LDIC North American Infrastructure Fund

Financial Statements

December 31, 2016

INDEPENDENT AUDITORS' REPORT

To the Unitholders of LDIC North American Infrastructure Fund (the "Fund")

We have audited the accompanying financial statements of the Fund, which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years 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 audits. We conducted our audits 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 audits 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, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
March 14, 2017

LDIC North American Infrastructure Fund
Statements of Financial Position
As at December 31,

	2016	2015
Assets		
Current assets		
Financial assets at fair value through profit or loss (notes 3 and 12)	**$ 13,684,315**	$ 15,493,586
Cash	**132,319**	15,082
Accrued dividends	**24,432**	32,276
Accrued interest	**-**	14,389
Total assets	**13,841,066**	15,555,333
Liabilities		
Current liabilities		
Performance fees	**-**	302,437
Accrued expenses	**77,778**	6,176
Redemptions payable	**-**	28,235
Management fees payable	**16,218**	14,721
Total liabilities (excluding Net Assets attributable to holders of redeemable units)	**93,996**	351,569
Net Assets attributable to holders of redeemable units (note 4)	**$ 13,747,070**	$ 15,203,764
Net Assets attributable to holders of redeemable units per class		
Class A	**$ 5,766,657**	$ 6,115,422
Class F	**$ 7,980,413**	$ 9,088,342
Net Assets attributable to holders of redeemable units per class per unit (note 4)		
Class A	**$ 10.63**	$ 9.37
Class F	**$ 11.01**	$ 9.60

Approved on behalf of LDIC Inc., as manager of the LDIC North American Infrastructure Fund

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

/s/Graham Scott
Graham Scott, Director

LDIC North American Infrastructure Fund
Statements of Comprehensive Income
For the years ended December 31,

	2016	2015
Net gain (loss) on financial instruments		
Dividend income	$ 454,282	$ 1,040,248
Interest for distribution purposes	97,338	209,909
Foreign exchange gain (loss)	(39,266)	174,349
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 (note 12)	(665,115)	(2,074,759)
Change in unrealized appreciation (depreciation) in value of investments (note 12)	2,907,329	(1,145,985)
Change in unrealized appreciation (depreciation) in value of foreign exchange from currency (note 12)	(2,623)	1,113
Net gain (loss) on financial instruments	**2,751,945**	(1,795,125)
Expenses (note 5)		
Performance fees	19,451	311,555
Management fees	212,828	386,409
Custodian fees	8,953	8,256
Audit fees	19,727	16,611
Legal fees	39,651	52,260
Valuation fees	39,852	30,931
Independent review committee fees	3,346	3,252
Transaction costs (note 7)	78,745	62,236
Filing fees	48,304	27,375
Securityholder reporting costs	33,624	58,941
Other expenses	70,914	61,609
Total operating expenses	**575,395**	1,019,435
Operating profit (loss)	**2,176,550**	(2,814,560)
Withholding taxes (note 6)	(958)	(35,340)
Increase (decrease) in Net Assets attributable to holders of redeemable units from operations (excluding distributions)	**$ 2,175,592**	$ (2,849,900)
Increase (decrease) in Net Assets attributable to holders of redeemable units per class from operations (excluding distributions)		
Class A	$ 814,285	$ (1,013,021)
Class F	$ 1,361,307	$ (1,836,879)
Average number of units outstanding for the year per class		
Class A	558,692	852,251
Class F	818,732	1,569,553
Increase (decrease) in Net Assets attributable to holders of redeemable units per unit from operations (excluding distributions)		
Class A	$ 1.46	$ (1.19)
Class F	$ 1.66	$ (1.17)

LDIC North American Infrastructure Fund
Statements of Changes in Net Assets Attributable to Holders of Redeemable Units
For the years ended December 31,

