



LDIC North American Infrastructure Fund

(Formerly LDIC North American Energy  
Infrastructure Fund)

Financial Statements

December 31, 2015

# 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, 2015 and 2014, 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, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Toronto, Canada  
March 4, 2016

*Ernst + Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants

**LDIC North American Infrastructure Fund<sup>†</sup>**  
**(formerly LDIC North American Energy Infrastructure Fund)**  
**Statements of Financial Position**  
**As at December 31,**

	2015		2014
<b>Assets</b>			
<b>Current assets</b>			
Financial assets at fair value through profit or loss (notes 3 and 12)	\$ 15,493,586	\$	29,497,926
Cash	15,082		1,934,080
Prepaid fees	-		12,431
Accrued dividends	32,276		88,525
Accrued interest	14,389		29,378
Subscriptions receivable	-		645
<b>Total assets</b>	<b>15,555,333</b>		<b>31,562,985</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Performance fees	302,437		293,246
Accrued expenses	6,176		84,059
Redemptions payable	28,235		-
Management fees	14,721		29,968
<b>Total liabilities (excluding Net Assets attributable to holders of redeemable units)</b>	<b>351,569</b>		<b>407,273</b>
<b>Net Assets attributable to holders of redeemable units (note 4)</b>	<b>\$ 15,203,764</b>	\$	<b>31,155,712</b>
<b>Net Assets attributable to holders of redeemable units per class</b>			
Class A	\$ 6,115,422	\$	11,144,636
Class F	\$ 9,088,342	\$	20,011,076
<b>Net Assets attributable to holders of redeemable units per class per unit (note 4)</b>			
Class A	\$ 9.37	\$	10.91
Class F	\$ 9.60	\$	11.10

<sup>†</sup>The Fund changed its name on May 22, 2015.

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†**  
**(formerly LDIC North American Energy Infrastructure Fund)**  
**Statements of Comprehensive Income**  
**For the years ended December 31,**

	2015	2014
<b>Net Gain (loss) on Financial Instruments</b>		
Dividend income	\$ 1,040,248	\$ 665,980
Interest for distribution purposes	209,909	162,364
Foreign exchange gain (loss)	174,349	(24,380)
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	(2,074,759)	(1,110)
Change in unrealized appreciation (depreciation) in value of investments	(1,145,985)	(885,479)
Change in unrealized appreciation (depreciation) in value of foreign exchange from currency	1,113	(14,258)
<b>Net Gain (loss) on Financial Instruments</b>	<b>(1,795,125)</b>	<b>(96,883)</b>
<b>Expenses (note 5)</b>		
Performance fees	311,555	322,250
Management fees	386,409	382,690
Custodian fees	8,256	9,323
Audit fees	16,611	23,136
Legal fees	52,260	31,193
Valuation fees	30,931	38,739
Independent review committee fees	3,252	2,898
Transaction costs (note 7)	62,236	80,265
Filing fees	27,375	2,291
Securityholder reporting costs	58,941	67,795
Other expenses	61,609	53,615
	1,019,435	1,014,195
Fees recovered (waived) and expenses absorbed by manager (note 5)	-	(4,188)
<b>Total operating expenses</b>	<b>1,019,435</b>	<b>1,010,007</b>
<b>Operating profit (loss)</b>	<b>(2,814,560)</b>	<b>(1,106,890)</b>
Withholding taxes (note 6)	(35,340)	(27,311)
<b>Increase (decrease) in Net Assets attributable to holders of redeemable units from operations (excluding distributions)</b>	<b>\$ (2,849,900)</b>	<b>\$ (1,134,201)</b>
<b>Increase (decrease) in Net Assets attributable to holders of redeemable units per class from operations (excluding distributions)</b>		
Class A	\$ (1,013,021)	\$ (553,662)
Class F	\$ (1,836,879)	\$ (580,539)
<b>Average number of units outstanding for the year per class</b>		
Class A	852,251	778,680
Class F	1,569,553	1,333,657
<b>Increase (decrease) in Net Assets attributable to holders of redeemable units per unit from operations (excluding distributions)</b>		
Class A	\$ (1.19)	\$ (0.71)
Class F	\$ (1.17)	\$ (0.44)

† The Fund changed its name on May 22, 2015.

