



**LDIC North American Infrastructure Fund**

Financial Statements

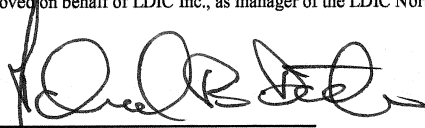
June 30, 2015

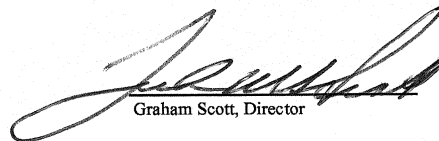
**LDIC North American Infrastructure Fund<sup>†</sup>**  
**(formerly LDIC North American Energy Infrastructure Fund)**  
**Statements of Financial Position (unaudited)**  
**As at June 30, 2015 and December 31, 2014**

	2015	2014
<b>Assets</b>		
<b>Current assets</b>		
Financial assets at fair value through profit or loss (notes 3 and 12)	\$ 25,692,792	\$ 29,497,926
Cash	1,762,020	1,934,080
Prepaid fees	-	12,431
Accrued dividends	61,694	88,525
Accrued interest	29,769	29,378
Subscriptions receivable	57,774	645
<b>Total assets</b>	<b>27,604,049</b>	<b>31,562,985</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Performance fees	147,907	293,246
Accrued expenses	35,182	84,059
Redemptions payable	35,000	-
Management fees	17,698	29,968
<b>Total liabilities (excluding Net Assets attributable to holders of redeemable units)</b>	<b>235,787</b>	<b>407,273</b>
<b>Net Assets attributable to holders of redeemable units (note 4)</b>	<b>\$ 27,368,262</b>	<b>\$ 31,155,712</b>
<b>Net Assets attributable to holders of redeemable units per class</b>		
Class A	\$ 9,444,777	\$ 11,144,636
Class F	\$ 17,923,485	\$ 20,011,076
<b>Net Assets attributable to holders of redeemable units per class per unit (note 4)</b>		
Class A	\$ 10.78	\$ 10.91
Class F	\$ 11.02	\$ 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

  
 Michael B. Decter, Director

  
 Graham Scott, Director

**LDIC North American Infrastructure Fund†**  
**(formerly LDIC North American Energy Infrastructure Fund)**  
**Statements of Comprehensive Income (unaudited)**  
**For the six months period ended June 30,**

	2015	2014
<b>Net Gain (loss) on Financial Instruments</b>		
Dividend income	\$ 491,867	\$ 242,252
Interest for distribution purposes	107,418	59,958
Foreign exchange gain (loss) on cash	(11,355)	20,756
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	(325,561)	625,200
Change in unrealized appreciation (depreciation) in value of investments	337,595	2,428,351
Change in unrealized appreciation (depreciation) in value of foreign exchange from currency	75,035	(13,895)
<b>Net Gain (loss) on Financial Instruments</b>	<b>674,999</b>	<b>3,362,622</b>
<b>Expenses (note 5)</b>		
Performance fees	157,025	-
Management fees	218,141	141,750
Custodian fees	4,639	5,292
Audit fees	15,659	8,787
Legal fees	16,534	6,310
Valuation fees	17,841	21,556
Independent review Committee fees	1,045	2,911
Transaction costs (note 7)	31,421	31,756
Filing fees	22,492	2,938
Securityholder reporting costs	20,343	19,556
Other expenses	33,448	18,215
	<b>538,588</b>	<b>259,071</b>
Fees recovered (waived) and expenses absorbed by manager (note 5)	-	(19,301)
<b>Total operating expenses</b>	<b>538,588</b>	<b>239,770</b>
<b>Operating profit (loss)</b>	<b>136,411</b>	<b>3,122,852</b>
Withholding taxes (note 6)	(18,531)	(6,917)
<b>Increase (decrease) in Net Assets attributable to holders of redeemable units from operations (excluding distributions)</b>	<b>\$ 117,880</b>	<b>\$ 3,115,935</b>
<b>Increase (decrease) in Net Assets attributable to holders of redeemable units per class from operations (excluding distributions)</b>		
Class A	\$ 21,858	\$ 1,043,709
Class F	\$ 96,022	\$ 2,072,226
<b>Average number of units outstanding for the period per class</b>		
Class A	938,024	563,233
Class F	1,691,837	1,066,200
<b>Increase (decrease) in Net Assets attributable to holders of redeemable units per unit from operations (excluding distributions)</b>		
Class A	\$ 0.02	\$ 1.85
Class F	\$ 0.06	\$ 1.94

† 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 (unaudited)**  
**For the six months period ended June 30,**

