



**LDIC North American Small Business Fund**

Management Report of Fund Performance

June 30, 2015

*Series A shares and Series F shares of LDIC North American Small Business Fund*

## **LDIC North American Small Business Fund**

For the Period ended June 30, 2015

All figures are reported in Canadian dollars unless otherwise noted.

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

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

### **Investment Objectives and Strategies**

The investment objective of the Fund is to provide long-term capital appreciation and income by investing primarily in equity and fixed income securities of small cap companies based in North America. The Fund may also include similar investments in mid-capitalization businesses. The prior approval of shareholders is required before a fundamental change is made to the investment objective of the Fund. This approval must be given by a resolution passed by a majority of the votes cast at a meeting of the shareholders of the Fund.

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. As part of this evaluation, the Manager may analyze financial data and other information sources, assess the quality of management, and conduct company interviews.

### **Risk**

As of June 30, 2015, the risks of investing in the Fund remain as described in the prospectus. The main risk towards investors is the market capitalization risk of small companies. Small cap companies are inherently higher risk because of 1) lower trading liquidity, 2) access to capital can be limited, and 3) operational history can be limited/minimal.

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

### **Result of Operations**

The financial markets across North America showed positive performance. In both quarters, the Canadian and US markets continued their upward trends. Year-to-date the S&P/TSX Composite returned 0.91% and the S&P 500 Index returned 7.69% in Canadian dollars. The first half of the year has proven challenging for small cap companies as tracked by the TSX Small Cap Index up only 1.05% while in the US performance has been stronger with the Russell 2000 Index up 4.76% (12.58% in Canadian dollars).

For the period May 29 and May 22 to June 30 2015, The LDIC North American Small Business Fund's Series A units return was -1.67% and Series F units return was -2.16% respectively, while the benchmark return was -2.69% over the same period. The benchmark is a blend of 70% S&P/TSX Small Cap Index and 30% S&P Russell 2000 Index.

### **Recent Developments**

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

Since the launch of the Fund at the end of May 2015, small cap indices in both Canada and the US have been under pressure. In Canada, the TSX Small Cap Index is down 9.77% and in the US the Russell 2000 is down 0.42%. In Canada, the relatively larger sell-off has been caused by the resource sector including energy, mining and materials stocks. The summer is traditionally a good time to buy small caps companies as volumes are low and outsized sell-offs are typical. The Manager is using this opportunity to find good buying opportunities in the US and Canada on behalf of the fund. The Fund's strategy employs a Top Down and Bottom Up approach to our investment process. From the Top Down the Fund will invest in themes with outsized growth potential. From the Bottom Up the Fund will invest in businesses with proven management teams, a core base of recurring revenue and robust growth prospects. The Fund is currently 53% invested across 15 positions in the Consumer Discretionary, Health Care, Industrials, Technology & Financial Services sector. The Manager plans to invest the rest of the Fund by mid-September.

### **Basis of Presentation**

The financial statements have been prepared in accordance with International Accounting Standards (34) *Interim Financial Reporting* ("IAS 34") as published by the International Accounting Standards Board (IASB).

### **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:

Series A - 2.00% per annum  
Series 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 15% of the amount by which the Series NAV at the end of the fiscal year (adding back the amounts of any distributions paid on the units of the Fund) (the "**ending NAV**") exceeds the target NAV (the "**target NAV**"). The target NAV is calculated by multiplying the 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.

As of June 30, 2015, the Manager of the Fund/Portfolio Manager LDIC Inc. and certain directors of the manager held a total of 260,054 units of the F Series of the Fund.

## Financial Highlight

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the period from date of inception to June 30, 2015. Per share 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 Share (\$)<sup>(1)</sup>**

	<b>Series A <sup>(3)</sup></b>
	<b>2015</b>
<b>Net Assets, beginning of period</b>	<b>\$ 10.00</b>
<b>Increase (decrease) from operations:</b>	
Total revenue	0.00
Total expenses	(0.07)
Realized gains (losses) for the period	(0.02)
Unrealized gains (losses) for the period	(0.07)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ (0.16)</b>
<b>Distributions:</b>	
From income (excluding dividends)	-
From dividends	-
From capital gains	-
<b>Total annual distributions</b>	<b>-</b>
<b>Net Assets, end of period</b>	<b>\$ 9.83</b>

	<b>Series F <sup>(3)</sup></b>
	<b>2015</b>
<b>Net Assets, beginning of period</b>	<b>\$ 10.00</b>
<b>Increase (decrease) from operations:</b>	
Total revenue	0.01
Total expenses	(0.07)
Realized gains (losses) for the period	(0.02)
Unrealized gains (losses) for the period	(0.09)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ (0.17)</b>
<b>Distributions:</b>	
From income (excluding dividends)	-
From dividends	-
From capital gains	-
<b>Total annual distributions</b>	<b>-</b>
<b>Net Assets, end of period</b>	<b>\$ 9.78</b>

(1) This information is derived from the Fund's unaudited semi-annual financial statements.

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

(3) Shares of Series A for this Fund were first issued on May 29 and Series F shares were first issued on May 22, 2015.