	2016	2015	2016	2015
	Class A		**Class F**	
Net Assets attributable to holders of redeemable units at beginning of year	**$ 6,115,422**	$ 11,144,636	**$ 9,088,342**	$ 20,011,076
Increase (decrease) in Net Assets attributable to holders of redeemable units from operations (excluding distributions)	**814,285**	(1,013,021)	**1,361,307**	(1,836,879)
Redeemable unit transactions				
Proceeds from redeemable units issued	**1,063**	272,835	**292,676**	2,900,783
Redemption of redeemable units	**(1,128,292)**	(4,231,521)	**(2,740,214)**	(11,907,957)
Reinvestments of distributions to holders of redeemable units	**128,913**	187,523	**218,261**	365,226
	(998,316)	(3,771,163)	**(2,229,277)**	(8,641,948)
Distributions to holders of redeemable units				
From net investment income	**-**	(3,157)	**-**	(4,012)
Return of capital	**(164,734)**	(241,873)	**(239,959)**	(439,895)
	(164,734)	(245,030)	**(239,959)**	(443,907)
Net decrease in Net Assets attributable to holders of redeemable units	**(348,765)**	(5,029,214)	**(1,107,929)**	(10,922,734)
Net Assets attributable to holders of redeemable units at end of year	**$ 5,766,657**	$ 6,115,422	**$ 7,980,413**	$ 9,088,342

	2016	2015
	Total	
Net Assets attributable to holders of redeemable units at beginning of year	**$ 15,203,764**	$ 31,155,712
Increase (decrease) in Net Assets attributable to holders of redeemable units from operations (excluding distributions)	**2,175,592**	(2,849,900)
Redeemable unit transactions		
Proceeds from redeemable units issued	**293,739**	3,173,618
Redemption of redeemable units	**(3,868,506)**	(16,139,478)
Reinvestments of distributions to holders of redeemable units	**347,174**	552,749
	(3,227,593)	(12,413,111)
Distributions to holders of redeemable units		
From net investment income	**-**	(7,169)
Return of capital	**(404,693)**	(681,768)
	(404,693)	(688,937)
Net decrease in Net Assets attributable to holders of redeemable units	**(1,456,694)**	(15,951,948)
Net Assets attributable to holders of redeemable units at end of year	**$ 13,747,070**	$ 15,203,764

LDIC North American Infrastructure Fund
Statements of Cash Flows
For the years ended December 31,

		2016		2015
Cash flows from (used in) operating activities				
Increase (decrease) in Net Assets attributable to holders of redeemable units from operations (excluding distributions)	**$**	**2,175,592**	$	(2,849,900)
Adjustments for:				
Foreign exchange (gain) loss		**39,266**		(174,349)
Net realized (gain) loss on sale of investments		**665,115**		2,074,759
Change in unrealized (appreciation) depreciation in value of investments		**(2,907,329)**		1,145,985
Purchases of investments		**(17,821,493)**		(15,753,957)
Proceeds from sale of investments		**21,872,978**		26,537,553
Accrued dividends		**7,844**		56,249
Accrued interest		**14,389**		14,989
Prepaid fees		**-**		12,431
Performance fees		**(302,437)**		9,191
Management fees payable		**1,497**		(15,247)
Accrued expenses		**71,602**		(77,883)
Net cash from (used in) operating activities		**3,817,024**		10,979,821
Cash flows from (used in) financing activities				
Distributions paid to holders of redeemable units, net of reinvested distributions		**(57,519)**		(136,188)
Proceeds from redeemable units issued		**293,739**		3,174,263
Redemption of redeemable units		**(3,896,741)**		(16,111,243)
Net cash from (used in) financing activities		**(3,660,521)**		(13,073,168)
Foreign exchange gain (loss)		**(39,266)**		174,349
Net increase (decrease) in cash		**156,503**		(2,093,347)
Cash at beginning of year		**15,082**		1,934,080
Cash at end of year	**$**	**132,319**	$	15,082
Supplemental Cash Flow Information:				
Dividends received, net of withholding taxes	**$**	**461,168**	$	1,061,157
Interest received		**111,727**		224,898

