



Healthcare Special Opportunities Fund

Financial Statements

December 31, 2015

INDEPENDENT AUDITORS' REPORT

To the Unitholders of Healthcare Special Opportunities Fund (the "Fund")

We have audited the accompanying financial statements of the Fund, which comprise the statement of financial position as at December 31, 2015, and the statement of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2015, and the results of its operations and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Toronto, Canada
March 4, 2016

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Healthcare Special Opportunities Fund

Statement of Financial Position

As at December 31, 2015

2015

Assets

Current assets

Financial assets at fair value through profit or loss (notes 3 and 12)	\$	64,344,001
Cash		792,537
Accrued dividends		50,188

Total assets 65,186,726

Liabilities

Current liabilities

Accrued expenses		35,382
Management fees		73,746

Total liabilities (excluding Net Assets attributable to holders of redeemable units) 109,128

Net Assets attributable to holders of redeemable units (note 4) \$ 65,077,598

Net Assets attributable to holders of redeemable units per class

Class A	\$	53,360,987
Class U	\$	11,716,611

Net Assets attributable to holders of redeemable units per class per unit (note 4)

Class A	\$	8.76
Class U	\$	11.38

Approved on behalf of LDIC Inc., as manager of the Healthcare Special Opportunities Fund.

/s/Michael B. Decter
Michael B. Decter, Director

/s/Graham Scott
Graham Scott, Director

Healthcare Special Opportunities Fund

Statement of Comprehensive Income

For the period from July 15, 2015 (commencement of operations) to December 31, 2015

	2015
Net Gain (loss) on Financial Instruments	
Dividend income	\$ 518,911
Foreign exchange gain (loss)	172,317
Other changes in fair value on financial assets and financial liabilities at fair value through profit or loss	
Net realized gain (loss) on sale of investments	(5,429,463)
Change in unrealized appreciation (depreciation) in value of investments	1,035,269
Change in unrealized appreciation (depreciation) in value of foreign exchange from currency	2,093
Net Gain (loss) on Financial Instruments	(3,700,873)
Expenses (note 5)	
Management fees	409,989
Custodian fees	2,096
Audit fees	16,794
Legal fees	5,914
Valuation fees	3,474
Independent review committee fees	3,338
Transaction costs (note 7)	89,270
Filing fees	5,753
Securityholder reporting costs	12,016
Other expenses	9,776
Total operating expenses	558,420
Operating profit (loss)	(4,259,293)
Withholding taxes (note 6)	(74,954)
Increase (decrease) in Net Assets attributable to holders of redeemable units from operations (excluding distributions)	\$ (4,334,247)
Increase (decrease) in Net Assets attributable to holders of redeemable units per class from operations (excluding distributions)	
Class A	\$ (3,578,907)
Class U	\$ (755,340)
Average number of units outstanding for the period per class	
Class A	6,086,348
Class U	1,024,738
Increase (decrease) in Net Assets attributable to holders of redeemable units per unit from operations (excluding distributions)	
Class A	\$ (0.59)
Class U	\$ (0.74)

The accompanying notes are an integral part of these financial statements

Healthcare Special Opportunities Fund
Statement of Changes in Net Assets Attributable to Holders of Redeemable Units
For the period from July 15, 2015 (commencement of operations) to December 31, 2015

	2015	
	Class A	Class U
Net Assets attributable to holders of redeemable units at beginning of period	\$ -	\$ -
Increase (decrease) in Net Assets attributable to holders of redeemable units from operations (excluding distributions)	(3,578,907)	(755,340)
Redeemable unit transactions		
Proceeds from redeemable units issued	59,453,052	12,831,462
Class U redeemable units converted to Class A redeemable units	88,398	(88,398)
Issuance costs	(2,601,556)	(271,113)
	56,939,894	12,471,951
Net Increase (decrease) in Net Assets attributable to holders of redeemable units	53,360,987	11,716,611
Net Assets attributable to holders of redeemable units at end of period	\$ 53,360,987	\$ 11,716,611
		2015
		Total
Net Assets attributable to holders of redeemable units at beginning of period		\$ -
Increase (decrease) in Net Assets attributable to holders of redeemable units from operations (excluding distributions)		(4,334,247)
Redeemable unit transactions		
Proceeds from redeemable units issued		72,284,514
Class U redeemable units converted to Class A redeemable units		-
Issuance costs		(2,872,669)
		69,411,845
Net Increase (decrease) in Net Assets attributable to holders of redeemable units		65,077,598
Net Assets attributable to holders of redeemable units at end of period		\$ 65,077,598