**LDIC North American Infrastructure Fund†**  
**(formerly LDIC North American Energy Infrastructure Fund)**  
**Statements of Changes in Net Assets Attributable to Holders of Redeemable Units**  
**For the years ended December 31,**

	2015		2014					
	Class A		Class F					
<b>Net Assets attributable to holders of redeemable units at beginning of year</b>	\$	11,144,636	\$	3,723,153	\$	20,011,076	\$	8,719,848
<b>Increase (decrease) in Net Assets attributable to holders of redeemable units from operations (excluding distributions)</b>		(1,013,021)		(553,662)		(1,836,879)		(580,539)
<b>Redeemable unit transactions</b>								
Proceeds from redeemable units issued		272,835		9,152,874		2,900,783		14,162,109
Redemption of redeemable units		(4,231,521)		(1,121,408)		(11,907,957)		(2,231,117)
Reinvestments of distributions to holders of redeemable units		187,523		191,261		365,226		367,449
		(3,771,163)		8,222,727		(8,641,948)		12,298,441
<b>Distributions to holders of redeemable units</b>								
From net investment income		(3,157)		(16,755)		(4,012)		(27,439)
Return of capital		(241,873)		(230,827)		(439,895)		(399,235)
		(245,030)		(247,582)		(443,907)		(426,674)
<b>Net Increase (decrease) in Net Assets attributable to holders of redeemable units</b>		(5,029,214)		7,421,483		(10,922,734)		11,291,228
<b>Net Assets attributable to holders of redeemable units at end of year</b>	\$	6,115,422	\$	11,144,636	\$	9,088,342	\$	20,011,076
						<b>2015</b>		<b>2014</b>
								<b>Total</b>
<b>Net Assets attributable to holders of redeemable units at beginning of year</b>					\$	31,155,712	\$	12,443,001
<b>Increase (decrease) in Net Assets attributable to holders of redeemable units from operations (excluding distributions)</b>						(2,849,900)		(1,134,201)
<b>Redeemable unit transactions</b>								
Proceeds from redeemable units issued						3,173,618		23,314,983
Redemption of redeemable units						(16,139,478)		(3,352,525)
Reinvestments of distributions to holders of redeemable units						552,749		558,710
						(12,413,111)		20,521,168
<b>Distributions to holders of redeemable units</b>								
From net investment income						(7,169)		(44,194)
Return of capital						(681,768)		(630,062)
						(688,937)		(674,256)
<b>Net Increase (decrease) in Net Assets attributable to holders of redeemable units</b>						(15,951,948)		18,712,711
<b>Net Assets attributable to holders of redeemable units at end of year</b>					\$	15,203,764	\$	31,155,712

† The Fund changed its name on May 22, 2015.

**LDIC North American Infrastructure Fund†**  
**(formerly LDIC North American Energy Infrastructure Fund)**  
**Statements of Cash Flows**  
**For the years ended December 31,**

	2015	2014
<b>Cash flows from (used in) operating activities</b>		
Increase (Decrease) in Net Assets attributable to holders of redeemable units from operations (excluding distributions)	\$ (2,849,900)	\$ (1,134,201)
Adjustments for:		
Foreign exchange gain (loss)	(174,349)	24,380
Net realized gain (loss) on sale of investments	2,074,759	1,110
Change in unrealized appreciation (depreciation) in value of investments	1,145,985	885,479
Purchases of investments	(15,753,957)	(35,296,770)
Proceeds from sale of investments	26,537,553	13,605,744
Accrued dividends	56,249	(57,832)
Accrued interest	14,989	(20,619)
Due from manager	-	29,705
Prepaid fees	12,431	(12,431)
Performance fees	9,191	293,246
Management fees payable	(15,247)	16,442
Accrued expenses	(77,883)	38,525
<b>Net cash from (used in) operating activities</b>	<b>10,979,821</b>	<b>(21,627,222)</b>
<b>Cash flows from (used in) financing activities</b>		
Distributions paid to holders of redeemable units, net of reinvested distributions	(136,188)	(115,546)
Proceeds from redeemable units issued	3,174,263	23,487,072
Redemption of redeemable units	(16,111,243)	(3,352,525)
<b>Net cash from (used in) financing activities</b>	<b>(13,073,168)</b>	<b>20,019,001</b>
Foreign exchange gain (loss)	174,349	(24,380)
Net increase (decrease) in cash	(2,093,347)	(1,608,221)
Cash at beginning of year	1,934,080	3,566,681
<b>Cash at end of year</b>	<b>15,082</b>	<b>1,934,080</b>
<b>Supplemental Cash Flow Information:</b>		
Dividends received, net of withholding taxes	\$ 1,061,157	\$ 580,837
Interest received	224,898	141,745

† The Fund changed its name on May 22, 2015.

