



LDIC North American Small Business Fund

(Corporate Class)

Management Report of Fund Performance

December 31, 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 Year ended December 31, 2017

All figures are reported in Canadian dollars unless otherwise noted.

This 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 Fund's investment objective 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 December 31, 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

The Fund's benchmark (70% S&P/TSX Small Cap Index / 30% Russell 2000) was up 6.2% in 2017, led primarily by the Russell 2000 performance, which was up 14.6% for the year. The S&P/TSX Small Cap Index was up 2.6%. US strength was driven primarily by anticipation of US tax-reform, which was passed into law

in late 2017. The relative weakness in Canada was driven by the index's heavy weighting to energy, which continued to underperform in 2017. Despite the Fund's limited exposure to the US, Fund results outpaced the benchmark. Series A of the Fund was up 16.9% for the year, Series F was up 17.9% and Series F1 was up 17.4%. This was achieved by avoiding highly volatile commodity stocks, underweighting energy, and by picking undervalued stocks through deep fundamental diligence. 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 \$5,852,156 in 2017 which is an increase of \$1,447,287 one year prior. The total operating expenses increased in 2017 by \$794,500 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. There was an increase in the net assets per unit from operations for the period ended December 31, 2017 of \$2.02, \$2.09, and \$2.24 for Series A, F, and F1 respectively. Overall, the Fund's increase in Net Assets attributable to holders of redeemable shares from operations was higher by \$652,920 compared to the same period in 2016.

#### Recent Developments

On May 30, 2016, the Portfolio Manager of the Fund changed to Marc Robinson, a previous Portfolio Manager and long-time sell-side analyst. The Fund 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.

Most recently, the Fund has begun building a sizeable cash balance to deploy through more volatile market conditions. The Manager believes volatility will create additional opportunities for an actively managed small cap fund.

#### 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 December 31, 2017, the Manager of the Fund and certain Directors and Officers of the manager held a total of 368,380 shares of the F Series and 68,515 shares of F1 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 year ended December 31, 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		
	2017	2016	2015 <sup>(4)</sup>
Net Assets, beginning of period	\$ 12.45	\$ 9.66	\$ 10.00
Increase (decrease) from operations:			
Total revenue	0.14	0.19	0.19
Total expenses	(0.71)	(0.57)	(0.50)
Realized gains (losses) for the period	1.64	2.42	(0.46)
Unrealized gains (losses) for the period	0.95	1.14	0.47
Total increase (decrease) from operations <sup>(2)</sup>	\$ 2.02	\$ 3.18	\$ (0.30)
Distributions:			
From income (excluding dividends)	-	-	-
From dividends	(0.19)	-	(0.02)
From capital gains	(0.88)	-	-
Return of capital	-	-	-
Total annual distributions <sup>(3)</sup>	(1.07)	-	(0.02)
Net Assets, end of period	\$ 13.34	\$ 12.45	\$ 9.66

	SERIES F		
	2017	2016	2015 <sup>(4)</sup>
Net Assets, beginning of period	\$ 12.60	\$ 9.66	\$ 10.00
Increase (decrease) from operations:			
Total revenue	0.14	0.22	0.17
Total expenses	(0.61)	(0.44)	(0.42)
Realized gains (losses) for the period	1.62	1.83	(0.51)
Unrealized gains (losses) for the period	0.94	1.34	0.64
Total increase (decrease) from operations <sup>(2)</sup>	\$ 2.09	\$ 2.95	\$ (0.12)
Distributions:			
From income (excluding dividends)	-	-	-
From dividends	(0.19)	-	(0.02)
From capital gains	(0.88)	-	-
Return of capital	-	-	-
Total annual distributions <sup>(3)</sup>	(1.07)	-	(0.02)
Net Assets, end of period	\$ 13.62	\$ 12.60	\$ 9.66

	SERIES F1	
	2017	2016 <sup>(5)</sup>
Net Assets, beginning of period		
Increase (decrease) from operations:	<u>\$ 12.63</u>	<u>\$ 10.00</u>
Total revenue		
Total expenses	0.14	0.08
Realized gains (losses) for the period	(0.67)	(0.31)
Unrealized gains (losses) for the period	1.74	2.08
Total increase (decrease) from operations <sup>(2)</sup>	<u>1.03</u>	<u>0.32</u>
	<u>\$ 2.24</u>	<u>\$ 2.17</u>
Distributions:		
From income (excluding dividends)	-	-
From dividends	(0.19)	-
From capital gains	(0.88)	-
Return of capital	-	-
Total annual distributions <sup>(3)</sup>	<u>(1.07)</u>	-
Net Assets, end of period	<u>\$ 13.60</u>	<u>\$ 12.63</u>

(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 31, 2016.

