS FUND

## SUMMARY OF INVESTMENT PORTFOLIO

AS AT JUNE 30, 2021

TOP 25 HOLDINGS		PORTFOLIO COMPOSITION	
Name of Security*	% of Total Net Asset Value	Sector Allocation (%)	
National Bank of Canada	8.3	Financials	99.1
Royal Bank of Canada	8.2	Other net assets (liabilities)	0.2
Toronto-Dominion Bank	8.2	Cash & cash equivalents	0.7
Bank of Montreal	8.1	<b>Industry Allocation (%)</b>	
Bank of Nova Scotia	8.0	Banks	54.8
Canadian Imperial Bank of Commerce	7.9	Financial & Commodity Market Operators & Service Providers	2.2
Power Corp. of Canada	7.3	Investment Management & Fund Operators	13.8
Great-West Lifeco Inc.	6.1	Life & Health Insurance	24.3
Manulife Financial Corp.	5.7	Property & Casualty Insurance	4.0
Sun Life Financial Inc.	5.2	Other net assets (liabilities)	0.2
Brookfield Asset Management Inc., Class 'A'	4.4	Cash & cash equivalents	0.7
Intact Financial Corp.	4.0		
IGM Financial Inc.	3.7		
iA Financial Corp. Inc.	3.4		
Laurentian Bank of Canada	3.3		
Canadian Western Bank	2.8		
Onex Corp.	2.3		
TMX Group Ltd.	2.2		
Cash & cash equivalents	0.7		
Brookfield Asset Management Reinsurance Partners Ltd., Class 'A'	=		
	<b>99.8</b>		

This summary of investment portfolio may change due to the ongoing portfolio transactions of the Fund. Quarterly updates of the Fund's investment portfolio are available from the Manager at [www.stoneco.com](http://www.stoneco.com).

\* Represents entire portfolio.

## NOTES



## NOTES

## NOTES

## NOTES

# STONE COVERED CALL CANADIAN BANKS PLUS FUND

## Interim Management Report of Fund Performance

June 30, 2021

### CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to: market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Fund may invest and the risks detailed from time to time in the Fund's simplified prospectus. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, the Fund does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.



### STONE ASSET MANAGEMENT LIMITED

276 King Street West, Suite 203 | Toronto, Ontario M5V 1J2 | T: 416 364 9188 or 800 336 9528  
F: 416 364 8456 | [info@stoneco.com](mailto:info@stoneco.com) | [www.stoneco.com](http://www.stoneco.com)