LDIC North American Infrastructure Fund

Schedule of Investment Portfolio

As at December 31, 2016

Number of Shares	Description	Average Cost ($)	Fair Value ($)	% of Net Assets
	Equities - Canada			
	Consumer Discretionary			
16,500	Park Lawn Corp.	264,406	259,545	
		264,406	259,545	1.9
	Energy			
10,000	AltaGas Ltd.	300,000	339,000	
60,000	Canadian Energy Services & Technology Corp.	397,570	459,600	
20,000	Crescent Point Energy Corp.	386,000	365,000	
15,894	Keyera Corp.	569,916	643,071	
11,300	Parkland Fuel Corp.	231,712	317,869	
5,000	Parkland Fuel Corp., Private Placement	122,500	140,650	
57,000	Raging River Exploration Inc.	594,617	601,920	
122,000	Spartan Energy Corp.	399,456	406,260	
225,000	Tidewater Midstream and Infrastructure Ltd.	325,250	357,750	
40,000	Whitecap Resources Inc.	349,574	486,400	
		3,676,595	4,117,520	29.9
	Industrials			
32,300	Chorus Aviation Inc.	199,357	233,529	
12,500	Exchange Income Corp.	507,321	521,875	
10,650	SNC-Lavalin Group Inc.	547,108	615,464	
7,900	Waste Connections Inc.	683,629	832,186	
		1,937,415	2,203,054	16.0
	Information Technology			
12,500	Descartes Systems Group Inc.	352,731	357,875	
30,000	Information Services Corp.	532,670	544,200	
		885,401	902,075	6.6
	Materials			
16,000	Chemtrade Logistics Income Fund	298,720	303,040	
		298,720	303,040	2.2
	Utilities			
20,000	Algonquin Power & Utilities Corp.	215,200	227,800	
16,200	Brookfield Infrastructure Partners LP	558,212	727,704	
7,000	Brookfield Renewable Energy Partners LP	268,214	278,950	
80,000	Global Water Resources Inc.	687,981	968,800	
68,000	Polaris Infrastructure Inc.	664,370	1,039,721	
		2,393,977	3,242,975	23.5
	Equities - United States			
	Industrials			
16,000	Chicago Bridge & Iron Co. NV	671,537	681,257	
3,100	Fluor Corp.	215,889	218,340	
2,000	Honeywell International Inc.	307,183	310,723	
8,600	Macquarie Infrastructure Co. LLC	736,843	942,254	
		1,931,452	2,152,574	15.7
	Utilities			
5,000	Brookfield Renewable Energy Partners LP	188,348	199,147	
1,900	NextEra Energy Inc.	301,341	304,385	
		489,689	503,532	3.7
	Total Equities	11,877,655	13,684,315	99.5
	Transaction costs	(21,521)		
	Total Investments	11,856,134	13,684,315	99.5
	Other Assets, Less Liabilities		62,755	0.5
	Net Assets Attributable to Holders of Redeemable Units		$ 13,747,070	100.0

1. GENERAL INFORMATION

The LDIC North American Infrastructure Fund (the "Fund") is a mutual fund trust created under the laws of the Province of Ontario by Declaration of Trust dated April 12, 2013. LDIC Inc. (the "Manager") is the Trustee and Manager of the Fund. The Fund changed its name from LDIC North American Energy Infrastructure Fund on May 22, 2015. 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 14, 2017.

The investment objective of the Fund is principally to provide long-term capital appreciation with the potential for income, by investing primarily in equity securities (including common shares and warrants), fixed-income investments and other income-producing securities of issuers based in North America.

The Fund is authorized to issue an unlimited number of Class A and Class F units. The capital received by the Fund is utilized within the investment mandate of the Fund. This includes the ability to make liquidity to satisfy unitholders' unit redemption requirements upon the unitholders' request. The Fund is not subject to any externally imposed capital requirements.

The Fund may create an unlimited number of classes of units and may offer and sell an unlimited number of series of units of each class. Currently, the Fund offers Class A units and Class F units.

