

LDIC North American Small Business Fund (Corporate Class)

**Interim Financial statements
June 30, 2022**

LDIC North American Small Business Fund (Corporate Class)

Statements of financial position

As at June 30, 2022 (unaudited) and December 31, 2021

	2022	2021
	\$	\$
Assets		
Current assets		
Financial assets at fair value through profit or loss <i>[note 3]</i>	12,060,589	16,048,940
Cash	5,122,753	4,487,133
Accrued dividends	9,948	11,803
Receivables for investments sold	4,382	—
Subscriptions receivable	2,019	—
Total assets	17,199,691	20,547,876
Liabilities		
Current liabilities		
Performance fees payable	11,210	—
Accrued expenses	6,044	47,790
Redemptions payable to shareholders	600,000	—
Management fees payable	18,514	21,939
Total liabilities [excluding net assets attributable to holders of redeemable shares]	635,768	69,729
Net assets attributable to holders of redeemable shares <i>[note 4]</i>	16,563,923	20,478,147
Net assets attributable to holders of redeemable shares per series		
Series A	482,762	686,774
Series F	10,328,651	12,181,483
Series F1	5,752,510	7,609,890
Net assets attributable to holders of redeemable shares per series per share <i>[note 4]</i>		
Series A	13.55	15.65
Series F	14.47	16.63
Series F1	14.09	16.23

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 (unaudited)

For the six-month periods ended June 30,

	2022	2021
	\$	\$
Net gain (loss) on financial instruments		
Dividend income	111,930	104,675
Interest for distribution purposes	—	21
Foreign exchange gain (loss)	(9,823)	(5,323)
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	1,532,200	2,105,710
Change in unrealized appreciation (depreciation) in value of investments	(3,959,411)	192,859
Change in unrealized appreciation (depreciation) in value of foreign exchange from currency	22,417	810
Net gain (loss) on financial instruments	(2,302,687)	2,398,752
Expenses [note 5]		
Management fees	131,425	135,183
Transaction costs [note 7]	39,842	78,615
Other expenses	29,796	27,170
Valuation fees	17,834	16,840
Performance fees	16,224	—
Legal fees	15,945	10,836
Audit fees	15,518	32,731
Securityholder reporting costs	11,349	13,004
Filing fees	10,540	14,511
Custodian fees	4,111	4,047
Independent review committee fees	1,906	1,619
Total expenses	294,490	334,556
Increase in net assets attributable to holders of redeemable shares before tax	(2,597,177)	2,064,196
Withholding taxes [note 6]	(729)	—
Increase (decrease) in net assets attributable to holders of redeemable shares from operations [excluding distributions]	(2,597,906)	2,064,196
Increase (decrease) in net assets attributable to holders of redeemable shares per series from operations [excluding distributions]		
Series A	(76,116)	66,672
Series F	(1,549,686)	1,237,511
Series F1	(972,104)	760,013
Average number of shares outstanding for the period per series		
Series A	38,424	44,682
Series F	722,164	742,413
Series F1	457,373	467,815
Increase (decrease) in net assets attributable to holders of redeemable shares per share from operations [excluding distributions]		
Series A	(1.98)	1.49
Series F	(2.15)	1.67
Series F1	(2.13)	1.62

See accompanying notes

LDIC North American Small Business Fund (Corporate Class)

Statements of changes in net assets attributable to holders of redeemable units (unaudited)

