



**LDIC North American Small Business Fund**

Interim Financial Statements

June 30, 2016

**LDIC North American Small Business Fund (Corporate Class)**  
**Statements of Financial Position (unaudited)**

As at June 30, 2016 and December 31, 2015

	2016	2015
<b>Assets</b>		
<b>Current assets</b>		
Financial assets at fair value through profit or loss (notes 3 and 12)	\$ 9,967,180	\$ 9,498,927
Cash	685,064	509,116
Accrued dividends	26,125	17,671
Accrued interest	2,459	-
Receivables for investments sold	730,787	-
Subscriptions receivable	100,000	6,000
<b>Total assets</b>	<b>11,511,615</b>	<b>10,031,714</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Financial liabilities at fair value through profit or loss (notes 3 and 12)	164,000	-
Performance fees	-	169,063
Accrued expenses	57,737	44,656
Redemptions payable to unitholders	7,943	-
Payable for investments purchased	514,856	-
Management fees payable	9,150	8,884
<b>Total liabilities (excluding Net Assets attributable to holders of redeemable shares)</b>	<b>753,686</b>	<b>222,603</b>
<b>Net Assets attributable to holders of redeemable shares (note 4)</b>	<b>\$ 10,757,929</b>	<b>\$ 9,809,111</b>
<b>Net Assets attributable to holders of redeemable shares per series</b>		
Series A	\$ 980,997	\$ 936,021
Series F	\$ 9,675,909	\$ 8,873,090
Series F1	\$ 101,023	N/A
<b>Net Assets attributable to holders of redeemable shares per series per share (note 4)</b>		
Series A	\$ 10.12	\$ 9.66
Series F	\$ 10.18	\$ 9.66
Series F1	\$ 10.23	N/A

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)**  
**Statements of Comprehensive Income (unaudited)**

For the six-month period ended June 30, 2016 and for the period from May 22, 2015 (commencement of operations) to June 30, 2015

	2016	2015
<b>Net gain (loss) on financial instruments</b>		
Dividend income	\$ 93,207	\$ 2,342
Interest for distribution purposes	20,942	177
Dividends paid on investments sold short	(12,025)	-
Foreign exchange gain (loss)	(41,937)	4,056
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	154,684	(13,000)
Change in unrealized appreciation (depreciation) in value of investments	519,249	(40,486)
Change in unrealized appreciation (depreciation) in value of foreign exchange from currency	(1,861)	4
<b>Net gain (loss) on financial instruments</b>	<b>732,259</b>	<b>(46,907)</b>
<b>Expenses (note 5)</b>		
Performance fees	2,261	4,610
Management fees	60,093	4,940
Custodian fees	4,133	784
Audit fees	11,505	4,464
Legal fees	5,510	-
Valuation fees	17,634	3,342
Independent review committee fees	1,654	260
Transaction costs (note 7)	47,885	7,284
Filing fees	10,616	897
Securityholder reporting costs	20,115	3,814
Other expenses	25,439	4,346
<b>Total operating expenses</b>	<b>206,845</b>	<b>34,741</b>
<b>Operating profit (loss)</b>	<b>525,414</b>	<b>(81,648)</b>
Withholding taxes (note 6)	(921)	(74)
<b>Increase (decrease) in Net Assets attributable to holders of redeemable shares from operations (excluding distributions)</b>	<b>\$ 524,493</b>	<b>\$ (81,722)</b>
<b>Increase (decrease) in Net Assets attributable to holders of redeemable shares per series from operations (excluding distributions)</b>		
Series A	\$ 44,607	\$ (13,723)
Series F	\$ 479,863	\$ (67,999)
Series F1	\$ 23	N/A
<b>Average number of shares outstanding for the period per series</b>		
Series A	96,982	85,053
Series F	935,405	406,175
Series F1	100	N/A
<b>Increase (decrease) in Net Assets attributable to holders of redeemable shares per share from operations (excluding distributions)</b>		
Series A	\$ 0.46	\$ (0.16)
Series F	\$ 0.51	\$ (0.17)
Series F1	\$ 0.23	N/A

The accompanying notes are an integral part of these financial statements

**LDIC North American Small Business Fund (Corporate Class)**  
**Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (unaudited)**

