



LDIC North American Small Business Fund

Financial Statements

December 31, 2015

INDEPENDENT AUDITORS' REPORT

To the Shareholders of LDIC North American Small Business Fund (the "Fund")

We have audited the accompanying financial statements of the Fund, which comprise the statement of financial position as at December 31, 2015, and the statement of comprehensive income, changes in net assets attributable to holders of redeemable shares and cash flows for the period 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 audit. We conducted our audit 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 audit 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 the results of its operations and its cash flows for the period 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 Small Business Fund (Corporate Class)

Statement of Financial Position

As at December 31, 2015

2015

Assets

Current assets

Financial assets at fair value through profit or loss (notes 3 and 12)	\$	9,498,927
Cash		509,116
Accrued dividends		17,671
Subscriptions receivable		6,000

Total assets		10,031,714
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Liabilities

Current liabilities

Performance fees		169,063
Accrued expenses		44,656
Management fees		8,884

Total liabilities (excluding Net Assets attributable to holders of redeemable shares)		222,603
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Net Assets attributable to holders of redeemable shares (note 4)	\$	9,809,111
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Net Assets attributable to holders of redeemable shares per series

Series A	\$	936,021
Series F	\$	8,873,090

Net Assets attributable to holders of redeemable shares per series per share (note 4)

Series A	\$	9.66
Series F	\$	9.66

Approved on behalf of LDIC Inc., as manager of the LDIC North American Small Business Fund (Corporate Class).

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

/s/Graham Scott
Graham Scott, Director

LDIC North American Small Business Fund (Corporate Class)
Statement of Comprehensive Income

For the period from May 22, 2015 (commencement of operations) to December 31, 2015

	2015
Net Gain (loss) on Financial Instruments	
Dividend income	\$ 128,758
Interest for distribution purposes	1,036
Foreign exchange gain (loss)	63,196
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	(440,639)
Change in unrealized appreciation (depreciation) in value of investments	447,929
Change in unrealized appreciation (depreciation) in value of foreign exchange from currency	11,974
Net Gain (loss) on Financial Instruments	212,254
Expenses (note 5)	
Performance fees	169,062
Management fees	52,763
Custodian fees	205
Audit fees	23,463
Legal fees	2,202
Valuation fees	842
Independent review committee fees	3,322
Transaction costs (note 7)	41,921
Filing fees	5,759
Securityholder reporting costs	2,106
Other expenses	18,901
Total operating expenses	320,546
Operating profit (loss)	(108,292)
Withholding taxes (note 6)	(522)
Increase (decrease) in Net Assets attributable to holders of redeemable shares from operations (excluding distributions)	\$ (108,814)
Increase (decrease) in Net Assets attributable to holders of redeemable shares per series from operations (excluding distributions)	
Series A	\$ (27,688)
Series F	\$ (81,126)
Average number of shares outstanding for the period per series	
Series A	93,097
Series F	655,466
Increase (decrease) in Net Assets attributable to holders of redeemable shares per share from operations (excluding distributions)	
Series A	\$ (0.30)
Series F	\$ (0.12)

The accompanying notes are an integral part of these financial statements

LDIC North American Small Business Fund (Corporate Class)
Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares
For the period from May 22, 2015 (commencement of operations) to December 31, 2015

	2015	2015
	Class A	Class F
Net Assets attributable to holders of redeemable shares at beginning of period	\$ -	\$ -
Increase (decrease) in Net Assets attributable to holders of redeemable shares from operations (excluding distributions)	(27,688)	(81,126)
Redeemable share transactions		
Proceeds from redeemable shares issued	963,709	9,058,817
Redemption of redeemable shares	-	(104,601)
Reinvestments of distributions to holders of redeemable shares	1,839	17,423
	965,548	8,971,639
Distributions to holders of redeemable shares		
From net investment income	(1,839)	(17,423)
	(1,839)	(17,423)
Net Increase (decrease) in Net Assets attributable to holders of redeemable shares	936,021	8,873,090
Net Assets attributable to holders of redeemable shares at end of period	\$ 936,021	\$ 8,873,090
		2015
		Total
Net Assets attributable to holders of redeemable shares at beginning of period		\$ -
Increase (decrease) in Net Assets attributable to holders of redeemable shares from operations (excluding distributions)		(108,814)
Redeemable share transactions		
Proceeds from redeemable shares issued		10,022,526
Redemption of redeemable shares		(104,601)
Reinvestments of distributions to holders of redeemable shares		19,262
		9,937,187
Distributions to holders of redeemable shares		
From net investment income		(19,262)
		(19,262)
Net Increase (decrease) in Net Assets attributable to holders of redeemable shares		9,809,111
Net Assets attributable to holders of redeemable shares at end of period		\$ 9,809,111

