



**LDIC North American Small Business Fund**

**(Corporate Class)**

Management Report of Fund Performance

June 30, 2017

*Series A shares, Series F shares and Series F1 shares of LDIC North American Small Business Fund*

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

For the Period ended June 30, 2017

All figures are reported in Canadian dollars unless otherwise noted.

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

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

### **Investment Objectives and Strategies**

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

Techniques such as fundamental analysis may be used to assess the growth and value potential of an investment which requires evaluating the financial condition and management of each company, its industry and the overall economy. As part of this evaluation, the Manager may analyze financial data and other information sources, assess the quality of management, and conduct company interviews.

### **Risk**

As of June 30, 2017, the risks of investing in the Fund remain as described in the prospectus. The main risk to investors is the market capitalization risk of small companies. Small cap companies are inherently higher risk because of 1) lower trading liquidity, 2) access to capital can be limited, and 3) operational history can be limited/minimal.

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

### **Result of Operations**

Led primarily by weak energy stocks, the resource-heavy Canadian S&P/TSX Small Cap Index was down 4.2% on a total return basis in the first half of 2016, with the more diversified US Russell 2000 index up 5.0%

over this period. All in, the funds benchmark (70% S&P/TSX Small Cap Index / 30% Russell 2000) was down 1.4% through June 30, 2017. This compares to a 1.4% total return for the Fund (Class A), which was achieved, in part, by avoiding highly volatile commodity stocks. The Portfolio Manager continues to believe that the limited amount of active managers focusing on small cap stocks, coupled with a relatively robust universe of investment opportunities, provides a durable competitive advantage for the Manager to uncover market inefficiencies.

The Fund had a net gain on financial instruments of \$923,659 in the first six months of 2017 which is an increase of \$191,400 one year prior. The total operating expenses increased in the first half of 2017 by \$404,157 mainly due to an increase in transaction costs as a result of the increased trading activity, an increase in management fees as a result of the increase in the net asset value, and accrued performance fees in the first half of 2017. There was an increase in the net assets per unit from operations of \$0.10, \$0.23, and \$0.09 for Series A, F, and F1 respectively. Overall, the Fund operating profit was lower by \$212,757 compared to the same period in 2016.

### **Recent Developments**

On May 30, 2016, the Portfolio Manager of the Fund changed to Marc Robinson to the firm, a previous Portfolio Manager and long-time sell-side analyst. The Fund has added a new Series F1 on May 31, 2016. Series F shares are no longer offered for distribution although are still held by shareholders that have purchased the series prior to the launch of Series F1. More information on each series is provided below.

### **Related Party Transactions**

The Manager of the Fund is LDIC Inc. The Manager provides investment and administrative services to the Fund. In consideration for these services the Manager receives a fee based on a percentage of the Net Assets of the Fund calculated daily and payable monthly, as follows:

Series A - 2.00% per annum  
Series F - 1.00% per annum  
Series F1 - 1.50% per annum

The Fund will pay a performance fee to LDIC Inc., plus applicable taxes, at the end of each fiscal year. The performance fee will be 15% of the amount by which the Series NAV at the end of the fiscal year (adding back the amounts of any distributions paid on the shares of the Fund) (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.

As of June 30, 2017, the Manager of the Fund and certain Directors and Officers of the manager held a total of 375,644 shares of the F Series of the Fund.

**Management Fees**

All management fees are based on the NAV of a series of shares, calculated on each Valuation Date and paid monthly. The management fee for the Fund is 2.00% for Series A, 1.00% for Series F, and 1.50% for Series F1. The breakdown of the services received in consideration of the management fee, as a percentage of the management fee is:

	Series A	Series F	Series F1
Management of Fund	37.5%	100%	100%
Trailing commission to Broker	62.5%	N/A	N/A

## Financial Highlight

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the period ended June 30, 2017 and for the past two periods ended December 31, as applicable. In the year a Fund or a Series is established, 'Period' represents inception to December 31 of that year. Per unit data is derived from the Fund's financial statements. Ratios and supplemental data are derived from the Fund's Net Asset Value.

### The Fund's Net Assets per unit <sup>(1)</sup>

	SERIES A			<sup>(4)</sup>
	2017	2016	2015	
<b>Net Assets, beginning of period</b>	<b>\$ 12.45</b>	<b>\$ 9.66</b>	<b>\$ 10.00</b>	
<b>Increase (decrease) from operations:</b>				
Total revenue	0.06	0.19	0.19	
Total expenses	(0.34)	(0.57)	(0.50)	
Realized gains (losses) for the period	0.22	2.42	(0.46)	
Unrealized gains (losses) for the period	0.16	1.14	0.47	
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ 0.10</b>	<b>\$ 3.18</b>	<b>\$ (0.30)</b>	

#### **Distributions:**

From income (excluding dividends)	-	-	-	
From dividends	-	-	(0.02)	
From capital gains	(0.88)	-	-	
Return of capital	-	-	-	
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.88)</b>	<b>-</b>	<b>(0.02)</b>	
<b>Net Assets, end of period</b>	<b>\$ 11.75</b>	<b>\$ 12.45</b>	<b>\$ 9.66</b>	

