



LDIC North American Small Business Fund (Corporate Class)

Interim Financial Statements

June 30, 2017

LDIC North American Small Business Fund (Corporate Class)

Statements of Financial Position

As at June 30, 2017 and December 31, 2016

	2017 (unaudited)	2016 (audited)
Assets		
Current assets		
Financial assets at fair value through profit or loss (notes 3 and 12)	\$ 22,951,141	\$ 18,604,254
Cash	3,758,725	1,294,676
Accrued dividends	34,854	45,849
Receivables for investments sold	660,882	-
Subscriptions receivable	1,000	5,825
Other receivable	60,466	-
Total assets	27,467,068	19,950,604
Liabilities		
Current liabilities		
Financial liabilities at fair value through profit or loss (notes 3 and 12)	863,270	-
Performance fees	167,080	-
Accrued expenses	109,883	97,607
Dividends payable	1,500	-
Payable for investments purchased	673,100	85,802
Management fees payable	29,996	19,560
Total liabilities (excluding Net Assets attributable to holders of redeemable shares)	1,844,829	202,969
Net Assets attributable to holders of redeemable shares (note 4)	\$ 25,622,239	\$ 19,747,635
Net Assets attributable to holders of redeemable shares per series		
Series A	\$ 3,819,952	\$ 2,842,989
Series F	\$ 11,659,604	\$ 11,635,004
Series F1	\$ 10,142,683	\$ 5,269,642
Net Assets attributable to holders of redeemable shares per series per share (note 4)		
Series A	\$ 11.75	\$ 12.45
Series F	\$ 11.95	\$ 12.60
Series F1	\$ 11.94	\$ 12.63

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

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

/s/Graham Scott
Graham Scott, Director

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

For the six-month period ended June 30,

	2017	2016
Net gain (loss) on financial instruments		
Dividend income	\$ 127,822	\$ 93,207
Interest for distribution purposes	2,687	20,942
Dividends paid on investments sold short	(2,075)	(12,025)
Foreign exchange gain (loss)	23,817	(41,937)
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 (note 12)	470,131	154,684
Change in unrealized appreciation (depreciation) in value of investments (note 12)	315,853	519,249
Change in unrealized appreciation (depreciation) in value of foreign exchange from currency (note 12)	(14,576)	(1,861)
Net gain (loss) on financial instruments	923,659	732,259
Expenses (note 5)		
Performance fees	172,406	2,261
Management fees	177,592	60,093
Custodian fees	4,146	4,133
Audit fees	11,541	11,505
Legal fees	5,528	5,510
Valuation fees	17,689	17,634
Independent review committee fees	1,659	1,654
Transaction costs (note 7)	161,448	47,885
Filing fees	10,068	10,616
Securityholder reporting costs	20,178	20,115
Other expenses	28,747	25,439
Total operating expenses	611,002	206,845
Operating profit (loss)	312,657	525,414
Withholding taxes (note 6)	(823)	(921)
Increase (decrease) in Net Assets attributable to holders of redeemable shares from operations (excluding distributions)	\$ 311,834	\$ 524,493
Increase (decrease) in Net Assets attributable to holders of redeemable shares per series from operations (excluding distributions)		
Series A	\$ 27,299	\$ 44,607
Series F	\$ 223,853	\$ 479,863
Series F1	\$ 60,682	\$ 23
Average number of shares outstanding for the period per series		
Series A	282,610	96,982
Series F	979,611	935,405
Series F1	701,964	100
Increase (decrease) in Net Assets attributable to holders of redeemable shares per share from operations (excluding distributions)		
Series A	\$ 0.10	\$ 0.46
Series F	\$ 0.23	\$ 0.51
Series F1	\$ 0.09	\$ 0.23