The accompanying notes are an integral part of these financial statements

LDIC North American Small Business Fund (Corporate Class)
Statement of Cash Flows

For the period from May 22, 2015 (commencement of operations) to December 31, 2015

2015

Cash flows from (used in) operating activities

Increase (Decrease) in Net Assets attributable to holders of redeemable shares from operations (excluding distributions)	\$	(108,814)
Adjustments for:		
Foreign exchange gain (loss)		(63,196)
Net realized gain (loss) on sale of investments		440,639
Change in unrealized appreciation (depreciation) in value of investments		(447,929)
Purchases of investments		(11,641,482)
Proceeds from sale of investments		2,149,845
Accrued dividends		(17,671)
Performance fees		169,063
Accrued expenses		44,656
Management fees payable		8,884
Net cash from (used in) operating activities		(9,466,005)

Cash flows from (used in) financing activities

Proceeds from redeemable shares issued		10,016,526
Redemption of redeemable shares		(104,601)
Net cash from (used in) financing activities		9,911,925

Foreign exchange gain (loss)		63,196
Net increase (decrease) in cash		445,920
Cash at beginning of period		-
Cash at end of period		509,116

Supplemental Cash Flow Information:

Dividends received, net of withholding taxes	\$	110,565
Interest received		1,036

LDIC North American Small Business Fund (Corporate Class)

Schedule of Investment Portfolio

As at December 31, 2015

Number of Shares	Description	Expiry Date	Average Cost (\$)	Fair Value (\$)	% of Net Assets
Equities - Canada					
Consumer Discretionary					
11,000	Boston Pizza Royalties Income Fund		203,307	197,230	
22,500	Cara Operations Ltd.		786,284	691,424	
134,200	Invescor Restaurant Group Inc.		292,048	305,976	
6,500	MTY Food Group Inc.		204,880	210,795	
			<u>1,486,519</u>	<u>1,405,425</u>	<u>14.3</u>
Consumer Staples					
16,000	AGT Food & Ingredients Inc.		464,192	543,840	
30,000	Clearwater Seafoods Inc.		333,233	359,700	
8,400	Premium Brands Holdings Corp.		281,236	320,796	
			<u>1,078,661</u>	<u>1,224,336</u>	<u>12.5</u>
Financials					
90,000	Diversified Royalty Corp.		238,475	217,800	
9,900	FirstService Corp.		446,493	553,410	
47,600	Quantum International Income Corp., Warrants	Jul 28, 2017	-	-	
			<u>684,968</u>	<u>771,210</u>	<u>7.9</u>
Industrials					
9,350	Boyd Group Income Fund		535,000	618,035	
82,530	Chorus Aviation Inc.		449,795	474,548	
8,910	K-Bro Linen Inc.		469,404	453,965	
16,500	Progressive Waste Solutions Ltd.		546,760	537,900	
			<u>2,000,959</u>	<u>2,084,448</u>	<u>21.3</u>
Information Technology					
250,000	DealNet Capital Corp.		100,000	182,500	
125,000	Dealnet Capital Corp., Warrants	Feb 18, 2017	-	28,750	
20,000	Descartes Systems Group Inc.		437,902	556,800	
11,000	DH Corp.		393,780	347,820	
11,000	Kinaxis Inc.		495,318	516,120	
12,000	TECSYS Inc.		108,360	88,440	
			<u>1,535,360</u>	<u>1,720,430</u>	<u>17.4</u>
Utilities					
45,000	GWR Global Water Resources Corp.		338,134	341,100	
			<u>338,134</u>	<u>341,100</u>	<u>3.5</u>
Materials					
38,500	Supremex Inc.		200,493	190,190	
			<u>200,493</u>	<u>190,190</u>	<u>1.9</u>
Equities - United States					
Consumer Discretionary					
11,000	Imax Corp.		514,974	543,055	
12,100	Service Corp., International		445,192	437,347	
			<u>960,166</u>	<u>980,402</u>	<u>10.0</u>
Information Technology					
17,600	Infinera Corp.		446,050	443,001	
70,000	Oclaro Inc.		341,422	338,385	
			<u>787,472</u>	<u>781,386</u>	<u>8.0</u>
Total Equities			<u>9,072,732</u>	<u>9,498,927</u>	<u>96.8</u>
Transaction costs			(21,734)		
Total Investments			<u>9,050,998</u>	<u>9,498,927</u>	<u>96.8</u>
Other Assets, Less Liabilities				<u>310,184</u>	<u>3.2</u>
Net Assets Attributable to Holders of Redeemable Shares				<u>\$ 9,809,111</u>	<u>100.0</u>

