



**LDIC North American Infrastructure Fund**

Financial Statements

December 31, 2017

# INDEPENDENT AUDITORS' REPORT

To the Unitholders of LDIC North American Infrastructure Fund (the "Fund")

We have audited the accompanying financial statements of the Fund, which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

## Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Toronto, Canada  
March 6, 2018

*Ernst & Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants



# LDIC North American Infrastructure Fund

## Statements of Financial Position

As at December 31,

	2017	2016
<b>Assets</b>		
<b>Current assets</b>		
Financial assets at fair value through profit or loss (note 3)	\$ 10,279,525	\$ 13,684,315
Cash	1,691,185	132,319
Accrued dividends	15,534	24,432
Accrued interest	12,449	-
<b>Total assets</b>	<b>11,998,693</b>	<b>13,841,066</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Performance fees	222,087	-
Accrued expenses	92,364	77,778
Management fees payable	7,640	16,218
<b>Total liabilities (excluding Net Assets attributable to holders of redeemable units)</b>	<b>322,091</b>	<b>93,996</b>
<b>Net Assets attributable to holders of redeemable units (note 4)</b>	<b>\$ 11,676,602</b>	<b>\$ 13,747,070</b>
<b>Net Assets attributable to holders of redeemable units per class</b>		
Class A	\$ 4,283,137	\$ 5,766,657
Class F	\$ 7,393,465	\$ 7,980,413
<b>Net Assets attributable to holders of redeemable units per class per unit (note 4)</b>		
Class A	\$ 10.74	\$ 10.63
Class F	\$ 11.22	\$ 11.01

Approved on behalf of LDIC Inc., as manager of the LDIC North American Infrastructure Fund

/s/ Michael B. Decter

Michael B. Decter, Director

/s/ Ron Bailey

Ron Bailey, Director

# LDIC North American Infrastructure Fund

## Statements of Comprehensive Income

For the years ended December 31,

	2017	2016
<b>Net gain (loss) on financial instruments</b>		
Dividend income	\$ 328,494	\$ 454,282
Interest for distribution purposes	28,413	97,338
Foreign exchange gain (loss)	7,017	(39,266)
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	543,744	(665,115)
Change in unrealized appreciation (depreciation) in value of investments	165,483	2,907,329
Change in unrealized appreciation (depreciation) in value of foreign exchange from currency	(3,540)	(2,623)
<b>Net gain (loss) on financial instruments</b>	<b>1,069,611</b>	<b>2,751,945</b>
<b>Expenses (note 5)</b>		
Performance fees	221,666	19,451
Management fees	183,230	212,828
Custodian fees	8,542	8,953
Audit fees	20,900	19,727
Legal fees	16,769	39,651
Valuation fees	36,908	39,852
Independent review committee fees	3,423	3,346
Transaction costs (note 7)	48,562	78,745
Filing fees	21,919	48,304
Securityholder reporting costs	20,953	33,624
Other expenses	34,617	70,914
<b>Total operating expenses</b>	<b>617,489</b>	<b>575,395</b>
<b>Operating profit (loss)</b>	<b>452,122</b>	<b>2,176,550</b>
Withholding taxes (note 6)	(14,020)	(958)
<b>Increase (decrease) in Net Assets attributable to holders of redeemable units from operations (excluding distributions)</b>	<b>\$ 438,102</b>	<b>\$ 2,175,592</b>
<b>Increase (decrease) in Net Assets attributable to holders of redeemable units per class from operations (excluding distributions)</b>		
Class A	\$ 119,961	\$ 814,285
Class F	\$ 318,141	\$ 1,361,307
<b>Average number of units outstanding for the year per class</b>		
Class A	481,336	558,692
Class F	682,428	818,732
<b>Increase (decrease) in Net Assets attributable to holders of redeemable units per unit from operations (excluding distributions)</b>		
Class A	\$ 0.25	\$ 1.46
Class F	\$ 0.47	\$ 1.66