## Ratios and Supplemental Data

	<b>Series A</b>
	<b>June 30, 2015</b>
Total Net Asset Value (\$) <sup>(1)</sup>	906,296
Number of shares outstanding <sup>(1)</sup>	92,168
Management expense ratio <sup>(2)(5)</sup>	7.81%
Management expense ratio before waivers or absorption <sup>(2)(5)</sup>	7.81%
Trading expense ratio <sup>(3)(5)</sup>	1.67%
Portfolio turnover rate <sup>(4)</sup>	20.68%
Net Asset Value per Share (\$)	9.83

	<b>Series F</b>
	<b>June 30, 2015</b>
Total Net Asset Value (\$) <sup>(1)</sup>	4,541,100
Number of shares outstanding <sup>(1)</sup>	464,132
Management expense ratio <sup>(2)(5)</sup>	6.17%
Management expense ratio before waivers or absorption <sup>(2)(5)</sup>	6.17%
Trading expense ratio <sup>(3)(5)</sup>	1.67%
Portfolio turnover rate <sup>(4)</sup>	20.68%
Net Asset Value per Share (\$)	9.78

(1) The information is provided as at June 30.

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

(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.

## Management Fees

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

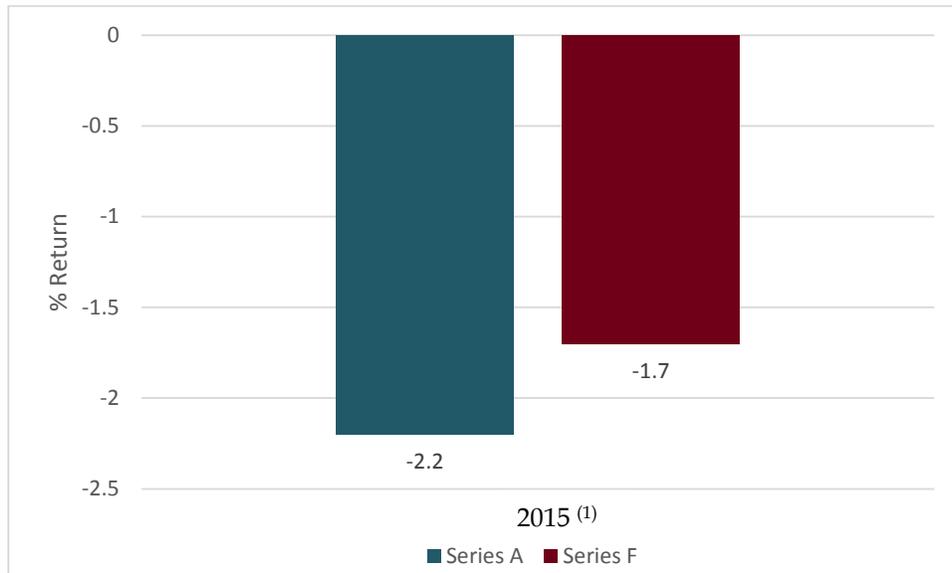
The management fee for the fund is 2.00% for Series A, and 1.00% for Series F. The breakdown of the services received in consideration of the management fee, as a percentage of the management fee is:

	Series A	Series F
Management of Fund	37.5%	100%
Trailing commission to Broker	62.5%	N/A

## Past Performance

### A) Annual Total Returns (%)

The bar chart shows the investment fund's performance in percentage terms of Series A and F of the Fund, since inception of the fund to June 30, 2015.



(1) Returns for Series A and Series F, are from May 29 and May 22, 2015 respectively, to June 30, 2015.

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

**Investments as of June 30, 2015**

	<b>% of Fund's Net Asset Value</b>
01 Imax Corp.	5.5
02 Boyd Group Income Fund	4.8
03 K-Bro Linen Inc.	4.6
04 Service Corp. International	4.0
05 GWR Global Water Resources Corp.	3.9
06 Nobilis Health Corp.	3.2
07 theScore Inc.	2.4
08 Invescor Restaurant Group Inc.	1.9
09 Descartes Systems Group Inc.	1.8
10 Convalo Health International Corp.	1.8
11 Park Lawn Corp.	1.8
12 Morneau Shepell Inc.	1.8
13 Spectra7 Microsystems Inc.	1.1
	<hr/> <b>38.6</b> <hr/> <hr/>

As at June 30, 2015 less than 25 investments were held by the Fund, therefore all investments have been disclosed above. The investments held represent 38.6% of the fund and excludes any temporary cash investments.

Total Net Asset Value of the Fund as at June 30, 2015: \$5,447,396

As of June 30, 2015, all investments were long only positions.

Sector Mix	% of Fund's Net Asset Value	Geographic Mix	% of Fund's Net Asset Value
Consumer Discretionary	15.6	Canada	29.0
Health Care	5.0	United States of America	9.6
Industrials	11.1	Cash	62.6
Information Technology	3.0	Net Other Liabilities	(1.2)
Utilities	3.9		100
Cash	62.6		
Net Other Liabilities	(1.2)		
	100		

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

### **Corporate Information**

#### **Corporate Address**

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