LDIC North American Small Business Fund (Corporate Class)

Notes to Financial Statements

December 31, 2015

1. GENERAL INFORMATION

The LDIC North American Small Business Fund (Corporate Class) (the “Fund”) is a class of shares of LDIC Mutual Fund Corporation Inc. The investment objective of the Fund is principally to provide long-term capital appreciation and income by investing primarily in equity and fixed income securities of small capitalization companies based in North America. These financial statements were authorized for issue by LDIC Inc. (the “Manager”) on March 4, 2016.

The Fund may create an unlimited number of series of shares, and may offer and sell an unlimited number of shares of each series. Currently, the Fund offers Series A shares and Series F shares. The capital received by the Fund is utilized within the investment mandate of the Fund. This includes the ability to make liquidity to satisfy shareholders’ share redemption requirements upon the shareholders’ request. The Fund is not subject to any externally imposed capital requirements.

Series A shares are designed for retail investors. Dealers through whom Series A shares 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 Series A is May 29, 2015.

Series F shares are designed for investors who participate in fee-based investment programs offered by their dealers. Series F shares are only available to investors whose dealer has entered into an agreement with the Manager to make Series F shares available to clients of that dealer. The inception date for Series F is May 22, 2015.

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 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.

Foreign exchange gains (losses) on purchases and sales of foreign currencies are included in the Statement 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 shares is presented at the redemption amount.

LDIC North American Small Business Fund (Corporate Class)

Notes to Financial Statements

December 31, 2015

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.

(e) Multi-series allocation

Expenses, realized and unrealized gains/losses and income generally are allocated among the series on a pro-rata basis.

Series-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 Statement of Comprehensive Income.

LDIC North American Small Business Fund (Corporate Class)

Notes to Financial Statements

December 31, 2015

(g) Share valuation and valuation date

Shares are issued and redeemed on a continuing basis at the Net Assets attributable to holders of redeemable shares, which is determined for each series of shares 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 shares 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 share for a series of shares 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 series less the liabilities of the Fund attributed to only that series and the proportionate share of the common liabilities of the Fund allocated to that series. This amount is then divided by the total number of shares of that series 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 Shares per share

The increase (decrease) in Net Assets attributable to holders of redeemable shares per share in the Statement of Comprehensive Income represents the net increase (decrease) in Net Assets attributable to holders of redeemable shares per share, divided by the weighted average shares outstanding during the period of that series of shares.

(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

- 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

LDIC North American Small Business Fund (Corporate Class)

Notes to Financial Statements

December 31, 2015

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 SHARES

The shares of the Fund are issued and redeemed at their Net Assets attributable to holders of redeemable shares per share. Net Assets attributable to holders of redeemable shares per series per share is determined on a daily basis by dividing the Fund's Net Assets attributable to holders of redeemable shares per series by the total number of shares of the series 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 shares. In accordance with its investment objectives, strategies and risk management practices, the Fund endeavors to invest the amounts received on issuance of shares in appropriate investments in order to maximize shareholder value and maintain financial strength while preserving sufficient liquidity to meet redemptions.

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

	Series A	Series F
Outstanding at the beginning of the period	-	-
Redeemable shares issued	96,741	927,378
Redeemable shares reinvested	190	1,803
Redeemable shares redeemed	-	(10,749)
<u>Outstanding at the end of the period</u>	<u>96,931</u>	<u>918,432</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 May 22, 2015 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 342,238 Series F shares 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:

Series A - 2.00% per annum

Series 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, shareholder 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.

