



**Healthcare Special Opportunities Fund**

Interim Financial Statements

June 30, 2016

# Healthcare Special Opportunities Fund

## Statements of Financial Position (unaudited)

As at June 30, 2016 and December 31, 2015

	2016	2015
<b>Assets</b>		
<b>Current assets</b>		
Financial assets at fair value through profit or loss (notes 3 and 12)	\$ 63,296,319	\$ 64,344,001
Cash	856,955	792,537
Accrued dividends	45,750	50,188
<b>Total assets</b>	<b>64,199,024</b>	<b>65,186,726</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accrued expenses	55,423	35,382
Payable for investments purchased	200,750	-
Management fees payable	58,130	73,746
<b>Total liabilities (excluding Net Assets attributable to holders of redeemable units)</b>	<b>314,303</b>	<b>109,128</b>
<b>Net Assets attributable to holders of redeemable units (note 4)</b>	<b>\$ 63,884,721</b>	<b>\$ 65,077,598</b>
<b>Net Assets attributable to holders of redeemable units per class</b>		
Class A	\$ 52,451,736	\$ 53,360,987
Class U	\$ 11,432,985	\$ 11,716,611
<b>Net Assets attributable to holders of redeemable units per class per unit (note 4)</b>		
Class A	\$ 8.60	\$ 8.76
Class U	\$ 11.17	\$ 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 (unaudited)

For the six-month period ended June 30,

	2016
<b>Net gain (loss) on financial instruments</b>	
Dividend income	\$ 621,676
Foreign exchange gain (loss)	(424,933)
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	(3,221,655)
Change in unrealized appreciation (depreciation) in value of investments	2,483,449
Change in unrealized appreciation (depreciation) in value of foreign exchange from currency	2,457
<b>Net gain (loss) on financial instruments</b>	<b>(539,006)</b>
<b>Expenses (note 5)</b>	
Management fees	420,596
Custodian fees	4,024
Audit fees	12,476
Legal fees	5,366
Valuation fees	16,125
Independent review committee fees	1,611
Transaction costs (note 7)	43,807
Filing fees	12,844
Securityholder reporting costs	8,890
Other expenses	35,230
<b>Total operating expenses</b>	<b>560,969</b>
<b>Operating profit (loss)</b>	<b>(1,099,975)</b>
Withholding taxes (note 6)	(90,962)
<b>Increase (decrease) in Net Assets attributable to holders of redeemable units from operations (excluding distributions)</b>	<b>\$ (1,190,937)</b>
<b>Increase (decrease) in Net Assets attributable to holders of redeemable units per class from operations (excluding distributions)</b>	
Class A	\$ (971,190)
Class U	\$ (219,747)
<b>Average number of units outstanding for the period per class</b>	
Class A	6,094,420
Class U	1,027,262
<b>Increase (decrease) in Net Assets attributable to holders of redeemable units per unit from operations (excluding distributions)</b>	
Class A	\$ (0.16)
Class U	\$ (0.21)

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 (unaudited)**

For the six-month period ended June 30,

	2016	
	Class A	Class U
<b>Net Assets attributable to holders of redeemable units at beginning of period</b>	\$ 53,360,987	\$ 11,716,611
<b>Increase (decrease) in Net Assets attributable to holders of redeemable units from operations (excluding distributions)</b>	(971,190)	(219,747)
<b>Redeemable unit transactions</b>		
Class U redeemable units converted into Class A redeemable units	63,582	(63,582)
Issuance costs	(1,643)	(297)
	61,939	(63,879)
<b>Net Increase (decrease) in Net Assets attributable to holders of redeemable units</b>	(909,251)	(283,626)
<b>Net Assets attributable to holders of redeemable units at end of period</b>	\$ 52,451,736	\$ 11,432,985

  

	2016	
	Total	
<b>Net Assets attributable to holders of redeemable units at beginning of period</b>	\$ 65,077,598	
<b>Increase (decrease) in Net Assets attributable to holders of redeemable units from operations (excluding distributions)</b>	(1,190,937)	
<b>Redeemable unit transactions</b>		
Class U redeemable units converted into Class A redeemable units	-	
Issuance costs	(1,940)	
	(1,940)	
<b>Net Increase (decrease) in Net Assets attributable to holders of redeemable units</b>	(1,192,877)	
<b>Net Assets attributable to holders of redeemable units at end of period</b>	\$ 63,884,721	

The accompanying notes are an integral part of these financial statements

# Healthcare Special Opportunities Fund

## Statement of Cash Flows (unaudited)

For the six-month period ended June 30,

2016

<b>Cash flows from (used in) operating activities</b>	
Increase (decrease) in Net Assets attributable to holders of redeemable units from operations (excluding distributions)	\$ (1,190,937)
Adjustments for:	
Foreign exchange gain (loss)	424,933
Net realized gain (loss) on sale of investments	3,221,655
Change in unrealized appreciation (depreciation) in value of investments	(2,483,449)
Purchases of investments	(22,962,477)
Proceeds from sale of investments	23,472,703
Accrued dividends	4,438
Accrued expenses	20,041
Management fees payable	(15,616)
<b>Net cash from (used in) operating activities</b>	<b>491,291</b>
<b>Cash flows from (used in) financing activities</b>	
Issuance costs	(1,940)
<b>Net cash from (used in) financing activities</b>	<b>(1,940)</b>
Foreign exchange gain (loss)	(424,933)
Net increase (decrease) in cash	489,351
Cash at beginning of period	792,537
<b>Cash at end of period</b>	<b>\$ 856,955</b>
<b>Supplemental Cash Flow Information:</b>	
Dividends received, net of withholding taxes	\$ 535,152

