



Healthcare Special Opportunities Fund

Management Report of Fund Performance

June 30, 2016

Class A units and Class U units of Healthcare Special Opportunities Fund

Healthcare Special Opportunities Fund

For the period ended June 30, 2016

All figures are reported in Canadian dollars unless otherwise noted.

This interim management report of fund performance contains financial highlights but does not contain either the complete interim financial report or annual financial statements of the investment fund. You can get a copy of the financial statements at your request and at no cost, by contacting LDIC Inc. in one of the methods below.

Unitholders may contact LDIC Inc. to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure by calling 416-362-4141, by writing to us at 130 King Street West, Suite 2130, Toronto, ON, M5X 1E2 or by visiting our website at www.ldic.ca (email at info@ldic.ca), or SEDAR at www.sedar.com.

Investment Objectives and Strategies

The Fund's investment objective is to provide holders of Units ("Unitholders") with long-term total return through distributions and capital appreciation of the Fund's investment portfolio (the "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. Such issuers may include, but will not be limited to, issuers operating in the following healthcare industry sub-sectors: (i) healthcare services, financials and insurance; (ii) healthcare products and technology; (iii) healthcare facilities and real estate investment trusts; and (iv) retirement lifestyle, wellness and entertainment (collectively, the "Healthcare Issuers").

The Fund has been created to invest in an actively managed Portfolio comprised primarily of publicly traded issuers and private issuers that derive a significant portion of their revenue or earnings from medical and healthcare products and/or services. The Fund will be invested primarily in publicly traded healthcare equity securities (the "Public Portfolio"), but may also invest up to 20% of the Fund's total assets in private equity investments (the "Private Portfolio"). It is expected that the Public Portfolio will be comprised of securities of 20 to 30 large, mid and small capitalization publicly-listed Healthcare Issuers based in developed markets.

Through the Private Portfolio, LDIC Inc. ("LDIC" or the "Manager") will seek to enhance returns by investing in "late-stage" private equity investments in healthcare and healthcare related businesses. "Late-Stage" means an investment in a revenue-generating or soon-to-be revenue-generating business that is expected to go public or achieve another liquidity event within 12 to 24 months following the initial investment. The goal of the Manager is to provide investors with exposure to a limited number of investments in the Private Portfolio that it believes have potential for significant upside because the Fund will be investing at "pre-initial public offering" prices. The Fund expects to make Private Portfolio investments at a point where the capital will be used to grow revenues of the healthcare business investee company. The healthcare business investee company may then seek to raise additional capital in public markets, or in some instances consider a sale of the business to a strategic or financial buyer.

Risk

An investment in the Fund involves risks. Certain risk factors relating to the Fund and the Units are listed below. Additional risks and uncertainties not currently known to the Manager or Industry Advisor, or that are currently considered immaterial, may also impair the operations of the Fund. An

investment in the Fund is appropriate only for investors who have the capacity to absorb a loss on their investment and who can withstand the effect of potentially having no distribution being paid in any period. As the value of the Units of the Fund will be based upon the value of the Portfolio, risks relating to the Portfolio will affect investors in the Fund. The following are certain risk factors and considerations related to the Fund which prospective investors should consider before purchasing Units:

- No Assurances on Achieving Investment Objective
- Loss of Investment
- No Guaranteed Return
- Equity Securities Risk
- Illiquid Securities and Private Securities
- Fluctuations in Value of Securities Underlying Portfolio
- Fluctuations in Net Asset Value
- Risk Related to Healthcare Issuers
- Regulatory Risk
- Risks Related to Healthcare Issuers Operating in the Real Estate Sector
- Sensitivity to Interest Rate Fluctuations
- Use of Derivative Instruments
- Portfolio Concentration Risk
- Reliance on the Manager and Industry Advisor
- Trading at a Discount and Risks Relating to Redemptions
- Taxation of the Fund

Further details on these risks can be found in the Funds' prospectus filed on SEDAR www.sedar.com

Result of Operations

Healthcare remains a sector with both the best long term fundamentals and a volatility driven by concerns about U.S presidential election outcomes. As well concerns of slower growth negatively impacted healthcare equities in the first six months of 2016.