LDIC North American Small Business Fund (Corporate Class)

Notes to Financial Statements

December 31, 2015

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 15% of the amount by which the series NAV at the end of the fiscal year (the “ending NAV”) exceeds the target NAV. The target NAV is calculated by multiplying the Series 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 SHAREHOLDERS

LDIC Mutual Fund Corporation Inc. (the “Corporation”) qualifies as a mutual fund corporation under the Income Tax Act (Canada) (the “Act”). The general income tax rules associated with a public corporation also apply to a mutual fund corporation, with the exception that income taxes payable on realized capital gains are refundable on a formula basis when shares are redeemed or capital gains dividends are paid. The Corporation is a single legal entity for tax purposes and is not taxed on a fund-by-fund or class-by-class basis. The Corporation has a tax year-end of December 31. All of the Funds’ expenses, including expenses common to all series of the Funds and management fees and other expenses specific to a particular series of a Fund, will be taken into account in determining the income or loss of the Corporation as a whole. Similarly, all of the Fund’s revenues, deductible expenses, capital gains and capital losses and other items relevant to the tax position will be taken into account in determining the income or loss of the Corporation and applicable taxes payable, including refundable capital gains taxes, by the Corporation as a whole. Similarly, the Fund is subject to Part IV tax on dividends received from Canadian corporations; however, they are refundable once paid to shareholders. As a result, the Fund does not record income taxes related to capital gains and dividends from Canadian corporations. Interest and foreign income are taxed at normal corporate rates applicable to mutual fund corporations and can be reduced by permitted deductions for tax purposes. All of the Fund’s expenses, including management fees and operating expenses, will be taken into account in determining its overall tax liability, if any. Funds may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When capital gain tax is determined to apply, the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

The Fund has accumulated capital loss carry-forwards as of December 31, 2015 of \$396,356 which may be applied against future years’ capital gains and can be carried forward indefinitely

7. TRANSACTION COSTS

Commissions and other transaction fees paid for portfolio transactions for the period ended December 31, 2015 amounted to \$41,921.

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 period ended December 31, 2015 was nil.

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 shares.

LDIC North American Small Business Fund (Corporate Class)

Notes to Financial Statements

December 31, 2015

(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 96.84% of the Fund's Net Assets were held directly in equities. If equity prices on the exchanges increased or decreased by 5% as at December 31, 2015, the Net Assets of the Fund would have increased or decreased by approximately \$474,946, or 4.8%, 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	
	Currency Exposure (\$)	Percentage of Net Assets (%)
U.S. Dollar	1,982,329	20.2

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 \$99,116. In practice, the actual results may differ and the difference could be material.

(c) Interest rate risk

As at December 31, 2015, the majority of the Fund's financial assets and liabilities were non-interest bearing. As a result, the Fund is not subject to a significant amount of interest rate risk.

(d) Credit risk

As at December 31, 2015, the Fund had no significant investments in debt instruments and/or derivatives and, therefore, did not have significant exposure to credit risk.

(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 shareholders' right to redeem their shares 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 Small Business Fund (Corporate Class)

Notes to Financial Statements

December 31, 2015

(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
Consumer Discretionary	24.3%
Consumer Staples	12.5%
Financials	7.9%
Industrials	21.3%
Information Technology	25.4%
Materials	1.9%
Utilities	3.5%
Net Other Assets	3.2%
Total	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.

	Financial Assets at Fair Value as at December 31, 2015			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	9,470,177	28,750	-	9,498,927

11. CAPITAL MANAGEMENT

The investment objective of the Fund is to provide long-term capital appreciation and income by investing primarily in equity and fixed-income securities of small capitalization companies based in North America. The capital of the Fund is divided into two series, Series A and Series F, with each series having an unlimited number of shares. The shares issued and outstanding represent the capital of the Fund and shareholders are entitled to distributions when declared.

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.

LDIC North American Small Business Fund (Corporate Class)

Notes to Financial Statements

December 31, 2015

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

December 31, 2015	Financial assets at FVTPL			Financial assets at amortized cost	
	HFT	Designated at inception	Total		Total
Financial assets at fair value through profit or loss	\$ -	\$ 9,498,927	\$ 9,498,927	\$ -	\$ 9,498,927
Cash	-	-	-	509,116	509,116
Accrued dividends	-	-	-	17,671	17,671
Subscriptions receivable	-	-	-	6,000	6,000
Total	\$ -	\$ 9,498,927	\$ 9,498,927	\$ 532,787	\$ 10,031,714

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

Category	Net gains (losses)
	<u>2015</u>
Net gains (losses) on financial instruments at FVTPL:	
Held-for-trading	-
Designated at inception	212,254
Total	212,254