



**LDIC North American Infrastructure Fund**

Management Report of Fund Performance

December 31, 2018

*Class A units and Class F units of LDIC North American Infrastructure Fund*

## **LDIC North American Infrastructure Fund**

For the Year ended December 31, 2018

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.

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

### **Investment Objectives and Strategies**

The investment objective of the Fund is to provide long-term capital appreciation combined with regular income, by investing primarily in equity securities and debt investments relating to infrastructure and related companies based in North America.

The prior approval of unitholders is required before a fundamental change is made to the investment objective the Fund. This approval must be given by a resolution passed by a majority of the votes cast at a meeting of the unitholders of the Fund.

In order to achieve its investment objective, the Fund intends to invest primarily in the equity securities of infrastructure and related companies based in North America.

Infrastructure assets are broadly defined as the basic facilities, services, and installations needed for the functioning of a community or society. The infrastructure sector includes, but is not limited to, investment in the following areas:

<b>Transportation</b>	Pipeline, railroad, truck/ship fleets, airports, and seaports.
<b>Distribution</b>	Electrical power networks, water utilities generation plants, electrical grids, substations
<b>Storage</b>	Storage terminals, manufacturing facilities & underground storage.
<b>Industrials</b>	Refineries, utilities, midstream processing, upgraders, engineering, chemical manufacturing & processing.
<b>Services</b>	Construction, equipment, drilling, social, real estate, housing & retail.
<b>Production &amp; Expl.</b>	Oil production, natural gas production, coal, hydroelectricity, renewables & alternative energy production such as wind, solar & geothermal.

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. For more details regarding the use of investment strategies, refer to the Simplified Prospectus filed on SEDAR ([www.sedar.com](http://www.sedar.com)).

## **Risk**

As of December 31, 2018, the risks of investing in the Fund remain as described in the prospectus (items 9 and 10 of Part B of Form 81-101F1 as filed on www.Sedar.com). The main risk worth re-iterating to investors is the potential negative impact a rise in interest rates may have on dividend paying securities within the theme such as the Pipelines sector. Rising interest rates can translate into reduced valuations for companies that have low growth business that distribute the majority of its income to shareholders in the form of dividends. To minimize such impacts, the fund continues to target securities of companies that are projected to exhibit significant relative growth, however there can be no assurances that the growth will materialize or that the overall market will not cause the price of such securities to fluctuate. There were no material changes to the Fund since its inception that affected the overall level of risk.

The Fund is suitable for investors who are seeking a potential for capital appreciation, have medium to 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 performance for the twelve months period ending December 31, 2018 was -21.2% for Class A and -20.8% for Class F. The benchmark return was -22.3% over the same period. The benchmark is a blend of 70% S&P/TSX Capped Energy Index and 30% S&P Composite 1500 Energy Index. This modest out performance of the benchmark reflected the lower volatility of infrastructure equities.

The absence of new pipeline capacity to world markets for oil has diminished investment interest in the Canadian energy sector and had a catastrophic impact on realized Canadian oil prices. The provinces of Alberta and British Columbia have been engaged in a noisy public battle over Kinder Morgan expansion, the only federally approved pipeline project to the west coast. The Alberta government is paying rail cars to transport oil.

The Fund had a net loss on financial instruments of (\$1,092,084) in 2018 which was down from the prior year mainly due to the change in unrealized appreciation in the value of investments. The total operating expenses decreased by \$303,433 mainly due to a decline in performance fees and management fees. There was a decrease in the net assets per unit from operations of (\$1.88) and (\$2.27) for Class A and Class F respectively. Overall, the Fund had an operating loss of (\$1,406,140).

## **Recent Developments**

The US Federal Reserve rate hikes convinced initially participants that the US economy was strong enough to support higher interest rates. This view was tempered by the weakness of the global economy. Uncertainty as to the direction of commodity prices may continue to cause above average volatility in equities markets especially energy and infrastructure related equities. With three Federal Reserve increases

and one Bank of Canada increase the direction of interest rates is clear. The pace is not as clear.

The Fund continues to collect healthy dividend income from its securities held. Currently the fund has approximately a 2.7% running yield (see chart below for top 10 dividend yields). The Fund is currently fully invested with a 30% exposure to the US and continues to invest capital to global companies focusing on infrastructure and alternative energy, including:

- Brookfield Asset Management (BAM) operates as an asset management company focused on property, infrastructure, private equity, and renewable power. The Company invests in utilities, transport, energy, and communication infrastructure sectors. Brookfield Asset Management serves individuals, corporations, and governments worldwide.
- Brookfield Infrastructure Partners (BIP) owns and operates infrastructure assets. The Company operates utilities, transport, energy, and communications infrastructure assets in North and South America, Australia, and Europe.
- Enerplus Corporation (ERF) is an oil and gas exploration and production company that owns a large, diversified portfolio of income generating crude oil and natural gas properties. The Company invests in mature crude oil and natural gas producing properties located primarily in western Canada with predictable production profiles.
- NextEra Energy Inc. (NEE) is a leader in community scale gasify caution systems that convert non-recyclable organic waste into renewable, clear power and heat.