The accompanying notes are an integral part of these financial statements



**LDIC North American Infrastructure Fund**  
**Statements of Cash Flows**  
**For the years ended December 31,**

	2017	2016
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in Net Assets attributable to holders of redeemable units from operations (excluding distributions)	\$ 438,102	\$ 2,175,592
Adjustments for:		
Foreign exchange (gain) loss	(7,017)	39,266
Net realized (gain) loss on sale of investments	(543,744)	665,115
Change in unrealized (appreciation) depreciation in value of investments	(165,483)	(2,907,329)
Purchases of investments	(10,264,592)	(17,821,493)
Proceeds from sale of investments	14,378,609	21,872,978
Accrued dividends	8,898	7,844
Accrued interest	(12,449)	14,389
Performance fees	222,087	(302,437)
Management fees payable	(8,578)	1,497
Accrued expenses	14,586	71,602
<b>Net cash from (used in) operating activities</b>	<b>4,060,419</b>	<b>3,817,024</b>
<b>Cash flows from (used in) financing activities</b>		
Distributions paid to holders of redeemable units, net of reinvested distributions	(24,191)	(57,519)
Proceeds from redeemable units issued	288,910	293,739
Redemption of redeemable units	(2,773,289)	(3,896,741)
<b>Net cash from (used in) financing activities</b>	<b>(2,508,570)</b>	<b>(3,660,521)</b>
Foreign exchange gain (loss)	7,017	(39,266)
Net increase (decrease) in cash	1,551,849	156,503
Cash at beginning of year	132,319	15,082
<b>Cash at end of year</b>	<b>\$ 1,691,185</b>	<b>\$ 132,319</b>
<b>Supplemental Cash Flow Information:</b>		
Dividends received, net of withholding taxes	\$ 323,372	\$ 461,168
Interest received	15,964	111,727

# LDIC North American Infrastructure Fund

## Schedule of Investment Portfolio

As at December 31, 2017

Par Value/ Number of Shares	Description	Maturity Date /Expiry Date	Coupon Rate	Average Cost (\$)	Fair Value (\$)	% of Net Assets
<b>Bonds</b>						
<b>Corporate Bonds</b>						
800,000	Hydro One Ltd.	September 30, 2027	4.000%	286,710	297,400	
150,000	Nextblock Global Limited	July 15, 2020	8.000%	150,000	150,000	
<b>Total Bonds</b>				<u>436,710</u>	<u>447,400</u>	<u>3.8</u>
<b>Equities - Canada</b>						
<b>Consumer Discretionary</b>						
22,700	Park Lawn Corp.			<u>381,772</u>	<u>518,695</u>	<u>4.4</u>
<b>Energy</b>						
550,000	Tidewater Midstream and Infrastructure Ltd.			<u>820,390</u>	<u>836,000</u>	<u>7.2</u>
<b>Financials</b>						
7,500	Brookfield Asset Management Inc.			<u>385,267</u>	<u>410,400</u>	<u>3.5</u>
<b>Industrials</b>						
67,000	Chorus Aviation Inc.			456,466	646,550	
385,000	Drone Delivery Canada Corp.			250,250	346,500	
500,000	Engagement Labs Inc.			25,000	60,000	
250,000	Engagement Labs Inc., Warrants	November 21, 2019		-	12,500	
1,150,000	Jet Power & Controls Ltd.			345,000	345,000	
575,000	Jet Power & Controls Ltd., Warrants	February 15, 2018		-	1	
				<u>1,076,716</u>	<u>1,410,551</u>	<u>12.1</u>
<b>Information Technology</b>						
250,000	Atlas Cloud Enterprises Inc.			252,500	265,000	
16,600	Descartes Systems Group Inc.			490,646	593,284	
58,800	Global Blockchain Technologies Corp.			149,940	103,488	
58,800	Global Blockchain Technologies Corp., Warrants	November 21, 2019		-	-	
165,000	Hive Blockchain Technologies Ltd.			247,500	565,950	
37,500	Hut 8 Mining Corp.			<u>93,750</u>	<u>93,750</u>	
				<u>1,234,336</u>	<u>1,621,472</u>	<u>13.9</u>
<b>Materials</b>						
36,000	Chemtrade Logistics Income Fund			<u>661,870</u>	<u>698,400</u>	<u>6.0</u>
<b>Real Estate</b>						
349,500	StorageVault Canada Inc.			<u>704,987</u>	<u>919,185</u>	<u>7.9</u>
<b>Utilities</b>						
13,700	Algonquin Power & Utilities Corp.			181,525	192,622	
52,500	Polaris Infrastructure Inc.			<u>563,931</u>	<u>912,975</u>	
				<u>745,456</u>	<u>1,105,597</u>	<u>9.5</u>
<b>Equities - United States</b>						
<b>Industrials</b>						
4,800	Macquarie Infrastructure Corp.			<u>411,261</u>	<u>386,107</u>	<u>3.3</u>
<b>Utilities</b>						
10,000	Brookfield Infrastructure Partners LP			385,261	563,800	
72,700	Global Water Resources Inc.			625,204	843,320	
2,650	NextEra Energy Inc.			<u>439,410</u>	<u>518,598</u>	
				<u>1,449,875</u>	<u>1,925,718</u>	<u>16.4</u>
<b>Total Equities</b>				<u>7,871,930</u>	<u>9,832,125</u>	<u>84.2</u>
<b>Transaction costs</b>				(22,779)		
<b>Total Investments</b>				<u>8,285,861</u>	<u>10,279,525</u>	<u>88.0</u>
<b>Other Assets, Less Liabilities</b>					<u>1,397,077</u>	<u>12.0</u>
<b>Net Assets Attributable to Holders of Redeemable Units</b>				<u>\$</u>	<u>11,676,602</u>	<u>100.0</u>