The accompanying notes are an integral part of these financial statements

Healthcare Special Opportunities Fund

Statement of Cash Flows

For the period from July 15, 2015 (commencement of operations) to December 31, 2015

2015

Cash flows from (used in) operating activities

Increase (Decrease) in Net Assets attributable to holders of redeemable units from operations (excluding distributions)	\$	(4,334,247)
Adjustments for:		
Foreign exchange gain (loss)		(172,317)
Net realized gain (loss) on sale of investments		5,429,463
Change in unrealized appreciation (depreciation) in value of investments		(1,035,269)
Purchases of investments		(82,836,425)
Proceeds from sale of investments		14,098,230
Accrued dividends		(50,188)
Accrued expenses		35,382
Management fees payable		73,746
Net cash from (used in) operating activities		(68,791,625)

Cash flows from (used in) financing activities

Issuance costs		(2,872,669)
Proceeds from redeemable units issued		72,284,514
Net cash from (used in) financing activities		69,411,845

Foreign exchange gain (loss)		172,317
Net increase (decrease) in cash		620,220
Cash at beginning of period		-
Cash at end of period		792,537

Supplemental Cash Flow Information:

Dividends received, net of withholding taxes	\$	393,769
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LDIC Healthcare Special Opportunities Fund

Schedule of Investment Portfolio

As at December 31, 2015

Par Value	Description	Expiry Date	Average Cost (\$)	Fair Value (\$)	% of Net Assets
Equities - Canada					
Consumer Discretionary					
41,700	Cineplex Inc.		2,029,125	1,982,835	3.0
Health Care					
5,733,664	Convalo Health International Corp.		2,196,355	1,834,772	
270,000	Delivra Inc.		202,500	202,500	
27,000	Delivra Inc., Warrants	January 31, 2016	-	-	
1,000,000	Patient Home Monitoring Corp.		1,220,022	650,000	
			3,618,877	2,687,272	4.1
Industrials					
18,350	K-Bro Linen Inc.		960,029	934,933	1.4
Equities - United States					
Financials					
32,500	Care Capital Properties Inc.		1,412,935	1,380,107	
62,700	HCP Inc.		3,156,954	3,330,576	
43,833	Ventas Inc.		3,192,498	3,435,936	
36,700	Welltower Inc.		3,211,100	3,468,170	
			10,973,487	11,614,789	17.8
Consumer Discretionary					
68,560	Service Corp., International		2,624,594	2,478,061	3.8
Consumer Staples					
22,350	CVS Health Corp.		3,111,965	3,035,407	
34,500	Diplomat Pharmacy Inc.		1,649,399	1,639,959	
25,050	Walgreens Boots Alliance Inc.		3,018,491	2,963,137	
			7,779,855	7,638,503	11.8
Health Care					
21,600	Aetna Inc.		3,181,229	3,244,096	
12,200	Amgen Inc.		2,529,174	2,751,012	
10,000	Becton Dickinson and Co.		1,910,920	2,140,466	
18,138	Gilead Sciences Inc.		2,597,112	2,549,534	
25,800	Johnson & Johnson		3,307,837	3,681,362	
9,950	McKesson Corp.		2,736,191	2,726,026	
27,843	Medtronic PLC		2,708,679	2,975,015	
25,060	Merck & Co., Inc.		1,789,602	1,838,710	
49,100	Pfizer Inc.		2,274,322	2,201,653	
33,700	Roche Holding AG		1,563,070	1,613,634	
18,710	Stryker Corp.		2,336,220	2,415,518	
19,000	Teva Pharmaceutical Industries Ltd.		1,537,676	1,732,431	
19,700	UnitedHealth Group Inc.		3,103,719	3,219,253	
7,500	Universal Health Services Inc.		1,231,526	1,244,878	
35,000	VCA Antech Inc.		2,560,828	2,674,020	
			35,368,105	37,007,608	57.0
Total Equities			63,354,072	64,344,001	98.9
Transaction costs					
Total Investments			63,354,072	64,344,001	98.9
Other Assets, Less Liabilities				733,597	1.1
Net Assets Attributable to Holders of Redeemable Units			\$	65,077,598	100.0