**Current Dividend Yield:**

Ticker	Company Name	Dividend Yield
CHR	Chorus Aviation Inc	8.51%
KEY	Keyera Corp	6.97%
PPL	Pembina Pipeline Corp	5.63%
BIP-U	Brookfield Infrastructure Partners LP	5.29%
AQN	Algonquin Power & Utilities Corp	5.09%
NEE US	NextEra Energy Inc	2.55%
BAM/A	Brookfield Asset Management Inc	1.52%
CJT	Cargojet Inc	1.20%
ERF	Enerplus Corp	1.13%
BBU-U	Brookfield Business Partners LP	0.80%

**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:

Class A - 2.00% per annum  
Class F - 1.00% per annum

The Fund will pay a performance fee to LDIC Inc., plus applicable taxes, at the end of each fiscal year if applicable. The performance fee will be 10% of the amount by which the class NAV at the end of the fiscal year (adding back the amounts of any distributions paid on the units of the Fund) (the “ending NAV”) exceeds the target NAV. The target NAV is calculated by multiplying the Class 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, 2018, the Manager of the Fund and certain Directors and Officers of the manager held a total of 172,595 units of the F Class units of the Fund.

**Management Fees**

All management fees are based on the NAV of a class of units, calculated on each Valuation Date and paid monthly.

The management fee for the fund is 2.00% for Class A, and 1.00% for Class F. The breakdown of the services received in consideration of the management fee, as a percentage of the management fee is:

	Class A	Class F
Management of Fund	37.5%	100%
Trailing commission to Broker	62.5%	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 and the period from the date of inception to December 31, 2018 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.

	CLASS A					
	2018	2017	2016	2015	2014	2013 <sup>(4)</sup>
<b>Net Assets, beginning of year</b>	<b>\$10.74</b>	<b>\$10.63</b>	<b>\$9.37</b>	<b>\$10.91</b>	<b>\$10.99</b>	<b>\$10.00</b>
<b>Increase (decrease) from operations:</b>						
Total revenue	0.25	0.29	0.39	0.49	0.38	0.23
Total expenses	(0.56)	(0.57)	(0.47)	(0.48)	(0.54)	(0.24)
Realized gains (losses) for the year	1.22	0.46	(0.49)	(0.76)	(0.01)	0.17
Unrealized gains (losses) for the year	(2.79)	0.07	2.03	(0.44)	(0.54)	1.26
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$(1.88)</b>	<b>\$0.25</b>	<b>\$1.46</b>	<b>\$(1.19)</b>	<b>\$(0.71)</b>	<b>\$1.42</b>
<b>Distributions:</b>						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	(0.02)	(0.04)
From capital gains	-	-	-	-	-	(0.15)
Return of capital	(0.30)	(0.30)	(0.30)	(0.30)	(0.28)	(0.04)
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.30)</b>	<b>(0.30)</b>	<b>(0.30)</b>	<b>(0.30)</b>	<b>(0.30)</b>	<b>(0.23)</b>
<b>Net Assets, end of year</b>	<b>\$8.16</b>	<b>\$10.74</b>	<b>\$10.63</b>	<b>\$9.37</b>	<b>\$10.91</b>	<b>\$10.99</b>
	CLASS F					
	2018	2017	2016	2015	2014	2013 <sup>(4)</sup>
<b>Net Assets, beginning of year</b>	<b>\$11.22</b>	<b>\$11.01</b>	<b>\$9.60</b>	<b>\$11.10</b>	<b>\$11.09</b>	<b>\$10.00</b>
<b>Increase (decrease) from operations:</b>						
Total revenue	0.29	0.30	0.41	0.51	0.38	0.24
Total expenses	(0.49)	(0.50)	(0.38)	(0.39)	(0.44)	(0.17)

Realized gains (losses) for the year	1.22	0.48	(0.53)	(0.80)	(0.02)	0.18
Unrealized gains (losses) for the year	(3.29)	0.19	2.16	(0.49)	(0.36)	1.39
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$(2.27)</b>	<b>\$0.47</b>	<b>\$1.66</b>	<b>\$(1.17)</b>	<b>\$(0.44)</b>	<b>\$1.64</b>

**Distributions:**

From income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	(0.02)	(0.04)
From capital gains	-	-	-	-	-	(0.15)
Return of capital	(0.30)	(0.30)	(0.30)	(0.30)	(0.28)	(0.04)
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.30)</b>	<b>(0.30)</b>	<b>(0.30)</b>	<b>(0.30)</b>	<b>(0.30)</b>	<b>(0.23)</b>
<b>Net Assets, end of year</b>	<b>\$8.59</b>	<b>\$11.22</b>	<b>\$11.01</b>	<b>\$9.60</b>	<b>\$11.10</b>	<b>\$11.09</b>

(1) This information is derived from the Fund's audited annual financial statements and unaudited interim financial statements. For financial years beginning on or after January 1, 2014, the financial highlights were derived from the Fund's financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For the financial year ended December 31, 2013, the financial highlights numbers were restated to comply with IFRS reporting.