Class A units are designed for retail investors. Dealers through whom Class A units are purchased will receive initial commissions payable by the investor and on-going service fees (also called "trailer fees" or "trailing commissions") from the Manager on behalf of the Fund. The inception date for Class A is May 10, 2013.

Class F units are designed for investors who participate in fee-based investment programs offered by their dealers. Class F units are only available to investors whose dealer has entered into an agreement with the Manager to make Class F units available to clients of that dealer. The inception date for Class F is April 23, 2013.

2. BASIS OF PRESENTATION

The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB"). The Fund adopted IFRS in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the *CPA Handbook – Accounting* ("Canadian GAAP").

The policies applied in these financial statements are based on IFRS standards issued and outstanding as of March 14, 2017, which is the date on which the annual financial statements were authorized for issue by the Manager.

In the preparation of these financial statements, 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

The Fund's functional and presentation currency is the Canadian dollar. 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 Statements 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 at the statement of financial position date.

(b) Financial instruments

The Fund classifies its investments in debt and equity securities, or financial assets or liabilities at FVTPL. There are two sub-categories: financial assets or financial liabilities held for trading and those designated at FVTPL at inception. The Fund's investments in equity securities are designated at fair value through profit or loss ("FVTPL") at inception. The Fund's obligation for Net Assets attributable to holders of redeemable units is presented at the redemption amount. 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 Fund's accounting policies for measuring the fair value of its investments are identical to those used in measuring its published Net Asset Value ("NAV"). 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.

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 of deposits with 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 Statements of Comprehensive Income.

(g) Unit valuation and valuation date

Units are issued and redeemed on a continuing basis at the Net Assets attributable to holders of redeemable units, which is determined for each class of units of the Fund on each valuation day. A "valuation day" is any day that the Toronto Stock Exchange is open for business, unless the Fund is not accepting orders to purchase, switch or redeem units on that day (in the circumstances described in simplified prospectus for the Fund in the section called "Purchases, switches, and redemptions"). To determine the NAV per unit for a class of units of a Fund, the Manager or its agent determines the value of the proportionate share of the assets of the Fund attributable to the particular class less the liabilities of the Fund attributed to only that class and the proportionate share of the common liabilities of the Fund allocated to that class. This amount is then divided by the total number of units of that class then held by investors.

(h) 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.

(i) Revenue recognition

- The interest for distribution purposes shown on the Statements 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.

(j) 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 Statements 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 year of that class of units.

(k) Accounting standards issued but not yet adopted

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial instruments: Recognition and measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of accounting for financial instrument project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Fund is in the process of performing a high-level impact assessment of all three aspects of IFRS 9.

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS and is effective for annual periods beginning on or after January 1, 2018, when the IASB finalizes their amendments to defer the effective date of IFRS by one year. Early adoption is permitted. Given the majority of revenue streams of the Fund, being interest, dividends and realized/unrealized gains, fall outside of the scope of IFRS 15, preliminary impact assessments made during 2016 indicate minimal impact arising on the adoption of this standard.

(l) 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 markers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. When no market data is available is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally, recognized as standard within the industry.

- 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. REDEEMABLE UNITS

The units of the Fund are issued and redeemed at their Net Assets attributable to holders of redeemable units per unit. Net Assets attributable to holders of redeemable units per class per unit is determined on a daily basis by dividing the Fund's Net Assets attributable to holders of redeemable units per class by the total number of units of the class of the Fund that are outstanding on such valuation date.

The Fund has no restrictions or specific capital requirements on the issuance and redemptions of units. In accordance with its investment objectives, strategies and risk management practices, the Fund endeavors to invest the amounts received on issuance of units in appropriate investments in order to maximize unitholder value and maintain financial strength while preserving sufficient liquidity to meet redemptions.