## Ratios and Supplemental Data

	SERIES A		
	2017	2016	2015 <sup>(6)</sup>
Total Net Asset Value (\$) <sup>(1)</sup>	4,689,792	2,842,989	936,021
Number of shares outstanding <sup>(1)</sup>	351,453	228,310	96,931
Management expense ratio <sup>(2) (5)</sup>	4.69%	3.85%	7.98%
Management expense ratio before waivers or absorption <sup>(2) (5)</sup>	4.69%	3.85%	7.98%
Management expense ratio excluding performance fees <sup>(5)</sup>	2.87%	3.84%	3.76%
Trading expense ratio <sup>(3) (5)</sup>	1.18%	1.21%	0.98%
Portfolio turnover rate <sup>(4)</sup>	190.36%	187.49%	50.29%
Net Asset Value per share (\$)	13.34	12.45	9.66

	SERIES F		
	2017	2016	2015 <sup>(6)</sup>
Total Net Asset Value (\$) <sup>(1)</sup>	13,299,194	11,635,004	8,873,090
Number of shares outstanding <sup>(1)</sup>	976,349	923,159	918,432
Management expense ratio <sup>(2) (5)</sup>	3.79%	2.78%	6.37%
Management expense ratio before waivers or absorption <sup>(2) (5)</sup>	3.79%	2.78%	6.37%
Management expense ratio excluding performance fees <sup>(5)</sup>	1.78%	2.76%	2.44%
Trading expense ratio <sup>(3) (5)</sup>	1.18%	1.21%	0.98%
Portfolio turnover rate <sup>(4)</sup>	190.36%	187.49%	50.29%
Net Asset Value per share (\$)	13.62	12.60	9.66

	SERIES F1	
	2017	2016 <sup>(7)</sup>
Total Net Asset Value (\$) <sup>(1)</sup>	13,221,139	5,269,642
Number of shares outstanding <sup>(1)</sup>	972,330	417,085
Management expense ratio <sup>(2) (5)</sup>	4.29%	2.94%
Management expense ratio before waivers or absorption <sup>(2) (5)</sup>	4.29%	2.94%
Management expense ratio excluding performance fees <sup>(5)</sup>	2.33%	2.94%
Trading expense ratio <sup>(3) (5)</sup>	1.18%	1.21%
Portfolio turnover rate <sup>(4)</sup>	190.36%	187.49%
Net Asset Value per share (\$)	13.60	12.63

(1) The information is provided as at 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 wave 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.

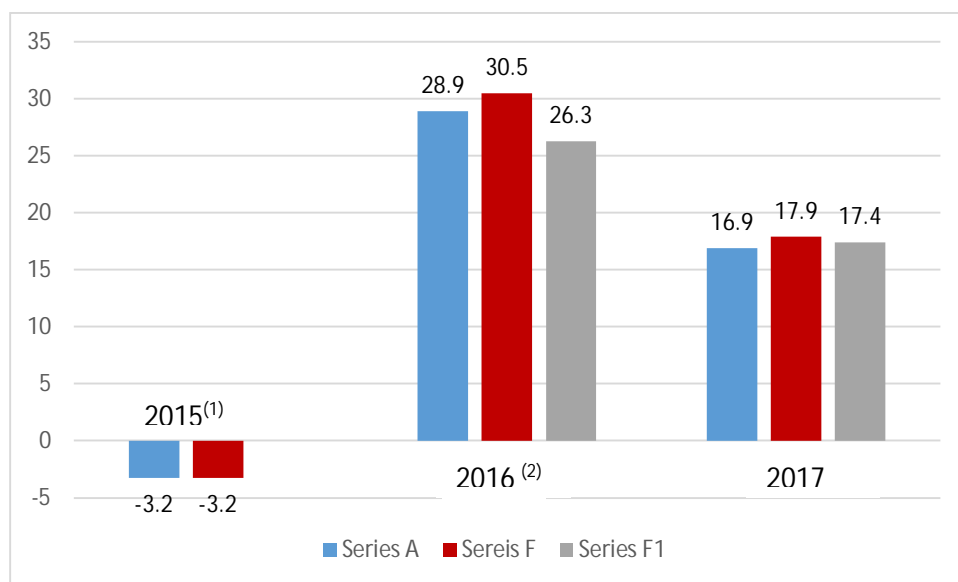
(7) Shares of series F1 for this Fund were first issued on May 31, 2016.