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

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

(4) Units of Class A were first issued on May 10, 2013 and Class F were first issued on April 26, 2013.

**Ratios and Supplemental Data**

Ratios and supplemental data are derived from the Fund's Net Asset Value

	CLASS A					
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013 <sup>(5)</sup>
Total Net Asset Value (\$) <sup>(1)</sup>	678,526	4,283,137	5,766,657	6,115,422	11,144,636	3,723,153
Number of units outstanding <sup>(1)</sup>	83,204	398,723	542,667	652,527	1,021,276	338,773
Management expense ratio <sup>(2) (5)</sup>	4.59%	5.18%	4.26%	4.33%	4.27%	3.42%
Management expense ratio before waivers or absorption <sup>(2) (5)</sup>	4.59%	5.18%	4.26%	4.33%	4.27%	4.11%
Management expense ratio excluding performance fees <sup>(5)</sup>	4.47%	3.42%	4.14%	3.20%	3.25%	4.11%
Trading expense ratio <sup>(3) (5)</sup>	0.81%	0.40%	0.56%	0.24%	0.32%	0.35%
Portfolio turnover rate <sup>(4)</sup>	100.23%	85.41%	128.52%	64.53%	57.97%	65.08%
Net Asset Value per unit (\$)	8.16					

10.74      10.63      9.37      10.91      10.99

**CLASS F**

	<b>Dec 31, 2018</b>	<b>Dec 31, 2017</b>	<b>Dec 31, 2016</b>	<b>Dec 31, 2015</b>	<b>Dec 31, 2014</b>	<b>Dec 31, 2013</b> <sup>(5)</sup>
Total Net Asset Value (\$) <sup>(1)</sup>	3,764,821	7,393,465	7,980,413	9,088,342	20,011,076	8,719,848
Number of units outstanding <sup>(1)</sup>	438,122	659,071	725,081	946,469	1,802,052	786,118
Management expense ratio <sup>(2) (5)</sup>	3.88%	4.28%	3.21%	3.37%	3.34%	2.22%
Management expense ratio before waivers or absorption <sup>(2) (5)</sup>	3.88%	4.28%	3.21%	3.37%	3.34%	2.79%
Management expense ratio excluding performance fees <sup>(5)</sup>	3.69%	2.43%	3.06%	2.13%	2.12%	2.79%
Trading expense ratio <sup>(3) (5)</sup>	0.81%	0.40%	0.56%	0.24%	0.32%	0.35%
Portfolio turnover rate <sup>(4)</sup>	100.23%	85.41%	128.52%	64.53%	57.97%	65.08%
Net Asset Value per unit (\$)	8.59	11.22	11.01	9.60	11.10	11.09

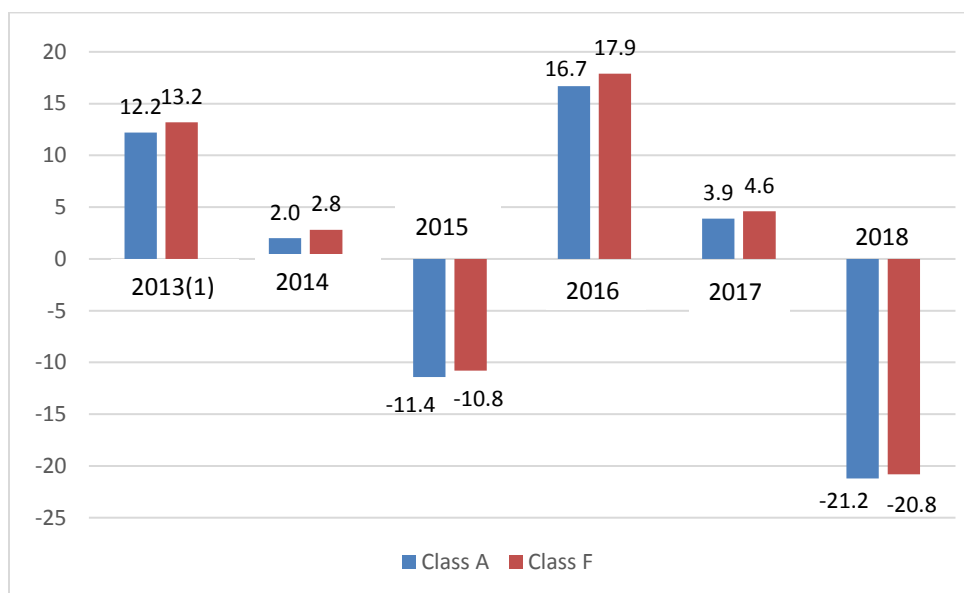
1. The information is provided as at December 31 of the period(s) shown, as applicable.
2. Management expense ratio is based on total expenses (excluding broker commissions and other portfolio transaction costs before income taxes) for the stated period and is expressed as an annualized percentage of daily average Net Asset Value during the year. 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 unitholders.
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 year.
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. Units of Class A for this Fund were first issued on May 10, 2013 and Class F were first issued on April 26, 2013.