	2015		2014					
	Class A		Class F					
<b>Net Assets attributable to holders of redeemable units at beginning of period</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>		21,858		1,043,709		96,022		2,072,226
<b>Redeemable unit transactions</b>								
Proceeds from redeemable units issued		206,750		7,403,558		2,136,100		8,113,501
Redemption of redeemable units		(1,900,615)		(436,795)		(4,268,273)		(1,347,071)
Reinvestments of distributions to holders of redeemable units		109,064		76,309		204,473		164,990
		(1,584,801)		7,043,072		(1,927,700)		6,931,420
<b>Distributions to holders of redeemable units</b>								
From net investment income		(136,916)		(98,504)		(255,913)		(173,522)
		(136,916)		(98,504)		(255,913)		(173,522)
<b>Net Increase (decrease) in Net Assets attributable to holders of redeemable units</b>		(1,699,859)		7,988,277		(2,087,591)		8,830,124
<b>Net Assets attributable to holders of redeemable units at end of period</b>	\$	9,444,777	\$	11,711,430	\$	17,923,485	\$	17,549,972

	2015		2014	
	Total			
<b>Net Assets attributable to holders of redeemable units at beginning of period</b>	\$	31,155,712	\$	12,443,001
<b>Increase (decrease) in Net Assets attributable to holders of redeemable units from operations (excluding distributions)</b>		117,880		3,115,935
<b>Redeemable unit transactions</b>				
Proceeds from redeemable units issued		2,342,850		15,517,059
Redemption of redeemable units		(6,168,888)		(1,783,866)
Reinvestments of distributions to holders of redeemable units		313,537		241,299
		(3,512,501)		13,974,492
<b>Distributions to holders of redeemable units</b>				
From net investment income		(392,829)		(272,026)
		(392,829)		(272,026)
<b>Net Increase (decrease) in Net Assets attributable to holders of redeemable units</b>		(3,787,450)		16,818,401
<b>Net Assets attributable to holders of redeemable units at end of period</b>	\$	27,368,262	\$	29,261,402

† 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 (unaudited)**  
**For the six months period ended June 30,**

	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)	\$ 117,880	\$ 3,115,935
Adjustments for:		
Foreign exchange gain (loss) on cash	11,355	(20,756)
Net realized gain (loss) on sale of investments	325,561	(625,200)
Change in unrealized appreciation (depreciation) in value of investments	(337,595)	(2,428,351)
Purchases of investments	(8,889,892)	(21,187,777)
Proceeds from sale of investments	12,707,060	6,236,542
Prepaid fees	12,431	-
Accrued dividends	26,831	(29,674)
Accrued interest	(391)	(19,650)
Due from manager	-	14,592
Receivable for investments sold	-	(27,581)
Performance fees	(145,339)	-
Management fees payable	(12,270)	17,664
Payable for investments purchased	-	533,094
Accrued expenses	(48,877)	(14,816)
<b>Net cash from (used in) operating activities</b>	<b>3,766,754</b>	<b>(14,435,978)</b>
<b>Cash flows from (used in) financing activities</b>		
Distributions paid to holders of redeemable units, net of reinvested distributions	(79,292)	(30,727)
Proceeds from redeemable units issued	2,285,721	14,859,633
Redemption of redeemable units	(6,133,888)	(1,783,866)
<b>Net cash from (used in) financing activities</b>	<b>(3,927,459)</b>	<b>13,045,040</b>
Foreign exchange gain (loss) on cash	(11,355)	20,756
Net increase (decrease) in cash	(160,705)	(1,390,938)
Cash at beginning of period	1,934,080	3,566,681
<b>Cash at end of period</b>	<b>1,762,020</b>	<b>2,196,499</b>
<b>Supplemental Cash Flow Information:</b>		
Dividends received, net of withholding taxes	\$ 500,167	\$ 205,661
Interest received	107,027	40,308

