



LDIC North American Small Business Fund (Corporate Class)

Interim Financial Statements

June 30, 2018

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

As at June 30, 2018 and December 31, 2017

	2018	2017
Assets		
Current assets		
Financial assets at fair value through profit or loss (note 3)	\$ 31,544,627	\$ 27,245,098
Cash	3,853,610	5,032,178
Accrued dividends	42,633	45,604
Accrued interest	12,394	7,470
Receivables for investments sold	381,773	-
Subscriptions receivable	14,521	-
Other receivable	60,466	60,466
Total assets	35,910,024	32,390,816
Liabilities		
Current liabilities		
Financial liabilities at fair value through profit or loss (note 3)	415,272	550,528
Performance fees	-	493,949
Accrued expenses	84,724	98,459
Dividends payable	3,940	3,936
Payable for investments purchased	185,206	-
Management fees payable	39,600	33,819
Total liabilities (excluding Net Assets attributable to holders of redeemable shares)	728,742	1,180,691
Net Assets attributable to holders of redeemable shares (note 4)	\$ 35,181,282	\$ 31,210,125
Net Assets attributable to holders of redeemable shares per series		
Series A	\$ 4,851,996	\$ 4,689,792
Series F	\$ 12,854,901	\$ 13,299,194
Series F1	\$ 17,474,385	\$ 13,221,139
Net Assets attributable to holders of redeemable shares per series per share (note 4)		
Series A	\$ 12.49	\$ 13.34
Series F	\$ 12.82	\$ 13.62
Series F1	\$ 12.75	\$ 13.60

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/ Beryl McCallum

Beryl McCallum, Director

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

For the six-month period ended June 30,

	2018	2017
Net gain (loss) on financial instruments		
Dividend income	\$ 161,083	\$ 127,822
Interest for distribution purposes	27,713	2,687
Dividends paid on investments sold short	(11,363)	(2,075)
Foreign exchange gain (loss)	34	23,817
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	846,754	470,131
Change in unrealized appreciation (depreciation) in value of investments	(529,232)	315,853
Change in unrealized appreciation (depreciation) in value of foreign exchange from currency	34	(14,576)
Net gain (loss) on financial instruments	495,023	923,659
Expenses (note 5)		
Performance fees	-	172,406
Management fees	262,184	177,592
Custodian fees	4,167	4,146
Audit fees	11,012	11,541
Legal fees	5,556	5,528
Valuation fees	17,778	17,689
Independent review committee fees	1,494	1,659
Transaction costs (note 7)	176,356	161,448
Filing fees	10,440	10,068
Securityholder reporting costs	10,890	20,178
Other expenses	54,955	28,747
Total operating expenses	554,832	611,002
Operating profit (loss)	(59,809)	312,657
Withholding taxes (note 6)	(132)	(823)
Increase (decrease) in Net Assets attributable to holders of redeemable shares from operations (excluding distributions)	\$ (59,941)	\$ 311,834
Increase (decrease) in Net Assets attributable to holders of redeemable shares per series from operations (excluding distributions)		
Series A	\$ (27,736)	\$ 27,299
Series F	\$ 14,957	\$ 223,853
Series F1	\$ (47,162)	\$ 60,682
Average number of shares outstanding for the period per series		
Series A	381,622	282,610
Series F	1,013,730	979,611
Series F1	1,264,470	701,964
Increase (decrease) in Net Assets attributable to holders of redeemable shares per share from operations (excluding distributions)		
Series A	\$ (0.07)	\$ 0.10
Series F	\$ 0.01	\$ 0.23
Series F1	\$ (0.04)	\$ 0.09