The accompanying notes are an integral part of these financial statements

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

For the six-month period ended June 30,

	2017	2016	2017	2016
	Series A		Series F	
Net Assets attributable to holders of redeemable shares at beginning of period	\$ 2,842,989	\$ 936,021	\$ 11,635,004	\$ 8,873,090
Increase (decrease) in Net Assets attributable to holders of redeemable shares from operations (excluding distributions)	27,299	44,607	223,853	479,863
Redeemable share transactions				
Proceeds from redeemable shares issued	1,076,985	5,830	-	818,364
Redemption of redeemable shares	(84,925)	(5,461)	(182,333)	(495,408)
Reinvestments of distributions to holders of redeemable shares	164,950	-	803,188	-
	1,157,010	369	620,855	322,956
Distributions to holders of redeemable shares				
From net realized capital gains	(207,346)	-	(820,108)	-
	(207,346)	-	(820,108)	-
Net Increase (decrease) in Net Assets attributable to holders of redeemable shares	976,963	44,976	24,600	802,819
Net Assets attributable to holders of redeemable shares at end of period	\$ 3,819,952	\$ 980,997	\$ 11,659,604	\$ 9,675,909
	Series FI		Total	
Net Assets attributable to holders of redeemable shares at beginning of period	\$ 5,269,642	\$ -	\$ 19,747,635	\$ 9,809,111
Increase (decrease) in Net Assets attributable to holders of redeemable shares from operations (excluding distributions)	60,682	23	311,834	524,493
Redeemable share transactions				
Proceeds from redeemable shares issued	4,857,693	101,000	5,934,678	925,194
Redemption of redeemable shares	(36,045)	-	(303,303)	(500,869)
Reinvestments of distributions to holders of redeemable shares	420,734	-	1,388,872	-
	5,242,382	101,000	7,020,247	424,325
Distributions to holders of redeemable shares				
From net realized capital gains	(430,023)	-	(1,457,477)	-
	(430,023)	-	(1,457,477)	-
Net Increase (decrease) in Net Assets attributable to holders of redeemable shares	4,873,041	101,023	5,874,604	948,818
Net Assets attributable to holders of redeemable shares at end of period	\$ 10,142,683	\$ 101,023	\$ 25,622,239	\$ 10,757,929

The accompanying notes are an integral part of these financial statements

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

For the six-month period ended June 30,

	2017	2016
Cash flows from (used in) operating activities		
Increase (decrease) in Net Assets attributable to holders of redeemable shares from operations (excluding distributions)	\$ 311,834	\$ 524,493
Adjustments for:		
Foreign exchange (gain) loss	(23,817)	41,937
Net realized (gain) loss on sale of investments	(470,131)	(154,684)
Change in unrealized (appreciation) depreciation in value of investments	(315,853)	(519,249)
Purchases of investments	(22,202,481)	(8,774,411)
Proceeds from sale of investments	19,431,264	8,928,160
Accrued dividends	10,995	(8,454)
Accrued interest	-	(2,459)
Other receivable	(60,466)	-
Performance fees	167,080	(169,063)
Accrued expenses	12,276	13,081
Dividends payable	1,500	-
Management fees payable	10,436	266
Net cash from (used in) operating activities	(3,127,363)	(120,383)
Cash flows from (used in) financing activities		
Distributions paid to holders of redeemable shares, net of reinvested distributions	(68,605)	-
Proceeds from redeemable shares issued	5,939,503	831,194
Redemption of redeemable shares	(303,303)	(492,926)
Net cash from (used in) financing activities	5,567,595	338,268
Foreign exchange gain (loss)	23,817	(41,937)
Net increase (decrease) in cash	2,440,232	217,885
Cash at beginning of period	1,294,676	509,116
Cash at end of period	\$ 3,758,725	\$ 685,064
Supplemental Cash Flow Information:		
Dividends received, net of withholding taxes	\$ 137,994	\$ 83,832
Dividends paid on investments sold short	(575)	(12,025)
Interest received	2,687	18,483

LDIC North American Small Business Fund (Corporate Class)

Schedule of Investment Portfolio (unaudited)

