

LDIC North American Small Business Fund (Corporate Class)

**Interim financial statements (unaudited)
June 30, 2023**

LDIC North American Small Business Fund (Corporate Class)

Statements of financial position [unaudited]

As at June 30, 2023 and December 31, 2022

	2023	2022
	\$	\$
Assets		
Current assets		
Financial assets at fair value through profit or loss <i>[note 3 and schedule 1]</i>	13,666,038	15,742,051
Cash	341,775	586,125
Accrued dividends	28,588	18,984
Receivables for investments sold	244,548	—
Total current assets	14,280,949	16,347,160
Liabilities		
Current liabilities		
Accrued expenses	57,667	67,797
Redemptions payable	—	25
Payable for investments purchased	211,414	—
Management fees payable	13,490	16,657
Total current liabilities [excluding net assets attributable to holders of redeemable shares]	282,571	84,479
Net assets attributable to holders of redeemable shares <i>[note 4]</i>	13,998,378	16,262,681
Net assets attributable to holders of redeemable shares per series		
Series A	296,211	472,833
Series F	8,485,994	9,998,795
Series F1	5,216,173	5,791,053
Net assets attributable to holders of redeemable shares per series per share <i>[note 4]</i>		
Series A	13.29	13.50
Series F	14.35	14.49
Series F1	13.90	14.08

See accompanying notes

Approved on behalf of LDIC Inc., as manager of the LDIC North American Small Business Fund (Corporate Class).

/s/ Michael B. Decter
Michael B. Decter, Director

/s/ Ron Bailey
Ron Bailey, Director

LDIC North American Small Business Fund (Corporate Class)

Statements of comprehensive income (loss) [unaudited]

For the Six-month periods ended June 30

	2023	2022
	\$	\$
Net gain (loss) on financial instruments		
Dividend income	146,251	111,930
Interest for distribution purposes	18,306	—
Foreign exchange gain (loss)	(4,014)	(9,823)
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	946,616	1,532,200
Change in unrealized appreciation (depreciation) in value of investments	(944,324)	(3,959,411)
Change in unrealized appreciation (depreciation) in value of foreign exchange from currency	602	22,417
Net gain (loss) on financial instruments	163,437	(2,302,687)
Expenses [note 5]		
Management fees	99,299	131,425
Transaction costs [note 7]	74,040	39,842
Other	28,751	29,796
Valuation fees	17,660	17,834
Performance fees	—	16,224
Legal fees	16,748	15,945
Audit fees	16,494	15,518
Securityholder reporting costs	10,868	11,349
Filing fees	11,371	10,540
Custodian fees	4,211	4,111
Independent review committee fees	3,597	1,906
Total expenses	283,039	294,490
Increase (decrease) in net assets attributable to holders of redeemable shares before tax	(119,602)	(2,597,177)
Withholding taxes [note 6]	—	(729)
Increase (decrease) in net assets attributable to holders of redeemable shares from operations [excluding distributions]	(119,602)	(2,597,906)
Increase (decrease) in net assets attributable to holders of redeemable shares per series from operations [excluding distributions]		
Series A	(4,253)	(76,116)
Series F	(56,258)	(1,549,686)
Series F1	(59,091)	(972,104)
Average number of shares outstanding for the period per series		
Series A	29,354	38,424
Series F	614,866	722,164
Series F1	379,771	457,373
Increase (decrease) in net assets attributable to holders of redeemable shares per share from operations [excluding distributions]		
Series A	(0.14)	(1.98)
Series F	(0.09)	(2.15)
Series F1	(0.16)	(2.13)

See accompanying notes

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

	Series A		Series F	
	2023	2022	2023	2022
	\$	\$	\$	\$
Net assets attributable to holders of redeemable shares, beginning of period	472,833	686,774	9,998,795	12,181,483
Increase (decrease) in net assets attributable to holders of redeemable shares from operations [excluding distributions]	(4,253)	(76,116)	(56,258)	(1,549,686)
Redeemable share transactions				
Proceeds from redeemable shares issued	—	6,113	—	—
Redemption of redeemable shares	(172,369)	(134,009)	(1,456,543)	(303,146)
	(172,369)	(127,896)	(1,456,543)	(303,146)
Net increase (decrease) in net assets attributable to holders of redeemable shares	(176,622)	(204,012)	(1,512,801)	(1,852,832)
Net assets attributable to holders of redeemable shares, end of period	296,211	482,762	8,485,994	10,328,651
	Series F1		Total	
	2023	2022	2023	2022
	\$	\$	\$	\$
Net assets attributable to holders of redeemable shares, beginning of period	5,791,053	7,609,890	16,262,681	20,478,147
Increase (decrease) in net assets attributable to holders of redeemable share transactions from operations [excluding distributions]	(59,091)	(972,104)	(119,602)	(2,597,906)
Proceeds from redeemable shares issued	235,095	135,890	235,095	142,003
Redemption of redeemable shares	(750,884)	(1,021,166)	(2,379,796)	(1,458,321)
	(515,789)	(885,276)	(2,144,701)	(1,316,318)
Net increase (decrease) in net assets attributable to holders of redeemable shares	(574,880)	(1,857,380)	(2,264,303)	(3,914,224)
Net assets attributable to holders of redeemable shares, end of period	5,216,173	5,752,510	13,998,378	16,563,923

