



LDIC North American Small Business Fund (Corporate Class)

Interim Financial Statements

June 30, 2020

LDIC North American Small Business Fund (Corporate Class)
Statements of Financial Position (unaudited)

As at June 30, 2020 and December 31, 2019

	2020	2019
Assets		
Current assets		
Financial assets at fair value through profit or loss (note 3)	\$ 14,811,427	\$ 16,679,192
Cash	1,180,202	8,573
Accrued dividends	4,728	12,270
Accrued interest	2,058	2,075
Total assets	15,998,415	16,702,110
Liabilities		
Current liabilities		
Performance fees	294,050	-
Accrued expenses	61,717	131,410
Redemptions payable to unitholders	109,000	-
Management fees payable	15,922	18,405
Total liabilities (excluding Net Assets attributable to holders of redeemable shares)	480,689	149,815
Net Assets attributable to holders of redeemable shares (note 4)	\$ 15,517,726	\$ 16,552,295
Net Assets attributable to holders of redeemable shares per series		
Series A	\$ 569,977	\$ 915,989
Series F	\$ 9,290,542	\$ 10,918,427
Series F1	\$ 5,657,207	\$ 4,717,879
Net Assets attributable to holders of redeemable shares per series per share (note 4)		
Series A	\$ 10.81	\$ 11.43
Series F	\$ 11.31	\$ 11.93
Series F1	\$ 11.15	\$ 11.79

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/ Beryl McCallum

Beryl McCallum, Director

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

For the six-month periods ended June 30,

	2020	2019
Net gain (loss) on financial instruments		
Dividend income	\$ 51,408	\$ 158,693
Interest for distribution purposes	26,512	46,016
Dividends paid on investments sold short	-	(6,400)
Foreign exchange gain (loss)	(37,925)	7,498
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	432,076	1,826,620
Change in unrealized appreciation (depreciation) in value of investments	(784,210)	1,497,375
Change in unrealized appreciation (depreciation) in value of foreign exchange from currency	(68)	(1,648)
Net gain (loss) on financial instruments	(312,207)	3,528,154
Expenses (note 5)		
Performance fees	294,050	-
Management fees	96,400	205,458
Transaction costs (note 7)	60,975	87,944
Other expenses	19,321	11,681
Valuation fees	16,725	16,340
Audit fees	11,039	10,777
Filing fees	10,505	10,255
Legal fees	9,367	11,771
Securityholder reporting costs	9,109	8,885
Custodian fees	4,140	4,043
Independent review committee fees	1,656	1,617
Total operating expenses	533,287	368,771
Operating profit (loss)	(845,494)	3,159,383
Withholding taxes (note 6)	(1,541)	-
Increase (decrease) in Net Assets attributable to holders of redeemable shares from operations (excluding distributions)	\$ (847,035)	\$ 3,159,383
Increase (decrease) in Net Assets attributable to holders of redeemable shares per series from operations (excluding distributions)		
Series A	\$ (29,840)	\$ 420,925
Series F	\$ (561,261)	\$ 945,303
Series F1	\$ (255,934)	\$ 1,793,155
Average number of shares outstanding for the period per series		
Series A	62,713	260,810
Series F	879,174	991,859
Series F1	400,160	997,088
Increase (decrease) in Net Assets attributable to holders of redeemable shares per share from operations (excluding distributions)		
Series A	\$ (0.48)	\$ 1.61
Series F	\$ (0.64)	\$ 0.95
Series F1	\$ (0.64)	\$ 1.80

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 Shares (unaudited)
For the six-month periods ended June 30,