As at June 30, 2017

Number of Shares	Description	Expiry Date	Average Cost (\$)	Fair Value (\$)	% of Net Assets
Equities - Long					
Canadian equities					
Consumer Discretionary					
79,000	Ascendant Resources Inc., Warrants	Mar 7, 2022	18,963	14,220	
1,434,400	BrightPath Early Learning Inc.		659,619	1,133,176	
17,000	goeasy Ltd.		428,863	469,200	
204,200	Imvescor Restaurant Group Inc.		506,197	749,414	
65,000	Kew Media Group Inc.		651,550	662,350	
40,400	Park Lawn Corp.		680,434	760,328	
58,600	Pollard Banknote Ltd.		537,511	600,650	
253,300	Wow Unlimited Media Inc.		455,847	506,600	
			<u>3,938,984</u>	<u>4,895,938</u>	<u>19.1</u>
Consumer Staples					
197,600	Brick Brewing Co Ltd.		594,805	762,736	
800,000	Centric Health Corp.		621,687	576,000	
70,000	Clearwater Seafoods Inc.		732,761	799,400	
			<u>1,949,253</u>	<u>2,138,136</u>	<u>8.3</u>
Energy					
399,400	Cathedral Energy Services Ltd.		408,384	395,406	
45,000	CES Energy Solutions Corp.		330,406	260,100	
110,000	Trican Well Service Ltd.		473,603	399,300	
50,000	ZCL Composites Inc.		664,295	651,000	
			<u>1,876,688</u>	<u>1,705,806</u>	<u>6.7</u>
Financials					
120,000	ECN Capital Corp.		367,371	480,000	
47,600	Quantum International Income Corp., Warrants	Jul 28, 2017	-	-	
200,000	Westaim Corp.		643,225	634,000	
			<u>1,010,596</u>	<u>1,114,000</u>	<u>4.3</u>
Health Care					
55,000	CanniMed Therapeutics Inc.		449,065	452,100	
415,000	Canopy Rivers		249,000	249,000	
100,000	Cronos Group Inc.		240,150	171,000	
835,000	H-Source Holdings Ltd.		150,300	187,875	
50,000	MedReleaf Corp.		466,958	430,000	
			<u>1,555,473</u>	<u>1,489,975</u>	<u>5.8</u>
Industrials					
5,050	Boyd Group Income Fund		326,160	485,558	
16,400	Cargojet Inc.		722,748	779,164	
63,630	Chorus Aviation Inc.		362,981	484,224	
750,000	Empire Industries Ltd.		483,750	472,500	
13,500	Exchange Income Corp.		445,173	446,310	
115,000	People Corp.		489,050	630,200	
			<u>2,829,862</u>	<u>3,297,956</u>	<u>12.9</u>
Information Technology					
200,000	Baylin Technologies Inc.		463,700	444,000	
8,200	Descartes Systems Group Inc.		197,270	258,710	
189,600	Firan Technology Group Corp.		641,050	820,968	
2,000	Kinaxis Inc.		109,560	161,480	
225,000	Lite Access Technologies Inc.		506,250	418,500	
47,300	TECSYS Inc.		510,004	690,580	
			<u>2,427,834</u>	<u>2,794,238</u>	<u>10.9</u>

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Schedule of Investment Portfolio (unaudited)