Healthcare Special Opportunities Fund

Notes to Financial Statements

December 31, 2015

1. GENERAL INFORMATION

The Healthcare Special Opportunities Fund (the “Fund”) is a closed-end investment trust established under the laws of the Province of Ontario on June 26, 2015. LDIC Inc. (the “Manager”) is the Trustee and Manager of the Fund. The Fund was listed on the Toronto Stock Exchange (“TSX”) and effectively commenced operations on July 15, 2015 when it first issued units through an initial public offering. The address of the fund’s registered office is 130 King Street West, Suite 2130, Toronto, Ontario. These financial statements were authorized for issue by the Manager on March 4, 2016.

The investment objective of the Fund is principally set up to provide holders of units with long-term total return through distributions and capital appreciation of the Fund’s investment portfolio by investing in equity and debt securities of issuers that derive a significant portion of their revenue or earnings from medical and healthcare products and/or services.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) as of March 4, 2016, which is the date on which the annual financial statements were authorized for issue by the Manager.

In applying IFRS, management makes estimates and assumptions that may affect the amounts of assets, liabilities, income and expenses reported in these financial statements. The most significant estimates relate to the valuation of financial instruments. Actual results may differ from the estimates.

These financial statements have been presented in Canadian dollars, which is the Fund’s functional currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency translation

Foreign currency purchases and sales of investments and foreign currency dividend and interest income and expenses are translated to Canadian dollars at the rate of exchange prevailing at the time of the transactions.

Foreign exchange gains (losses) on purchases and sales of foreign currencies are included in the Statement of Comprehensive Income— Foreign exchange gain (loss).

The fair value of investments and other assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the rate of exchange prevailing on each valuation day.

(b) Financial instruments

The Fund’s investments in equity securities are designated at fair value through profit or loss (“FVTPL”) at inception. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amounts required to be received or paid, discounted when appropriate, at the financial instrument’s effective interest rate. The fair values of the Fund’s financial assets and liabilities that are not carried at FVTPL approximate their carrying amounts due to their short-term nature.

Financial instruments classified as held-for-trading: Financial assets and liabilities are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term, and are acquired principally for the purpose of generating a profit from short-term fluctuations in price.

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Financial instruments designated as FVTPL through inception: All investments held by the Fund are designated as fair value through profit or loss upon initial recognition. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's prospectus.

(c) Fair value measurements

Financial instruments are valued at their fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that days bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The Fund uses a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Fund's investments. The hierarchy of inputs is summarized below:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Changes in valuation methods may result in transfers into or out of an investment's assigned level.

A valuation hierarchy table has been included in Note 10, Fair Value Disclosure.

(d) Cash

Cash comprises deposits held at financial institutions.

(e) Multiclass allocation

Expenses, realized and unrealized gains/losses and income generally are allocated among the classes on a pro-rata basis.

Class specific management fees are not allocated and do not require allocation.

(f) Transaction costs

Transaction costs, such as brokerage commissions incurred in the purchase and sale of securities, are expensed and are included in "Transaction Costs" in the Statement of Comprehensive Income.

(g) Investment transactions

Investment transactions are accounted for on the trade date. All income, net realized gains (losses), unrealized appreciation (depreciation) in the value of investments and transaction costs are attributable to investments that are deemed held for trading.

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(h) Revenue recognition

- The interest for distribution purposes shown on the Statement of Comprehensive Income represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed-income securities, except for zero coupon bonds, which are amortized on a straight-line basis.
- Dividend income is recorded on the ex-dividend date and is gross of withholding taxes.
- Realized gains and losses on investments and unrealized appreciation (depreciation) in the value of investments are calculated with reference to the average cost of the related investments.

