

# **LDIC North American Small Business Fund (Corporate Class)**

**Financial statements  
December 31, 2023**



# Independent auditor's report

To the Unitholders of  
**LDIC North American Small Business Fund**

## Opinion

We have audited the financial statements of the **LDIC North American Small Business Fund** [the "Fund"], which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in net assets attributable to holders of redeemable units and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

## Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other information

Management is responsible for the other information. The other information comprises the Management Report of Fund Performance. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management Report of Fund Performance prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

## Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.



### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Tedesco.

*Ernst & Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
March 21, 2024



## LDIC North American Small Business Fund (Corporate Class)

### Statements of financial position

As at December 31

	2023	2022
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Financial assets at fair value through profit or loss <i>[schedule 1]</i>	13,292,750	15,742,051
Cash	226,852	586,125
Dividends receivable	33,452	18,984
<b>Total current assets</b>	<b>13,553,054</b>	<b>16,347,160</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accrued liabilities	87,596	67,797
Redemptions payable	—	25
Management fees payable	11,931	16,657
<b>Total current liabilities [excluding net assets attributable to holders of redeemable shares]</b>	<b>99,527</b>	<b>84,479</b>
<b>Net assets attributable to holders of redeemable shares <i>[note 4]</i></b>	<b>13,453,527</b>	<b>16,262,681</b>
<b>Net assets attributable to holders of redeemable shares per series</b>		
Series A	278,187	472,833
Series F	8,069,278	9,998,795
Series F1	5,106,062	5,791,053
<b>Net assets attributable to holders of redeemable shares per series per share <i>[note 4]</i></b>		
Series A	13.22	13.50
Series F	14.35	14.49
Series F1	13.87	14.08

See accompanying notes

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/ Ron Bailey  
Ron Bailey, Director

**LDIC North American Small Business Fund (Corporate Class)**

**Statements of comprehensive income (loss)**

Years ended December 31

	2023	2022
	\$	\$
<b>Net gain (loss) on financial instruments</b>		
Dividend income	285,105	235,225
Interest for distribution purposes	41,952	34,780
Foreign exchange (loss) gain	(6,068)	20,816
Other changes in fair value on financial assets and financial liabilities at fair value through profit or loss		
Net realized gain on sale of investments	533,702	1,215,531
Change in unrealized depreciation in value of investments	(443,368)	(3,509,012)
Change in unrealized (depreciation) appreciation in value of foreign currency exchange	(363)	16,920
<b>Net gain (loss) on financial instruments</b>	<b>410,960</b>	<b>(1,985,740)</b>
<b>Expenses</b> <i>[note 5]</i>		
Management fees	189,698	242,669
Transaction costs <i>[note 7]</i>	139,034	87,007
Other expenses	53,714	72,949
Valuation fees	35,346	37,785
Legal fees	36,797	42,815
Audit fees <i>[note 12]</i>	40,093	36,461
Securityholder reporting costs	21,765	21,976
Filing fees	23,422	24,437
Custodian fees	8,448	8,221
Independent Review Committee fees	6,120	4,378
<b>Total expenses</b>	<b>554,437</b>	<b>578,698</b>
<b>Decrease in net assets attributable to holders of redeemable shares before withholding taxes</b>	<b>(143,477)</b>	<b>(2,564,438)</b>
Withholding taxes <i>[note 6]</i>	—	(1,901)
<b>Decrease in net assets attributable to holders of redeemable shares from operations [excluding distributions]</b>	<b>(143,477)</b>	<b>(2,566,339)</b>
<b>Decrease in net assets attributable to holders of redeemable shares per series from operations [excluding distributions]</b>		
Series A	(5,741)	(75,496)
Series F	(63,924)	(1,514,525)
Series F1	(73,812)	(976,318)
<b>Average number of shares outstanding for the year per series</b>		
Series A	25,446	36,136
Series F	595,978	709,436
Series F1	373,406	431,758
<b>Decrease in net assets attributable to holders of redeemable shares per share from operations [excluding distributions]</b>		
Series A	(0.23)	(2.09)
Series F	(0.11)	(2.13)
Series F1	(0.20)	(2.26)