	SERIES F			<sup>(4)</sup>
	2017	2016	2015	
<b>Net Assets, beginning of period</b>	<b>\$ 12.60</b>	<b>\$ 9.66</b>	<b>\$ 10.00</b>	
<b>Increase (decrease) from operations:</b>				
Total revenue	0.06	0.22	0.17	
Total expenses	(0.29)	(0.44)	(0.42)	
Realized gains (losses) for the period	0.28	1.83	(0.51)	
Unrealized gains (losses) for the period	0.18	1.34	0.64	
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ 0.23</b>	<b>\$ 2.95</b>	<b>\$ (0.12)</b>	

#### **Distributions:**

From income (excluding dividends)	-	-	-	
From dividends	-	-	(0.02)	
From capital gains	(0.89)	-	-	
Return of capital	-	-	-	
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.89)</b>	<b>-</b>	<b>(0.02)</b>	
<b>Net Assets, end of period</b>	<b>\$ 11.95</b>	<b>\$ 12.60</b>	<b>\$ 9.66</b>	

	<b>SERIES F1</b>		
	<b>2017</b>	<b>2016</b>	(5)
<b>Net Assets, beginning of period</b>			
<b>Increase (decrease) from operations:</b>	<b>\$ 12.63</b>	<b>\$ 10.00</b>	
Total revenue			
Total expenses	0.07	0.08	
Realized gains (losses) for the period	(0.32)	(0.31)	
Unrealized gains (losses) for the period	0.23	2.08	
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.11</b>	<b>0.32</b>	
	<b>\$ 0.09</b>	<b>\$ 2.17</b>	
<b>Distributions:</b>			
From income (excluding dividends)	-	-	
From dividends	(0.89)	-	
From capital gains	-	-	
Return of capital	-	-	
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.89)</b>	<b>-</b>	
<b>Net Assets, end of period</b>	<b>\$ 11.94</b>	<b>\$ 12.63</b>	

(1) This information is derived from the Fund audited annual financial statements and unaudited interim financial statements.

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

(3) Distributions were paid in cash/reinvested in additional shares of the Fund, or both.

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

(5) Shares of series F1 for this Fund were first issued on May 22, 2016.

### Ratios and Supplemental Data

	<b>SERIES A</b>		
	<b>June 30,</b>	<b>Dec 31,</b>	<b>Dec 31,</b>
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Total Net Asset Value (\$) <sup>(1)</sup>	3,819,952	2,842,989	936,021
Number of shares outstanding <sup>(1)</sup>	325,232	228,310	96,931
Management expense ratio <sup>(2) (5)</sup>	4.40%	3.85%	7.98%
Management expense ratio before waivers or absorption <sup>(2) (5)</sup>	4.40%	3.85%	7.98%
Trading expense ratio <sup>(3) (5)</sup>	1.37%	1.21%	0.98%
Portfolio turnover rate <sup>(4)</sup>	94.92%	187.49%	50.29%
Net Asset Value per share (\$)	11.75	12.45	9.66

**SERIES F**

	<b>June 30, 2017</b>	<b>Dec 31, 2016</b>	<b>Dec 31, 2015</b> <sup>(6)</sup>
Total Net Asset Value (\$) <sup>(1)</sup>	11,659,604	11,635,004	8,873,090
Number of shares outstanding <sup>(1)</sup>	976,107	923,159	918,432
Management expense ratio <sup>(2) (5)</sup>	3.47%	2.78%	6.37%
Management expense ratio before waivers or absorption <sup>(2) (5)</sup>	3.47%	2.78%	6.37%
Trading expense ratio <sup>(3) (5)</sup>	1.37%	1.21%	0.98%
Portfolio turnover rate <sup>(4)</sup>	94.92%	187.49%	50.29%
Net Asset Value per share (\$)	11.95	12.60	9.66

**SERIES F1**

	<b>June 30, 2017</b>	<b>Dec 31, 2016</b> <sup>(7)</sup>
Total Net Asset Value (\$) <sup>(1)</sup>	10,142,683	5,269,642
Number of shares outstanding <sup>(1)</sup>	849,253	417,085
Management expense ratio <sup>(2) (5)</sup>	4.00%	2.94%
Management expense ratio before waivers or absorption <sup>(2) (5)</sup>	4.00%	2.94%
Trading expense ratio <sup>(3) (5)</sup>	1.37%	1.21%
Portfolio turnover rate <sup>(4)</sup>	94.92%	187.49%
Net Asset Value per share (\$)	11.94	12.63

(1) The information is provided as at June 30 and December 31 of the period(s) shown, as applicable.

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

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average Net Asset Value during the period.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover in a period, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

(5) Percentages are annualized.