The accompanying notes are an integral part of these financial statements

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

For the six-month period ended June 30,

	2018	2017
Cash flows from (used in) operating activities		
Increase (decrease) in Net Assets attributable to holders of redeemable shares from operations (excluding distributions)	\$ (59,941)	\$ 311,834
Adjustments for:		
Foreign exchange (gain) loss	(34)	(23,817)
Net realized (gain) loss on sale of investments	(846,754)	(470,131)
Change in unrealized (appreciation) depreciation in value of investments	529,232	(315,853)
Purchases of investments	(26,276,269)	(22,202,481)
Proceeds from sale of investments	21,962,439	19,431,264
Accrued dividends	2,971	10,995
Accrued interest	(4,924)	-
Other receivable	-	(60,466)
Performance fees	(493,949)	167,080
Accrued expenses	(13,735)	12,276
Dividends payable	4	1,500
Management fees payable	5,781	10,436
Net cash from (used in) operating activities	(5,195,179)	(3,127,363)
Cash flows from (used in) financing activities		
Distributions paid to holders of redeemable shares, net of reinvested distributions	(78,491)	(68,605)
Proceeds from redeemable shares issued	5,091,380	5,939,503
Redemption of redeemable shares	(996,312)	(303,303)
Net cash from (used in) financing activities	4,016,577	5,567,595
Foreign exchange gain (loss)	34	23,817
Net increase (decrease) in cash	(1,178,602)	2,440,232
Cash at beginning of period	5,032,178	1,294,676
Cash at end of period	\$ 3,853,610	\$ 3,758,725
Supplemental Cash Flow Information:		
Dividends received, net of withholding taxes	\$ 163,922	\$ 137,994
Dividends paid on investments sold short	(11,359)	(575)
Interest received	22,789	2,687

LDIC North American Small Business Fund (Corporate Class)

Schedule of Investment Portfolio

As at June 30, 2018 (unaudited)

Par Value/ Number of Shares	Description	Maturity Date/ Expiry Date	Coupon Rate	Average Cost (\$)	Fair Value (\$)	% of Net Assets
Bonds						
Corporate Bonds						
506,000	Organigram Holdings	January 31, 2020	6.000%	506,000	536,360	
	Total Bonds			<u>506,000</u>	<u>536,360</u>	<u>1.5</u>
Equities - Long						
Canadian Equities						
Consumer Discretionary						
2,000,000	Avante Logixx Inc.			885,000	850,000	
60,000	Gamehost Inc.			655,428	715,200	
20,000	goeasy Ltd.			764,800	805,200	
50,000	Kelt Exploration Ltd.			349,900	446,500	
152,000	Kew Media Group Inc.			1,417,552	1,170,400	
30,000	Park Lawn Corp.			531,016	729,900	
31,600	Pollard Banknote Ltd.			416,619	680,664	
				<u>5,020,315</u>	<u>5,397,864</u>	<u>15.3</u>
Consumer Staples						
75,000	Village Farms International Inc			539,147	462,000	1.3
Energy						
160,000	Macro Enterprises Inc.			375,660	467,200	
85,600	North American Construction Group Ltd.			714,581	663,400	
200,000	Questor Technology Inc.			703,413	866,000	
7,380	Vermilion Energy Inc.			337,035	349,886	
				<u>2,130,689</u>	<u>2,346,486</u>	<u>6.7</u>
Financials						
400,000	Nubeva Technologies Ltd.			335,292	400,000	1.1
Health Care						
230,000	Akumin Inc.			1,072,010	1,272,231	
37,200	Bradmer Pharmaceuticals Inc.			186,000	186,000	
415,000	Canopy Rivers			249,000	456,500	
36,100	IMV Inc.			302,606	243,675	
50,000	MedMen Enterprises Inc.			277,680	217,500	
358,000	Profound Medical Corp.			364,175	343,680	
150,000	Profound Medical Corp.			-	-	
90,000	Reliq Health Tech, Warrants	January 9, 2020		-	9,900	
				<u>2,451,471</u>	<u>2,729,486</u>	<u>7.8</u>
Industrials						
18,000	AG Growth International Inc.			999,522	996,480	
33,800	Badger Daylighting Ltd.			884,717	1,070,446	
16,500	Cargojet Inc.			776,993	1,058,805	
45,000	Hardwoods Distribution Inc.			813,712	768,150	
358,600	Horizon North Logistics Inc.			953,578	943,118	
115,000	People Corp.			536,561	936,100	
50,000	Savaria Corp.			838,220	801,500	
				<u>5,803,303</u>	<u>6,574,599</u>	<u>18.7</u>
Information Technology						
260,000	5N Plus Inc.			662,245	871,000	
269,800	Baylin Technologies Inc.			692,660	863,360	
181,800	Firan Technology Group Corp.			608,208	389,052	
53,200	Points International Ltd.			865,810	1,154,440	
536,500	Reliq Health Technologies Inc.			558,075	997,890	
85,000	Sylogist Ltd.			781,029	1,011,500	
40,000	TECSYS Inc.			431,293	616,000	
				<u>4,599,320</u>	<u>5,903,242</u>	<u>16.8</u>