# **LDIC North American Infrastructure Fund**

## **Notes to Financial Statements**

**As at December 31, 2017 and 2016**

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### **1. GENERAL INFORMATION**

The LDIC North American Infrastructure Fund (the “Fund”) is an open-ended investment trust created under the laws of the Province of Ontario by Declaration of Trust dated April 12, 2013. LDIC Inc. (the “Manager”) is the Trustee and Manager of the Fund. The address of the Fund’s registered office is 130 King Street West, Suite 2130, Toronto, Ontario. These financial statements were authorized for issue by the Manager on March 6, 2018.

The investment objective of the Fund is principally to provide long-term capital appreciation with the potential for income, by investing primarily in equity securities (including common shares and warrants), fixed-income investments and other income-producing securities of issuers based in North America.

The Fund is authorized to issue an unlimited number of Class A and Class F units. The capital received by the Fund is utilized within the investment mandate of the Fund. This includes the ability to make liquidity to satisfy unitholders’ unit redemption requirements upon the unitholders’ request. The Fund is not subject to any externally imposed capital requirements.

The Fund may create an unlimited number of classes of units and may offer and sell an unlimited number of series of units of each class. Currently, the Fund offers Class A units and Class F units.

Class A units are designed for retail investors. Dealers through whom Class A units 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 Class A is May 10, 2013.

Class F units are designed for investors who participate in fee-based investment programs offered by their dealers. Class F units are only available to investors whose dealer has entered into an agreement with the Manager to make Class F units available to clients of that dealer. The inception date for Class F is April 23, 2013.

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

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as published by the International Accounting Standards Board (“IASB”).

The policies applied in these financial statements are based on IFRS standards issued and outstanding as of March 6, 2018, which is the date on which the annual financial statements were authorized for issue by the Manager.

In the preparation of these 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) 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 value 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.

# LDIC North American Infrastructure Fund

## Notes to Financial Statements

As at December 31, 2017 and 2016

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### (b) Financial instruments

The Fund classifies its investments in debt and equity securities, or financial assets or liabilities at fair value through profit or loss (“FVTPL”). There are two sub-categories: financial assets or financial liabilities held for trading and those designated at FVTPL at inception. The Fund’s investments in equity securities are designated at FVTPL at inception. The Fund’s obligation for Net Assets attributable to holders of redeemable units 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 at 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 of deposits with financial institutions.

# LDIC North American Infrastructure Fund

## Notes to Financial Statements

As at December 31, 2017 and 2016

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**(e) Multi-class allocation**

Expenses, realized and unrealized gains/losses and income generally are allocated among the classes on a pro-rata basis. Class-specific management fees are not allocated and do not require allocation.

**(f) Transaction costs**

Transaction costs, such as brokerage commissions incurred in the purchase and sale of securities, are expensed and are included in “Transaction costs” in the Statements of Comprehensive Income.

**(g) Unit valuation and valuation date**

Units are issued and redeemed on a continuing basis at the Net Assets attributable to holders of redeemable units, which is determined for each class of units 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 units on that day (in the circumstances described in the simplified prospectus for the Fund in the section called “Purchases and redemptions”). To determine the NAV per unit for a class of units 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 class less the liabilities of the Fund attributed to only that class and the proportionate share of the common liabilities of the Fund allocated to that class. This amount is then divided by the total number of units of that class 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 units per unit**

The increase (decrease) in Net Assets attributable to holders of redeemable units per unit in the Statements of Comprehensive Income represents the net increase (decrease) in Net Assets attributable to holders of redeemable units per unit, divided by the weighted average number of units outstanding during the period of that class of units.