See accompanying notes

**LDIC North American Small Business Fund (Corporate Class)**

**Statements of changes in net assets attributable to holders of redeemable shares**

Years ended December 31

	Series A		Series F	
	2023	2022	2023	2022
	\$	\$	\$	\$
<b>Net assets attributable to holders of redeemable shares, beginning of year</b>	<b>472,833</b>	686,774	<b>9,998,795</b>	12,181,483
<b>Decrease in net assets attributable to holders of redeemable shares from operations [excluding distributions]</b>	<b>(5,741)</b>	(75,496)	<b>(63,924)</b>	(1,514,525)
<b>Redeemable share transactions</b>				
Proceeds from redeemable shares issued	—	33,798	—	—
Redemption of redeemable shares	<b>(188,905)</b>	(172,243)	<b>(1,865,593)</b>	(668,163)
	<b>(188,905)</b>	(138,445)	<b>(1,865,593)</b>	(668,163)
<b>Net decrease in net assets attributable to holders of redeemable shares</b>	<b>(194,646)</b>	(213,941)	<b>(1,929,517)</b>	(2,182,688)
<b>Net assets attributable to holders of redeemable shares, end of year</b>	<b>278,187</b>	472,833	<b>8,069,278</b>	9,998,795
	Series F1		Total	
	2023	2022	2023	2022
	\$	\$	\$	\$
<b>Net assets attributable to holders of redeemable shares, beginning of year</b>	<b>5,791,053</b>	7,609,890	<b>16,262,681</b>	20,478,147
<b>Decrease in net assets attributable to holders of redeemable share transactions from operations [excluding distributions]</b>	<b>(73,812)</b>	(976,318)	<b>(143,477)</b>	(2,566,339)
Proceeds from redeemable shares issued	<b>393,788</b>	394,254	<b>393,788</b>	428,052
Redemption of redeemable shares	<b>(1,004,967)</b>	(1,236,773)	<b>(3,059,465)</b>	(2,077,179)
	<b>(611,179)</b>	(842,519)	<b>(2,665,677)</b>	(1,649,127)
<b>Net decrease in net assets attributable to holders of redeemable shares</b>	<b>(684,991)</b>	(1,818,837)	<b>(2,809,154)</b>	(4,215,466)
<b>Net assets attributable to holders of redeemable shares, end of year</b>	<b>5,106,062</b>	5,791,053	<b>13,453,527</b>	16,262,681

See accompanying notes

## LDIC North American Small Business Fund (Corporate Class)

### Statements of cash flows

Years ended December 31

	2023	2022
	\$	\$
<b>Operating activities</b>		
Decrease in net assets attributable to holders of redeemable shares from operations [excluding distributions]	(143,477)	(2,566,339)
Adjustments for:		
Foreign exchange loss (gain)	6,068	(20,816)
Net realized gain on sale of investments	(533,702)	(1,215,531)
Change in unrealized depreciation in value of investments	443,368	3,509,012
Purchases of investments	(33,798,029)	(20,926,344)
Proceeds from sale of investments	36,337,664	18,939,752
Dividends receivable	(14,468)	(7,181)
Accrued liabilities	19,799	20,007
Management fees payable	(4,726)	(5,282)
<b>Cash provided by (used in) operating activities</b>	<b>2,312,497</b>	<b>(2,272,722)</b>
<b>Financing activities</b>		
Proceeds from redeemable shares issued	393,788	366,799
Redemption of redeemable shares	(3,059,490)	(2,015,901)
<b>Cash used in financing activities</b>	<b>(2,665,702)</b>	<b>(1,649,102)</b>
<b>Foreign exchange (loss) gain</b>	<b>(6,068)</b>	<b>20,816</b>
<b>Net decrease in cash during the year</b>	<b>(359,273)</b>	<b>(3,901,008)</b>
Cash, beginning of year	586,125	4,487,133
<b>Cash, end of year</b>	<b>226,852</b>	<b>586,125</b>
<b>Supplemental cash flow information</b>		
Dividends received, net of withholding taxes	270,637	226,143
Interest received	41,952	34,780

See accompanying notes

## Schedule of investment portfolio

As at December 31, 2023

Number of shares	Maturity/ expiry date	Average cost \$	Fair value \$	Percentage of net assets %
<b>Canadian equities</b>				
<b>Communication services</b>				
35,000	Cineplex Inc.	304,172	292,950	
		<u>304,172</u>	<u>292,950</u>	2.18
<b>Consumer discretionary</b>				
17,000	Park Lawn Corp.	279,604	335,580	
9,750	Pollard Banknote Ltd.	272,559	312,293	
		<u>552,163</u>	<u>647,873</u>	4.82
<b>Energy</b>				
11,750	Keyera Corp.	357,770	376,353	
35,000	NexGen Energy Ltd.	259,386	324,450	
5,250	Tourmaline Oil Corp.	73,542	312,848	
34,000	Whitecap Resources Inc.	214,847	301,580	
		<u>905,545</u>	<u>1,315,231</u>	9.78
<b>Financials</b>				
16,700	Alaris Equity Partners Income	258,337	272,043	
9,000	Definity Financial Corp.	330,305	337,860	
16,500	Element Fleet Management Corp.	311,982	355,740	
3,500	EQB Inc.	279,884	305,305	
2,250	goeasy Ltd.	260,644	355,635	
9,500	Trisura Group Ltd.	317,650	323,000	
		<u>1,758,802</u>	<u>1,949,583</u>	14.49
<b>Healthcare</b>				
24,300	DRI Healthcare Trust	272,690	303,264	
178,000	Hemptown Organics Corp.	400,500	96,120	
		<u>673,190</u>	<u>399,384</u>	2.97