As at June 30, 2017

Number of Shares	Description	Average Cost (\$)	Fair Value (\$)	% of Net Assets
Materials				
35,000	Altius Minerals Corp.	411,281	377,650	
130,000	Bluestone Resources Inc.	195,000	205,400	
175,000	Conifex Timber Inc.	536,750	546,000	
247,600	Geodrill Ltd.	597,860	492,724	
520,000	Lithium Americas Corp.	494,943	452,400	
700	Noranda Income Fund	1,075	882	
3,023,000	Sprott Resource Holdings Inc.	537,778	483,680	
190,000	Superior Gold Inc.	195,500	190,000	
199,800	Western Forest Products Inc.	432,159	467,532	
		<u>3,402,346</u>	<u>3,216,268</u>	<u>12.6</u>
Real Estate				
30,200	Information Services Corp.	554,730	534,540	
200,000	StorageVault Canada Inc.	211,664	528,000	
		<u>766,394</u>	<u>1,062,540</u>	<u>4.1</u>
Utilities				
25,500	Polaris Infrastructure Inc.	299,836	435,795	1.7
U. S. equities				
Consumer Discretionary				
5,000	Nathan's Famous Inc.	482,859	409,091	1.6
Utilities				
30,459	Global Water Resources Inc.	228,872	391,398	1.5
Transaction costs				
		(73,056)		
Total Equities – Long		<u>20,695,941</u>	<u>22,951,141</u>	<u>89.5</u>
Equities - Short				
Canadian equities				
Consumer Discretionary				
(8,000)	MTY Food Group Inc.	(378,743)	(370,880)	(1.4)
Consumer Staples				
(11,000)	High Liner Foods Inc.	(200,290)	(192,390)	
(150,000)	Input Capital Corp.	(291,312)	(300,000)	
		<u>(491,602)</u>	<u>(492,390)</u>	<u>(1.9)</u>
Transaction costs				
		(2,261)		
Total Equities – Short		<u>(872,606)</u>	<u>(863,270)</u>	<u>(3.3)</u>
Total Investments		<u>19,823,335</u>	<u>22,087,871</u>	<u>86.2</u>
Other Assets, Less Liabilities			<u>3,534,368</u>	<u>13.8</u>
Net Assets Attributable to Holders of Redeemable Shares			<u>\$ 25,622,239</u>	<u>100.0</u>

LDIC North American Small Business Fund (Corporate Class)

Notes to Financial Statements (unaudited)

June 30, 2017

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 21, 2017.

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 interim financial statements are based on IFRS standards issued and outstanding as of August 21, 2017, which is the date on which the interim financial 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 interim 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).

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Notes to Financial Statements (unaudited)

June 30, 2017

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.

(b) Financial instruments

The Fund classifies its investments in debt and equity securities, or financial assets or liabilities at 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 fair value through profit or loss ("FVTPL") at inception. The Fund's obligation for Net Assets attributable to holders of redeemable shares is presented at the redemption amount.

All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amounts required to be received or paid, discounted when appropriate, at the financial instrument's effective interest rate.

The Fund's accounting policies for measuring the fair value of its investments are identical to those used in measuring its published Net Asset Value ("NAV"). The fair values of the Fund's financial assets and liabilities that are not carried at FVTPL approximate their carrying amounts due to their short-term nature.

Financial instruments classified as held for trading: Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term, and are acquired principally for the purpose of generating a profit from short-term fluctuations in price.

Financial instruments designated as FVTPL through inception: All investments held by the Fund are designated as FVTPL upon initial recognition. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's prospectus.

(c) Fair value measurements

Financial instruments are valued at their fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The Fund uses a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Fund's investments. The hierarchy of inputs is summarized below:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of an investment's assigned level.

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

(d) Cash

Cash comprises of deposits with financial institutions.

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Notes to Financial Statements (unaudited)

June 30, 2017

(e) Multi-series allocation

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

Series-specific management fees are not allocated and do not require allocation.

(f) Transaction costs

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

(g) Share valuation and valuation date

Shares are issued and redeemed on a continuing basis at the Net Assets attributable to holders of redeemable shares, which is determined for each series of shares of the Fund on each valuation day. A "valuation day" is any day that the Toronto Stock Exchange is open for business, unless the Fund is not accepting orders to purchase, switch or redeem shares on that day (in the circumstances described in simplified prospectus for the Fund in the section called "Purchases, switches, and redemptions"). To determine the 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.

(h) Investment transactions

Investment transactions are accounted for on the trade date. All income, net realized gains (losses), unrealized appreciation (depreciation) in the value of investments and transaction costs are attributable to investments that are deemed held for trading.

(i) Revenue recognition

- The interest for distribution purposes shown on the Statements of Comprehensive Income represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed-income securities, except for zero coupon bonds, which are amortized on a straight-line basis.
- Dividend income is recorded on the ex-dividend date and is gross of withholding taxes.
- Realized gains and losses on investments and unrealized appreciation (depreciation) in the value of investments are calculated with reference to the average cost of the related investments.