For the six-month periods ended June 30,

	Series A		Series F	
	2022	2021	2022	2021
	\$	\$	\$	\$
Net assets attributable to holders of redeemable shares at beginning of period	686,774	641,421	12,181,483	11,573,563
Increase (decrease) in net assets attributable to holders of redeemable shares from operations (excluding distributions)	(76,116)	66,672	(1,549,686)	1,237,511
Redeemable share transactions				
Proceeds from redeemable shares issued	6,113	11,443	—	—
Redemption of redeemable shares	(134,009)	—	(303,146)	(295,966)
	(127,896)	11,443	(303,146)	(295,966)
Net increase (decrease) in net assets attributable to holders of redeemable shares	(204,012)	78,115	(1,852,832)	941,545
Net assets attributable to holders of redeemable shares at end of period	482,762	719,536	10,328,651	12,515,108
	Series F1		Total	
	2022	2021	2022	2021
	\$	\$	\$	\$
Net assets attributable to holders of redeemable shares at beginning of period	7,609,890	7,327,157	20,478,147	19,542,141
Increase (decrease) in net assets attributable to holders of redeemable shares from operations (excluding distributions)	(972,104)	760,013	(2,597,906)	2,064,196
Proceeds from redeemable shares issued	135,890	454,350	142,003	465,793
Redemption of redeemable shares	(1,021,166)	(722,937)	(1,458,321)	(1,018,903)
	(885,276)	(268,587)	(1,316,318)	(553,110)
Net increase (decrease) in net assets attributable to holders of redeemable shares	(1,857,380)	491,426	(3,914,224)	1,511,086
Net assets attributable to holders of redeemable shares at end of period	5,752,510	7,818,583	16,563,923	21,053,227

See accompanying notes

LDIC North American Small Business Fund (Corporate Class)

Statements of cash flows (unaudited)

For the six-month periods ended June 30,

	2022	2021
	\$	\$
Operating activities		
Increase (decrease) in net assets attributable to holders of redeemable shares from operations [excluding distributions]	(2,597,906)	2,064,196
Adjustments for:		
Foreign exchange (gain) loss	9,823	5,323
Net realized (gain) loss on sale of investments	(1,532,200)	(2,105,710)
Change in unrealized (appreciation) depreciation in value of investments	3,959,411	(192,859)
Purchases of investments	(8,434,477)	(10,815,795)
Proceeds from sale of investments	9,991,235	13,347,560
Accrued dividends	1,855	92
Performance fees	11,210	(398,575)
Accrued expenses	(41,746)	130
Management fees payable	(3,425)	686
Net cash from (used in) operating activities	1,363,780	1,905,048
Financing activities		
Cash flows from (used in) financing activities		
Proceeds from redeemable shares issued	78,731	485,793
Redemption of redeemable shares	(797,068)	(1,018,903)
Net cash from (used in) financing activities	(718,337)	(533,110)
Foreign exchange gain (loss)	(9,823)	(5,323)
Net increase (decrease) in cash	645,443	1,371,938
Cash at beginning of period	4,487,133	440,405
Cash at end of period	5,122,753	1,807,020
Supplemental cash flow information:		
Dividends received, net of withholding taxes	113,056	104,767
Interest received	—	21

See accompanying notes

LDIC North American Small Business Fund (Corporate Class)

Schedule of Investment Portfolio (unaudited)

As at June 30, 2022

Number of securities of per value	Expiry date	Average cost	Fair value	Percentage of net assets
		\$	\$	%
Canadian Equities				
Communication Services				
38,600 Boat Rocker Media Inc.		138,767	108,466	
132,585 Thunderbird Entertainment Group Inc.		173,692	483,935	
		312,459	592,401	3.58
Consumer Discretionary				
10,500 AutoCanada Inc.		323,542	257,880	
15,000 Park Lawn Corp.		385,805	510,600	
		709,347	768,480	4.64
Consumer Staples				
95,000 CareRx Corp.		443,902	364,800	
11,000 Jamieson Wellness Inc.		368,212	393,910	
		812,114	758,710	4.58
Energy				
17,500 Advantage Energy Ltd.		125,552	140,000	
60,000 Birchcliff Energy Ltd.		186,636	525,000	
35,000 NuVista Energy Ltd.		321,622	361,200	
5,250 Precision Drilling Corp.		442,811	434,228	
115,000 Tamarack Valley Energy Ltd.		381,949	497,950	
8,000 Tourmaline Oil Corp.		112,064	535,440	
60,500 Whitecap Resources Inc.		276,868	540,870	
		1,847,502	3,034,688	18.32
Financials				
8,000 Canadian Western Bank		293,946	208,240	
35,000 Chesswood Group Ltd.		433,875	425,250	
70,000 ECN Capital Corp.		254,416	385,700	
16,500 Trisura Group Ltd.		388,962	549,945	
		1,371,199	1,569,135	9.47
Health Care				
178,000 Hemptown Organics Corp.		400,500	89,000	
89,000 Hemptown Organics Corp., Warrants	30-Aug-22	—	—	
		400,500	89,000	0.54