(i) Increase (decrease) in Net Assets Attributable to Holders of Redeemable Units per unit

The increase (decrease) in Net Assets attributable to holders of redeemable units per unit in the Statement of Comprehensive Income represents the net increase (decrease) in Net Assets attributable to holders of redeemable units per unit, divided by the weighted average units outstanding during the year of that class of units.

(j) Accounting Standards Issued but not yet Adopted

IFRS 9, Financial Instruments (“IFRS 9”), which is intended to replace IAS 39, Financial Instruments: Recognition and Measurement, sets forth new requirements for financial instrument classification and measurement, impairment and hedge accounting. The mandatory effective date of IFRS 9 is January 1, 2018. Although entities may still choose to apply IFRS 9 immediately, the Fund has chosen not to early adopt IFRS 9 and is in the process of assessing the impact of IFRS 9.

(k) Critical Accounting Estimates and Judgments

- Fair value measurements of financial instruments not quoted in an active market

The Fund may hold financial instruments that are not quoted in active markets. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding.

- Classification and measurement of financial instruments and application of fair value option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make judgments about the classification of financial instruments and the applicability of the fair value option to its investments that are not held for trading. The fair value option has been applied to the Fund’s investments in equity securities as the investments are managed on a fair value basis in accordance with the Fund’s investment strategy.

4. UNITS OF THE FUND

The Fund is authorized to issue an unlimited number of Units of each class. The Class A Units are denominated in Canadian dollars, and the Class U Units are denominated in U.S. dollars. The Class U Units will not be listed on a stock exchange, but are convertible into Class A Units on a weekly basis for liquidity. It is expected that liquidity for the Class U Units will be obtained primarily by means of conversion into Class A Units and the sale of such Class A Units on a stock exchange.

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Units may be redeemed at the option of holders of units by tendering units of the Fund by the second last business day of July for redemptions (“Annual Redemption Date”) commencing in 2017. Units must be properly surrendered for redemption at least 30 days prior to an Annual Redemption Date in each year. Unitholders whose Units are redeemed on the Annual Redemption Date will receive a redemption price per Unit equal to 100% of the Net Asset Value (“NAV”) per Unit of the applicable class on an Annual Redemption Date (less any costs associated with the redemption including brokerage costs).

In addition to the annual redemption right, Unitholders may surrender Units at any time for redemption on the second last Business Day (a “Business Day” being a day other than a Saturday, Sunday or statutory holiday in Toronto, Ontario or any other day the TSX is not open for trading) in a month (a “Monthly Redemption Date”), subject to certain conditions. Unitholders surrendering a Class A Unit for redemption on a Monthly Redemption Date will receive a redemption price equal to the lesser of (a) 95% of the “weighted average trading price” of the Class A Units on the principal market on which the Class A Units are quoted for trading, the TSX, during the 15 trading days preceding the applicable Monthly Redemption Date; and (b) the “closing market price” of the Class A Units on the principal market on which the Class A Units are quoted for trading on the applicable Monthly Redemption Date (the “Monthly Redemption Amount” less, in each case, any costs associated with the redemption, including brokerage costs). Unitholders surrendering a Class U Unit for redemption on a Monthly Redemption Date will receive in U.S. dollars an amount equal to the U.S. dollar equivalent of the product of (i) the Monthly Redemption Amount and (ii) a fraction, the numerator of which is the most recently calculated NAV per Unit of a Class U Unit and the denominator of which is the most recently calculated NAV per Unit of a Class A Unit, less any costs associated with the redemption, including brokerage costs.

Issued

On July 15, 2015, the Fund completed an initial public offering for 6,080,797 Class A units and 851,972 Class U units for net proceeds of \$57,018,933 and \$10,303,266 respectively. The Fund completed a second closing on July 23, 2015 for an additional 185,785 Class U units for net proceeds of \$2,287,339. During the year ended December 31, 2015, the Fund completed a conversion of 8,000 Class U units to 10,384 Class A units. No units were redeemed pursuant to the monthly redemption right or annual redemption right during the year ended December 31, 2015.

	2015	2015
	Number	Number
	of Class A Units	of Class U Units
Units, outstanding at January 1, 2015	-	-
Issuance of redeemable units	6,080,797	1,037,757
Class U redeemable units converted to Class A redeemable units	10,384	(8,000)
Units, outstanding at December 31	6,091,181	1,029,757

On December 31, 2015, the Fund’s closing market price was \$7.49 per unit.