## Schedule of investment portfolio [continued]

As at December 31, 2023

Number of shares		Maturity/ expiry date	Average cost \$	Fair value \$	Percentage of net assets %
<b>Industrial</b>					
17,500	Air Canada		316,187	327,074	
6,000	ATS Corp.		316,101	342,660	
42,500	Black Diamond Group Ltd.		287,334	347,225	
1,250	Boyd Group Services Inc.		261,574	348,113	
2,300	Cargojet Inc.		249,963	274,091	
7,750	Exchange Income Corp.		375,144	349,523	
3,250	Hammond Power Solutions Inc.		60,329	265,525	
4,000	RB Global Inc.		307,740	354,680	
			<b>2,174,372</b>	<b>2,608,891</b>	<b>19.39</b>
<b>Information technology</b>					
9,000	Celestica Inc.		274,683	349,290	
57,500	Converge Technology Solutions Corp.		236,696	238,050	
29,000	Coveo Solutions Inc.		264,180	278,400	
3,250	Docebo Inc.		165,418	207,968	
2,000	Kinaxis Inc.		300,635	297,420	
15,500	Lightspeed Commerce Inc.		329,097	431,210	
38,100	Sylogist Ltd.		268,855	284,226	
			<b>1,839,564</b>	<b>2,086,564</b>	<b>15.51</b>
<b>Materials</b>					
30,000	Aya Gold & Silver Inc.		227,451	291,300	
50,000	Capstone Copper Corp.		255,214	322,500	
36,600	Osisko Development Corp., Warrants	02-May-26	—	11,163	
15,000	Osisko Gold Royalties Ltd.		293,466	283,650	
4,500	Stella-Jones Inc.		295,919	347,040	
8,750	Winpak Ltd.		370,639	357,875	
			<b>1,442,689</b>	<b>1,613,528</b>	<b>11.99</b>
<b>Real estate</b>					
25,000	Dream Industrial Real Estate Investment Trust		336,949	349,000	
62,400	StorageVault Canada Inc.		182,351	326,352	
			<b>519,300</b>	<b>675,352</b>	<b>5.02</b>
<b>Funds</b>					
8,000	Horizons High Interest Savings ETF		401,370	400,000	2.97
<b>Total Canadian equities</b>			<b>10,571,167</b>	<b>11,989,356</b>	<b>89.12</b>

## Schedule of investment portfolio [continued]

As at December 31, 2023

Number of shares	Maturity/ expiry date	Average cost \$	Fair value \$	Percentage of net assets %
<b>Foreign equities</b>				
<b>Materials</b>				
10,000	Endeavour Mining PLC.	306,605	297,700	2.20
<b>Funds</b>				
3,800	iShares Russell 2000 ETF	936,481	1,005,694	7.48
<b>Total foreign equities</b>		<b>1,243,086</b>	<b>1,303,394</b>	<b>9.68</b>
<b>Total equities</b>		<b>11,814,253</b>	<b>13,292,750</b>	<b>98.80</b>
<b>Transaction costs</b>		<b>(18,295)</b>		
<b>Total investments</b>		<b>11,795,958</b>	<b>13,292,750</b>	<b>98.80</b>
Other assets less liabilities			160,777	1.20
<b>Net assets attributable to holders of redeemable shares</b>			<b>13,453,527</b>	<b>100.00</b>

## **LDIC North American Small Business Fund (Corporate Class)**

### **Notes to financial statements**

December 31, 2023

#### **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 “Corporation”]. 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., 10 Alcorn Ave., Suite 205, Toronto, Ontario. These financial statements were authorized for issue by LDIC Inc. [the “Manager”] on March 21, 2024.

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 ongoing 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 financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards [“IFRS”].

The policies applied in these financial statements are based on the annual financial statements issued as of March 21, 2024, which is the date on which the 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.

The financial statements of the Fund have been prepared on a going concern basis using the historical cost basis. The Fund’s functional currency and presentation currency is the Canadian dollar.