During the year, unit transactions of the Fund were as follows:

	2016	
	Class A	**Class F**
Outstanding at the beginning of the year	**652,527**	**946,469**
Redeemable units issued	**102**	**29,289**
Redeemable units reinvested	**12,784**	**20,998**
Redeemable units redeemed	**(122,746)**	**(271,675)**
Outstanding at the end of the year	**542,667**	**725,081**

	'2015	
	Class A	Class F
Outstanding at the beginning of the year	1,021,276	1,802,052
Redeemable units issued	25,535	264,795
Redeemable units reinvested	18,450	35,120
Redeemable units redeemed	(412,734)	(1,155,498)
Outstanding at the end of the year	652,527	946,469

5. RELATED PARTY TRANSACTIONS

Michael Decter, an officer and director of the Manager of the Fund, made an initial investment of $150,000 on April 26, 2013 to start up the Fund. As at December 31, 2016, the Manager of the Fund and certain directors and officers of the Manager held a total of 684 (2015: 664) Class A units and 166,834 (2015: 164,375) Class F units of the Fund.

Management fees and expenses

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 - 2.00% per annum

Class F - 1.00% per annum

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, index licensing fees, regulatory filing fees, the costs of preparing and distributing annual and semi-annual financial statements, prospectuses, unitholder reports and investor communications. At certain times, the Manager may pay a portion of the expenses otherwise payable by the Fund.

At its sole discretion, the Manager may stop absorbing operating expenses and/or waiving management fees at any time. Operating expenses absorbed and/or management fees waived by the Manager are disclosed on the Statements of Comprehensive Income.

The Fund will pay a performance fee to LDIC Inc., plus applicable taxes, at the end of each fiscal year. The performance fee will be 10% of the amount by which the Class NAV at the end of the fiscal year (adding back the amounts of any distributions paid on the units of the Fund) (the “ending NAV”) exceeds the target NAV. The target NAV is calculated by multiplying the Class NAV, net of performance fees paid, as at the last performance fee payment date (the “beginning NAV”) by the sum of one plus the return of the Fund’s “benchmark” (the “benchmark return”) over the same period.

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 that 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 Statements of Comprehensive Income.

The Fund has accumulated capital loss carryforwards as of December 31, 2016 of $2,723,220 (2015 - $2,006,461), which may be applied against future years' capital gains and can be carried forward indefinitely. As of December 31, 2016 there were $12,582 (2015 - nil) in non-capital losses available in the Fund, which can be carried forward for 20 years.

7. TRANSACTION COSTS

Commissions and other transaction fees paid for portfolio transactions for the year ended December 31, 2016 were $78,745 (2015 - $62,236).

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 years ended December 31, 2016 and 2015 was nil and nil, respectively.

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 holders of redeemable units.

(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 December 31, 2016, approximately 99.54% (2015 - 92.14%) of the Fund's Net Assets were held directly in equities. If equity prices on the exchanges increased or decreased by 5.0% as at December 31, 2016, the Net Assets of the Fund would have increased or decreased by approximately $684,216, or 4.9% (2015 - $700,444, or 4.6%), 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.

	December 31, 2016		December 31, 2015	
	Currency Exposure ($)	**Percentage of Net Assets (%)**	Currency Exposure ($)	Percentage of Net Assets (%)
U.S. dollar	**3,003,309**	**21.8**	3,723,429	24.5

As at December 31, 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 $150,165 (2015 - $186,171). In practice, the actual results may differ and the difference could be material.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arises on interest-bearing financial instruments.

As at December 31, 2016 and 2015, the Fund's direct exposure to debt instruments by maturity was as follows:

		Less than 1 year ($)	1 - 5 years ($)	More than 5 years ($)	Total ($)
Interest rate exposure	**December 31, 2016**	-	-	-	-
	December 31, 2015	-	831,108	653,600	1,484,708

As at December 31, 2016, should interest rates have decreased or increased by 0.25% with all other variables remaining constant, the increase or decrease in Net Assets for the year would amount to approximately nil (2015 - $17,524). In practice, the actual trading results may differ, and the difference could be material.