5. RELATED PARTY TRANSACTIONS

As at December 31, 2015, the Manager of the Fund and certain directors and officers of the Manager held a total of 294,328 Class A units of the Fund.

Management Fees, Performance Fees and Operating Expenses

The Manager provides investment and administrative services to the Fund. In consideration for these services, the Manager receives a 1.25% fee per annum based on a percentage of the Net Assets of the Fund calculated daily and payable monthly.

The Manager is entitled be paid a performance fee (the “Performance Fee”) from the Fund in respect of investments in the private equity investments (the “Private Portfolio”) including, for the purpose of calculating the Performance Fee,

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securities of private issuers in the Private Portfolio that have become publicly traded and public securities received on the disposition of securities of a private issuer in the Private Portfolio. The amount of the Performance Fee shall be determined as of the date of disposition (the "Determination Date") for cash proceeds for each such investment.

The Performance Fee in respect of each investment will be equal to 20% of the amount by which the cash proceeds of disposition exceed 106% of the Threshold Amount calculated on a cumulative annual basis plus applicable taxes.

The Performance Fee shall be calculated and accrue daily and be paid upon each Determination Date; however, no Performance Fee shall be paid in respect of any dispositions of securities of private issuers in the Private Portfolio unless on the Determination Date the proceeds of disposition of the investment exceed 107% of the original book value of the investment (the "Threshold Amount"). There are no performance fees for the year ended December 31, 2015.

The Fund is responsible for the payment of all expenses relating to its operations and the carrying on of its business. These expenses include, but are not limited to, administration and accounting costs, the costs of any back-office service provider retained by the Manager, transaction costs, audit and legal fees, custodial fees, the costs of preparing and distributing annual and semi-annual financial statements, unitholder reports and investor communications. At times, the Manager may pay a portion of the expenses otherwise payable by the Fund.

6. TAXATION OF THE FUND AND ALLOCATION TO UNITHOLDERS

The Fund qualifies as a mutual fund trust as defined in the Income Tax Act (Canada) (the "Act"). Pursuant to the terms of the Declaration of Trust, the Fund pays or makes payable in the calendar year to the unitholders all the net income and such portion of the net capital gains which will result in the Fund paying no tax under the current provisions of the Act. As a result, under existing tax legislation, the net income and net capital gains are taxable in the hands of the unitholders of the Fund. Accordingly, no provision for Canadian income taxes has been made in these financial statements.

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown separately in the Statement of Comprehensive Income.

The Fund has accumulated capital loss carry-forwards as of December 31, 2015 of \$3,360,450 which may be applied against future years' capital gains and can be carried forward indefinitely

7. TRANSACTION COSTS

Commissions and other transaction costs paid in connection with securities transactions during the period ended December 31, 2015 amounted to \$89,270.

8. SOFT DOLLAR COMMISSIONS

In addition to covering brokerage services on security transactions, commissions paid to certain brokers may also cover research services provided to the Manager. The value of the research services included in the commissions paid by the Fund to those brokers for the period ended December 31, 2015 was nil.

9. FINANCIAL RISK MANAGEMENT

In the normal course of operations, the Fund's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (defined as interest rate risk, currency risk and other price risk). The value of investments in a Fund's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions and market news related to specific securities in the portfolio. The level of risk depends on the Fund's objectives and the type of securities it holds. In order to mitigate risk, depending on conditions, the Manager diversifies the portfolio based on

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criteria such as asset class, country, industry and currency. Significant risks that are relevant to the Fund are discussed below. "Net Assets" below is defined as Net Assets attributable to unitholders.

(a) Other price risk

Other price risk represents the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment.

The Fund is exposed to other price risk from investments in equities. As at December 31, 2015, approximately 98.87% of the Fund's Net Assets were held directly in equities. If equity prices on the exchanges increased or decreased by 5% as at December 31, 2015, the Net Assets of the Fund would have increased or decreased by approximately \$3,217,200, or 4.9%, all other factors remaining constant. In practice, the actual results may differ and the difference could be material.