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

# LDIC North American Infrastructure Fund

## Schedule of Investment Portfolio (unaudited)

As at June 30, 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>						
1,372,000	Canadian Energy Services & Technology Corp.	17-Apr-20	7.375%	1,452,421	1,386,577	5.1
<b>Foreign Bonds</b>						
1,227,000	Calfrac Holdings LP	1-Dec-20	7.500%	1,406,587	1,422,174	5.2
<b>Total Bonds</b>				2,859,008	2,808,751	10.3
<b>Equities - Canada</b>						
<b>Energy</b>						
39,997	AltaGas Ltd.			1,683,220	1,521,486	
34,000	AltaGas Ltd., Preferred			850,000	797,640	
19,168	Crescent Point Energy Corp.			762,397	491,276	
50,000	Enbridge Income Fund Holdings Inc.			1,902,835	1,726,500	
20,222	Gibson Energy Inc.			564,742	456,006	
42,301	Inter Pipeline Ltd.			1,174,756	1,214,039	
41,844	Keyera Corp.			1,500,412	1,744,895	
41,185	Parkland Fuel Corp.			825,555	1,024,683	
46,843	Pembina Pipeline Corp.			1,881,153	1,891,051	
56,371	Secure Energy Services Inc.			977,692	720,421	
40,833	Veresen Inc.			681,036	689,669	
20,000	Veresen Inc., Preferred			500,000	498,000	
				13,303,798	12,775,666	46.7
<b>Industrials</b>						
9,678	Canadian National Railway Co.			642,030	697,397	2.5
<b>Utilities</b>						
105,000	Algonquin Power & Utilities Corp.			1,037,496	982,800	
22,700	Fortis Inc.			889,364	796,317	
15,000	GWR Global Water Resources Corp.			105,884	107,250	
				2,032,744	1,886,367	6.9
<b>Equities - United States</b>						
<b>Energy</b>						
24,493	Williams Cos. Inc.			1,324,597	1,754,895	6.4
<b>Industrials</b>						
20,180	Macquarie Infrastructure Co. LLC			1,669,591	2,081,765	
8,749	Union Pacific Corp.			952,947	1,041,700	
				2,622,538	3,123,465	11.4
<b>Materials</b>						
6,744	LyondellBasell Industries NV			686,039	871,595	3.2
<b>Utilities</b>						
5,000	Brookfield Renewable Energy Partners LP			188,348	185,271	
25,000	Brookfield Renewable Energy Partners LP			981,811	928,500	
5,400	NextEra Energy Inc.			671,122	660,885	
				1,841,281	1,774,656	6.5
<b>Total Equities</b>				22,453,027	22,884,041	83.6
<b>Transaction costs</b>				(23,675)		
<b>Total Investments</b>				25,288,360	25,692,792	93.9
<b>Other Assets, Less Liabilities</b>					1,675,470	6.1
<b>Net Assets Attributable to Holders of Redeemable Units</b>				\$	27,368,262	100.0

# **LDIC North American Infrastructure Fund**

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

Notes to Financial Statements (unaudited)

June 30, 2015

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### **1. Establishment of Trust**

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 LDIC North American Infrastructure Fund (the “Fund”) changed its name from LDIC North American Energy Infrastructure Fund on May 22, 2015. The address of the funds registered office is LDIC Inc. 130 King Street West, Suite 2130. These financial statements were authorized for issue by the Manager on August 17, 2015.

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 commission’s 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**

These financial statements have been prepared in accordance with International Accounting Standards (34) *Interim Financial Reporting* (“IAS 34”) as published by the International Accounting Standards Board (IASB). The Fund adopted International Financial Reporting Standards (“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 August 17, 2015, 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.

# **LDIC North American Infrastructure Fund**

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

Notes to Financial Statements (unaudited)

June 30, 2015

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Foreign currency translation**

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

Foreign exchange gains (losses) on purchases and sales of foreign currencies are included the Statements of Comprehensive Income – Foreign exchange gain (loss) on cash.

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

#### **(c) Fair value measurements**

Financial Instruments are valued at their fair value which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets are 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.



# **LDIC North American Infrastructure Fund**

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

Notes to Financial Statements (unaudited)

June 30, 2015

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

**(d) Cash**

Cash is comprised of deposits with financial instruments

**(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 which 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.

# **LDIC North American Infrastructure Fund**

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

Notes to Financial Statements (unaudited)

June 30, 2015

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### **(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.

### **(l) Critical Accounting Estimates and Judgments**

#### **1) 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.

#### **2) 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 which 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.

# LDIC North American Infrastructure Fund

## (formerly LDIC North American Energy Infrastructure Fund)

Notes to Financial Statements (unaudited)

June 30, 2015

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

	<u>June 2015</u>	
	Class A	Class F
Outstanding at the beginning of the period	1,021,276	1,802,052
Redeemable units issued	18,724	187,802
Redeemable units reinvested	10,100	18,545
Redeemable units redeemed	(173,745)	(382,488)
<u>Outstanding at the end of the period</u>	<u>876,355</u>	<u>1,625,911</u>

	<u>June 2014</u>	
	Class A	Class F
Outstanding at the beginning of the period	338,773	786,118
Redeemable units issued	619,785	684,353
Redeemable units reinvested	6,302	13,644
Redeemable units redeemed	(36,477)	(113,508)
<u>Outstanding at the end of the period</u>	<u>928,383</u>	<u>1,370,607</u>

### 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 June 30, 2015, the Manager of the Fund and certain directors and officers of the manager held a total of 233, 833 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, 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 statement 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**”). 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.