	2020	2019	2020	2019
	Series A		Series F	
Net Assets attributable to holders of redeemable shares at beginning of period	\$ 915,989	\$ 4,245,997	\$ 10,918,427	\$ 11,539,264
Increase (decrease) in Net Assets attributable to holders of redeemable shares from operations (excluding distributions)	(29,840)	420,925	(561,261)	945,303
Redeemable share transactions				
Proceeds from redeemable shares issued	-	378,687	-	-
Redemption of redeemable shares	(316,172)	(3,336,871)	(1,066,624)	(1,060,630)
Reinvestments of distributions to holders of redeemable shares	-	66,015	-	218,936
	(316,172)	(2,892,169)	(1,066,624)	(841,694)
Distributions to holders of redeemable shares				
From net realized capital gains	-	(80,457)	-	(219,551)
Net increase (decrease) in Net Assets attributable to holders of redeemable shares	(346,012)	(2,551,701)	(1,627,885)	(115,942)
Net Assets attributable to holders of redeemable shares at end of period	\$ 569,977	\$ 1,694,296	\$ 9,290,542	\$ 11,423,322
	2020	2019	2020	2019
	Series F1		Total	
Net Assets attributable to holders of redeemable shares at beginning of period	\$ 4,717,879	\$ 15,399,415	\$ 16,552,295	\$ 31,184,676
Increase (decrease) in Net Assets attributable to holders of redeemable shares from operations (excluding distributions)	(255,934)	1,793,155	(847,035)	3,159,383
Redeemable share transactions				
Proceeds from redeemable shares issued	1,733,883	1,540,157	1,733,883	1,918,844
Redemption of redeemable shares	(538,621)	(12,520,550)	(1,921,417)	(16,918,051)
Reinvestments of distributions to holders of redeemable shares	-	289,129	-	574,080
	1,195,262	(10,691,264)	(187,534)	(14,425,127)
Distributions to holders of redeemable shares				
From net realized capital gains	-	(293,385)	-	(593,393)
Net increase (decrease) in Net Assets attributable to holders of redeemable shares	939,328	(9,191,494)	(1,034,569)	(11,859,137)
Net Assets attributable to holders of redeemable shares at end of period	\$ 5,657,207	\$ 6,207,921	\$ 15,517,726	\$ 19,325,539

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 periods ended June 30,

	2020	2019
Cash flows from (used in) operating activities		
Increase (decrease) in Net Assets attributable to holders of redeemable shares from operations (excluding distributions)	\$ (847,035)	\$ 3,159,383
Adjustments for:		
Foreign exchange (gain) loss	37,925	(7,498)
Net realized (gain) loss on sale of investments	(432,076)	(1,826,620)
Change in unrealized (appreciation) depreciation in value of investments	784,210	(1,497,375)
Purchases of investments	(8,551,294)	(8,836,931)
Proceeds from sale of investments	10,066,925	19,184,640
Accrued dividends	7,542	32,813
Accrued interest	17	(1,742)
Performance fees	294,050	(583,401)
Accrued expenses	(69,693)	(72,218)
Dividends payable	-	(2,440)
Management fees payable	(2,483)	(21,619)
Net cash from (used in) operating activities	1,288,088	9,526,992
Cash flows from (used in) financing activities		
Distributions paid to holders of redeemable shares, net of reinvested distributions	-	(19,313)
Proceeds from redeemable shares issued	1,733,883	1,923,344
Redemption of redeemable shares	(1,812,417)	(16,918,051)
Net cash from (used in) financing activities	(78,534)	(15,014,020)
Foreign exchange gain (loss)	(37,925)	7,498
Net increase (decrease) in cash	1,209,554	(5,487,028)
Cash at beginning of period	8,573	6,335,519
Cash at end of period	\$ 1,180,202	\$ 855,989
Supplemental Cash Flow Information:		
Dividends received, net of withholding taxes	\$ 57,409	\$ 191,506
Dividends paid on investments sold short	-	8,840
Interest received	26,529	44,274

LDIC North American Small Business Fund (Corporate Class)

Schedule of Investment Portfolio (Unaudited)