**Past Performance**

**Annual Total Returns (%)**

The bar chart shows the investment fund’s performance of Class A and F of the Fund for each of the periods shown. The bar chart shows in percentage terms, how much an investment made on January 1 would have increased or decreased by December 31, unless otherwise indicated.



(1) Returns for Class A and Class F, are from May 10, 2013 and April 26, 2013 respectively, to December 31, 2013.

	Class A			Class F		
	Since Inception (May 10/13)	1 year	3 years	Since Inception (Apr 26/13)	1 year	3 years
LDIC North American Infrastructure Fund	-0.4%	-21.2%	-1.1%	0.6%	-20.8%	-0.4%
70%/30% Blended Index (1)	-4.1%	-22.3%	-2.1%	-4.1%	-22.3%	-2.1%

(1) The benchmark is blend of 70% S&P/TSX Energy Index, and 30% Composite 1500 S&P Energy Total Return Index in Canadian dollars.

## **About the Fund's Benchmark**

### **S&P/TSX Capped Energy Index (70%)**

The TSX Capped Energy Index is comprised of securities of Canadian energy sector issuers listed on the Toronto Stock Exchange ("TSX"), selected by Standard and Poors ("S&P") using its industrial classifications and guidelines for evaluating issuer capitalization, liquidity and fundamentals. The index is a modified cap-weighted index, whose equity weights are capped at 25%. In order to be eligible for inclusion in the index, a stock must be a constituent of the S&P/TSX Composite Index and classified in the applicable sector based on the Global Industry Classification Standard (GICS). As the Fund intends to maintain a higher weighting to Canadian equities, greater emphasis will be placed on a weighting to the TSX Capped Energy Index.

### **S&P Composite 1500 Energy Index Total Return (30%)**

The S&P Composite 1500 Energy Index is a capitalization-weighted index comprised of securities of U.S. energy sector issuers that are classified as members of the GICS energy sector and who are selected by S&P using its guidelines for evaluating issuer capitalization, liquidity and fundamentals.

**Summary of Investment Portfolio as at December 31, 2018**

**Top 10 Investments as of December 31, 2018**

	<b>% of Fund's Net Asset Value</b>
01 Brookfield Infrastructure Partners LP	10.7
02 Enerplus Corp.	9.6
03 Chorus Aviation Inc.	9.5
04 Brookfield Business Partners LP	8.4
05 Brookfield Asset Management Inc.	6.7
06 NextEra Energy Inc.	5.5
07 Pembina Pipeline Corp.	5.0
08 Cargojet Inc.	4.9
09 Keyera Corp.	4.8
10 Algonquin Power & Utilities Corp.	4.5
11 Global Blockchain Technologies Corp.	0.0
12 Nextblock Global Limited, 8.000%, July 15, 2020	0.0
13 CellCube Energy Storage	0.0
14 Engagement Labs Inc.	0.0
	<hr/> <b>69.6</b> <hr/>

Total Net Asset Value of the Fund as at December 31, 2018: \$4,443,347

As of December 31, 2018, all investments were only long positions.

Sector Mix	% of Fund's Net Asset Value	Geographic Mix	% of Fund's Net Asset Value
Energy	19.4	Canada	53.4
Financials	6.7	United States of America	16.2
Industrials	22.8	Cash	37.6
Utilities	20.7	Net Other Assets/Liabilities	(7.2)
Cash	37.6		<b>100.0</b>
Net Other Assets/Liabilities	(7.2)		
	<b>100.0</b>		

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

### **Corporate Information**

#### **Corporate Address**

LDIC Inc.  
The Exchange Tower, 130 King Street West, Suite 2130,  
PO Box 399, Toronto, Ontario, M5X 1E2  
416-362-4141  
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[www.ldic.ca](http://www.ldic.ca)

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