(j) Increase (decrease) in Net Assets attributable to holders of redeemable shares per share

The increase (decrease) in Net Assets attributable to holders of redeemable shares per share in the 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.

(k) Accounting standards issued but not yet adopted

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial instruments: Recognition and measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of accounting for financial instrument project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning

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Notes to Financial Statements (unaudited)

June 30, 2017

on or after January 1, 2018, with early application permitted. During 2017, the Fund is in the process of performing a high-level impact assessment of all three aspects of IFRS 9.

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS and is effective for annual periods beginning on or after January 1, 2018, when the IASB finalizes their amendments to defer the effective date of IFRS by one year. Early adoption is permitted. Given the majority of revenue streams of the Fund, being interest, dividends and realized/unrealized gains, fall outside of the scope of IFRS 15, preliminary impact assessments made indicate minimal impact arising on the adoption of this standard.

(I) 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 SHARES

The shares of the Fund are issued and redeemed at their Net Assets attributable to holders of redeemable shares per share. Net Assets attributable to holders of redeemable shares per series per share is determined on a daily basis by dividing the Fund's Net Assets attributable to holders of redeemable shares per series by the total number of shares of the series of the Fund that are outstanding on such valuation date.

The Fund has no restrictions or specific capital requirements on the issuance and redemptions of shares. In accordance with its investment objectives, strategies and risk management practices, the Fund endeavors to invest the amounts received on issuance of shares in appropriate investments in order to maximize shareholder value and maintain financial strength while preserving sufficient liquidity to meet redemptions.

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

		<u>June 2017</u>	
	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

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Notes to Financial Statements (unaudited)

June 30, 2017

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

5. RELATED PARTY TRANSACTIONS

Michael Decter, an officer and director of the Manager of the Fund, made an initial investment of \$150,000 on May 22, 2015 to start up the Fund. As of June 30, 2017, the Manager of the Fund and certain Directors and Officers of the manager held a total of 375,644 (2016 - 337,621) shares of the F Series and nil (2016 – 100) shares of the F1 Series 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.

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.

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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-forward as of December 31, 2016 of nil (2015 - \$738,712). The fund has accumulated non-capital loss carry-forward as of December 31, 2016 of nil (2015 - \$1,725).

7. TRANSACTION COSTS

Commissions and other transaction fees paid for portfolio transactions for the period ended June 30, 2017 were \$161,448 (2016 - \$47,885).

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, 2017 and 2016 was \$10,617 and nil, respectively.

9. FINANCIAL RISK MANAGEMENT

In the normal course of operations, the Fund's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (which includes interest rate risk, currency risk and other price risk). The value of investments in a Fund's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions and market news related to specific securities in the portfolio. The level of risk depends on the Fund's objectives and the type of securities that it holds. In order to mitigate risk, depending on conditions, the Manager diversifies the portfolio based on criteria such as asset class, country, industry and currency. Significant risks that are relevant to the Fund are discussed below. "Net Assets" below is defined as Net Assets attributable to holders of redeemable shares.

(a) Other price risk

Other price risk represents the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment.

The Fund is exposed to other price risk from investments in equities. As at June 30, 2017, approximately 86.21% (December 31, 2016 - 94.21%) 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, 2017, the Net Assets of the Fund would have increased or decreased by approximately \$1,104,394, or 4.3% (December 31, 2016 - \$930,213, or 4.7%) with all other factors remaining constant. In practice, the actual results may differ and the difference could be material.

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(b) Currency risk

Currency risk is the risk that the fair value of financial instruments denominated in currencies other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate because of changes in foreign exchange rates.

	June 30, 2017		December 31, 2016	
	Currency Exposure (\$)	Percentage of Net Assets (%)	Currency Exposure (\$)	Percentage of Net Assets (%)
U.S. dollar	459,631	1.8	579,205	2.9

As at June 30, 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 \$22,982 (December 31, 2016 - \$28,960). In practice, the actual results may differ and the difference could be material.