## 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 December 31, 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.

### B) Annual Compound Returns

The table below shows the annual compound return of each Series of the Fund, for each period indicated, in comparison to the Fund's benchmark.

	Series A		Series F		Series F1	
	Since Inception (May 22/15)	1 year	Since Inception (May 22/15)	1 year	Since Inception (May 31/16)	1 year
LDIC North American Small Business Fund	15.6%	16.9%	16.5%	17.9%	30.3%	17.4%
70%/30% Blended Index <sup>(3)</sup>	7.1%	6.2%	7.1%	6.2%	13.7%	6.2%

(3) The benchmark is blend of 70% S&P TSX Small Cap index (CAD) & 30% Russel 2000 Index (USD)

### 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 December 31, 2017

##### Top 25 Investments as of December 31, 2017

	% of Fund's Net Asset Value
01 Kew Media Group Inc.	3.5
02 Akumin Inc.	3.4
03 Sylogist Ltd.	3.2
04 Andrew Peller Ltd.	3.0
05 Baylin Technologies Inc.	2.9
06 Liquor Stores NA Ltd.	2.8
07 ZCL Composites Inc.	2.7
08 Conifex Timber Inc.	2.6
09 Altius Minerals Corp.	2.6
10 Firan Technology Group Corp.	2.6
11 TECSYS Inc.	2.5
12 Cargojet Inc.	2.5
13 People Corp.	2.5
14 Westaim Corp.	2.2
15 Polaris Infrastructure Inc.	2.2
16 Rogers Sugar Inc.	2.2
17 Currency Exchange International Corp.	2.2
18 Badger Daylighting Ltd.	2.2
19 Imvescor Restaurant Group Inc.	2.0
20 Spartan Energy Corp.	2.0
21 Information Services Corp.	2.0
22 Park Lawn Corp.	1.9
23 Sherritt International Corp	1.9
24 High Liner Foods Inc.	1.9
25 StorageVault Canada Inc.	1.9
	61.4

Total Net Asset Value of the Fund as at December 31, 2017: \$31,210,125. As of December 31, 2017, investments were long and short positions.

Sector Mix	% of Fund's Net Asset Value	Geographic Mix	% of Fund's Net Asset Value
Corporate Bonds	0.6	Canada	79.3
Consumer Discretionary	11.9	United States of America	6.2
Consumer Staples - Long	10.5	Cash	16.1
Energy	7.4	Net Other Liabilities	(1.6)
Financials	6.3		100.0
Health Care	5.6		
Industrials	8.7		
Information Technology	13.2		
Materials	15.9		
Real Estate	3.9		
Utilities	3.3		
Consumer Staples - Short	(1.8)		
Cash	16.1		
Net Other Liabilities	(1.6)		
	100.0		

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.

The Exchange Tower, 130 King Street West, Suite 2130, PO Box 399, Toronto, Ontario, M5X 1E2

416-362-4141 info@ldic.ca, [www.ldic.ca](http://www.ldic.ca)

#### Auditors

Ernst & Young LLP

EY Tower

100 Adelaide Street West

PO Box 1, Toronto, Ontario, M5H 0B3

#### Legal Counsel

Wildeboer Dellelce LLP

Suite 800 | Wildeboer Dellelce Place

365 Bay Street, Toronto, Ontario, M5H 2V1