See accompanying notes

LDIC North American Small Business Fund (Corporate Class)

Statements of cash flows [unaudited]

For the Six-month periods ended June 30

	2023	2022
	\$	\$
Operating activities		
Increase (decrease) in net assets attributable to holders of redeemable shares from operations [excluding distributions]	(119,602)	(2,597,906)
Adjustments for:		
Foreign exchange (gain) loss	4,014	9,823
Net realized (gain) loss on sale of investments	(946,616)	(1,532,200)
Change in unrealized (appreciation) depreciation in value of investments	944,324	3,959,411
Purchases of investments	(16,476,816)	(8,434,477)
Proceeds from sale of investments	18,521,987	9,991,235
Accrued dividends	(9,604)	1,855
Performance fees	—	11,210
Accrued expenses	(10,130)	(41,746)
Management fees payable	(3,167)	(3,425)
Cash provided by operating activities	1,904,390	1,363,780
Financing activities		
Proceeds from redeemable shares issued	235,095	78,731
Redemption of redeemable shares	(2,379,821)	(797,068)
Cash used in financing activities	(2,144,726)	(718,337)
Net increase (decrease) in cash during the period	(240,336)	645,443
Foreign exchange gain (loss)	(4,014)	(9,823)
Cash, beginning of period	586,125	4,487,133
Cash, end of period	341,775	5,122,753
Supplemental cash flow information		
Dividends received, net of withholding taxes	136,647	113,056
Interest received	18,306	—

See accompanying notes

Schedule of investment portfolio [unaudited]

As at June 30, 2023

Number of shares	Maturity/ expiry date	Average cost \$	Fair value \$	Percentage of net assets %
Canadian equities				
Communication services				
37,585	Thunderbird Entertainment Group Inc.	49,238	132,299	0.95
Consumer discretionary				
135,000	Diversified Royalty Corp.	413,246	383,399	
14,000	Park Lawn Corp.	385,429	340,620	
		798,675	724,019	5.17
Consumer staples				
3,900	Premium Brands Holdings Corp.	392,162	407,667	2.91
Energy				
25,000	Freehold Royalties Ltd.	366,156	336,000	
3,500	Gibson Energy Inc.	70,525	73,710	
15,000	Gibson Energy Inc.	321,540	312,450	
11,500	Keyera Corp.	345,787	351,325	
5,250	Tourmaline Oil Corp.	73,542	327,705	
35,000	Whitecap Resources Inc.	195,091	324,450	
		1,372,641	1,725,640	12.33
Financials				
11,000	Definity Financial Corp.	401,759	386,651	
20,000	Element Fleet Management Corp.	352,033	403,600	
10,500	Trisura Group Ltd.	293,310	394,485	
		1,047,102	1,184,736	8.46
Healthcare				
178,000	Hemptown Organics Corp.	400,500	96,120	
40,000	Quipt Home Medical Corp.	354,368	284,000	
55,000	Well Health Technologies Corp.	207,326	261,250	
		962,194	641,370	4.58

Schedule of investment portfolio (unaudited) [continued]

As at June 30, 2023

Number of shares		Maturity/ expiry date	Average cost \$	Fair value \$	Percentage of net assets %
Industrial					
7,000	Ag Growth International Inc.		355,660	354,690	
22,000	Air Canada		462,928	549,780	
3,500	ATS Corp.		211,412	213,325	
1,550	Boyd Group Services Inc.		292,648	391,763	
4,500	Calian Group Ltd.		247,078	276,885	
8,200	Exchange Income Corp.		410,683	429,762	
7,000	Hammond Power Solutions Inc.		129,940	343,770	
4,500	RB Global Inc.		337,577	357,750	
			<u>2,447,926</u>	<u>2,917,725</u>	<u>20.85</u>
Information technology					
33,000	Coveo Solutions Inc.		275,121	272,580	
7,250	Docebo Inc.		317,006	380,190	
2,050	Kinaxis Inc.		333,902	388,065	
40,000	Sylogist Ltd.		272,692	300,000	
			<u>1,198,721</u>	<u>1,340,835</u>	<u>9.58</u>
Materials					
37,500	Aya Gold & Silver Inc.		367,728	318,375	
60,000	Capstone Copper Corp.		297,342	360,600	
20,000	Chemtrade Logistics Income Fund		182,580	163,800	
120,000	OceanaGold Corp.		322,014	313,200	
36,600	Osisko Development Corp., Warrants	02-May-26	—	19,764	
20,000	Osisko Gold Royalties Ltd.		386,196	407,200	
4,500	Stella-Jones Inc.		291,605	306,990	
8,750	Winpak Ltd.		376,624	360,588	
			<u>2,224,089</u>	<u>2,250,517</u>	<u>16.08</u>
Real estate					
25,000	Dream Industrial Real Estate Investment Trust		351,964	352,750	
37,500	Nexus Industrial Real Estate Investment Trust		371,413	318,000	
64,400	StorageVault Canada Inc.		161,546	376,740	
			<u>884,923</u>	<u>1,047,490</u>	<u>7.48</u>
Funds					
11,000	Horizons High Interest Savings ETF		552,034	550,330	3.93
	Total Canadian equities		<u>11,929,705</u>	<u>12,922,628</u>	<u>92.32</u>