(c) Interest rate risk

As at June 30, 2017 and December 31, 2016, the majority of the Fund's financial assets and liabilities were non-interest bearing. As a result, the Fund is not subject to significant interest rate risk.

(d) Credit risk

As at June 30, 2017 and December 31, 2016, the Fund had no significant investments in debt instruments and/or derivatives and, therefore, did not have significant exposure to credit risk.

(e) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its obligations associated with its financial liabilities. The Fund's primary exposure to liquidity risk relates to its shareholders' 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.

(f) Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type.

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The following is a summary of the Fund's concentration risk:

Investment Sector	June 30, 2017	December 31, 2016
Consumer Discretionary - Long	20.7%	14.1%
Consumer Staples	8.3%	6.7%
Energy	6.7%	21.3%
Financials	4.3%	4.4%
Health Care	5.8%	1.9%
Industrials	12.9%	17.7%
Information Technology	10.9%	13.7%
Materials	12.6%	8.7%
Real Estate	4.1%	
Utilities - Long	3.2%	5.7%
Consumer Discretionary - Short	(1.4%)	-
Consumer Staples - Short	(1.9%)	
Net Other Assets	13.8%	5.8%
Total	100.0%	100.0%

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, 2017 and December 31, 2016:

Financial Assets (Liabilities) at Fair Value as at June 30, 2017				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities - Long	22,081,546	606,375	249,000	22,936,921
Warrants	14,220	-	-	14,220
Equities - Short	(863,270)	-	-	(863,270)
	21,232,496	606,375	249,000	22,087,871
Financial Assets (Liabilities) at Fair Value as at December 31, 2016				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	17,306,661	1,224,218	-	18,530,879
Warrants	63,375	10,000	-	73,375
	17,370,036	1,234,218	-	18,604,254

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

	Equities
Balance as at December 31, 2016	\$ -
Purchases	249,000
Sales	-
Net transfers in (out)	-
Realized gains (losses)	-
Change in unrealized appreciation on investments	-
Balance as at June 30, 2017	\$ 249,000
Net change in unrealized appreciation from investments as at June 30, 2017	\$ -

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.

12. FINANCIAL INSTRUMENTS

The Fund's equity investments are measured at FVTPL. Short-term investments, along with all other financial assets and liabilities, are recognized initially at fair value and subsequently measured at amortized cost, which approximates fair value due to their short-term nature.

The following tables present the carrying amounts of the Fund's financial assets by category as at June 30, 2017 and December 31, 2016:

June 30, 2017	Financial assets at FVTPL			Financial assets at amortized cost	
	HFT	Designated at inception	Total	at amortized cost	Total
Assets					
Financial assets at fair value through profit or loss	\$ -	\$ 22,951,141	\$ 22,951,141	\$ -	\$ 22,951,141
Cash	-	-	-	3,758,725	3,758,725
Accrued dividends	-	-	-	34,854	34,854
Receivables for investments sold	-	-	-	660,882	660,882
Subscriptions receivable	-	-	-	1,000	1,000
Other receivable	-	-	-	60,446	60,446
Total	\$ -	\$ 22,951,141	\$ 22,951,141	\$ 4,515,907	\$ 27,467,048

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December 31, 2016	Financial assets at FVTPL			Financial assets at amortized cost	
	HFT	Designated at inception	Total		Total
Assets					
Financial assets at fair value through profit or loss	\$ -	\$ 18,604,254	\$ 18,604,254	\$ -	\$ 18,604,254
Cash	-	-	-	1,294,676	1,294,676
Accrued dividends	-	-	-	45,849	45,849
Subscriptions receivable	-	-	-	5,825	5,825
Total	\$ -	\$ 18,604,254	\$ 18,604,254	\$ 1,346,350	\$ 19,950,604

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

Category	Net gains (losses)	
	<u>2017</u>	<u>2016</u>
Net gains on financial instruments at FVTPL:		
Held for trading	5,000	47,909
Designated at inception	918,659	684,350
Total	923,659	732,259