



**LDIC North American Infrastructure Fund**

Management Report of Fund Performance

June 30, 2015

*Class A units and Class F units of LDIC North American Infrastructure Fund*

## **LDIC North American Infrastructure Fund**

For the Period ended June 30, 2015

All figures are reported in Canadian dollars unless otherwise noted.

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

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

### **Investment Objectives and Strategies**

The investment objective of the Fund is to provide long-term capital appreciation combined with regular income, by investing primarily in equity securities and debt investments relating to infrastructure and related companies based in North America.

The prior approval of unitholders is required before a fundamental change is made to the investment objective the Fund. This approval must be given by a resolution passed by a majority of the votes cast at a meeting of the unitholders of the Fund.

In order to achieve its investment objective, the Fund intends to invest primarily in the equity securities of infrastructure and related companies based in North America.

Infrastructure assets are broadly defined as the basic facilities, services, and installations needed for the functioning of a community or society. The infrastructure sector includes, but is not limited to, investment in the following areas:

|                               |  |
|-------------------------------|--|
| <b>Transportation</b>         | Pipeline, railroad, truck/ship fleets, airports, and seaports.   |
| <b>Distribution</b>           | Electrical power networks, water utilities generation plants, electrical grids, substations  |
| <b>Storage</b>                | Storage terminals, manufacturing facilities & underground storage.   |
| <b>Industrials</b>            | Refineries, utilities, midstream processing, upgraders, engineering, chemical manufacturing & processing.                                    |
| <b>Services</b>               | Construction, equipment, drilling, social, real estate, housing & retail.  |
| <b>Production &amp; Expl.</b> | Oil production, natural gas production, coal, hydroelectricity, renewables & alternative energy production such as wind, solar & geothermal. |

Techniques such as fundamental analysis may be used to assess the growth and value potential of an investment which requires evaluating the financial condition and management of each company, its

industry and the overall economy. For more details regarding the use of investment strategies, refer to the Simplified Prospectus filed on SEDAR ([www.sedar.com](http://www.sedar.com)).

### **Risk**

As of June 30, 2015, the risks of investing in the Fund remain as described in the prospectus (items 9 and 10 of Part B of Form 81-101F1 as filed on [www.Sedar.com](http://www.Sedar.com)). The main risk worth re-iterating to investors is the potential negative impact a rise in interest rates may have on dividend paying securities within the theme such as the Pipelines sector. Rising interest rates can translate into reduced valuations for companies that have low growth business that distribute the majority of its income to shareholders in the form of dividends. To minimize such impacts, the fund continues to target securities of companies that are projected to exhibit significant relative growth, however there can be no assurances that the growth will materialize or that the overall market will not cause the price of such securities to fluctuate. There were no material changes to the Fund since its inception that affected the overall level of risk.

The Fund is suitable for investors who are seeking a potential for capital appreciation, have medium to high risk tolerance and have a medium to long-term investing horizon. However, the level of risk associated with any particular investment depends largely on an investor's personal circumstances. Investors can invest a component of their total portfolio in the Fund to provide portfolio diversification. Investors should consider their personal investment profile and consult their financial advisor before making a decision to invest in the Fund.

### **Result of Operations**

The financial markets across North America showed positive performance. In both quarters, the Canadian and US markets continued their upward trends. Year-to-date the S&P/TSX Composite returned 0.91% and the S&P 500 Index returned 7.69% in Canadian dollars. The first half of the year has proven to be challenging for the energy sector with the TSX Energy Index down -5.36%.

For the period January 2015 to June 30 2015, The LDIC North American Infrastructure Fund's Class A units return was 0.14% and Class F units return was 0.62% while the benchmark return was -3.03% over the same period. The benchmark is a blend of 70% S&P/TSX Capped Energy Index and 30% S&P Composite 1500 Energy Index.

Important to note, the Fund had significantly lower volatility, approximately 33% lower, than the TSX Energy Index for the period.