## LDIC North American Small Business Fund (Corporate Class)

### Notes to financial statements

December 31, 2023

#### 3. Material accounting policy information

##### **IFRS 9, *Financial Instruments* [“IFRS 9”]**

The Fund classifies its financial instruments as amortized cost, fair value through profit or loss [“FVTPL”], or fair value through other comprehensive income [“FVOCI”] based on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of these assets. Assessment and decision on the business model approach used is an accounting judgment. The classification and measurement of financial liabilities remain generally unchanged with the exception of liabilities recorded at FVTPL. For these liabilities, fair value changes attributable to changes in the entity’s own credit risk are to be presented in other comprehensive income unless they affect amounts recorded in income. 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 settled, discounted when appropriate, at the financial instrument’s effective interest rate.

The fair values of the Fund’s financial assets and liabilities that are not carried at FVTPL approximate their carrying values due to their short-term nature.

##### **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 “Foreign exchange gain (loss)” in the statements of comprehensive income (loss).

The fair values of investments and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing as at the statement of financial position date.

##### **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].

## LDIC North American Small Business Fund (Corporate Class)

### Notes to financial statements

December 31, 2023

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*.

#### **Impairment of financial assets**

The Fund recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost or FVOCI. Financial assets held by the Fund that are measured at FVTPL will not be subject to the new impairment requirements.

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

#### **Cash**

Cash consists of cash held on deposit with financial institutions with maturity dates of less than 30 days.

#### **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.

#### **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 (loss).

#### **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 [under the circumstances described in the simplified prospectus for the Fund in the section called "Purchases and redemptions"]. To determine the net asset value ["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.

## LDIC North American Small Business Fund (Corporate Class)

### Notes to financial statements

December 31, 2023

#### 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.

#### Revenue recognition

- The interest for distribution purposes shown on the statements of comprehensive income (loss) 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.

#### 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 (loss) 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.

#### 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 has assessed the Fund's business model for managing its portfolio of investments and evaluating the performance on a fair value basis and concluded that these financial assets and liabilities should be measured at FVTPL in accordance with IFRS 9.

## LDIC North American Small Business Fund (Corporate Class)

### Notes to financial statements

December 31, 2023

#### *Investment entity*

In determining whether a Fund meets the definition of an investment entity, the Manager may be required to make significant judgments about whether a Fund has the typical characteristics of an investment entity. The Fund may hold only one investment, consisting of an underlying fund [or have only one investor or have investors that are its related parties]; however, consistent with the investment entity definition, the Fund primarily obtains funds from one or more investors for the purpose of providing investment management services, commits to its investors that the business purpose is to invest the funds solely for returns from capital appreciation, investment income or both, and measures and evaluates the performance of its investments on a fair value basis.

#### **Provisions**

Provisions are recognized when the Fund has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

#### **Financial assets derecognition**

A financial asset [or, where applicable, a part of a financial asset or part of a Fund with similar financial assets] is primarily derecognized [i.e., removed from the Fund's statements of financial position] when:

- The rights to receive cash flows from the asset have expired; or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either [a] the Fund has transferred substantially all the risks and rewards of the asset; or [b] the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Fund also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

## LDIC North American Small Business Fund (Corporate Class)

### Notes to financial statements

December 31, 2023

Financial assets are written off either partially or in their entirety only when the Fund has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to provisions for losses.

#### 4. Redeemable shares

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

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

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

	2023		
	Series A	Series F	Series F1
<b>Outstanding, beginning of year</b>	<b>35,034</b>	<b>690,055</b>	<b>411,331</b>
Redeemable shares issued	—	—	28,264
Redeemable shares redeemed	(13,994)	(127,910)	(71,402)
<b>Outstanding, end of year</b>	<b>21,040</b>	<b>562,145</b>	<b>368,193</b>

  

	2022		
	Series A	Series F	Series F1
<b>Outstanding, beginning of year</b>	43,880	732,493	468,767
Redeemable shares issued	2,504	—	26,982
Redeemable shares redeemed	(11,350)	(42,438)	(84,418)
<b>Outstanding, end of year</b>	<b>35,034</b>	<b>690,055</b>	<b>411,331</b>

#### 5. Related party transactions

As at December 31, 2023, the Manager of the Fund and certain Directors and Officers of the Manager held a total of 253,994 [2022 – 278,382] Series F shares and 51,249 [2022 – 58,894] Series F1 shares of the Fund.

## LDIC North American Small Business Fund (Corporate Class)

### Notes to financial statements

December 31, 2023

#### 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 (loss).

The Fund will pay a performance fee to the Manager, 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” over the same period.

#### 6. Taxation of the Fund and allocation to shareholders

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.