The leading tailwind for the healthcare sector – remains demographics. For the first time ever, there are now more people in Canada age 65 and over than there are under the age of 15, according to Statistics Canada. There are 5.7 million Canadians and nearly 45 million Americans who have entered their retirement years – a time when healthcare and related spending is expected to soar. Each day 1,000 Canadians and over 10,000 Americans turn 65.

For the period from January 01, 2016 until June 30, 2016, the Class A units declined in value from \$8.76 to \$8.60. The Class U units declined in value from \$11.38 CAD to \$11.17 CAD which showed a return of -1.8% for Class A and -1.8% for Class U.

The Class A units are listed for trading on the Toronto Stock Exchange under ticker symbol of MDS.UN. As at June 30, 2016, 76.7% of the fund is invested in healthcare and 22.4% of the fund invested in healthcare based REITs.

Recent Developments

This section contains forward-looking statements. Various factors could cause actual results to differ materially from those projected in forward-looking statements.

With spending expected to increase significantly over the coming years, companies are aggressively positioning themselves to take advantage. M&A activity again hit a new all-time high. With over \$600 billion in healthcare deals announced in 2015, 50% higher than the full year-record of 2014. The

manager expects this trend to continue as interest rates remain low and the potential for synergies is high.

Related Party Transactions

The Manager of the Fund is LDIC Inc. The Manager provides investment and administrative services to the Fund. In consideration for these services the Manager receives a fee based on a percentage of the Net Assets of the Fund calculated daily and payable monthly, as follows:

Class A - 1.25% per annum

Class U - 1.25% per annum

The Manager will receive a performance fee (the "Performance Fee") from the Fund in respect of investments in 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 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 (as defined below) calculated on a cumulative annual basis plus applicable taxes. Where an investment is held for a portion of any year, the calculation of the required 106% return for that year is made on a partial year basis.

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").

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance from the period ended June 30, 2016 and from date of inception to December 31, 2015. Per unit data is derived from the Fund's financial statements, as applicable.

Ratios and supplemental data are derived from the Fund's Net Asset Value.

	Class A	
	2016	2015 ⁽⁴⁾
Net Assets, beginning of period	\$ 8.76	\$ 9.38
Increase (decrease) from operations:		
Total revenue	0.07	0.06
Total expenses	(0.08)	(0.08)
Realized gains (losses) for the period	(0.49)	(0.71)
Unrealized gains (losses) for the period	0.34	0.14
Total increase (decrease) from operations⁽²⁾	\$ (0.16)	\$ (0.59)
Distributions:		
From income (excluding dividends)	-	-
From dividends	-	-
From capital gains	-	-
Total annual distributions⁽³⁾	-	-
Net Assets, end of period	\$ 8.60	\$ 8.76
	Class U	
	2016	2015 ⁽⁴⁾
Net Assets, beginning of period	\$ 11.38	\$ 12.09
Increase (decrease) from operations:		
Total revenue	0.09	0.08
Total expenses	(0.10)	(0.10)
Realized gains (losses) for the period	(0.64)	(0.91)
Unrealized gains (losses) for the period	0.44	0.19
Total increase (decrease) from operations⁽²⁾	\$ (0.21)	\$ (0.74)
Distributions:		
From income (excluding dividends)	-	-
From dividends	-	-
From capital gains	-	-
Total annual distributions⁽³⁾	-	-
Net Assets, end of period	\$ 11.17	\$ 11.38

(1) This information is derived from the Fund's audited annual financial statements and unaudited interim financial statements.

(2) Net Assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) Distributions (if any) were paid in cash/reinvested in additional units of the fund, or both.

(4) Units A and U for this Fund were first issued on July 15, 2015.

Ratios and Supplemental Data

	Class A	
	June 30, 2016	Dec 31, 2015 ⁽⁶⁾
Total Net Asset Value (\$) ⁽¹⁾	52,451,736	53,360,987
Number of units outstanding ⁽¹⁾	6,098,972	6,091,181
Management expense ratio ^{(2) (5)}	1.68%	1.61%
Management expense ratio before waivers or absorption ^{(2) (5)}	1.68%	1.61%
Trading expense ratio ^{(3) (5)}	0.14%	1.71%
Portfolio turnover rate ⁽⁴⁾	38.88%	32.37%
Net Asset Value per share (\$)	8.60	8.76
	Class U	
	June 30, 2016	Dec 31, 2015 ⁽⁶⁾
Total Net Asset Value (\$) ⁽¹⁾	11,432,985	11,716,611
Number of units outstanding ⁽¹⁾	1,023,757	1,029,757
Management expense ratio ^{(2) (5)}	1.72%	1.61%
Management expense ratio before waivers or absorption ^{(2) (5)}	1.72%	1.61%
Trading expense ratio ^{(3) (5)}	0.14%	1.71%
Portfolio turnover rate ⁽⁴⁾	38.88%	32.37%
Net Asset Value per share (\$)	11.17	11.38

(1) The information is provided as at June 30 or December 31 of the period(s) shown, as applicable.