For the six-month period ended June 30, 2016 and for the period from May 22, 2015 (commencement of operations) to June 30, 2015

	2016	2015	2016	2015
	Series A		Series F	
Net Assets attributable to holders of redeemable shares at beginning of period	\$ 936,021	\$ -	\$ 8,873,090	\$ -
Increase (decrease) in Net Assets attributable to holders of redeemable shares from operations (excluding distributions)	44,607	(13,723)	479,863	(67,999)
Redeemable share transactions				
Proceeds from redeemable shares issued	5,830	920,019	818,364	4,609,099
Redemption of redeemable shares	(5,461)	-	(495,408)	-
	369	920,019	322,956	4,609,099
Net Increase (decrease) in Net Assets attributable to holders of redeemable shares	44,976	906,296	802,819	4,541,100
Net Assets attributable to holders of redeemable shares at end of period	\$ 980,997	\$ 906,296	\$ 9,675,909	\$ 4,541,100
	2016	2015	2016	2015
	Series FI		Total	
Net Assets attributable to holders of redeemable shares at beginning of period	N/A	N/A	\$ 9,809,111	\$ -
Increase (decrease) in Net Assets attributable to holders of redeemable shares from operations (excluding distributions)	23	N/A	524,493	(81,722)
Redeemable share transactions				
Proceeds from redeemable shares issued	101,000	N/A	925,194	5,529,118
Redemption of redeemable shares	-	N/A	(500,869)	-
	101,000	N/A	424,325	5,529,118
Net Increase (decrease) in Net Assets attributable to holders of redeemable shares	101,023	N/A	948,818	5,447,396
Net Assets attributable to holders of redeemable shares at end of period	\$ 101,023	N/A	\$ 10,757,929	\$ 5,447,396

The accompanying notes are an integral part of these financial statements

**LDIC North American Small Business Fund (Corporate Class)**  
**Statements of Cash Flows (unaudited)**

**For the six-month period ended June 30, 2016 and for the period from May 22, 2015 (commencement of operations) to June 30, 2015**

	2016	2015
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in Net Assets attributable to holders of redeemable shares from operations (excluding distributions)	\$ 524,493	\$ (81,722)
Adjustments for:		
Foreign exchange gain (loss)	41,937	(4,056)
Net realized gain (loss) on sale of investments	(154,684)	13,000
Change in unrealized appreciation (depreciation) in value of investments	(519,249)	40,486
Purchases of investments	(8,774,411)	(2,265,170)
Proceeds from sale of investments	8,928,160	146,000
Accrued dividends	(8,454)	(1,245)
Accrued interest	(2,459)	-
Performance fees	(169,063)	4,610
Accrued expenses	13,081	17,907
Management fees payable	266	4,927
<b>Net cash from (used in) operating activities</b>	<b>(120,383)</b>	<b>(2,125,263)</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from redeemable shares issued	831,194	5,529,118
Redemption of redeemable shares	(492,926)	-
<b>Net cash from (used in) financing activities</b>	<b>338,268</b>	<b>5,529,118</b>
Foreign exchange gain (loss)	(41,937)	4,056
Net increase (decrease) in cash	217,885	3,403,855
Cash at beginning of period	509,116	-
<b>Cash at end of period</b>	<b>\$ 685,064</b>	<b>\$ 3,407,911</b>
<b>Supplemental Cash Flow Information:</b>		
Dividends received, net of withholding taxes	\$ 83,832	\$ 1,023
Dividends paid on investments sold short	(12,025)	-
Interest received	18,483	177

# LDIC North American Small Business Fund (Corporate Class)

## Schedule of Investment Portfolio

As at June 30, 2016 (unaudited)