**(k) Accounting standards issued but not yet adopted**

**IFRS 9 Financial Instruments**

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* and is effective for annual periods beginning on or after January 1, 2018, with early application permitted. IFRS 9 brings together three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

# LDIC North American Infrastructure Fund

## Notes to Financial Statements

As at December 31, 2017 and 2016

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The Fund will adopt IFRS 9 for annual periods beginning January 1, 2018. Based on the Fund's business model and contractual cash flow characteristics, the Manager anticipates that all portfolio investments will continue to be measured at fair value. As the Fund does not apply hedge accounting and primarily all financial instruments are measured at fair value, the Manager expects no significant impact on the Fund's net assets and results of operations on adoption of IFRS 9.

### IFRS 15 Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* establishes a five-step model to account for revenue arising from contracts with customers and is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Given that primarily all of the revenue streams of the Fund falls outside of the scope of IFRS 15, the Manager has assessed that there is minimal impact to the financial statements arising on the adoption of this standard.

#### (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. 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 judgments about the classification of financial instruments and the applicability of the fair value option to its investments that 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 UNITS

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

During the year, unit transactions of the Fund were as follows:

	2017	
	Class A	Class F
Outstanding at the beginning of the year	542,667	725,081
Redeemable units issued	6,940	20,404
Redeemable units reinvested	11,858	18,284
Redeemable units redeemed	(162,742)	(104,698)
Outstanding at the end of the year	398,723	659,071

# LDIC North American Infrastructure Fund

## Notes to Financial Statements

As at December 31, 2017 and 2016

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	2016	
	Class A	Class F
Outstanding at the beginning of the year	652,527	946,469
Redeemable units issued	102	29,289
Redeemable units reinvested	12,784	20,998
Redeemable units redeemed	(122,746)	(271,675)
<u>Outstanding at the end of the year</u>	<u>542,667</u>	<u>725,081</u>

### 5. RELATED PARTY TRANSACTIONS

As at December 31, 2017, the Manager of the Fund and certain Directors and Officers of the Manager held a total of 704 (2016 - 684) Class A units and 171,544 (2016 - 166,834) Class F units 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:

Class A - 2.00% per annum

Class F - 1.00% per annum

The Fund is responsible for the payment of all expenses relating to its operations and the carrying on of its business. These expenses include, but are not limited to, administration and accounting costs, the costs of any back-office service provider retained by the Manager, transaction costs, audit and legal fees, custodian fees, index licensing fees, regulatory filing fees, the costs of preparing and distributing annual and semi-annual financial statements, prospectuses, unitholder 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 10% of the amount by which the Class NAV at the end of the fiscal year (adding back the amounts of any distributions paid on the units of the Fund) (the "ending NAV") exceeds the target NAV. The target NAV is calculated by multiplying the Class NAV, net of performance fees paid, as at the last performance fee payment date (the "beginning NAV") by the sum of one plus the return of the Fund's "benchmark" (the "benchmark return") over the same period.

### 6. TAXATION OF THE FUND AND ALLOCATION TO UNITHOLDERS

The Fund qualifies as a mutual fund trust as defined in the *Income Tax Act* (Canada) (the "Act"). Pursuant to the terms of the Declaration of Trust, the Fund pays or makes payable in the calendar year to the unitholders all the net income and such portion of the net capital gains that will result in the Fund paying no tax under the current provisions of the Act. As a result, under existing tax legislation, the net income and net capital gains are taxable in the hands of the unitholders of the Fund. Accordingly, no provision for Canadian income taxes has been made in these financial statements.

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown separately in the Statements of Comprehensive Income.

# LDIC North American Infrastructure Fund

## Notes to Financial Statements

As at December 31, 2017 and 2016

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The Fund has accumulated capital loss carry forwards as of December 31, 2017 of \$2,723,220 (2016 - \$2,723,220), which may be applied against future years' capital gains and can be carried forward indefinitely. As of December 31, 2017, there were \$12,582 (2016 - \$12,582) in non-capital losses available in the Fund, which can be carried forward until 2036.