# LDIC Healthcare Special Opportunities Fund

## Schedule of Investment Portfolio

As at June 30, 2016 (unaudited)

Par Value	Description	Expiry Date	Average Cost (\$)	Fair Value (\$)	% of Net Assets
<b>Equities - Canada</b>					
<b>Consumer Discretionary</b>					
41,700	Cineplex Inc.		2,029,126	2,150,886	3.4
<b>Consumer Staples</b>					
500,000	GreenSpace Brands Inc.		395,010	465,000	
250,000	GreenSpace Brands Inc., Warrants	February 22, 2019	54,990	-	
			450,000	465,000	0.7
<b>Health Care</b>					
2,500,000	Avivagen Inc.		150,000	187,500	
1,250,000	Avivagen Inc., Warrants	June 1, 2018	-	1	
8,333,664	Convalo Health International Corp.		2,865,855	1,708,402	
270,000	Delivra Corp.		202,500	137,700	
2,300,000	H-Source Holdings Ltd.		355,600	375,500	
70,000	Knight Therapeutics Inc.		597,100	581,000	
			4,171,055	2,990,103	4.7
<b>Industrials</b>					
25,000	Savaria Corp.		200,750	207,250	0.3
<b>Information Technology</b>					
7,270,900	DealNet Capital Corp.		3,998,995	3,562,741	5.6
<b>Equities - United States</b>					
<b>Financials</b>					
63,833	Ventas Inc.		4,829,424	6,036,778	
51,700	Welltower Inc.		4,585,518	5,114,271	
			9,414,942	11,151,049	17.4
<b>Consumer Staples</b>					
30,000	Procter & Gamble Co.		3,216,656	3,298,831	5.2
<b>Health Care</b>					
30,100	Aetna Inc.		4,429,538	4,774,173	
14,200	Amgen Inc.		2,897,034	2,805,883	
7,000	Athenahealth Inc.		1,185,318	1,254,636	
10,000	Becton Dickinson and Co.		1,910,920	2,202,468	
500,000	Elite Imaging Inc.		759,205	779,221	
18,138	Gilead Sciences Inc.		2,597,111	1,965,029	
32,600	Johnson & Johnson		4,261,893	5,135,558	
30,843	Medtronic PLC		3,006,691	3,475,646	
45,060	Merck & Co., Inc.		3,234,973	3,371,307	
63,700	Roche Holding AG		2,797,380	2,725,864	
23,710	Stryker Corp.		3,058,782	3,689,830	
23,000	UnitedHealth Group Inc.		3,638,304	4,217,662	
35,000	VCA Antech Inc.		2,560,828	3,073,182	
			36,337,977	39,470,459	61.8
<b>Total Equities</b>			59,819,501	63,296,319	99.1
<b>Transaction costs</b>			(41,899)		
<b>Total Investments</b>			59,777,602	63,296,319	99.1
<b>Other Assets, Less Liabilities</b>				588,402	0.9
<b>Net Assets Attributable to Holders of Redeemable Units</b>			\$	63,884,721	100.0

# Healthcare Special Opportunities Fund

## Notes to Financial Statements (unaudited)

June 30, 2016

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### 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 LDIC Inc., 130 King Street West, Suite 2130, Toronto, Ontario. These financial statements were authorized for issue by the Manager on August 19, 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 interim financial statements of the Company have been prepared by management in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting.

The policies applied in these interim financial statements are based on IFRS standards issued and outstanding as of August 19, 2016, which is the date on which the annual financial statements were authorized for issue by the Manager.

In the preparation of these interim financial statements, the management has made judgments, estimates and assumptions that affect the application of the Company’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these 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 into Canadian dollars at the rate of exchange prevailing at the date 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 into 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.

# Healthcare Special Opportunities Fund

## Notes to Financial Statements (unaudited)

June 30, 2016

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Financial instruments designated as FVTPL through inception: All investments held by the Fund are designated as FVTPL 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 day's 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); and
- 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) Multi-class 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.



# Healthcare Special Opportunities Fund

## Notes to Financial Statements (unaudited)

June 30, 2016

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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 number of units outstanding during the period 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.

# Healthcare Special Opportunities Fund

## Notes to Financial Statements (unaudited)

June 30, 2016

Units may be redeemed at the option of unitholders 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

During the period ended June 30, 2016, the Fund completed a conversion of 6,000 Class U units to 7,791 Class A units. No units were redeemed pursuant to the monthly redemption right or annual redemption right during the period ended June 30, 2016.