### **Recent Developments**

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

The first half of 2015 proved challenging for the infrastructure sector in North America. Continued weakness in oil and gas prices given oversupply caused stock prices to sell-off. In addition, expectations of a rate hike in the US resulted in further pressure on the sector. Capital spending in the energy sector is also down significantly year-over-year. As such, the outsized growth prospects that many companies enjoyed over the last five years have slowed. The Manager of the Fund believes this will be temporary as there are signs that oil production is declining. In March, US oil production hit a 44 year high of 9.69 million b/d. This was followed by two subsequent months of production declines with May posting the largest month over month declines in in nearly 7 years. Based on capital spending cuts, rig count cuts and signs of

production declines, it is believed that oil prices will bottom out sometime over the next few quarters leading to a much needed relief rally in the sector.

In the interim, the Fund continue to collect healthy dividend income from our holdings. Year-to-date, the Fund has seen 10 dividend increases, averaging 9% for the Fund’s holdings (see list below). The Fund has also been allocating more capital to other types of infrastructure investments beyond energy, such as:

- Macquarie Infrastructure (MIC-US) which operates one of the largest network of FBO’s (fixed based operations) across the US serving the aviation industry, one of the largest bulk liquid terminals businesses in the US as well as other energy & power assets.
- Algonquin Power (AQN-T) is a growing renewable energy and regulated utility company with assets across North America.
- LyondellBasell Industries (LYB-US): premier plastics, chemicals and refining companies produces plastics, chemicals and refined products that are essential in electronics, food packaging, construction materials, automotive components, motor fuels, textiles, medical supplies and more.
- Aqua American (WTR-US): is a water and wastewater utility company that serves about 3 million people in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Indiana and Virginia.
- NextEra Energy (NEE-US): is the largest generator of wind and solar power in North America.

The Fund is currently fully invested with a 30% weight to US equities and approximately 4.8% running yield.

2015 YTD Dividend Increases:

|                                   | YTD Dividend Increase |
|-----------------------------------|-----------------------|
| AltaGas (ALA-T)                   | 8.5%                  |
| Algonquin (AQN-T)                 | 10.0%                 |
| GWR Global Water (GWR-V)          | 17.9%                 |
| Keyera (KEY-T)                    | 16.3%                 |
| LyondellBasell (LYB-US)           | 11.4%                 |
| Macquarie Infrastructure (MIC-US) | 8.8%                  |
| Parkland Fuel (PKI-T)             | 1.9%                  |
| Pembina Pipeline (PPL-T)          | 5.2%                  |
| Aqua America (WTR-US)             | 7.9%                  |
| Williams (WMB-US)                 | 1.7%                  |
| <b>Average Increase</b>           | <b>9.0%</b>           |

### **Basis of Presentation and Adoption of IFRS**

The 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 this basis of accounting 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”).

### Related Party Transactions

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

Class A - 2.00% per annum

Class F - 1.00% per annum

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.

As of June 30, 2015, the Manager of the Fund/Portfolio Manager LDIC Inc. and certain directors of the manager held a total of 233,833 units of the F Class of the Fund.

## Financial Highlight

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the period ended June 30, 2015 and December 31 of any other period(s) shown. Per unit data is derived from the Fund's financial statements.

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

### **The Fund's Net Assets per Unit (\$) <sup>(1)</sup>**

|  | CLASS A       |               |                     |
|--|---------------|---------------|---------------------|
|  | 2015          | 2014          | 2013 <sup>(4)</sup> |
|  | \$            | \$            | \$                  |
| <b>Net Assets, beginning of period</b>                         | <b>10.91</b>  | <b>10.99</b>  | <b>10.00</b>        |
| <b>Increase (decrease) from operations:</b>                    |               |               |                     |
| Total revenue  | 0.22          | 0.38          | 0.23                |
| Total expenses   | (0.24)        | (0.54)        | (0.24)              |
| Realized gains (losses) for the period                         | (0.13)        | (0.01)        | 0.17                |
| Unrealized gains (losses) for the period                       | 0.17          | (0.54)        | 1.26                |
| <b>Total increase (decrease) from operations<sup>(2)</sup></b> | <b>0.02</b>   | <b>(0.71)</b> | <b>1.42</b>         |
| <b>Distributions:</b>  |               |               |                     |
| From income (excluding dividends)                              | -             | -             | -                   |
| From dividends   | (0.15)        | (0.30)        | (0.23)              |
| From capital gains   | -             | -             | -                   |
| <b>Total annual distributions<sup>(3)</sup></b>                | <b>(0.15)</b> | <b>(0.30)</b> | <b>(0.23)</b>       |
| <b>Net Assets, end of period</b>                               | <b>10.78</b>  | <b>10.91</b>  | <b>10.99</b>        |