LDIC North American Small Business Fund (Corporate Class)

Schedule of Investment Portfolio

As at June 30, 2018 (unaudited)

Par Value/ Number of Shares	Description	Average Cost (\$)	Fair Value (\$)	% of Net Assets
Materials				
60,000	Altius Minerals Corp.	704,513	789,000	
125,000	Conifex Timber Inc.	750,000	750,000	
7,500	Hut 8 Mining Corp.	18,750	21,750	
600,000	Sherritt International Corp.	826,164	666,000	
151,000	Sherritt International Corp., Warrants		36,240	
	January 25, 2021	-		
29,800	Stelco Holdings Inc.	687,734	755,430	
		2,987,161	3,018,420	8.6
Real Estate				
66,300	Information Services Corp.	1,183,295	1,129,089	
275,300	StorageVault Canada Inc.	407,652	679,991	
		1,590,947	1,809,080	5.1
Utilities				
60,000	Polaris Infrastructure Inc.	912,248	844,800	2.4
U. S. Equities				
Financials				
31,000	Currency Exchange International Corp.	795,353	936,200	2.7
Materials				
272,600	Geodrill Ltd.	650,860	586,090	1.7
Transaction costs				
		(83,396)		
Total Equities – Long				
		27,732,710	31,008,267	88.2
Equities - Short				
Canadian Equities				
Consumer Staples				
(19,600)	AGT Food & Ingredients Inc.	(462,374)	(300,272)	
(100,000)	Input Capital Corp.	(137,895)	(115,000)	
		(600,269)	(415,272)	(1.2)
Transaction costs				
		(1,871)		
Total Equities – Short				
		(602,140)	(415,272)	(1.2)
Total Equities				
		27,130,570	30,592,995	87.0
Total Investments				
		27,636,570	31,129,355	88.5
Other Assets, Less Liabilities				
			4,051,927	11.5
Net Assets Attributable to Holders of Redeemable Shares				
		\$	35,181,282	100.0

LDIC North American Small Business Fund (Corporate Class)

Notes to Financial Statements (unaudited)

June 30, 2018

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 17, 2018.

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, Series F shares and Series F1 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 commissions 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 31, 2016.

2. BASIS OF PRESENTATION

These interim financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (“IFRS”), including International Accounting Standards (“IAS”) 34: Interim Financial Reporting, as published by the International Accounting Standards Board (“IASB”).

The policies applied in these financial statements are based on IFRS standards issued and outstanding as of August 17, 2018, which is the date on which the interim statements were authorized for issue by the Manager.

In the preparation of these interim financial statements, management has made judgments, estimates and assumptions that affect the application of the Fund’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) New accounting standards and interpretations

Effective January 1, 2018 the Fund adopted IFRS 9, Financial Instruments - Classification and Measurement (“IFRS 9”). The new standard requires financial assets to be classified as amortized cost, fair value through profit or loss (“FVTPL”), or fair value through other comprehensive income (“FVOCI”) based on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of these assets. Assessment and decision on the business model approach used is an accounting judgement.

LDIC North American Small Business Fund (Corporate Class)

Notes to Financial Statements (unaudited)

June 30, 2018

The classification and measurement of financial liabilities remain generally unchanged with the exception of liabilities recorded at FVTPL. For these liabilities, fair value changes attributable to changes in the entity's own credit risk are to be presented in other comprehensive income unless they affect amounts recorded in income.

Upon transition to IFRS9, the Fund's financial assets and financial liabilities previously classified as FVTPL under IAS 39, Financial Instruments – Recognition and Measurement (“IAS 39”) continue to be classified in the same category and there were no changes in the measurement attributes. The adoption of IFRS 9 has also been applied retrospectively and did not result in any changes in the prior period.

(b) Foreign currency translation

The Fund's functional and presentation currency is the Canadian dollar. 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 Statements of Comprehensive Income – Foreign exchange gain (loss).

The fair values of investments and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the Statement of Financial Position date.

(c) Financial instruments

The Fund classifies and measures financial instruments in accordance with IFRS 9. The Fund's investments and derivative assets and liabilities are measured at fair value through profit or loss (“FVTPL”). 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.

(d) 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.

LDIC North American Small Business Fund (Corporate Class)

Notes to Financial Statements (unaudited)

June 30, 2018

A valuation hierarchy table has been included in Note 10, Fair Value Disclosure.

