



**Healthcare Special Opportunities Fund**

Management Report of Fund Performance

June 30, 2021

*Class A units and Class U units of Healthcare Special Opportunities Fund*

## **Healthcare Special Opportunities Fund**

For the period ended June 30, 2021

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 Fund's investment objective is to provide holders of Units ("Unitholders") with long-term total return through distributions and capital appreciation of the Fund's investment portfolio (the "Portfolio") by investing in equity and debt securities of issuers that derive a significant portion of their revenue or earnings from medical and healthcare products and/or services. Such issuers may include, but will not be limited to, issuers operating in the following healthcare industry sub-sectors: (i) healthcare services, financials and insurance; (ii) healthcare products and technology; (iii) healthcare facilities and real estate investment trusts; and (iv) retirement lifestyle, wellness and entertainment (collectively, the "Healthcare Issuers").

The Fund has been created to invest in an actively managed Portfolio comprised primarily of publicly traded issuers and private issuers that derive a significant portion of their revenue or earnings from medical and healthcare products and/or services. The Fund will be invested primarily in publicly traded healthcare equity securities (the "Public Portfolio"), but may also invest up to 20% of the Fund's total assets in private equity investments (the "Private Portfolio"). It is expected that the Public Portfolio will be comprised of securities of 20 to 30 large, mid, and small capitalization publicly-listed Healthcare Issuers based in developed markets.

Through the Private Portfolio, LDIC Inc. ("LDIC" or the "Manager") will seek to enhance returns by investing in "late-stage" private equity investments in healthcare and healthcare related businesses. "Late-Stage" means an investment in a revenue-generating or soon-to-be revenue-generating business that is expected to go public or achieve another liquidity event within 12 to 24 months following the initial investment. The goal of the Manager is to provide investors with exposure to a limited number of investments in the Private Portfolio that it believes have potential for significant upside because the Fund will be investing at "pre-Initial Public Offering" prices. The Fund expects to make Private Portfolio investments at a point where the capital will be used to grow revenues of the healthcare business investee company. The healthcare business investee company may then seek to raise additional capital in public markets, or in some instances consider a sale of the business to a strategic or financial buyer.

## **Risk**

An investment in the Fund involves risks. Certain risk factors relating to the Fund and the Units are listed below. Additional risks and uncertainties not currently known to the Manager or Industry Advisor, or that are currently considered immaterial, may also impair the operations of the Fund. An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss on their investment and who can withstand the effect of potentially having no distribution being paid in any period. As the value of the Units of the Fund will be based upon the value of the Portfolio, risks relating to the Portfolio will affect investors in the Fund. The following are certain risk factors and considerations related to the Fund which prospective investors should consider before purchasing Units:

- No assurance on achieving investment objective
- Loss of investment
- No guaranteed return
- Equity securities risk
- Illiquid securities and private securities
- Fluctuations in value of securities underlying portfolio
- Fluctuations in Net Asset Value
- Risk related to healthcare issuers
- Regulatory risk
- Risks related to healthcare issuers operating in the real estate sector
- Sensitivity to interest rate fluctuations
- Use of derivative instruments
- Portfolio concentration risk
- Reliance on the manager and industry advisor
- Trading at a discount and risks relating to redemptions
- Taxation of the Fund

Further details on these risks can be found in the Funds' prospectus filed on SEDAR [www.sedar.com](http://www.sedar.com)

## **Result of Operations**

For the semi-annual period ended June 30, 2021, the Class A units decreased in value from \$13.61 to \$13.41. The Class U units decreased in value from \$17.74 CAD to \$17.40 CAD and showed a return of -1.0% for Class A and -1.4% for Class U.

The Class A units are listed for trading on the Toronto Stock Exchange under ticker symbol of MDS.UN. As at June 30, 2021, 71.2% of the fund is invested in healthcare, 5.9% of the fund invested in Consumer Discretionary and 4.9% is in cash.

The Fund had a net gain on financial instruments of \$23,450 for the semi-annual period ended June 30, 2021 compared to a net loss of \$2,819,068 for the prior period. The total operating expenses increased during the period to \$344,900 from \$216,273, mainly due to less recovery of performance fee expense during the current period. There was a decrease in the net assets per unit of \$0.13 from operations for Class A, whereas there was a decrease of 0.67 in net assets per unit from operations for Class U for the period ended

June 30, 2021. Overall, the Fund had a decrease in Net Assets attributable to holders of redeemable units from operations of \$340,353.

### **Recent Developments**

In the first half of 2021 the focus of health activities began to shift from treating COVID patients and vaccinating the at-risk public to the gradual reopening of broader health care services. Millions of patients had needed surgeries and treatments delayed because COVID patients crowded hospitals and because many health services were closed to diminish risk of transmission.