|  | CLASS F       |               |                     |
|--|---------------|---------------|---------------------|
|  | 2015          | 2014          | 2013 <sup>(4)</sup> |
|  | \$            | \$            | \$                  |
| <b>Net Assets, beginning of period</b>                         | <b>11.10</b>  | <b>11.09</b>  | <b>10.00</b>        |
| <b>Increase (decrease) from operations:</b>                    |               |               |                     |
| Total revenue  | 0.22          | 0.38          | 0.24                |
| Total expenses   | (0.19)        | (0.44)        | (0.17)              |
| Realized gains (losses) for the period                         | (0.13)        | (0.02)        | 0.18                |
| Unrealized gains (losses) for the period                       | 0.16          | (0.36)        | 1.39                |
| <b>Total increase (decrease) from operations<sup>(2)</sup></b> | <b>0.06</b>   | <b>(0.44)</b> | <b>1.64</b>         |
| <b>Distributions:</b>  |               |               |                     |
| From income (excluding dividends)                              | -             | -             | -                   |
| From dividends   | (0.15)        | (0.30)        | (0.23)              |
| From capital gains   | -             | -             | -                   |
| <b>Total annual distributions<sup>(3)</sup></b>                | <b>(0.15)</b> | <b>(0.30)</b> | <b>(0.23)</b>       |
| <b>Net Assets, end of period</b>                               | <b>11.02</b>  | <b>11.10</b>  | <b>11.09</b>        |

(1) This information is derived from the Fund's audited annual financial statements and the Fund's unaudited semi-annual financial statements. For financial periods beginning on or after January 1, 2014, the financial highlights were derived from the Fund's financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For the financial period ended December 31, 2013, the financial highlights numbers were restated to comply with IFRS reporting.

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

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

(4) Units of Class A were first issued on May 10, 2013 and Class F were first issued on April 26, 2013.

## Ratios and Supplemental Data

|  | CLASS A              |            |                      |
|--|----------------------|------------|----------------------|
|  | June 30,             | Dec 31,    | Dec 31,              |
|  | 2015                 | 2014       | 2013                 |
| Total Net Asset Value (\$) <sup>(1)</sup>                            | 9,444,777            | 11,144,636 | 3,723,153            |
| Number of units outstanding <sup>(1)</sup>                           | 876,355              | 1,021,276  | 338,773              |
| Management expense ratio <sup>(2)</sup>                              | 4.09% <sup>(5)</sup> | 4.27%      | 3.42% <sup>(5)</sup> |
| Management expense ratio before waivers or absorption <sup>(2)</sup> | 4.09% <sup>(5)</sup> | 4.27%      | 4.11% <sup>(5)</sup> |
| Trading expense ratio <sup>(3)</sup>                                 | 0.21% <sup>(5)</sup> | 0.32%      | 0.35% <sup>(5)</sup> |
| Portfolio turnover rate <sup>(4)</sup>                               | 32.24%               | 57.97%     | 65.08%               |
| Net Asset Value per unit (\$)  | 10.78                | 10.91      | 10.99                |
|  |                      |            |                      |
|  | CLASS F              |            |                      |
|  | June 30,             | Dec 31,    | Dec 31,              |
|  | 2015                 | 2014       | 2013                 |
| Total Net Asset Value (\$) <sup>(1)</sup>                            | 17,923,485           | 20,011,076 | 8,719,848            |
| Number of units outstanding <sup>(1)</sup>                           | 1,625,911            | 1,802,052  | 786,118              |
| Management expense ratio <sup>(2)</sup>                              | 3.14% <sup>(5)</sup> | 3.34%      | 2.22% <sup>(5)</sup> |
| Management expense ratio before waivers or absorption <sup>(2)</sup> | 3.14% <sup>(5)</sup> | 3.34%      | 2.79% <sup>(5)</sup> |
| Trading expense ratio <sup>(3)</sup>                                 | 0.21% <sup>(5)</sup> | 0.32%      | 0.35% <sup>(5)</sup> |
| Portfolio turnover rate <sup>(4)</sup>                               | 32.24%               | 57.97%     | 65.08%               |
| Net Asset Value per unit (\$)  | 11.02                | 11.10      | 11.09                |