As at June 30, 2020

Number of Shares or Par Value		Coupon Rate/ Yield (%)	Maturity Date	Average Cost \$	Fair Value \$	Percentage of Net Assets %
Bonds						
Foreign Corporate Bonds						
400,000	Central Coast Agriculture, LLC	8.000%	13-Dec-20	534,202	544,803	3.5
Total Bonds				<u>534,202</u>	<u>544,803</u>	<u>3.5</u>
Canadian Equities						
Communication Services						
674,685	Thunderbird Entertainment Group Inc.			<u>883,864</u>	<u>877,091</u>	5.7
Consumer Discretionary						
17,600	Park Lawn Corp.			<u>424,619</u>	<u>394,592</u>	2.5
Consumer Staples						
10,000	Jamieson Wellness Inc.			315,400	355,800	
94,600	Waterloo Brewing Ltd.			<u>273,814</u>	<u>292,314</u>	
				<u>589,214</u>	<u>648,114</u>	4.2
Energy						
20,000	Parex Resources Inc.			319,805	327,200	
23,000	Tourmaline Oil Corp.			<u>305,533</u>	<u>273,010</u>	
				<u>625,338</u>	<u>600,210</u>	3.9
Health Care						
200,000	Akumin Inc.			938,097	544,803	
100,000	CloudMD Software & Services Inc.			70,000	67,000	
181,000	DionyMed Brands Inc., Warrants		7-May-22	-	-	
178,000	Hemptown Organics Corp.			400,500	356,000	
89,000	Hemptown Organics Corp., Warrants		30-Aug-22	-	-	
375,000	Microbix Biosystems Inc.			127,236	121,875	
20,000	Profound Medical Corp.			300,818	459,800	
30,000	Viemed Healthcare Inc.			277,200	390,300	
39,200	Well Health Technologies Corp.			93,984	112,112	
16,400	Zymeworks Inc.			<u>556,896</u>	<u>805,693</u>	
				<u>2,764,731</u>	<u>2,857,583</u>	18.4
Industrial						
11,000	ATS Automation Tooling Systems Inc.			237,540	210,320	
13,900	Calian Group Ltd.			616,676	762,137	
2,900	Cargojet Inc.			221,522	464,000	
232,500	Chorus Aviation Inc.			926,116	692,850	
13,200	GDI Integrated Facility Services Inc.			409,554	428,868	
200,000	Last Mile Holdings Ltd.			152,000	36,000	
7,400	Morneau Shepell Inc.			238,896	234,506	
83,400	People Corp.			758,940	753,102	
280,000	Xebec Adsorption Inc.			<u>716,272</u>	<u>1,148,000</u>	
				<u>4,277,516</u>	<u>4,729,783</u>	30.5
Information Technology						
8,000	Enghouse Systems Ltd.			373,716	580,000	
5,625	Kinaxis Inc.			533,733	1,091,587	
21,400	Lightspeed POS Inc.			<u>878,793</u>	<u>694,002</u>	
				<u>1,786,242</u>	<u>2,365,589</u>	15.2
Materials						
96,500	IM Cannabis Corp.			<u>75,505</u>	<u>118,695</u>	0.8
Real Estate						
280,000	Fronsac Real Estate Investment Trust			172,047	151,200	
277,800	StorageVault Canada Inc.			696,856	886,182	
25,000	WPT Industrial Real Estate Investment Trust			<u>467,380</u>	<u>439,248</u>	
				<u>1,336,283</u>	<u>1,476,630</u>	9.5
Total Canadian Equities				<u>12,763,312</u>	<u>14,068,287</u>	<u>90.7</u>

The accompanying notes are an integral part of these financial statements.

LDIC North American Small Business Fund (Corporate Class)

Schedule of Investment Portfolio

As at June 30, 2020

Foreign Equities				
Utilities				
13,816	Global Water Resources Inc.	224,241	198,337	1.3
Total Foreign Equities		224,241	198,337	1.3
Total Equities		12,987,553	14,266,624	91.9
Transaction costs		(36,573)		
Total Investments		13,485,182	14,811,427	95.5
Other Assets Less Liabilities			<u>706,299</u>	4.6
Net Assets Attributable to Holders of Redeemable Units			15,517,726	100.0

The accompanying notes are an integral part of these financial statements.

LDIC North American Small Business Fund (Corporate Class)

Notes to Financial Statements (unaudited)

June 30, 2020

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 14, 2020.

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 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 financial statements are based on IFRS standards issued and outstanding as of August 14, 2020, 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.

These financial statements have been presented in Canadian dollars, which is the Fund’s functional currency.

LDIC North American Small Business Fund (Corporate Class)

Notes to Financial Statements (unaudited)

June 30, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) IFRS – 9 Financial Instruments

The Fund applied IFRS 9, *Financial Instruments* (“IFRS 9”). The standard requires financial assets to be classified 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 paid, 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 amounts due to their short-term nature.

(b) Foreign currency translation

The Fund’s functional and presentation currency is the Canadian dollar. Foreign currency purchases and sales of investments and foreign currency dividend and interest income and expenses are translated into Canadian dollars at the rate of exchange prevailing at the date of the transactions.