### 7. TRANSACTION COSTS

Commissions and other transaction fees paid for portfolio transactions for the year ended December 31, 2017 were \$48,562 (2016 - \$78,745).

### 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 years ended December 31, 2017 and 2016 was \$10,784 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, 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 units.

#### (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. 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 December 31, 2017 and 2016, 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	
	December 31, 2017	December 31, 2016
A	2.5%	-
NR	1.3%	-
	<u>3.8%</u>	<u>0.0%</u>

#### (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 unitholders' rights to redeem their units 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.

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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 December 31, 2017 and 2016, 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	2017	-	150,000	297,400	447,400
	2016	-	-	-	-

As at December 31, 2017, 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 \$4,934 (2016 - nil). In practice, the actual trading results may differ, and the difference could be material.

### (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.

	December 31, 2017		December 31, 2016	
	Currency Exposure (\$)	Percentage of Net Assets (%)	Currency Exposure (\$)	Percentage of Net Assets (%)
U.S. dollar	1,249,403	10.7	3,003,309	21.8

As at December 31, 2017, 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 \$62,470 (2016- \$150,165). In practice, the actual results may differ and the difference could be material.

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### (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 December 31, 2017, approximately 84.20% (2016 - 99.54%) of the Fund's Net Assets were held directly in equities. If equity prices on the exchanges increased or decreased by 5.0% as at December 31, 2017, the Net Assets of the Fund would have increased or decreased by approximately \$491,606, or 4.2% (2016 - \$684,216, or 4.9%), 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:

<b>Investment Sector</b>	<b>December 31, 2017</b>	December 31, 2016
Corporate Bonds	3.8%	-
Consumer Discretionary	4.4%	1.9%
Energy	7.2%	29.9%
Financial	3.5%	-
Information Technology	13.9%	6.6%
Industrials	15.4%	31.7%
Materials	6.0%	2.2%
Real Estate	7.9%	-
Utilities	25.9%	27.2%
Net Other Assets/Liabilities	12.0%	0.5%
Total	100.0%	100%

## 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 December 31, 2017 and 2016:

	<b>Financial Assets at Fair Value as at December 31, 2017</b>			
	<b>Level 1 (\$)</b>	<b>Level 2 (\$)</b>	<b>Level 3 (\$)</b>	<b>Total (\$)</b>
<b>Equities</b>	<b>8,651,436</b>	<b>729,438</b>	<b>438,750</b>	<b>9,819,624</b>
<b>Warrants</b>	-	<b>12,500</b>	<b>1</b>	<b>12,501</b>
<b>Bonds</b>	-	<b>297,400</b>	<b>150,000</b>	<b>447,400</b>
	<b>8,651,436</b>	<b>1,039,338</b>	<b>588,751</b>	<b>10,279,525</b>

	<b>Financial Assets at Fair Value as at December 31, 2016</b>			
	<b>Level 1 (\$)</b>	<b>Level 2 (\$)</b>	<b>Level 3 (\$)</b>	<b>Total (\$)</b>
Equities	13,543,665	140,650	-	13,684,315

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## Notes to Financial Statements

As at December 31, 2017 and 2016

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, 2016	\$	-	\$ -
Purchases		150,000	438,751
Sales		-	-
Net transfers in (out)		-	-
Realized gains (losses)		-	-
Change in unrealized appreciation (depreciation) on investments		-	-
Balance as at December 31, 2017	\$	150,000	\$ 438,751
Net change in unrealized appreciation from investments as at December 31, 2017	\$	-	\$ -

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 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
Hut 8 Mining Corp.	93,750	Recent Transactions	N/A
Jet Power & Controls Ltd.	345,000	Recent Transactions	N/A
Jet Power & Controls Ltd., Warrants	1	Recent Transactions	N/A
Nextblock Global Limited	150,000	Recent Transactions	N/A
Total	588,751		

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

### 11. CAPITAL MANAGEMENT

The Fund's investment objective is primarily to provide long-term capital appreciation with the potential for income, by investing primarily in equity securities, fixed-income investments and other income-producing securities based in North America.

The capital of the Fund is divided into two classes, Class A and Class F, with each class having an unlimited number of units. The units issued and outstanding represent the capital of the Fund, and unitholders are entitled to distributions when declared. The distributions are based on the Manager's estimate of the actual income for the year.

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.