(2) Management expense ratio is based on total expenses (excluding broker commissions and other portfolio transaction costs before income taxes) for the stated period and is expressed as an annualized percentage of daily average Net Asset Value during the period. The decision to wave and/or absorb management fees and operating expenses is at the discretion of the Manager. The practice of waiving and/or absorbing management fees and operating expenses may continue indefinitely or may be terminated any time without notice to unitholders.

(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 period, 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 the Fund.

(5) Percentages are annualized.

(6) Units A and U for this Fund were first issued on July 15, 2015.

Management Fees

The Manager is entitled to be paid a management fee by the Fund at an annual rate of 1.25% of the NAV of the Fund, plus applicable taxes, provided that the management fee payable to the Manager shall not be paid in respect assets of the Fund invested in the securities of any investment funds (including mutual funds) managed by the Manager or an affiliate of the Manager. The Management Fee payable to the Manager will be calculated and accrue daily and be payable monthly in arrears based on the average NAV for that month. The Management Fee will be paid in cash.

Past Performance

A) Annual Total Returns (%)

The performance information shown is based on Net Asset Value. The bar chart shows the investment fund's performance in percentage terms of Class A and Class U of the Fund for the period ending June 2016 and since inception to December 31, 2015.



(1) Returns for Class A and Class U, are from July 15, 2015 to December 31, 2015.

Summary of Investment Portfolio as at June 30, 2016

Top 25 Positions

	% of Fund's Net Asset Value
01 Ventas Inc.	9.5
02 Johnson & Johnson	8.0
03 Welltower Inc.	8.0
04 Aetna Inc.	7.5
05 UnitedHealth Group Inc.	6.6
06 Stryker Corp.	5.8
07 DealNet Capital Corp.	5.6
08 Medtronic PLC	5.4
09 Merck & Co., Inc.	5.3
10 Procter & Gamble Co.	5.2
11 VCA Antech Inc.	4.8
12 Amgen Inc.	4.4
13 Roche Holding AG	4.3
14 Becton Dickinson and Co.	3.5
15 Cineplex Inc.	3.4
16 Gilead Sciences Inc.	3.1
17 Convaleo Health International Corp.	2.7
18 Athenahealth Inc.	2.0
19 Elite Imaging Inc.	1.2
20 Knight Therapeutics Inc.	0.9
21 GreenSpace Brands Inc.	0.7
22 H-Source Holdings Ltd.	0.4
23 Savaria Corp.	0.3
24 Avivagen Inc.	0.3
25 Delivra Corp.	0.2
	<hr/> 99.1 <hr/> <hr/>

Total Net Asset Value: \$63,884,721

As of June 30, 2016, all investments were only long positions.

Sector Mix

	% of Fund's Net Asset Value
Consumer Discretionary	3.4
Consumer Staples	5.9
Financials	17.4
Health Care	66.5
Industrials	0.3
Information Technology	5.6
Cash	1.3
Net Other Liabilities	(0.4)
	<hr/> <hr/> 100.0

Geographic Mix

	% of Fund's Net Asset Value
Canada	14.7
United States of America	84.4
Cash	1.3
Net Other Liabilities	(0.4)
	<hr/> <hr/> 100.0

Corporate Information

Corporate Address

LDIC INC.
The Exchange Tower, 130 King Street West, Suite 2130,
PO Box 399, Toronto, Ontario, M5X 1E2
416-362-4141
info@ldic.ca
www.ldic.ca

Auditors

Ernst & Young LLP
222 Bay St.
PO Box 251, Toronto, Ontario, M5K 1J7

Legal Counsel

McMillan LLP
Brookfield Place | Suite 4400
181 Bay Street, Toronto, Ontario, M5J 2T3