



**LDIC North American Infrastructure Fund**

Management Report of Fund Performance

June 30, 2016

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

## LDIC North American Infrastructure Fund

For the period ended June 30, 2016

All figures are reported in Canadian dollars unless otherwise noted.

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

Unitholders may contact LDIC Inc. to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure by calling 416-362-4141, by writing to us at 130 King Street West, Suite 2130, Toronto, ON, M5X 1E2 or by visiting our website at [www.ldic.ca](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, 2016, 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 experienced two consecutive years of continued decline in oil prices. The downward pressure was mainly a result of China's economy's slower growth compared to previous years and therefore as a result obliterating almost \$3 trillion of China's wealth in 2015. China's economic slowdown gave way to a downturn in resource countries that strongly depended on its demand for commodities. Less demand for commodities resulted in the Canadian dollar dropping to its lowest level since 2004. The market sell-off had a lessor impact to the US markets.

In the first six months of 2016, the S&P TSX Composite returned 9.8% and the S&P 500 Index returned -2.5% in Canadian dollars. The 2016 year to date has seen a rebound in oil and natural gas prices as well as in equity prices in the infrastructure sector.

The Fund's performance for the six months period ending June 30, 2016 was 11.4% for Class A and 11.9% for Class F. The benchmark return was 15.5% 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.

It is worth noting, that Class A and Class F of the Fund both had significantly lower volatility of approximately 40% less volatile than the TSX Energy Index for the six month period ending June 30, 2016.

## **Recent Developments**

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

In 2015, very sharp declines in the price of oil and natural gas negativity impacted the infrastructure sector. These declines reversed in the first six months of 2016 but recovered only a modest portion of 2015 decline. The US Federal Reserve rate hike briefly convinced market participants that the US economy was strong enough to support higher interest rates. This view was tempered by the weakness of the global economy. Uncertainty as to the direction of both interest rates and commodity prices may continue to cause above average volatility in equities markets especially energy and infrastructure related equities.

Oil prices are expected to modestly level out and trade in range of \$40 to \$60 per barrel as supply is reduced and align closer with demand. Energy companies will continue to reduce their spending in the sector if oil prices do not recover. Canada is expected to have slow growth of around two per cent and interest rates are expected to remain low as well.

The Fund continues to collect healthy dividend income from its securities held. The Fund has seen 14 dividend increases during 2016, averaging 11.5% for the Fund's holdings (see list below). The Fund has also been allocating more capital to other types of energy infrastructures than oil and gas infrastructure investments 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.
- Pattern Energy (PEGI-US) is a large wind energy provider.
- 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.
- Waste Connection (WCN) is a leading waste collection, recycling and environmental services company.

The Fund is currently fully invested with a 16.0% exposure to the US and approximately 3.4% running yield.

### **2016 Dividend Increases:**

<b>Ticker</b>	<b>Company Name</b>	<b>Dividend Growth (2016)</b>
BIP-U	Brookfield Infrastructure Partners LP	22.5%
BEP-U	Brookfield Renewable Partners LP	20.6%
SJ	Stella-Jones Inc.	20.0%
GWR	Global Water Resources Inc.	16.3%
MIC US	Macquarie Infrastructure Corp.	14.2%
KEY	Keyera Corp	13.0%
FTS	Fortis Inc.	11.0%
NEE US	NextEra Energy Inc.	9.7%
ALA	AltaGas Ltd	9.0%
WTR US	Aqua America Inc.	7.9%
PPL	Pembina Pipeline Corp.	5.5%
SNC	SNC-Lavalin Group Inc.	4.1%
CHR	Chorus Aviation Inc.	3.8%
PKI	Parkland Fuel Corp.	3.2%

### **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 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, 2016, the Manager of the Fund and certain Directors and Officers of the manager held a total of 438,393 units of the F Class and 674 units of the A Class of the Fund.