As well the Biden Administration invested hundreds of billions of additional funding into the health care programs of the Federal Government. Our investment activities shifted towards companies such as Medtronic, Stryker, Intuitive Surgical that will benefit from the reopening of the American and global health delivery system. As well we maintained our investment in pharmaceutical companies such as Pfizer and Johnson and Johnson who manufacture vaccines which will be in strong demand for several years.

We anticipate the gradual reopening of the North American economy in the second half of 2021 with significantly higher volumes for medical services. As well we have continued to invest in innovative private health companies with the prospect of their evolution into public ally traded health companies.

### **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 - 1.25% per annum  
Class U - 1.25% per annum

The Manager will receive a performance fee (the "Performance Fee") from the Fund in respect of investments in the Private Portfolio including, for the purpose of calculating the Performance Fee, securities of private issuers in the Private Portfolio that have become publicly traded and public securities received on the disposition of securities of a private issuer in the Private Portfolio. The amount of the Performance Fee shall be determined as of the date of disposition (the "Determination Date") for cash proceeds for each such investment. The Performance Fee in respect of each investment will be equal to 20% of the amount by which the cash proceeds of disposition exceed 106% of the Threshold Amount (as defined below) calculated on a cumulative annual basis plus applicable taxes. Where an investment is held for a portion of any year, the calculation of the required 106% return for that year is made on a partial year basis.

The Performance Fee shall be calculated and accrued daily and be paid upon each Determination Date; however, no Performance Fee shall be paid in respect of any dispositions of securities of private issuers in the Private Portfolio unless on the Determination Date the proceeds of disposition of the investment exceed 107% of the original book value of the investment (the "Threshold Amount").

As of June 30, 2021, the Manager of the Fund and certain Directors and Officers of the manager held a total of 292,915 Class A units of the Fund.

## Management Fees

The Manager is entitled to be paid a management fee by the Fund at an annual rate of 1.25% of the NAV of the Fund, plus applicable taxes, provided that the management fee payable to the Manager shall not be paid in respect to assets of the Fund invested in the securities of any investment funds (including mutual funds) managed by the Manager or an affiliate of the Manager. The Management Fee payable to the Manager will be calculated and accrued daily and be payable monthly in arrears based on the average NAV for that month. The Management Fee will be paid in cash.

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the period ended June 30, 2021 and for the past five periods ended December 31, as applicable. In the year a fund or a series is established, 'Period' represents inception to December 31 of that year. Per unit data is derived from the Fund's financial statements.

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

#### The Fund's Net Assets per Unit (\$) <sup>(1)</sup>

	Class A					
	2021	2020	2019	2018	2017	2016
Net Assets, beginning of period	\$ 13.61	\$ 13.33	\$ 11.62	\$ 10.69	\$ 9.16	\$ 8.76
<b>Increase (decrease) from operations:</b>						
Net Asset Value per share (\$)	0.07	0.14	0.12	0.13	0.15	0.14
Total expenses	(0.13)	(0.23)	(0.24)	(0.27)	(0.32)	(0.17)
Realized gains (losses) for the period	0.54	2.19	0.75	2.70	0.58	(0.20)
Unrealized gains (losses) for the period	(0.61)	(1.41)	1.27	(1.23)	0.96	0.63
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>\$ (0.13)</b>	<b>\$ 0.69</b>	<b>\$ 1.90</b>	<b>\$ 1.33</b>	<b>\$ 1.37</b>	<b>\$ 0.40</b>
From income (excluding dividends)	(0.07)	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	(0.44)	-	-	-	-
Return of capital	-	-	(0.24)	(0.24)	(0.10)	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>(0.07)</b>	<b>(0.44)</b>	<b>(0.24)</b>	<b>(0.24)</b>	<b>(0.10)</b>	-
Net Assets, end of period	\$ 13.41	\$ 13.61	\$ 13.33	\$ 11.62	\$ 10.69	\$ 9.16