Foreign exchange gains (losses) on purchases and sales of foreign currencies are included in the Statements of Comprehensive Income – Foreign exchange gain (loss).

The fair 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.

(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.

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June 30, 2020

(d) Impairment of financial assets

IFRS 9 requires that an entity recognize 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.

(e) Cash

Cash comprises deposits with financial institutions.

(f) 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.

(g) 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.

(h) 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 and redemptions"). To determine the NAV (net assets value) 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.

(i) 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.

(j) 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.

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Notes to Financial Statements (unaudited)

June 30, 2020

- 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.

(k) 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.

(l) Critical accounting estimates and judgments

- Fair value measurements of financial instruments not quoted in an active market

The Fund may hold financial instruments that are not quoted in active markets. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. When no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry.

- Classification and measurement of financial instruments and application of fair value option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments in determining the most appropriate classification in accordance with IFRS 9. The Manager has assessed the Fund's business models, the manner in which all financial assets and financial liabilities are managed and performance evaluates as a group on a fair value basis, and concluded that FVTPL in accordance with IFRS 9 provides the most appropriate classification of the Fund's financial instruments.

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 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 period, share transactions of the Fund were as follows:

	June 2020		
	Series A	Series F	Series F1
Outstanding at the beginning of the period	80,151	915,425	400,229
Redeemable shares issued	-	-	156,054
Redeemable shares reinvested	-	-	-
Redeemable shares redeemed	(27,443)	(94,260)	(49,112)
Outstanding at the end of the period	52,708	821,165	507,171

	June 2019		
	Series A	Series F	Series F1
Outstanding at the beginning of the period	379,965	1,001,690	1,347,374
Redeemable shares issued	31,594	-	126,861
Redeemable shares reinvested	5,739	18,430	24,565
Redeemable shares redeemed	(273,269)	(83,863)	(984,140)
Outstanding at the end of the period	144,029	936,257	514,660

LDIC North American Small Business Fund (Corporate Class)

Notes to Financial Statements (unaudited)

June 30, 2020

5. RELATED PARTY TRANSACTIONS

As of June 30, 2020, the Manager of the Fund and certain Directors and Officers of the Manager held a total of 301,751 (2019 – 373,800) Series F shares and 92,106 (2019 – 16, 250) Series F1 shares 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.

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

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Notes to Financial Statements (unaudited)

June 30, 2020

would be payable if the securities were disposed of on the valuation date. The Fund has accumulated capital loss carry-forwards as of December 31, 2019 of nil (2018-nil). The fund has accumulated non-capital loss carry-forwards as of December 31, 2019 of 1,013,504 (2018-nil). The non-capital losses expires on 2029.

7. TRANSACTION COSTS

Commissions and other transaction fees paid for portfolio transactions for the period ended June 30, 2020 were \$60,975 (2019 - \$87,944).

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, 2020 and 2019 was \$12,204 and \$10,891, 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.

(a) Credit risk

Credit risk represents the potential loss that the Fund would incur if counterparties failed to perform in accordance with the terms of their obligations to the Fund. The Manager only trades with approved counterparties and monitors reporting that includes approved counterparty listings, trade volumes and exposure reports. The risk of default is considered minimal, as delivery of securities sold is only made once the Fund has received payment.

Payment is made on a purchase once the securities have been received by the Fund. The trade will fail if either party fails to meet its obligation. The Fund maintains all of its cash and cash equivalents at the custodian or in overnight deposits with approved counterparties and ensures that appropriate collateral is received.

As at June 30, 2020 and December 31, 2019, the Fund had directly invested in debt instruments with the following Standard & Poor's credit ratings:

Portfolio by rating category	As a % of Net Assets	
	June 30, 2020	December 31, 2019
Not Rated	3.5%	3.1%

(b) Liquidity risk

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

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Thin trading in a security could make it difficult to liquidate holdings quickly. The Manager considers market depth and the relationship between liquidity and size of the position as part of the criteria for approval of a new investment and in its periodic re-evaluation of the investment.

(c) Market risk

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Fund's activities may expose it to different types of market risk including currency risk, interest rate risk, other price risk and concentration risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arises on interest-bearing financial instruments.