LDIC North American Small Business Fund (Corporate Class)

Schedule of Investment Portfolio (unaudited) (continued)

As at June 30, 2022

Number of securities of per value	Expiry date	Average cost	Fair value	Percentage of net assets
	date	\$	\$	%
Industrial				
8,000	Calian Group Ltd.	407,903	504,480	
2,850	Cargojet Inc.	338,306	406,154	
120,000	Chorus Aviation Inc.	509,904	392,400	
9,000	GDI Integrated Facility Services Inc.	361,909	410,940	
15,000	Hardwoods Distribution Inc.	444,841	423,900	
		<u>2,062,863</u>	<u>2,137,874</u>	12.90
Information Technology				
45,000	Converge Technology Solutions Corp.	142,171	230,850	
5,000	Docebo Inc.	193,743	184,850	
3,000	Kinaxis Inc.	353,253	416,880	
		<u>689,167</u>	<u>832,580</u>	5.02
Materials				
30,000	Capstone Copper Corp.	154,539	97,500	
7,000	Interfor Corp.	245,806	181,580	
36,900	Major Drilling Group International Inc.	416,359	333,207	
30,000	Osisko Gold Royalties Ltd.	487,283	389,400	
		<u>1,303,987</u>	<u>1,001,687</u>	6.05
Real Estate				
20,000	BSR Real Estate Investment Trust	479,523	386,729	
104,200	StorageVault Canada Inc.	261,384	617,905	
		<u>740,907</u>	<u>1,004,634</u>	6.07
Total Canadian Equities				
		<u>10,250,045</u>	<u>11,789,189</u>	71.17
Foreign equities				
Materials				
57,500	Kinaxis Inc.	344,228	271,400	
		<u>344,228</u>	<u>271,400</u>	1.64
Total foreign equities				
		<u>344,228</u>	<u>271,400</u>	1.64
Total Equities				
		<u>10,594,273</u>	<u>12,060,589</u>	72.81
Transaction Costs				
		(23,445)		
Total Investments				
		<u>10,570,828</u>	<u>12,060,589</u>	72.81
Other assets less liabilities				
			4,503,334	27.19
Net Assets Attributable to Holders of Redeemable Units				
			<u>16,563,923</u>	100.00

LDIC North American Small Business Fund (Corporate Class)

Notes to financial statements (unaudited)

June 30, 2022

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., 10, Alcorn Ave., Suite 205, Toronto, Ontario. These financial statements were authorized for issue by LDIC Inc. [the “Manager”] on August 15, 2022.

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”] 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 issued and outstanding as of August 15, 2022, 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 (unaudited)

June 30, 2022

3. Summary of significant accounting policies

[a] IFRS 9, *Financial Instruments*

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 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 "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.

[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].

LDIC North American Small Business Fund (Corporate Class)

Notes to financial statements (unaudited)

June 30, 2022

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.

[d] Impairment of financial assets

The Fund 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 period-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 consists of cash held on deposit with financial institutions with maturity dates of less than 30 days.

[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 (Loss).

[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 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 (unaudited)

June 30, 2022

[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 (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.

[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 (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.

[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 Funds, the Manager has assessed the Funds' business model for managing their respective portfolios 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 (unaudited)

June 30, 2022

- 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, 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.

[m] Provisions

Provisions are recognised 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 recognised as interest expense.

[n] Financial assets derecognition

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

- The rights to receive cash flows from the asset have expired; or
- 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) Fund has transferred substantially all the risks and rewards of the asset; or (b) Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When 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, Fund continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that 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.