### **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

## 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 of period ended June 30, 2016, the years shown, and the period from date of inception to December 31, 2013 as applicable. 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			
	2016	2015	2014	2013 <sup>(4)</sup>
<b>Net Assets, beginning of period</b>	<b>\$ 9.37</b>	<b>\$ 10.91</b>	<b>\$ 10.99</b>	<b>\$ 10.00</b>
<b>Increase (decrease) from operations:</b>				
Total revenue	0.22	0.49	0.38	0.23
Total expenses	(0.20)	(0.48)	(0.54)	(0.24)
Realized gains (losses) for the period	(0.81)	(0.76)	(0.01)	0.17
Unrealized gains (losses) for the period	1.75	(0.44)	(0.54)	1.26
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>\$ 0.96</b>	<b>\$ (1.19)</b>	<b>\$ (0.71)</b>	<b>\$ 1.42</b>
<b>Distributions:</b>				
From income (excluding dividends)	-	-	-	-
From dividends	(0.15)	-	(0.02)	(0.04)
From capital gains	-	-	-	(0.15)
Return of capital	-	(0.30)	(0.28)	(0.04)
<b>Total annual distributions <sup>(3)</sup></b>	<b>(0.15)</b>	<b>(0.30)</b>	<b>(0.30)</b>	<b>(0.23)</b>
<b>Net Assets, end of period</b>	<b>10.29</b>	<b>9.37</b>	<b>10.91</b>	<b>\$ 10.99</b>

	CLASS F			
	2016	2015	2014	2013 <sup>(4)</sup>
<b>Net Assets, beginning of period</b>	<b>\$ 9.60</b>	<b>\$ 11.10</b>	<b>\$ 11.09</b>	<b>\$ 10.00</b>
<b>Increase (decrease) from operations:</b>				
Total revenue	0.22	0.51	0.38	0.24
Total expenses	(0.16)	(0.39)	(0.44)	(0.17)
Realized gains (losses) for the period	(0.81)	(0.80)	(0.02)	0.18
Unrealized gains (losses) for the period	1.81	(0.49)	(0.36)	1.39
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>\$ 1.06</b>	<b>\$ (1.17)</b>	<b>\$ (0.44)</b>	<b>\$ 1.64</b>
<b>Distributions:</b>				
From income (excluding dividends)	-	-	-	-
From dividends	(0.15)	-	(0.02)	(0.04)
From capital gains	-	-	-	(0.15)
Return of capital	-	(0.30)	(0.28)	(0.04)
<b>Total annual distributions <sup>(3)</sup></b>	<b>(0.15)</b>	<b>(0.30)</b>	<b>(0.30)</b>	<b>(0.23)</b>
<b>Net Assets, end of period</b>	<b>10.60</b>	<b>9.60</b>	<b>11.10</b>	<b>\$ 11.09</b>

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

(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

### Ratios and Supplemental Data

	CLASS A			
	June 30, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013 <sup>(6)</sup>
Total Net Asset Value (\$) <sup>(1)</sup>	5,642,364	6,115,422	11,144,636	3,723,153
Number of units outstanding <sup>(1)</sup>	548,474	652,527	1,021,276	338,773
Management expense ratio <sup>(2)</sup>	3.87% <sup>(5)</sup>	4.33%	4.27%	3.42% <sup>(5)</sup>
Management expense ratio before waivers or absorption <sup>(2)</sup>	3.87% <sup>(5)</sup>	4.33%	4.27%	4.11% <sup>(5)</sup>
Trading expense ratio <sup>(3)</sup>	0.58% <sup>(5)</sup>	0.24%	0.32%	0.35% <sup>(5)</sup>
Portfolio turnover rate <sup>(4)</sup>	62.25%	64.53%	57.97%	65.08%
Net Asset Value per unit (\$)	10.29	9.37	10.91	10.99