As at June 30, 2020 and December 31, 2019, the Fund's direct exposure to debt instruments by maturity was as follows:

		Less than 1 year (\$)	1 - 5 years (\$)	More than 5 years (\$)	Total (\$)
Interest rate exposure	June 30, 2020	544,803	-	-	544,803
	December 31, 2019	-	519,000	-	519,000

As at June 30, 2020, should interest rates have decreased or increased by 0.25% with all other variables remaining constant, the increase or decrease in Net Assets for the period would amount to approximately \$618 (December 31, 2019 - \$931). In practice, the actual trading results may differ, and the difference could be material.

(ii) Currency risk

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

	June 30, 2020		December 31, 2019	
	Currency Exposure (\$)	Percentage of Net Assets (%)	Currency Exposure (\$)	Percentage of Net Assets (%)
U.S. dollar	2,542,499	16.4	3,414,365	20.6

As at June 30, 2020, 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 \$127,125 (December 31, 2019 - \$170,718). In practice, the actual results may differ and the difference could be material.

(iii) Other price risk

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

The Fund is exposed to other price risk from investments in equities. As at June 30, 2020, approximately 91.9% (December 31, 2019 - 97.6%) 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, 2020, the Net Assets of the Fund would have increased or decreased by approximately \$713,331 or 4.6% (December 31, 2019 - \$808,025 or 4.9%) with all other factors remaining constant. In practice, the actual results may differ and the difference could be material.

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(iv) Concentration risk

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

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

Investment Sector	June 30, 2020	December 31, 2019
Corporate Bonds	3.5%	3.1%
Consumer Discretionary	2.5%	12.9%
Consumer Staples	4.2%	-
Energy	3.9%	2.3%
Communication Services	5.7%	4.6%
Health Care	18.4%	16.8%
Industrials	30.5%	29.8%
Information Technology	15.2%	16.4%
Materials	0.8%	-
Real Estate	9.5%	11.4%
Utilities	1.3%	3.5%
Net Other Assets/Liabilities	4.5%	-0.8%
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, 2020 and December 31, 2019:

Financial Assets (Liabilities) at Fair Value as at June 30, 2020				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	13,910,624	-	356,000	14,266,624
Bonds	-	-	544,803	544,803
	13,910,624	-	900,803	14,811,427

Financial Assets (Liabilities) at Fair Value as at December 31, 2019				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	15,709,743	-	400,500	16,110,243
Warrants	-	50,250	-	50,250
Bonds	-	-	518,699	518,699
	15,709,743	50,250	919,199	16,679,192

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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:

		Bonds		Equities
Balance as at December 31, 2019	\$	518,699	\$	400,500
Purchases		-		-
Sales		-		-
Net transfers in (out)		-		-
Realized gains (losses)		-		-
Change in unrealized appreciation (depreciation) on investments		26,104		(44,500)
Balance as at June 30, 2020	\$	544,803	\$	356,000
Net change in unrealized appreciation from investments as at June 30, 2020	\$	26,104	\$	(44,500)

		Bonds		Equities
Balance as at December 31, 2018	\$	546,321	\$	-
Purchases		-		-
Sales		-		-
Net transfers in (out)		-		400,500
Realized gains (losses)		-		-
Change in unrealized appreciation (depreciation) on investments		(27,622)		-
Balance as at December 31, 2019	\$	518,699		400,500
Net change in unrealized appreciation from investments as at December 31, 2019	\$	(27,622)	\$	-

The Fund Manager of the Fund is responsible for performing the valuation of the fair value measurements included in the financial statements, including the Level 3 fair values. As at June 30, 2020 and December 31, 2019, the fair values of Level 3 securities held by the Fund comprised of the following securities and the unobservable inputs used in the fair value measurement of these investments were as follows:

June 30, 2020

Investment Name	Fair Value (\$)	Valuation Technique	Unobservable inputs
Central Coast Agriculture, LLC	544,803	Discounted Cash Flow	N/A
Hemptown Organics Corp.	356,000	Recent Transactions	N/A
Total	900,803		

December 31, 2019

Investment Name	Fair Value (\$)	Valuation Technique	Unobservable inputs
Central Coast Agriculture LLC	518,699	Discounted Cash Flow	N/A
Hemptown Organics Corp.	400,500	Recent Transactions	N/A
Total	919,199		

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

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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.