**LDIC North American Infrastructure Fund†**  
**(formerly LDIC North American Energy Infrastructure Fund)**

**Schedule of Investment Portfolio**

As at December 31, 2015

Par Value/ Number of Shares	Description	Maturity Date	Coupon Rate	Average Cost (\$)	Fair Value (\$)	% of Net Assets
<b>Bonds</b>						
<b>Corporate Bonds</b>						
922,000	Canadian Energy Services & Technology Corp.	17-Apr-20	7.375%	976,044	831,108	
1,900,000	Emera Inc.	29-Sep-25	4.000%	632,700	653,600	
<b>Total Bonds</b>				<u>1,608,744</u>	<u>1,484,708</u>	<u>9.8</u>
<b>Equities - Canada</b>						
<b>Consumer Discretionary</b>						
23,700	Shaw Communications Inc.			629,111	564,060	3.7
<b>Energy</b>						
26,587	AltaGas Ltd.			1,118,878	821,538	
34,000	AltaGas Ltd., Preferred			850,000	726,920	
38,101	Inter Pipeline Ltd.			1,058,115	846,223	
20,394	Keyera Corp.			731,274	821,063	
39,185	Parkland Fuel Corp.			803,506	912,619	
27,643	Pembina Pipeline Corp.			1,110,107	833,436	
20,000	Veresen Inc., Preferred			500,000	426,000	
				<u>6,171,880</u>	<u>5,387,799</u>	<u>35.4</u>
<b>Industrials</b>						
25,000	Progressive Waste Solutions Ltd.			788,263	815,000	5.4
<b>Utilities</b>						
55,000	Algonquin Power & Utilities Corp.			574,750	600,050	
8,800	Brookfield Infrastructure Partners LP			472,314	460,944	
19,000	Brookfield Renewable Energy Partners LP			740,890	689,130	
22,700	Fortis Inc.			889,364	849,208	
60,000	GWR Global Water Resources Corp.			477,382	454,800	
25,600	Hydro One Ltd.			554,840	570,624	
30,000	Polaris Infrastructure Inc.			329,600	241,500	
				<u>4,039,140</u>	<u>3,866,256</u>	<u>25.4</u>
<b>Equities - United States</b>						
<b>Energy</b>						
19,493	Williams Cos. Inc.			1,054,194	695,898	4.6
<b>Industrials</b>						
9,180	Macquarie Infrastructure Co. LLC			759,507	925,791	6.1
<b>Utilities</b>						
20,550	Aqua America Inc.			690,964	850,672	
5,000	Brookfield Renewable Energy Partners LP			188,348	181,833	
5,000	NextEra Energy Inc.			661,700	721,569	
				<u>1,541,012</u>	<u>1,754,074</u>	<u>11.5</u>
<b>Total Equities</b>				<u>14,983,107</u>	<u>14,008,878</u>	<u>92.1</u>
<b>Transaction costs</b>				(19,117)		
<b>Total Investments</b>				<u>16,572,734</u>	<u>15,493,586</u>	<u>101.9</u>
<b>Other Liabilities Less Assets</b>					(289,822)	(1.9)
<b>Net Assets Attributable to Holders of Redeemable Units</b>					<u>\$ 15,203,764</u>	<u>100.0</u>

† The Fund changed its name on May 22, 2015.

# **LDIC North American Infrastructure Fund (formerly LDIC North American Energy Infrastructure Fund)**

## **Notes to Financial Statements**

**December 31, 2015 and 2014**

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### **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 4, 2016.

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 annual financial statements are based on IFRS issued and outstanding 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.

# **LDIC North American Infrastructure Fund**

## **(formerly LDIC North American Energy Infrastructure Fund)**

### **Notes to Financial Statements**

**December 31, 2015 and 2014**

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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 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. 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 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 with financial institutions.

# **LDIC North American Infrastructure Fund**

## **(formerly LDIC North American Energy Infrastructure Fund)**

### **Notes to Financial Statements**

**December 31, 2015 and 2014**

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**(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 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 Net Asset Value 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 units outstanding during the period of that class of units.

**(k) 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.

# LDIC North American Infrastructure Fund (formerly LDIC North American Energy Infrastructure Fund)

## Notes to Financial Statements

December 31, 2015 and 2014

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### (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 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. 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:

	<u>2015</u>	
	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	<u>652,527</u>	<u>946,469</u>

	<u>2014</u>	
	Class A	Class F
Outstanding at the beginning of the year	338,773	786,118
Redeemable units issued	761,963	1,172,897
Redeemable units reinvested	16,194	30,866
Redeemable units redeemed	(95,654)	(187,829)
Outstanding at the end of the year	<u>1,021,276</u>	<u>1,802,052</u>

# **LDIC North American Infrastructure Fund**

## **(formerly LDIC North American Energy Infrastructure Fund)**

### **Notes to Financial Statements**

**December 31, 2015 and 2014**

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#### **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, 2015, the Manager of the Fund and certain Directors and Officers of the Manager held a total of 164,375 Class F units and 664 Class A 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, custodial 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 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 carry-forwards as of December 31, 2015 of \$2,006,461 (2014 – \$32,923) which may be applied against future years' capital gains and can be carried forward indefinitely

# LDIC North American Infrastructure Fund (formerly LDIC North American Energy Infrastructure Fund)

## Notes to Financial Statements

December 31, 2015 and 2014

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### 7. TRANSACTION COSTS

Commissions and other transaction fees paid for portfolio transactions for the year ended December 31, 2015 was \$62,236 (2014 - \$80,265).