# **LDIC North American Infrastructure Fund**

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

Notes to Financial Statements (unaudited)

June 30, 2015

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### **6. Taxation of the Fund and Allocation to Unitholders**

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

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

### **7. Transaction Costs**

Commissions and other transaction fees paid for portfolio transactions for the period ended was \$31,421 (2014 - \$31,756).

### **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 periods ended June 30, 2015 and 2014 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 (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 market 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 June 30, 2015, approximately 83.6% (December 31, 2014 – 86.6%) of the Fund’s Net Assets were held directly in equities. If equity prices on the exchanges increased or decreased by 4.2% as at June 30, 2015, the Net Assets of the Fund would have increased or decreased by approximately \$1,144,202 (December 31, 2014 –\$1,348,212) or 4.2% of the Net Assets, all other factors remaining constant. In practice, the actual results may differ and the difference could be material.

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### (b) Currency risk

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

	June 30, 2015		December 31, 2014	
	Currency Exposure (\$)	Percentage of Net Assets (%)	Currency Exposure (\$)	Percentage of Net Assets (%)
U.S. Dollar	10,219,222	37.3	11,944,733	44.7

As at June 30, 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 \$510,961 (December 31, 2014 - \$597,237) of Net Assets. 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. Due to the short-term nature of the Fund's interest-bearing financial instruments (predominately cash and cash equivalents), the Fund is not subject to significant amounts of risk from fluctuations in the prevailing levels of market interest rates.

As at June 30, 2015 and December 31, 2014, the Fund's direct exposure to debt instruments by maturity was as follows:

		Less than	1 - 5 years	More than	Total (\$)
		1 year (\$)	(\$)	5 years (\$)	
Interest Rate Exposure	June 30, 2015	-	1,386,577	1,422,174	2,808,751
	December 31, 2014	-	-	2,533,693	2,533,693

As at June 30, 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 \$24,915 (December 31, 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.

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As at June 30, 2015 and December 31, 2014, the Fund had directly invested in debt instruments with the following Standard and Poor's credit ratings:

Portfolio by rating category	As a % of Net Assets	
	June 30, 2015	December 31, 2014
BB	5.2%	3.9%
B	5.1%	4.2%
	<b>10.3%</b>	<b>8.1%</b>

### (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 invests majority of its 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.

### (f) Concentration risk

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

Investment Sector	June 30, 2015	December 31, 2014
Corporate Bonds	5.10%	4.20%
Foreign Bonds	5.20%	3.90%
Energy	53.10%	56.60%
Financials	-	2.70%
Industrials	13.90%	21.60%
Materials	3.20%	4.00%
Utilities	13.40%	1.70%
Net Other Assets	6.10%	5.30%
Total	100.00%	100.00%

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### 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 June 30, 2015 and December 31, 2014.

<b>Financial Assets at Fair Value as at June 30, 2015</b>				
	<b>Level 1 (\$)</b>	<b>Level 2 (\$)</b>	<b>Level 3 (\$)</b>	<b>Total (\$)</b>
Equities	22,884,041	-	-	22,884,041
Bonds	-	2,808,751	-	2,808,751
	<u>22,884,041</u>	<u>2,808,751</u>	<u>-</u>	<u>25,692,792</u>

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

### 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 2 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 unit holders are entitled to distributions when declared. The distributions are based on the Manger's estimate of the actual income for the year.

For the period ended June 30, 2015, the Fund made a distribution of \$0.15/unit to its outstanding unit holders. Distributions are automatically reinvested or paid in cash if opted by the unit holders.

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.

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### 12. Financial Instruments

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

The following tables present the carrying amounts of the Fund's financial assets by category as at June 30, 2015 and December 31, 2014:

June 30, 2015	Financial assets at FVTPL			Financial assets at amortized cost	
	HFT	Designated at inception	Total	cost	Total
Financial assets at fair value through profit or loss	\$ -	\$ 25,692,792	\$ 25,692,792	\$ -	\$ 25,692,792
Cash	-	-	-	1,762,020	1,762,020
Accrued dividends	-	-	-	61,694	61,694
Accrued interest	-	-	-	29,769	29,769
Subscriptions receivable	-	-	-	57,774	57,774
<b>Total</b>	<b>\$ -</b>	<b>\$ 25,692,792</b>	<b>\$ 25,692,792</b>	<b>\$ 1,911,257</b>	<b>\$ 27,604,049</b>

December 31, 2014	Financial assets at FVTPL			Financial assets at amortized cost	
	HFT	Designated at inception	Total	cost	Total
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 periods ended June 30:

Category	Net gains (losses)	
	2015	2014
Net gains (losses) on financial instruments at FVTPL:		
Held-for-Trading	-	-
Designated at inception	674,999	3,362,622
<b>Total</b>	<b>674,999</b>	<b>3,362,622</b>