	Class U					
	2021	2020	2019	2018	2017	2016
<b>Net Assets, beginning of period</b>	<b>\$ 17.74</b>	<b>\$ 17.14</b>	<b>\$ 14.80</b>	<b>\$ 13.86</b>	<b>\$ 11.90</b>	<b>\$ 11.38</b>
<b>Increase (decrease) from operations:</b>						
Total revenue	0.09	0.18	0.16	0.17	0.20	0.18
Total expenses	(0.17)	(0.26)	(0.21)	(0.44)	(0.28)	(0.23)
Realized gains (losses) for the period	1.31	2.69	1.05	3.67	1.41	(0.33)
Unrealized gains (losses) for the period	(1.90)	(3.13)	0.90	(2.15)	(0.37)	0.88
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ (0.67)</b>	<b>\$ (0.52)</b>	<b>\$ 1.90</b>	<b>\$ 1.25</b>	<b>\$ 0.96</b>	<b>\$ 0.50</b>
<b>Distributions:</b>						
From income (excluding dividends)	(0.09)	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	(0.24)	-	-	-	-
Return of capital	-	-	(0.31)	(0.31)	(0.10)	-
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.09)</b>	<b>(0.24)</b>	<b>(0.31)</b>	<b>(0.31)</b>	<b>(0.10)</b>	<b>-</b>
<b>Net Assets, end of period</b>	<b>\$ 17.40</b>	<b>\$ 17.74</b>	<b>\$ 17.14</b>	<b>\$ 14.80</b>	<b>\$ 13.86</b>	<b>\$ 11.90</b>

(1) This information is derived from the Fund's audited annual financial statements.

(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

## Ratios and Supplemental Data

	<b>June 30, 2021</b>	<b>Dec 31, 2020</b>	<b>Dec 31, 2019</b>	<b>Dec 31, 2018</b>	<b>Dec 31, 2017</b>	<b>Dec 31, 2016</b>
Total Net Asset Value (\$) <sup>(1)</sup>	<b>35,385,330</b>	35,816,353	36,008,359	34,671,576	42,578,398	56,975,850
Number of units outstanding <sup>(1)</sup>	<b>2,638,777</b>	2,632,259	2,700,771	2,984,572	3,982,457	6,217,302
Management expense ratio <sup>(2) (5)</sup>	<b>1.82%</b>	1.53%	1.79%	2.05%	3.04%	1.72%
Management expense ratio before waivers or absorption <sup>(2)</sup> <sup>(5)</sup>	<b>1.82%</b>	1.53%	1.79%	2.05%	3.04%	1.72%
Management expense ratio excluding performance fees <sup>(5)</sup>	<b>1.85%</b>	1.83%	1.78%	1.75%	1.67%	1.70%
Trading expense ratio <sup>(3) (5)</sup>	<b>0.16%</b>	0.26%	0.22%	0.29%	0.27%	0.29%
Portfolio turnover rate <sup>(4)</sup>	<b>19.82%</b>	91.65%	62.00%	106.52%	82.73%	69.32%
Net Asset Value per share (\$)	<b>13.41</b>	13.61	13.33	11.62	10.69	9.16

	<b>June 30, 2021</b>	<b>Dec 31, 2020</b>	<b>Dec 31, 2019</b>	<b>Class U Dec 31, 2018</b>	<b>Dec 31, 2017</b>	<b>Dec 31, 2016</b>
Total Net Asset Value (\$) <sup>(1)</sup>	<b>10,439</b>	99,337	267,348	901,096	857,833	10,910,684
Number of units outstanding <sup>(1)</sup>	<b>600</b>	5,600	15,600	60,900	61,900	916,757
Management expense ratio <sup>(2) (5)</sup>	<b>1.71%</b>	1.34%	1.08%	2.59%	1.97%	1.76%
Management expense ratio before waivers or absorption <sup>(2)</sup> <sup>(5)</sup>	<b>1.71%</b>	1.34%	1.08%	2.59%	1.97%	1.76%
Management expense ratio excluding performance fees <sup>(5)</sup>	<b>1.83%</b>	1.85%	0.45%	1.79%	1.77%	1.73%
Trading expense ratio <sup>(3) (5)</sup>	<b>0.16%</b>	0.26%	0.22%	0.29%	0.27%	0.29%
Portfolio turnover rate <sup>(4)</sup>	<b>19.82%</b>	91.65%	62.00%	106.52%	82.73%	69.32%
Net Asset Value per share (\$)	<b>17.40</b>	17.74	17.14	14.80	13.86	11.90

(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 waive and/or absorb management fees and operating expenses is at the discretion of the Manager. The practice of waiving and/or absorbing management fees and operating expenses may continue indefinitely or may be terminated any time without notice to shareholders.