(d) Credit risk

Credit risk represents the potential loss that the Fund would incur if counterparties failed to perform in accordance with the terms of their obligations to the Fund. The Manager only trades with approved counterparties and monitors reporting that includes approved counterparty listings, trade volumes and exposure reports. The risk of default is considered minimal, as delivery of securities sold is only made once the Fund has received payment. Payment is made on a purchase once the securities have been received by the Fund. The trade will fail if either party fails to meet its obligation. The Fund maintains all of its cash and cash equivalents at the custodian or in overnight deposits with approved counterparties and ensures that appropriate collateral is received.

As at December 31, 2016 and 2015, the Fund had directly invested in debt instruments with the following Standard & Poor's credit ratings:

	As a % of Net Assets	
Portfolio by rating category	**Decemebr 31, 2016**	Decemebr 31, 2015
BBB	-	4.3%
B	-	5.5%
	-	9.8%

(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.

(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, 2016**	December 31, 2015
Corporate Bonds	**-**	9.8%
Consumer Descretionary	**1.9%**	3.7%
Energy	**29.9%**	40.0%
Information Technology	**6.6%**	-
Industrials	**31.7%**	11.5%
Materials	**2.2%**	-
Utilities	**27.2%**	36.9%
Net Other Assets/Liabilities	**0.5%**	-1.9%
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 December 31, 2016 and 2015.

	Financial Assets at Fair Value as at December 31, 2016			
	Level 1 ($)	**Level 2 ($)**	**Level 3 ($)**	**Total ($)**
Equities	**13,543,665**	**140,650**	**-**	**13,684,315**

	Financial Assets at Fair Value as at December 31, 2015			
	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Equities	14,008,878	-	-	14,008,878
Bonds	-	1,484,708	-	1,484,708
	14,008,878	1,484,708	-	15,493,586

11. CAPITAL MANAGEMENT

The Fund's investment objective is primarily to provide long-term capital appreciation with the potential for income, by investing primarily in equity securities, fixed-income investments and other income-producing securities based in North America.

The capital of the Fund is divided into two classes, Class A and Class F, with each class having an unlimited number of units. The units issued and outstanding represent the capital of the Fund, and unitholders are entitled to distributions when declared. The distributions are based on the Manger's estimate of the actual income for the year.

For the year ended December 31, 2016, the Fund made a distribution of $0.30/unit (2015 - $0.30/unit) to its outstanding unitholders. Distributions are automatically reinvested or paid in cash if opted by the unitholders.

The Fund manages its capital in accordance with the investment objectives and strategies and the risk management practices outlined in Note 9, 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, 2016 and 2015:

December 31, 2016		Financial assets at FVTPL					
Assets		**HFT**	**Designated at inception**	**Total**		**Financial assets at amortized cost**	**Total**
Financial assets at fair value through profit or loss	**$**	**-**	**$ 13,684,315**	**$ 13,684,315**	**$**	**-**	**$ 13,684,315**
Cash		**-**	**-**	**-**		**132,319**	**132,319**
Accrued dividends		**-**	**-**	**-**		**24,432**	**24,432**
Total	**$**	**-**	**$ 13,684,315**	**$ 13,684,315**	**$**	**156,751**	**$ 13,841,066**

December 31, 2015		Financial assets at FVTPL					
Assets		HFT	Designated at inception	Total		Financial assets at amortized cost	Total
Financial assets at fair value through profit or loss	$	-	$ 15,493,586	$ 15,493,586	$	-	$ 15,493,586
Cash		-	-	-		15,082	15,082
Accrued dividends		-	-	-		32,276	32,276
Accrued interest		-	-	-		14,389	14,389
Total	$	-	$ 15,493,586	$ 15,493,586	$	61,747	$ 15,555,333

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

Category	**Net gains (losses)**	
	2016	2015
Net gains (losses) on financial instruments at FVTPL:		
Held for trading	**-**	-
Designated at inception	**2,751,945**	(1,795,125)
Total	**2,751,945**	(1,795,125)