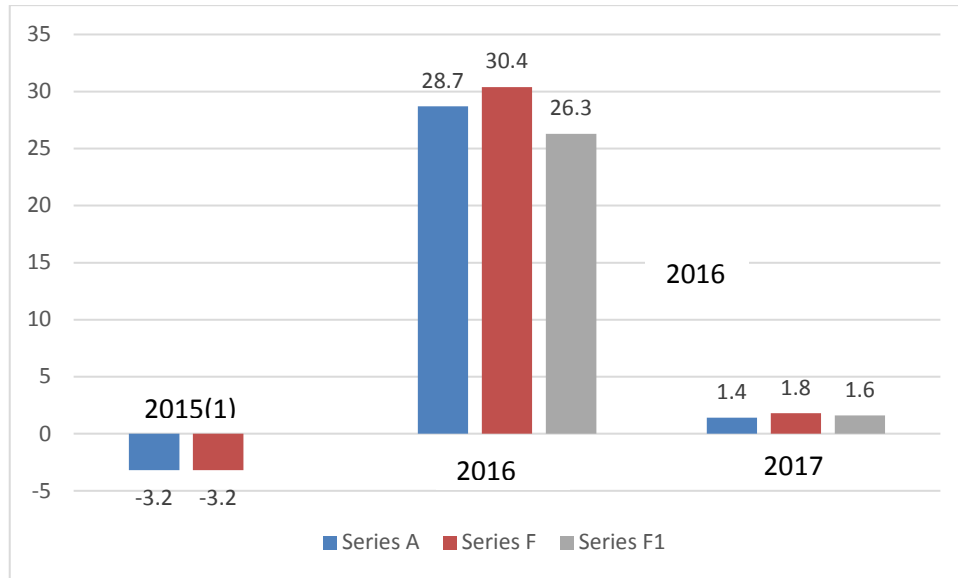
(6) Shares of series A for this Fund were first issued on May 29, 2015 and series F were first issued on May 22, 2015.

(7) Shares of series F1 for this Fund were first issued on May 22, 2016.

## Past Performance

### A) Annual Total Returns (%)

The bar chart shows the investment fund's performance in percentage terms of Series A and F of the Fund, since inception of the fund to December 31, 2015 and Series A, Series F, and Series F1 for the period ending June 30, 2017.



- (1) Returns for Series A and Series F, are from May 29 and May 22, 2015 respectively, to December 31, 2015.
- (2) Returns for Series F1 is from May 31, 2016 to December 31, 2016.

### About the Fund's Benchmark

#### **S&P TSX Small Cap Index (70%)**

The S&P/TSX Small Cap Index measures the performance of small cap Canadian equity securities listed on the Toronto Stock Exchange. Securities in the index are selected by S&P using its industrial classifications and guidelines for evaluating issuer capitalization, liquidity and fundamentals. The index is float adjusted and market cap weighted and was developed with industry input as the ideal benchmark for those with small cap exposure of the Canadian equity market.

#### **Russel 2000 Index (30%)**

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000 is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.



**Summary of Investment Portfolio as at June 30, 2017**

**Top 25 Investments as of June 30, 2017**

	<b>% of Fund's Net Asset Value</b>
01 BrightPath Early Learning Inc.	3.2
02 Firan Technology Group Corp.	3.1
03 Clearwater Seafoods Inc.	3.0
04 Cargojet Inc.	3.0
05 Brick Brewing Co Ltd.	3.0
06 Park Lawn Corp.	2.9
07 Imvescor Restaurant Group Inc.	2.7
08 TECSYS Inc.	2.6
09 Kew Media Group Inc.	2.5
10 ZCL Composites Inc.	2.5
11 Westaim Corp.	2.5
12 People Corp.	2.3
13 Pollard Banknote Ltd.	2.3
14 Centric Health Corp.	2.3
15 Conifex Timber Inc.	2.3
16 Information Services Corp.	2.1
17 StorageVault Canada Inc.	2.0
18 Wow Unlimited Media Inc.	1.9
19 Geodrill Ltd.	1.9
20 Boyd Group Income Fund	1.9
21 Chorus Aviation Inc.	1.9
22 Sprott Resource Holdings Inc.	1.9
23 ECN Capital Corp.	1.8
24 Empire Industries Ltd.	1.8
25 Goeasy Ltd.	1.8
	<hr/> <b>58.7</b> <hr/>

Total Net Asset Value of the Fund as at June 30, 2017: \$25,622,239

As of June 30, 2017, investments were long and short positions.

Sector Mix	% of Fund's Net Asset Value	Geographic Mix	% of Fund's Net Asset Value
Consumer Discretionary - Long	20.7	Canada	83.1
Consumer Staples	8.3	United States of America	3.1
Energy	6.7	Cash	14.7
Financials	4.3	Net Other Liabilities	(0.9)
Health Care	5.8		<b>100.0</b>
Industrials	12.9		
Information Technology	10.9		
Materials	12.6		
Real Estate	4.1		
Utilities - Long	3.2		
Consumer Discretionary - Short	(1.4)		
Consumer Staples - Short	(1.9)		
Cash	14.7		
Net Other Liabilities	(0.9)		
	<b>100.0</b>		

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

### **Corporate Information**

#### **Corporate Address**

LDIC Inc.

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