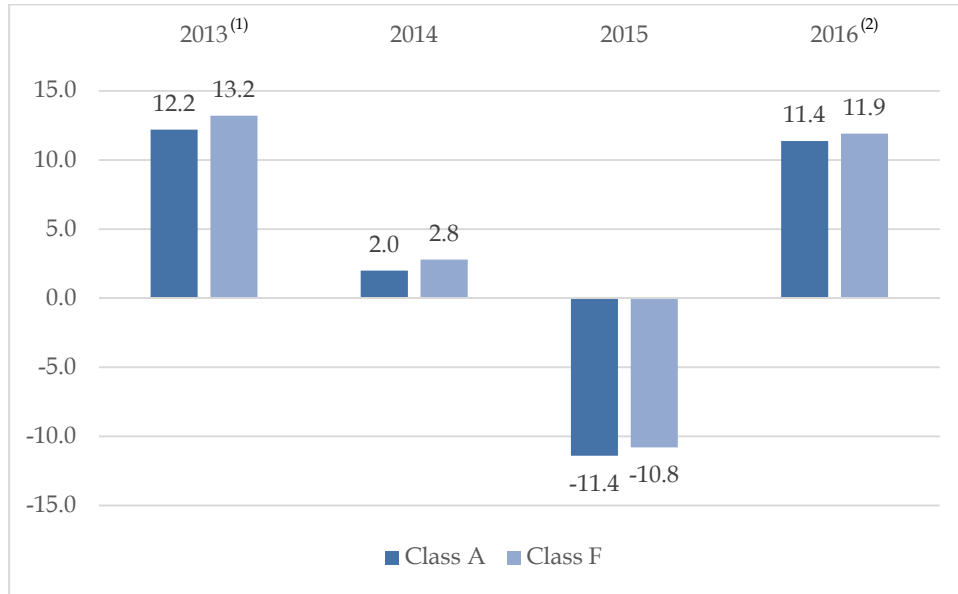
	CLASS F			
	June 30, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013 <sup>(6)</sup>
Total Net Asset Value (\$) <sup>(1)</sup>	8,919,823	9,088,342	20,011,076	8,719,848
Number of units outstanding <sup>(1)</sup>	841,781	946,469	1,802,052	786,118
Management expense ratio <sup>(2)</sup>	2.88% <sup>(5)</sup>	3.37%	3.34%	2.22% <sup>(5)</sup>
Management expense ratio before waivers or absorption <sup>(2)</sup>	2.88% <sup>(5)</sup>	3.37%	3.34%	2.79% <sup>(5)</sup>
Trading expense ratio <sup>(3)</sup>	0.58% <sup>(5)</sup>	0.24%	0.32%	0.35% <sup>(5)</sup>
Portfolio turnover rate <sup>(4)</sup>	62.25%	64.53%	57.97%	65.08%
Net Asset Value per unit (\$)	10.60	9.60	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 wave and/or absorb management fees and operating expenses is at the discretion of the Manager. The practice of waiving and/or absorbing management fees and operating expenses may continue indefinitely or may be terminated any time without notice to unitholders.
3. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average Net Asset Value during the period.
4. The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover in a period, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.
5. Percentages are annualized.
6. Units of Class A for this Fund were first issued on May 10, 2013 and Class F were first issued on April 26, 2013.

**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) The information is provided for the period from January 1, 2016 to June 30, 2016.



Summary of Investment Portfolio as at June 30, 2016

<b>Top 25 Positions</b>			
	<b>Maturity Date</b>	<b>Coupon Rate</b>	<b>% of Fund's Net Asset Value</b>
01 Global Water Resources Inc.			6.2
02 NextEra Energy Inc.			5.8
03 Macquarie Infrastructure Co. LLC			5.7
04 Keyera Corp.			5.5
05 Canadian Energy Services & Technology Corp.	17-Apr-20	7.38%	5.5
06 Parkland Fuel Corp.			5.4
07 Algonquin Power & Utilities Corp.	31-Mar-26	5.00%	5.4
08 Fortis Inc.			5.3
09 Pembina Pipeline Corp.			5.2
10 Petrowest Corp.			5.2
11 SNC-Lavalin Group Inc.			4.8
12 Waste Connections Inc.			4.8
13 Whitecap Resources Inc.			4.4
14 Brookfield Infrastructure Partners LP			4.3
15 Brookfield Renewable Energy Partners LP			4.0
16 Polaris Infrastructure Inc.			2.8
17 Chorus Aviation Inc.			2.7
18 Bird Construction Inc.			2.3
19 AltaGas Ltd.			2.2
20 Distinct Infrastructure Group Inc.			2.2
21 Hydro One Ltd.			2.1
22 Spartan Energy Corp.			2.1
23 Bonterra Energy Corp.			1.9
24 Raging River Exploration Inc.			1.9
25 Aqua America Inc.			1.6
			<b>99.3</b>
			<b>99.3</b>

*Total Net Asset Value: \$14,562,187*

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

<b>Sector Mix</b>	
	% of Fund's Net Asset Value
Canadian Corporate Bonds	10.9
Energy	33.8
Financials	2.1
Industrials	21.4
Materials	1.3
Utilities	33.5
Cash	(1.4)
Net Other Liabilities	(1.6)
	<u>100.0</u>

<b>Geographic Mix</b>	
	% of Fund's Net Asset Value
Canada	88.6
United States of America	14.4
Cash	(1.4)
Net Other Liabilities	(1.6)
	<u>100.0</u>

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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