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

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

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average Net Asset Value during the period.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover in a period, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

(5) Percentages are annualized.

(6) Units of Class A for this Fund were first issued on May 10, 2013 and Class F were first issued on April 26, 2013.

## Management Fees

All management fees are based on the NAV of a class of units, calculated on each Valuation Date and paid monthly.

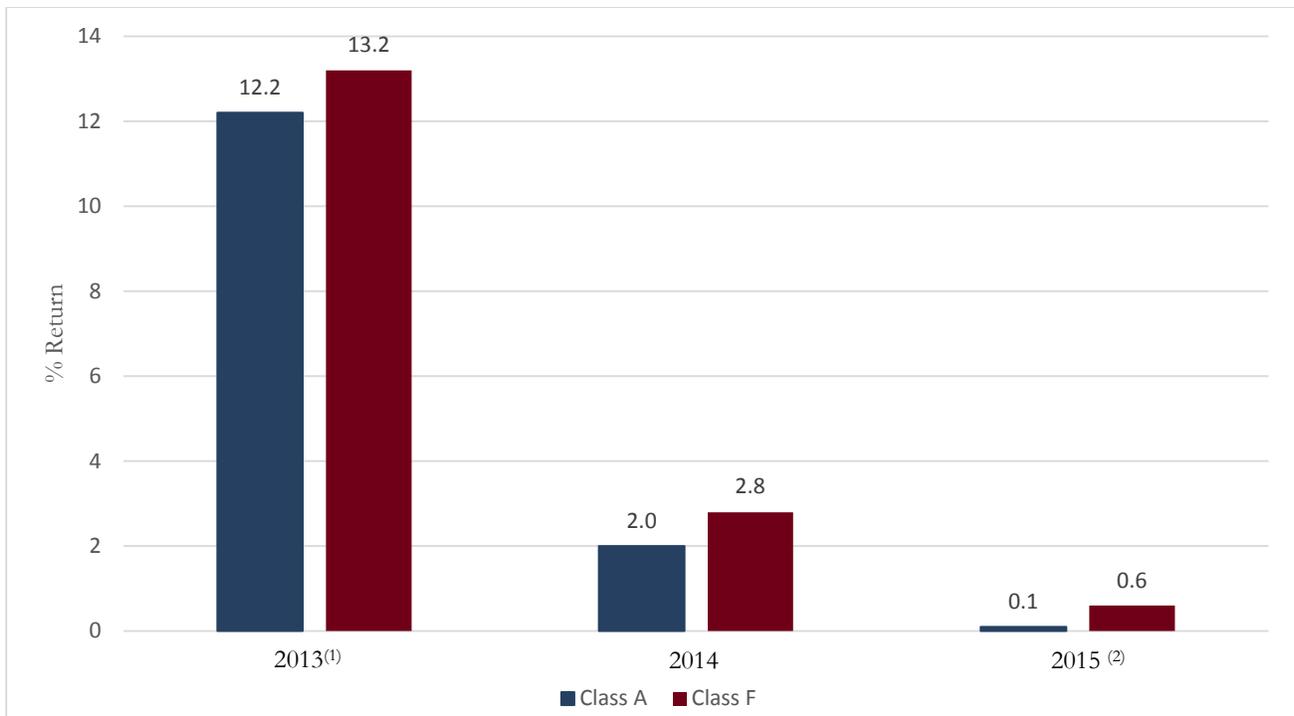
The management fee for the fund is 2.00% for Class A, and 1.00% for Class F. The breakdown of the services received in consideration of the management fee, as a percentage of the management fee is:

|                               | Class A | Class F |
|-------------------------------|---------|---------|
| Management of Fund            | 37.5%   | 100%    |
| Trailing commission to Broker | 62.5%   | N/A     |

## Past Performance

### A) Annual Total Returns (%)

The bar chart shows the investment fund's performance of Class A and F of the Fund for each of the periods shown. The bar chart shows in percentage terms, how much an investment made on January 1 would have increased or decreased by December 31, unless otherwise indicated.