Number of Shares	Description	Date	Coupon Rate	Average Cost (\$)	Fair Value (\$)	% of Net Assets
<b>Bonds</b>						
<b>Corporate Bonds</b>						
1,200,000	Algonquin Power & Utilities Corp.	Mar 31, 2026	5.000%	399,600	519,000	4.8
<b>Total Bonds</b>				<u>399,600</u>	<u>519,000</u>	<u>4.8</u>
<b>Equities - Long</b>						
<b>Consumer Discretionary</b>						
8,600	A&W Revenue Royalties Income Fund			236,886	281,650	
234,200	Imvescor Restaurant Group Inc.			550,533	632,340	
				<u>787,419</u>	<u>913,990</u>	<u>8.5</u>
<b>Consumer Staples</b>						
12,800	AGT Food & Ingredients Inc.			392,651	454,272	
9,000	Clearwater Seafoods Inc.			107,150	125,820	
390,000	GreenSpace Brands Inc.			308,108	362,700	
195,000	GreenSpace Brands Inc. Warrants	Feb 22, 2019		42,892	-	
50,000	Liquor Stores N.A. Ltd.			455,526	456,500	
10,400	Premium Brands Holdings Corp.			445,182	565,760	
				<u>1,751,509</u>	<u>1,965,052</u>	<u>18.2</u>
<b>Energy</b>						
34,000	Birchcliff Energy Ltd.			219,885	233,920	
100,000	Spartan Energy Corp.			312,570	339,000	
27,500	Whitecap Resources Inc.			218,500	272,450	
				<u>750,955</u>	<u>845,370</u>	<u>7.9</u>
<b>Financials</b>						
7,400	FirstService Corp.			349,575	437,266	
47,600	Quantum International Income Corp., Warrants	Jul 28, 2017		-	-	
				<u>349,575</u>	<u>437,266</u>	<u>4.1</u>
<b>Health Care</b>						
50,000	Knight Therapeutics Inc.			420,480	415,000	
150,000	Mettrum Health Corp.			276,730	312,000	
100,000	OrganiGram Holdings Inc. Warrants	Dec 2, 2017		8,400	14,000	
				<u>705,610</u>	<u>741,000</u>	<u>6.9</u>
<b>Industrials</b>						
5,350	Boyd Group Income Fund			306,123	397,291	
50,530	Chorus Aviation Inc.			275,393	303,180	
50,000	Savaria Corp.			401,322	414,500	
				<u>982,838</u>	<u>1,114,971</u>	<u>10.3</u>
<b>Information Technology</b>						
1,820,000	Dealnet Capital Corp.			1,001,001	891,800	
125,000	Dealnet Capital Corp., Warrants	Feb 18, 2017		-	-	
12,000	Descartes Systems Group Inc.			262,741	296,520	
4,000	Kinaxis Inc.			171,470	207,520	
45,200	TECSYS Inc.			444,897	417,874	
				<u>1,880,109</u>	<u>1,813,714</u>	<u>16.9</u>
<b>Utilities</b>						
13,300	Algonquin Power & Utilities Corp.			144,305	158,137	
45,000	Global Water Resources Inc.			338,134	511,200	
				<u>482,439</u>	<u>669,337</u>	<u>6.2</u>
<b>Materials</b>						
40,000	Premier Gold Mines Ltd.			150,216	153,200	
130,000	Roxgold Inc.			190,375	198,900	
83,400	Supremex Inc.			456,404	433,680	
70,000	Torex Gold Resources Inc.			158,165	161,700	
				<u>955,160</u>	<u>947,480</u>	<u>8.8</u>

# LDIC North American Small Business Fund (Corporate Class)

## Schedule of Investment Portfolio

As at June 30, 2016 (unaudited)

Number of Shares	Description	Average Cost (\$)	Fair Value (\$)	% of Net Assets
	<b>Equities - Short</b>			
	<b>Consumer Discretionary</b>			
(100,000)	Torstar Corp.	-184,392	-164,000	(1.5)
	<b>Total Equities</b>	<u>8,461,222</u>	<u>9,284,180</u>	<u>86.3</u>
	<b>Transaction costs</b>	(24,820)		
	<b>Total Investments</b>	<u>8,836,002</u>	<u>9,803,180</u>	<u>91.1</u>
	<b>Other Assets, Less Liabilities</b>		<u>954,749</u>	<u>8.9</u>
	<b>Net Assets Attributable to Holders of Redeemable Shares</b>		<u>\$ 10,757,929</u>	<u>100.0</u>

# **LDIC North American Small Business Fund (Corporate Class)**

## **Notes to Financial Statements (unaudited)**

**June 30, 2016**

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### **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. The address of the Fund’s registered office is LDIC Inc., 130 King Street West, Suite 2130, Toronto, Ontario. These financial statements were authorized for issue by LDIC Inc. (the “Manager”) on August xx, 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.