(b) Currency risk

Currency risk is the risk that the fair value of financial instruments denominated in currencies other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate because of changes in foreign exchange rates.

	December 31, 2015	
	Currency Exposure (\$)	Percentage of Net Assets (%)
U.S. Dollar	60,028,787	92.2

As at December 31, 2015, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies represented in the portfolio, with all other variables remaining constant, Net Assets would have decreased or increased by approximately \$3,001,439. In practice, the actual results may differ and the difference could be material.

(c) Interest rate risk

As at December 31, 2015, the majority of the Fund's financial assets and liabilities were non-interest bearing. As a result, the Fund is not subject to a significant amount of interest rate risk.

(d) Credit risk

As at December 31, 2015, the Fund had no significant investments in debt instruments and/or derivatives and, therefore, did not have significant exposure to credit risk.

(e) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its obligations associated with its financial liabilities. The Fund's primary exposure to liquidity risk relates to its unitholders' right to redeem their units on any Valuation Date. Liquidity risk is managed by retaining sufficient cash and cash equivalent positions and investing the majority of the Fund's assets in portfolio investments that are traded in an active market and can be readily disposed. There can be no assurance that an active trading market for the investments will exist at all times, or that the prices at which the securities trade accurately reflect their values.

Thin trading in a security could make it difficult to liquidate holdings quickly. The Manager considers market depth and the relationship between liquidity and size of the position as part of the criteria for approval of a new investment and in its periodic reevaluation of the investment.

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(f) Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The following is a summary of the Fund's concentration risk.

Investment Sector	December 31, 2015
Consumer Discretionary	6.8%
Consumer Staples	11.8%
Financials	17.8%
Health Care	61.1%
Industrials	1.4%
Net Other Assets	1.1%
Total	100.0%

10. FAIR VALUE DISCLOSURE

The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2015.

	Financial Assets at Fair Value as at December 31, 2015			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	62,527,867	1,613,634	202,500	64,344,001

The following is a reconciliation of investments in which significant unobservable inputs (level 3) were used to determine their fair value:

Period ended December 31, 2014	Equities
Beginning balance	\$ -
Purchases	202,500
Sales	-
Net transfers in (out)	-
Realized gains (losses)	-
Change in unrealized appreciation (depreciation) on investments	-
Balance as at December 31, 2015	\$ 202,500
Net change in unrealized appreciation (depreciation) from investments as at December 31, 2015	\$ -

11. CAPITAL MANAGEMENT

The Fund's investment objective is principally set up to provide holders of units with long-term total return by investing in equity and debt securities of issuers that derive a significant portion of their revenue or earnings from medical and healthcare products and/or services.

The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders, maximize unitholder value and maintain financial strength. The capital of the Fund is divided into two classes, Class A and Class U. The units issued and outstanding represent the capital of the Fund and shareholders are entitled to distributions when declared.

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December 31, 2015

The Fund manages its capital in accordance with the investment objectives and strategies and the risk management practices outlined in Note 9 under Financial Risk Management. The Manager actively monitors the cash position and financial performance to ensure sufficient liquidity to meet operating expenses, distributions, and redemptions.

12. FINANCIAL INSTRUMENTS

The Fund's equity investments are measured at FVTPL. Short-term investments, along with all other financial assets and liabilities, are recognized initially at fair value and subsequently measured at amortized cost, which approximates fair value due to their short-term nature.

The following tables present the carrying amounts of the Fund's financial assets by category as at December 31:

December 31, 2015	Financial assets at FVTPL			Financial assets at amortized cost	
	HFT	Designated at inception	Total		Total
Financial assets at fair value through profit or loss	\$ -	\$ 64,344,001	\$ 64,344,001	\$ -	\$ 64,344,001
Cash	-	-	-	792,537	792,537
Accrued dividends	-	-	-	50,188	50,188
Total	\$ -	\$ 64,344,001	\$ 64,344,001	\$ 842,725	\$ 65,186,726

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the period ended December 31:

Category	Net gains (losses)	
		<u>2015</u>
Net gains (losses) on financial instruments at FVTPL:		
Held-for-trading		-
Designated at inception		(3,700,873)
Total		(3,700,873)