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Notes to financial statements (unaudited)

June 30, 2022

Financial assets are written off either partially or in their entirety only when the Corporation 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 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 30, 2022		
	Series A	Series F	Series F1
	\$	\$	\$
Outstanding at beginning of period	43,880	732,493	468,767
Redeemable shares issued	405	—	8,591
Redeemable shares redeemed	(8,662)	(18,612)	(69,070)
Outstanding at end of period	35,623	713,881	408,288

	June 30, 2021		
	Series A	Series F	Series F1
	\$	\$	\$
Outstanding at beginning of period	44,067	756,790	488,019
Redeemable shares issued	753	—	29,023
Redeemable shares redeemed	—	(18,938)	(46,191)
Outstanding at end of period	44,820	737,852	470,851

5. Related party transactions

As at June 30, 2022, the Manager of the Fund and certain Directors and Officers of the Manager held a total of 279,303 [December 31, 2021 – 280,861] Series F shares and 58,894 [December 31, 2021 – 58,894] Series F1 shares of the Fund.

LDIC North American Small Business Fund (Corporate Class)

Notes to financial statements (unaudited)

June 30, 2022

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” [the “benchmark return”] over the same period.

6. Taxation of the Fund and allocation to shareholders

LDIC Mutual Fund Corporation Inc. [the “Fund”, or 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.

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Notes to financial statements (unaudited)

June 30, 2022

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 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, 2021 and 2020. The Fund has accumulated non-capital loss carryforwards as at December 31, 2021 of \$555,829 [2020 – \$927,020].

7. Transaction costs

Commissions and other transaction fees paid for portfolio transactions for six-month period ended June 30, 2022 were \$39,842 [2021 – \$78,615].

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 six-month periods ended June 30, 2022 and 2021 was \$5,281 and \$14,246, 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)

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[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 2022 and December 31, 2021, the Fund had not directly invested in debt instruments.

[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.

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 2022 and December 31, 2021, 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)

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(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, 2022		December 31, 2021	
	Currency exposure	Percentage of net assets	Currency exposure	Percentage of net assets
	\$	%	\$	%
U.S. dollar	904,073	5.5	990,667	4.8

As at June 30, 2022, 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 \$45,204 [December 31, 2021 – \$49,533]. 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, 2022, approximately 72.8% [December 31, 2021 – 78.4%] 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, 2022, the Net Assets of the Fund would have increased or decreased by approximately \$603,029 or 3.6% [December 31, 2021 – \$802,447 or 3.9%] with all other factors remaining constant. In practice, the actual results may differ and the difference could be material.

(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.

LDIC North American Small Business Fund (Corporate Class)

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

Investment sector	June 30, 2022	December 31,
	%	2021 %
Communication services	3.6	2.8
Consumer discretionary	4.6	7.4
Consumer staples	4.6	5.2
Energy	18.3	16.0
Financials	9.5	12.8
Health care	0.5	0.5
Industrial	12.9	12.1
Information technology	5.0	8.8
Materials	7.7	5.3
Real estate	6.1	7.5
Net other assets/liabilities	27.2	21.6
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, 2022 and December 31, 2021:

	Financial assets (liabilities) at fair value as at June 30, 2022			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Equities	11,971,589	—	89,000	12,060,589
Warrants	—	—	—	—
	11,971,589	—	89,000	12,060,589

	Financial assets (liabilities) at fair value as at December 31, 2021			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Equities	15,942,815	—	89,000	16,031,815
Warrants	17,125	—	—	17,125
	15,959,940	—	89,000	16,048,940

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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, 2021	—	89,000
Sales	—	—
Realized gains (loses)	—	—
Change in unrealized appreciation (depreciation) on investments	—	—
Balance as at June 30, 2022	—	89,000
Net change in unrealized appreciation from investments as at June 30, 2022	—	—
	Bonds \$	Equities \$
Balance as at December 31, 2020	—	329,300
Change in unrealized appreciation (depreciation) on investments	—	(240,300)
Balance as at December 31, 2021	—	89,000
Net change in unrealized appreciation from investments as at December 31, 2021	—	(240,300)

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, 2022 and December 31, 2021, 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	June 30, 2022		
	Fair value \$	Valuation technique	Unobservable inputs
Hempton Organics Corp.	89,000	Recent transactions	N/A
Total	89,000		
	December 31, 2021		
Investment name	Fair value \$	Valuation technique	Unobservable inputs
Hempton Organics Corp.	89,000	Recent transactions	N/A
Total	89,000		

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

LDIC North American Small Business Fund (Corporate Class)

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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.