Series F1 shares are designed for investors who participate in fee-based investment programs offered by their dealers. Series F1 shares are only available to investors whose dealer has entered into an agreement with the Manager to make Series F1 shares available to clients of that dealer. The inception date for Series F1 is May 22, 2016

### **2. BASIS OF PRESENTATION**

These interim financial statements of the Company have been prepared by management in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting.

The policies applied in these interim financial statements are based on IFRS standards issued and outstanding as of August xx, 2016, which is the date on which the annual financial statements were authorized for issue by the Manager.

In the preparation of these interim financial statements, the management has made judgments, estimates and assumptions that affect the application of the Company’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these 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 into Canadian dollars at the rate of exchange prevailing at the date 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 into Canadian dollars at the rate of exchange prevailing on each valuation day.



# LDIC North American Small Business Fund (Corporate Class)

## Notes to Financial Statements (unaudited)

June 30, 2016

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### (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.

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 day's 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); and
- 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.

# LDIC North American Small Business Fund (Corporate Class)

## Notes to Financial Statements (unaudited)

June 30, 2016

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**(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.

**(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 number of 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.

# LDIC North American Small Business Fund (Corporate Class)

## Notes to Financial Statements (unaudited)

June 30, 2016

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### (l) Critical accounting estimates and judgments

- Fair value measurements of financial instruments not quoted in an active market

The Fund may hold financial instruments that are not quoted in active markets. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding.

- Classification and measurement of financial instruments and application of fair value option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make judgments about the classification of financial instruments and the applicability of the fair value option to its investments 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:

	<u>June 2016</u>		
	Series A	Series F	Series F1
Outstanding at the beginning of the period	96,931	918,432	-
Redeemable shares issued	628	84,879	9,878
Redeemable shares redeemed	(579)	(52,603)	-
<u>Outstanding at the end of the period</u>	<u>96,980</u>	<u>950,708</u>	<u>9,878</u>

	<u>June 2015</u>	
	Series A	Series F
Outstanding at the beginning of the period	-	-
Redeemable shares issued	92,168	464,132
<u>Outstanding at the end of the period</u>	<u>92,168</u>	<u>464,132</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 June 30, 2016, the Manager of the Fund and certain directors and officers of the Manager held a total of 337,621 Series F shares and 100 Series F1 shares of the Fund.

# LDIC North American Small Business Fund (Corporate Class)

## Notes to Financial Statements (unaudited)

June 30, 2016

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### 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

Series F1 - 1.50% 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, custodian 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 certain 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 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 SeriesNAV, 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.

# LDIC North American Small Business Fund (Corporate Class)

## Notes to Financial Statements (unaudited)

June 30, 2016

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### 7. TRANSACTION COSTS

Commissions and other transaction fees paid for portfolio transactions for the period ended June 30, 2016 was \$47,885 (2015 - \$7,284).

### 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 June 30, 2016 and 2015 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 (which includes 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 that 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.

#### (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 risk 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, 2016, approximately 86.30% (December 31, 2015 - 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 June 30, 2016, the Net Assets of the Fund would have increased or decreased by approximately \$464,209, or 4.3% (December 31, 2015 - \$474,946, or 4.8%) with 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.

	June 30, 2016		December 31, 2015	
	Currency Exposure (\$)	Percentage of Net Assets (%)	Currency Exposure (\$)	Percentage of Net Assets (%)
U.S. Dollar	711,936	6.6	1,982,329	20.2

As at June 30, 2016, 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 \$35,597 (December 31, 2015 - \$99,116). In practice, the actual results may differ and the difference could be material.

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### (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arises on interest-bearing financial instruments.

As at June 30, 2016 and December 31, 2015, the Fund's direct exposure to debt instruments by maturity was as follows:

		Less than 1 year (\$)	1 - 5 years (\$)	More than 5 years (\$)	Total (\$)
Interest Rate Exposure	<b>June 30, 2016</b>	-	-	<b>519,000</b>	<b>519,000</b>
	December 31, 2015	-	-	-	-

As at June 30, 2016, 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 approximately \$8,034. In practice, the actual trading results may differ and the difference could be material.