	2016	
	Number of Class A Units	Number of Class U Units
Units outstanding at January 1, 2016	6,091,181	1,029,757
Class U redeemable units converted to Class A redeemable units	7,791	(6,000)
Units outstanding at June 30, 2016	6,098,972	1,023,757

On June 30, 2016, the Fund’s closing market price was \$7.82 per unit (December 31, 2015 – \$7.49 per unit).

## 5. RELATED PARTY TRANSACTIONS

As at June 30, 2016, 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, 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 of each such investment.

# Healthcare Special Opportunities Fund

## Notes to Financial Statements (unaudited)

June 30, 2016

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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 period ended June 30, 2016.

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, custodian fees, the costs of preparing and distributing annual and semi-annual financial statements, unitholder reports and investor communications. At certain 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.

### 7. TRANSACTION COSTS

Commissions and other transaction costs paid in connection with securities transactions during the period ended June 30, 2016 was \$43,807.

### 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 June 30, 2016 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 (which includes 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 that it holds. In order to mitigate risk, depending on conditions, the Manager diversifies the portfolio based on 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.

# Healthcare Special Opportunities Fund

## Notes to Financial Statements (unaudited)

June 30, 2016

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### (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 risk 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 June 30, 2016, approximately 99.08% (December 31, 2015 – 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 June 30, 2016, the Net Assets of the Fund would have increased or decreased by approximately \$3,164,816, or 5.0% (December 31, 2015 – \$3,217,200, or 4.9%), with 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.

	June 30, 2016		December 31, 2015	
	Currency Exposure (\$)	Percentage of Net Assets (%)	Currency Exposure (\$)	Percentage of Net Assets (%)
U.S. Dollar	<u>54,791,379</u>	<u>85.8</u>	<u>60,028,787</u>	<u>92.2</u>

As at June 30, 2016, 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 \$2,739,569 (December 31, 2015 – \$3,001,439). In practice, the actual results may differ and the difference could be material.

### (c) Interest rate risk

As at June 30, 2016 and 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 significant interest rate risk.

### (d) Credit risk

As at June 30, 2016 and 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' rights 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 of. 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 re-evaluation of the investment.

# Healthcare Special Opportunities Fund

## Notes to Financial Statements (unaudited)

June 30, 2016

### (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	June 30, 2016	December 31, 2015
Consumer Discretionary	3.4%	6.8%
Consumer Staples	5.9%	11.8%
Financials	17.4%	17.8%
Health Care	66.5%	61.1%
Industrials	0.3%	1.4%
Information Technology	5.6%	-
Net Other Assets	0.9%	1.1%
Total	100.0%	100.0%

### 10. FAIR VALUE DISCLOSURE

The following tables illustrate the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at June 30, 2016 and December 31, 2015.

	Financial Assets at Fair Value as at June 30, 2016			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	59,356,233	3,160,865	779,221	63,296,319

	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:

	Equities
Balance as at December 31, 2015	\$ 202,500
Purchases	556,705
Sales	-
Net transfers in (out)	-
Realized gains (losses)	-
Change in unrealized appreciation on investments	20,016
Balance as at June 30, 2016	\$ 779,221
Net change in unrealized appreciation from investments as at June 30, 2016	\$ 20,016

# Healthcare Special Opportunities Fund

## Notes to Financial Statements (unaudited)

June 30, 2016

	Equities	
Balance as at December 31, 2014	\$	-
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 from investments as at December 31, 2015	\$	-

### 11. CAPITAL MANAGEMENT

The Fund's investment objective is principally set up to provide unitholders 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.

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 June 30, 2016 and December 31, 2015:

June 30, 2016	Financial assets at FVTPL			Financial assets at amortized		
		HFT	Designated at inception	Total	cost	Total
Assets						
Financial assets at fair value through profit or loss	\$	-	\$ 63,296,319	\$ 63,296,319	-	\$ 63,296,319
Cash		-	-	-	856,955	856,955
Accrued dividends		-	-	-	45,750	45,750
<b>Total</b>	<b>\$</b>	<b>-</b>	<b>\$ 63,296,319</b>	<b>\$ 63,296,319</b>	<b>\$ 902,705</b>	<b>\$ 64,199,024</b>

# Healthcare Special Opportunities Fund

## Notes to Financial Statements (unaudited)

June 30, 2016

December 31, 2015	Financial assets at FVTPL			Financial assets at amortized cost	
	HFT	Designated at inception	Total		Total
Assets					
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
<b>Total</b>	<b>\$ -</b>	<b>\$ 64,344,001</b>	<b>\$ 64,344,001</b>	<b>\$ 842,725</b>	<b>\$ 65,186,726</b>

The following table presents the net losses on financial instruments designated at FVTPL by category for the period ended June 30:

Category	Net gains (losses)	<u>2016</u>
Net gains (losses) on financial instruments designated at FVTPL:		
Held-for-trading		-
Designated at inception		(539,006)
<b>Total</b>		<b>(539,006)</b>