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

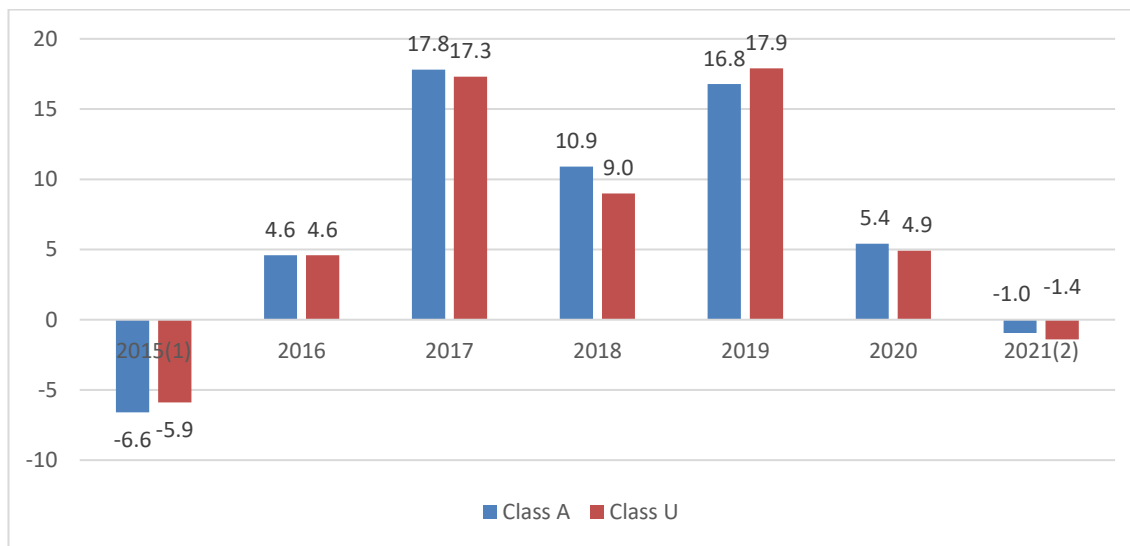
(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio 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.

## Past Performance

### **Annual Total Returns (%)**

The performance information shown is based on Net Asset Value. The bar chart shows the investment fund's performance in percentage terms of Class A and Class U of the Fund for the period ended June 30, 2021, and since inception to June 30, 2021.



- (1) Returns for Class A and Class U, are from July 15, 2015 to December 31, 2015.
- (2) Returns for Class A and Class U are from January 1, 2021 to June 30, 2021.



**Summary of Investment Portfolio as at June 30, 2021**

**Top 25 Investments as of June 30, 2021**

	<b>% of Funds Net Asset Value</b>
1 Medtronic PLC	8.0%
2 Intuitive Surgical Inc.	6.3%
3 Stryker Corp.	6.0%
4 Johnson & Johnson	5.9%
5 Park Lawn Corp.	5.9%
6 Becton Dickinson and Co.	5.1%
7 CASH RESERVES	4.9%
8 R1 RCM Inc.	4.5%
9 LifeWorks Inc.	4.2%
10 Merck & Co., Inc.	4.1%
11 Walmart Inc.	4.1%
12 Boston Scientific Corp.	4.0%
13 Abbott Laboratories Inc.	3.9%
14 Akumin Inc.	3.3%
15 UnitedHealth Group Inc.	3.1%
16 Grey Wolf Animal Health Inc.	2.9%
17 Vertex Pharmaceuticals Inc.	2.5%
18 FirstService Corp.	2.5%
19 CloudMD Software & Services Inc.	2.4%
20 Vitalhub Corp.	1.5%
21 Hamilton Thorne Ltd..	1.5%
22 Physicians Realty Trust	1.4%
23 Healthcare Realty Trust Inc.	1.4%
24 Cairn Memory Care Opportunities Fund LP	1.3%
25 Think Research Corp.	1.3%

Total Net Asset Value of the Fund as at June 30, 2021: \$35,395,769.

As of June 30, 2021, all investments were only long positions.

<b>Sector Mix</b>	<b>% of Funds Net Asset Value</b>
Corporate Bonds	1.0%
Consumer Discretionary	5.9%
Consumer Staples	4.1%
Financials	0.4%
Health Care	71.2%
Industrials	4.3%
Information Technology	2.9%
Real Estate	5.3%
Cash	4.9%
	<hr/>
	100.0%
	<hr/> <hr/>

<b>Geographic Mix</b>	<b>% of Funds Net Asset Value</b>
Canada	33.1%
Ireland	8.0%
United Kingdom	1.3%
United States of America	57.6%
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	100.0%
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### **Corporate Information**

#### **Corporate Address**

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

#### **Auditors**

Ernst & Young LLP  
EY Tower  
100 Adelaide Street West  
PO Box 1, Toronto, Ontario, M5H 0B3

#### **Legal Counsel**

McMillan LLP  
Brookfield Place | Suite 4400  
181 Bay Street, Toronto, Ontario, M5J 2T3