### (d) Credit risk

Credit risk represents the potential loss that the Fund would incur if counterparties failed to perform in accordance with the terms of their obligations to the Fund. The Manager only trades with approved counterparties and monitors reporting that includes approved counterparty listings, trade volumes and exposure reports. The risk of default is considered minimal, as delivery of securities sold is only made once the Fund has received payment. Payment is made on a purchase once the securities have been received by the Fund. The trade will fail if either party fails to meet its obligation. The Fund maintains all of its cash and cash equivalents at the custodian or in overnight deposits with approved counterparties and ensures that appropriate collateral is received.

As at June 30, 2016 and December 31, 2015, the Fund had directly invested in debt instruments with the following Standard & Poor's credit ratings:

Portfolio by rating category	As a % of Net Assets	
	June 30, 2016	December 31, 2015
<b>BBB</b>	<b>4.8%</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 shareholders' rights 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 of. 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 re-evaluation of the investment.

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### (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.

<b>Investment Sector</b>	<b>June 30, 2016</b>	December 31, 2015
Corporate Bonds	4.8%	-
Consumer Discretionary - Long	8.5%	24.3%
Consumer Staples	18.2%	12.5%
Energy	7.9%	-
Financials	4.1%	7.9%
Health Care	6.9%	-
Industrials	10.3%	21.3%
Information Technology	16.9%	25.4%
Materials	8.8%	1.9%
Utilities	6.2%	3.5%
Consumer Discretionary - Short	-1.5%	-
Net Other Assets	8.9%	3.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

### 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, 2016 and December 31, 2015.

	<b>Financial Assets (Liabilities) at Fair Value as at June 30, 2016</b>			
	<b>Level 1 (\$)</b>	<b>Level 2 (\$)</b>	<b>Level 3 (\$)</b>	<b>Total (\$)</b>
Equities - Long	9,309,930	-	124,250	9,434,180
Warrants	14,000	-	-	14,000
Bonds	-	519,000	-	519,000
Equities - Short	(164,000)	-	-	(164,000)
	<b>9,159,930</b>	<b>519,000</b>	<b>124,250</b>	<b>9,803,180</b>

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

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The following is a reconciliation of investments in which significant unobservable inputs (level 3) were used to determine their fair value:

Period ended June 30, 2016		Equities
Beginning balance	\$	-
Purchases		115,000
Sales		-
Net transfers in (out)		-
Realized gains (losses)		-
Change in unrealized appreciation (depreciation) on investments		9,250
Balance as at June 30, 2016	\$	124,250
Net change in unrealized appreciation (depreciation) from investments as at June 30, 2016	\$	9,250

### 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 three series, Series A, Series F and Series F1, 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.

The following tables present the carrying amounts of the Fund's financial assets by category as at June 30, 2016 and December 31, 2015:

June 30, 2016	Financial assets at FVTPL			Financial assets at amortized cost		
Assets	HFT	Designated at inception	Total	cost	Total	
Financial assets at fair value through profit or loss	\$	-	\$ 9,967,180	\$	-	\$ 9,967,180
Cash	-	-	-	685,064	685,064	
Accrued dividends	-	-	-	26,125	26,125	
Accrued interest	-	-	-	2,459	2,459	
Receivables for investments sold	-	-	-	730,787	730,787	
Subscriptions receivable	-	-	-	100,000	100,000	
<b>Total</b>	<b>\$</b>	<b>-</b>	<b>\$ 9,967,180</b>	<b>\$</b>	<b>1,544,435</b>	<b>\$ 11,511,615</b>



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December 31, 2015	Financial assets at FVTPL			Financial assets at amortized cost	
	HFT	Designated at inception	Total		Total
Assets					
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
<b>Total</b>	<b>\$ -</b>	<b>\$ 9,498,927</b>	<b>\$ 9,498,927</b>	<b>\$ 532,787</b>	<b>\$ 10,031,714</b>

The following table presents the net gains (losses) on financial instruments designated at FVTPL by category for the period ended June 30:

Category	Net gains (losses)	
	<u>2016</u>	<u>2015</u>
Net gains (losses) on financial instruments at FVTPL:		
Held-for-trading	47,909	-
Designated at inception	684,350	(46,907)
<b>Total</b>	<b>732,259</b>	<b>(46,907)</b>