(e) Impairment of financial assets

IFRS 9 requires that an entity recognize a loss allowance for expected credit losses on financial assets which are measured at amortized costs or FVOCI. Financial assets held by the Fund which are measured at FVTPL will not be subject to the new impairment requirements.

With respect to loans and receivables, the Funds consider both historical analysis and forward looking information in determining any expected credit loss. As at the period end date, all loans and receivables are due to be settled within the short term. The Funds consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligation in the near term. Given the limited exposure of the Funds to credit risk, no loss allowance has been recognized as any such impairment will not have a significant impact on the financial statements.

(e) Cash

Cash comprises of deposits with financial institutions.

(f) 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.

(g) 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 Statements of Comprehensive Income.

(h) 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 and redemptions"). To determine the NAV 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.

(i) 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.

(j) 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.

LDIC North American Small Business Fund (Corporate Class)

Notes to Financial Statements (unaudited)

June 30, 2018

- 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.

(k) 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 Statements 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.

(l) Accounting standards issued but not yet adopted

The Fund has determined there are no material implications to the Fund's financial statements arising from IFRS issues but not yet effective.

(m) 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. When no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally, recognized as standard within the industry.

- 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 significant judgments in determining the most appropriate classification in accordance with IFRS 9. The Manager has assessed the Fund's business models, the manner in which all financial assets and financial liabilities are managed and performance evaluates as a group on a fair value basis, and concluded that FVTPL in accordance with IFRS 9 provides the most appropriate classification of the Fund's financial instruments.

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 endeavours 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.

LDIC North American Small Business Fund (Corporate Class)

Notes to Financial Statements (unaudited)

June 30, 2018

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

	June 2018		
	Series A	Series F	Series F1
Outstanding at the beginning of the period	351,453	976,348	972,330
Redeemable shares issued	39,990	-	359,268
Redeemable shares reinvested	17,771	62,121	62,246
Redeemable shares redeemed	(20,618)	(35,714)	(22,825)
Outstanding at the end of the period	388,596	1,002,755	1,371,019

	June 2017		
	Series A	Series F	Series F1
Outstanding at the beginning of the period	228,310	923,159	417,085
Redeemable shares issued	89,868	-	399,637
Redeemable shares reinvested	14,139	67,990	35,534
Redeemable shares redeemed	(7,085)	(15,042)	(3,003)
Outstanding at the end of the period	325,232	976,107	849,253

5. RELATED PARTY TRANSACTIONS

As of June 30, 2018, the Manager of the Fund and certain Directors and Officers of the Manager held a total of 383,210 (2017 - 375,644) Series F shares and 14,069 (2017 - nil) Series F1 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

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 Statements 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 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.

LDIC North American Small Business Fund (Corporate Class)

Notes to Financial Statements (unaudited)

June 30, 2018

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 Fund’s expenses, including expenses common to all series of the Fund 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, 2017 of nil (2016 - nil). The Fund has accumulated non-capital loss carry-forwards as of December 31, 2017 of nil (2016 - nil).

7. TRANSACTION COSTS

Commissions and other transaction fees paid for portfolio transactions for the period ended June 30, 2018 were \$176,356 (2017 - \$161,448).

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 periods ended June 30, 2018 and 2017 was \$6,816 and \$10,617, 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, other price risk and concentration 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) 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.

LDIC North American Small Business Fund (Corporate Class)

Notes to Financial Statements (unaudited)

June 30, 2018

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, 2018 and December 31, 2017, 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, 2018	December 31, 2017
A	-	0.6%
NR	1.5%	-
	1.5%	0.6%

(b) 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.

(c) Market risk

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Fund's activities may expose it to different types of market risk including currency risk, interest rate risk, other price risk and concentration risk.

(i) 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, 2018 and December 31, 2017, the Fund's direct exposure to debt instruments by maturity was as follows:

Interest rate exposure	June 30, 2018 December 31, 2017	Less than	1 - 5 years	More than	Total (\$)
		1 year (\$)	(\$)	5 years (\$)	
	June 30, 2018	-	536,360	-	536,360
	December 31, 2017	-	-	178,440	178,440

As at June 30, 2018, 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 \$2,023 (December 31, 2017 - \$2,960). In practice, the actual trading results may differ, and the difference could be material.