### 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, 2015 and 2014 was nil and \$611 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 (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 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 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 92.14% (2014 – 86.6%) 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, 2015, the Net Assets of the Fund would have increased or decreased by approximately \$700,444, or 4.6% (2014 –\$1,348,212 or 4.2%), 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		December 31, 2014	
	Currency Exposure (\$)	Percentage of Net Assets (%)	Currency Exposure (\$)	Percentage of Net Assets (%)
U.S. Dollar	3,723,429	24.5	11,944,733	44.7

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 \$186,171 (2014 - \$597,237). In practice, the actual results may differ and the difference could be material.

# LDIC North American Infrastructure Fund (formerly LDIC North American Energy Infrastructure Fund)

Notes to Financial Statements  
December 31, 2015 and 2014

## (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, 2015 and 2014, 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	<b>December 31, 2015</b>	-	<b>831,108</b>	<b>653,600</b>	<b>1,484,708</b>
	December 31, 2014	-	-	2,533,693	2,533,693

As at December 31, 2015, 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 \$17,524 (2014 - \$29,088). 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, 2015 and 2014, the Fund had directly invested in debt instruments with the following Standard & Poor's credit ratings:

<b>Portfolio by rating category</b>	<b>December 31, 2015</b>	December 31, 2014
<b>BBB</b>	<b>4.3%</b>	-
<b>BB</b>	-	3.9%
<b>B</b>	<b>5.5%</b>	4.2%
	<b>9.8%</b>	8.1%

## (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.

# LDIC North American Infrastructure Fund

## (formerly LDIC North American Energy Infrastructure Fund)

### Notes to Financial Statements

December 31, 2015 and 2014

#### (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	December 31, 2014
Corporate Bonds	9.8%	4.2%
Foreign Bonds	-	3.9%
Consumer Discretionary	3.7%	-
Energy	40.0%	56.6%
Financials	-	2.7%
Industrials	11.5%	21.6%
Materials	-	4.0%
Utilities	36.9%	1.7%
Net Other Assets/Liabilities	(1.9)%	5.3%
Total	100.0%	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 and 2014.

	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
	Financial Assets at Fair Value as at December 31, 2014			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	26,964,233	-	-	26,964,233
Bonds	-	2,533,693	-	2,533,693
	26,964,233	2,533,693	-	29,497,926

#### 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 Manager's estimate of the actual income for the year.

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

# LDIC North American Infrastructure Fund

## (formerly LDIC North American Energy Infrastructure Fund)

### Notes to Financial Statements

December 31, 2015 and 2014

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, 2015 and 2014:

December 31, 2015	Financial assets at FVTPL			Financial assets at amortized cost	
	HFT	Designated at inception	Total	cost	Total
Assets					
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
<b>Total</b>	<b>\$ -</b>	<b>\$ 15,493,586</b>	<b>\$ 15,493,586</b>	<b>\$ 61,747</b>	<b>\$ 15,555,333</b>

December 31, 2014	Financial assets at FVTPL			Financial assets at amortized cost	
	HFT	Designated at inception	Total	cost	Total
Assets					
Financial assets at fair value through profit or loss	\$ -	\$ 29,497,926	\$ 29,497,926	\$ -	\$ 29,497,926
Cash	-	-	-	1,934,080	1,934,080
Prepaid Fees	-	-	-	12,431	12,431
Accrued dividends	-	-	-	88,525	88,525
Accrued interest	-	-	-	29,378	29,378
Subscriptions receivable	-	-	-	645	645
<b>Total</b>	<b>\$ -</b>	<b>\$ 29,497,926</b>	<b>\$ 29,497,926</b>	<b>\$ 2,065,059</b>	<b>\$ 31,562,985</b>

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

Category	Net gains (losses)	
	<u>2015</u>	<u>2014</u>
Net gains (losses) on financial instruments at FVTPL:		
Held-for-trading	-	-
Designated at inception	(1,795,125)	(96,883)
<b>Total</b>	<b>(1,795,125)</b>	<b>(96,883)</b>