(1) Returns for Class A and Class F, are from May 10, 2013 and April 26, 2013 respectively, to December 31, 2013.

(2) Returns are from December 31, 2014 to June 30, 2015.

**Summary of Investment Portfolio as at June 30, 2015 (unaudited)**

**Top 25 Investments as of June 30, 2015**

|  | <b>% of Fund's<br/>Net Asset Value</b> |
|--|--|
| 01 Macquarie Infrastructure Co. LLC            | 7.6                                    |
| 02 Pembina Pipeline Corp.                      | 6.9                                    |
| 03 Williams Cos Inc.                           | 6.4                                    |
| 04 Keyera Corp.                                | 6.4                                    |
| 05 Enbridge Income Fund Holdings Inc.          | 6.3                                    |
| 06 AltaGas Ltd.                                | 5.6                                    |
| 07 Calfrac Holdings LP                         | 5.2                                    |
| 08 Canadian Energy Services & Technology Corp. | 5.1                                    |
| 09 Inter Pipeline Ltd.                         | 4.4                                    |
| 10 Union Pacific Corp.                         | 3.8                                    |
| 11 Parkland Fuel Corp.                         | 3.7                                    |
| 12 Algonquin Power & Utilities Corp.           | 3.6                                    |
| 13 Brookfield Renewable Energy Partners LP     | 3.4                                    |
| 14 LyondellBasell Industries NV                | 3.2                                    |
| 15 AltaGas Ltd., Preferred                     | 2.9                                    |
| 16 Fortis Inc.                                 | 2.9                                    |
| 17 Secure Energy Services Inc.                 | 2.6                                    |
| 18 Canadian National Railway Co.               | 2.5                                    |
| 19 Veresen Inc.                                | 2.5                                    |
| 20 NextEra Energy Inc.                         | 2.5                                    |
| 21 Veresen Inc., Preferred                     | 1.8                                    |
| 22 Crescent Point Energy Corp.                 | 1.8                                    |
| 23 Gibson Energy Inc.                          | 1.7                                    |
| 24 Brookfield Renewable Energy Partners LP     | 0.7                                    |
| 25 GWR Global Water Resources Corp.            | 0.4                                    |
|  | <hr/> <b>93.9</b> <hr/> <hr/>          |

Top 25 investments represent 93.9 % of the fund and excludes any temporary cash investments.

Total Net Asset Value of the Fund as at June 30, 2015: \$27,368,262

As of June 30, 2015, the Top 25 investments were long only positions.

| Sector Mix               | % of Fund's Net Asset Value | Geographic Mix           | % of Fund's Net Asset Value |
|--------------------------|-----------------------------|--------------------------|-----------------------------|
| Canadian Corporate Bonds | 5.1                         | Canada                   | 61.2                        |
| Foreign Bonds            | 5.2                         | United States of America | 32.7                        |
| Energy                   | 53.1                        | Cash                     | 6.4                         |
| Industrials              | 13.9                        | Net Other Liabilities    | -0.3                        |
| Materials                | 3.2                         |                          | 100                         |
| Utilities                | 13.4                        |                          |                             |
| Cash                     | 6.4                         |                          |                             |
| Net Other Liabilities    | (0.3)                       |                          |                             |
|                          | 100                         |                          |                             |

The summary of investment portfolio may change due to ongoing portfolio transactions of the investment fund. A quarterly update is available. For more information please contact LDIC Inc. using the corporate information included below.

### **Corporate Information**

#### **Corporate Address**

LDIC INC.  
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