## **LDIC North American Small Business Fund (Corporate Class)**

### **Notes to financial statements**

December 31, 2023

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 net 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 net 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 did not have accumulated capital loss carryforwards as at December 31, 2023 and 2022. The Fund has accumulated non-capital loss carryforwards as at December 31, 2023 of \$54,370 [2022 – \$257,389].

#### **7. Transaction costs**

Commissions and other transaction fees paid for portfolio transactions for the year ended December 31, 2023 were \$139,034 [2022 – \$87,007].

#### **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 values of the research services included in the commissions paid by the Fund to those brokers for the years ended December 31, 2023 and 2022 were \$43,048 and \$12,676, respectively.

#### **9. Financial risk management**

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

## LDIC North American Small Business Fund (Corporate Class)

### Notes to financial statements

December 31, 2023

#### **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 at the custodian or in overnight deposits with approved counterparties and ensures that appropriate collateral is received.

As at December 31, 2023 and 2022, the Fund had not directly invested in debt instruments.

#### **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 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.

#### **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 interest rate risk, currency risk, other price risk and concentration risk.

#### *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, 2023 and 2022, the Fund had no direct exposure to debt instruments and the majority of the financial instruments held by the Fund are non-interest bearing.

## LDIC North American Small Business Fund (Corporate Class)

### Notes to financial statements

December 31, 2023

#### *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.

	2023		2022	
	Currency exposure	Percentage of net assets	Currency exposure	Percentage of net assets
	\$	%	\$	%
US dollar	<b>1,042,873</b>	<b>7.75</b>	<b>877,845</b>	<b>5.46</b>

As at December 31, 2023, 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 \$52,144 [2022 – \$43,892]. In practice, the actual results may differ and the difference could be material.

#### *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, 2023, 98.8% [2022 – 96.8%] of the Fund's net assets were held directly in equities. If equity prices on the exchanges increased or decreased by 5% as at December 31, 2023, the net assets of the Fund would have increased or decreased by \$664,638 or 4.9% [2022 – \$787,103 or 4.8%] with all other factors remaining constant. In practice, the actual results may differ and the difference could be material.

#### *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.

## LDIC North American Small Business Fund (Corporate Class)

### Notes to financial statements

December 31, 2023

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

<b>Investment sector</b>	<b>2023</b>	<b>2022</b>
	%	%
Communication services	2.2	1.3
Consumer discretionary	4.8	5.6
Consumer staples	—	2.6
Energy	9.8	20.1
Financials	14.5	4.9
Healthcare	3.0	0.6
Industrial	19.4	17.4
Information technology	15.5	6.2
Materials	14.2	15.9
Real estate	5.0	5.7
Funds	10.4	16.5
Net other assets/liabilities	1.2	3.2
	<b>100.0</b>	<b>100.0</b>

#### 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, 2023 and 2022:

	<b>2023</b>			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Equities	13,185,467	11,163	96,120	13,292,750

  

	<b>2022</b>			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Equities	15,645,931	—	96,120	15,742,051

## LDIC North American Small Business Fund (Corporate Class)

### Notes to financial statements

December 31, 2023

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, 2022	—	96,120
Balance as at December 31, 2023	—	96,120
<b>Net change in unrealized appreciation from investments as at December 31, 2023</b>	—	—

  

	Bonds \$	Equities \$
Balance as at December 31, 2021	—	89,000
Change in unrealized appreciation (depreciation) on investments	—	7,120
Balance as at December 31, 2022	—	96,120
<b>Net change in unrealized appreciation from investments as at December 31, 2022</b>	—	7,120

The 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, 2023 and 2022, the fair values of Level 3 securities held by the Fund comprised the following securities, and the unobservable inputs used in the fair value measurement of these investments were as follows:

Investment name	2023		
	Fair value \$	Valuation technique	Unobservable inputs
Hempton Organics Corp.	96,120	Recent transactions	N/A

  

Investment name	2022		
	Fair value \$	Valuation technique	Unobservable inputs
Hempton Organics Corp.	96,120	Recent transactions	N/A

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

## LDIC North American Small Business Fund (Corporate Class)

### Notes to financial statements

December 31, 2023

#### 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 its 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. Audit fees

For the year ended December 31, 2023, fees paid or payable to Ernst & Young for audit services to Canadian Reporting Issuer fund(s) were \$32,171. Fees for other services were \$4,700.

#### 13. Subsequent events

The Fund has evaluated events subsequent to December 31, 2023 through to the date of approval of the financial statements by the Board of Directors for disclosure and has determined that there were no events that should be disclosed in these financial statements.