LDIC North American Small Business Fund (Corporate Class)

Notes to Financial Statements (unaudited)

June 30, 2018

(ii) 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, 2018		December 31, 2017	
	Currency Exposure (\$)	Percentage of Net Assets (%)	Currency Exposure (\$)	Percentage of Net Assets (%)
U.S. dollar	1,272,444	3.6	1,075,189	3.4

As at June 30, 2018, 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 \$63,622 (December 31, 2017 - \$53,759). In practice, the actual results may differ and the difference could be material.

(iii) 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, 2018, approximately 86.96% (December 31, 2017 – 84.96%) 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, 2018, the Net Assets of the Fund would have increased or decreased by approximately \$1,529,650, or 4.3% (December 31, 2017 - \$1,325,807, or 4.2%) with all other factors remaining constant. In practice, the actual results may differ and the difference could be material.

(iv) 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:

Corporate Bonds	1.5%	0.6%
Consumer Discretionary	15.3%	11.9%
Consumer Staples - Long	1.3%	10.5%
Energy	6.7%	7.4%
Financials	3.8%	6.3%
Health Care	7.8%	5.6%
Industrials	18.7%	8.7%
Information Technology	16.8%	13.2%
Materials	10.3%	15.9%
Real Estate	5.1%	3.9%
Utilities	2.4%	3.3%
Consumer Staples - Short	(1.2%)	(1.8%)
Net Other Assets/Liabilities	11.5%	14.5%
Total	100.0%	100.0%

LDIC North American Small Business Fund (Corporate Class)

Notes to Financial Statements (unaudited)

June 30, 2018

10. FAIR VALUE DISCLOSURE

The following tables illustrate the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at June 30, 2018 and December 31, 2017:

Financial Assets (Liabilities) at Fair Value as at June 30, 2018				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities - Long	30,297,877	21,750	642,500	30,962,127
Warrants	36,240	9,900	-	46,140
Bonds	-	-	536,360	536,360
Equities - Short	(415,272)	-	-	(415,272)
	29,918,845	31,650	642,500	31,129,355

Financial Assets (Liabilities) at Fair Value as at December 31, 2017				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities - Long	26,284,128	-	720,270	27,004,398
Warrants	18,960	43,300	-	62,260
Bonds	-	178,440	-	178,440
Equities - Short	(550,528)	-	-	(550,528)
	25,752,560	221,740	720,270	26,694,570

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

	Bonds	Equities
Balance as at December 31, 2017	\$ -	\$ 720,270
Purchases	506,000	92,250
Sales	-	(377,629)
Net transfers in (out)	-	-
Realized gains (losses)	-	109
Change in unrealized appreciation (depreciation) on investments	30,360	207,500
Balance as at June 30, 2018	\$ 536,360	\$ 642,500
Net change in unrealized appreciation from investments as at Jun 30, 2018	\$ 30,360	\$ 207,500

	Equities
Balance as at December 31, 2016	\$ -
Purchases	1,565,789
Sales	-
Net transfers in (out)	(845,519)
Realized gains (losses)	-
Change in unrealized appreciation on investments	-
Balance as at December 31, 2017	\$ 720,270
Net change in unrealized appreciation from investments as at December 31, 2017	\$ -

LDIC North American Small Business Fund (Corporate Class)

Notes to Financial Statements (unaudited)

June 30, 2018

The Fund Manager of the Fund is responsible for performing the valuation of the fair value measurements included in the financial statements, including the level 3 fair values. As at June 30, 2018 and December 31, 2017, the fair values of level 3 securities held by the Fund were comprised of the following securities and the unobservable inputs used in the fair value measurement of these investments were:

Investment Name	Fair Value (\$)	Valuation Technique	Unobservable inputs
Organigram Holdings	536,360	Recent Transactions	N/A
Bradmer Pharmaceuticals Inc.	186,000	Recent Transactions	N/A
Canopy Rivers	456,500	Recent Transactions	N/A
Total	1,178,860		

December 31, 2017

Investment Name	Fair Value (\$)	Valuation Technique	Unobservable inputs
Canopy Rivers	249,000	Recent Transactions	N/A
Hut 8 Mining Corp.	93,750	Recent Transactions	N/A
Nubeva Inc.	377,520	Recent Transactions	N/A
Total	720,270		

There is no sensitivity impact to the fair value of level 3 securities.

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, Financial Risk Management. The Manager actively monitors the cash position and financial performance to ensure sufficient liquidity to meet operating expenses, distributions and redemptions.