Schedule of investment portfolio (unaudited) [continued]

As at June 30, 2023

Number of shares	Maturity/ expiry date	Average cost \$	Fair value \$	Percentage of net assets %
Funds				
3,000	iShares Russell 2000 ETF	762,107	743,410	
	Total foreign equities	762,107	743,410	5.31
	Total equities	12,691,812	13,666,038	97.63
	Transaction costs	(21,610)		
	Total investments	12,670,202	13,666,038	97.63
	Other assets less liabilities		332,340	2.37
	Net assets attributable to holders of redeemable shares		13,998,378	100.00

LDIC North American Small Business Fund (Corporate Class)

Notes to interim financial statements [unaudited]

June 30, 2023

1. General information

The LDIC North American Small Business Fund (Corporate Class) [the “Fund”] is a class of shares of LDIC Mutual Fund Corporation Inc. [the “Corporation”]. The investment objective of the Fund is principally to provide long-term capital appreciation and income by investing primarily in equity and fixed-income securities of small capitalization companies based in North America. The address of the Fund’s registered office is LDIC Inc., 10 Alcorn Ave., Suite 205, Toronto, Ontario. These financial statements were authorized for issue by LDIC Inc. [the “Manager”] on August 15, 2023.

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 Standard [“IAS”] 34, *Interim Financial Reporting*, as published by the International Accounting Standards Board [“IASB”].

The policies applied in these financial statements are based on the annual financial statements issued and outstanding as of August 15, 2023, which is the date on which the financial statements were authorized for issue by the Manager and should be read in conjunction with the annual financial statements as at December 31, 2022.

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 interim financial statements [unaudited]

June 30, 2023

3. Summary of significant accounting policies

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

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

Foreign currency translation

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

Foreign exchange gains (losses) on purchases and sales of foreign currencies are included in “Foreign exchange gain (loss)” in the statements of comprehensive income (loss).

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

Fair value measurements

Financial instruments are valued at their fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day’s bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The Fund uses a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Fund’s investments. The hierarchy of inputs is summarized below:

- Level 1 – quoted prices [unadjusted] in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly [i.e., as prices] or indirectly [i.e., derived from prices]; and
- Level 3 – inputs for the asset or liability that are not based on observable market data [unobservable inputs].

LDIC North American Small Business Fund (Corporate Class)

Notes to interim financial statements [unaudited]

June 30, 2023

Changes in valuation methods may result in transfers into or out of an investment's assigned level.

A valuation hierarchy table has been included in note 10, *Fair value disclosure*.

Impairment of financial assets

The Fund 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.

Cash

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

Multi-series allocation

Expenses, realized and unrealized gains/losses and income generally are allocated among the series on a pro-rata basis.

Series-specific management fees are not allocated and do not require allocation.

Transaction costs

Transaction costs, such as brokerage commissions incurred in the purchase and sale of securities, are expensed and are included in "Transaction costs" in the statements of comprehensive income (loss).

Share valuation and valuation date

Shares are issued and redeemed on a continuing basis at the net assets attributable to holders of redeemable shares, which is determined for each series of shares of the Fund on each valuation day. A "valuation day" is any day that the Toronto Stock Exchange is open for business, unless the Fund is not accepting orders to purchase, switch or redeem shares on that day [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 interim financial statements [unaudited]

June 30, 2023

Investment transactions

Investment transactions are accounted for on the trade date. All income, net realized gains (losses), unrealized appreciation (depreciation) in the value of investments and transaction costs are attributable to investments that are deemed held for trading.

Revenue recognition

- The interest for distribution purposes shown on the statements of comprehensive income (loss) represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed-income securities, except for zero-coupon bonds, which are amortized on a straight-line basis.
- Dividend income is recorded on the ex-dividend date and is gross of withholding taxes.
- Realized gains and losses on investments and unrealized appreciation (depreciation) in the value of investments are calculated with reference to the average cost of the related investments.

Increase (decrease) in net assets attributable to holders of redeemable shares per share

The increase (decrease) in net assets attributable to holders of redeemable shares per share in the statements of comprehensive income (loss) represents the net increase (decrease) in net assets attributable to holders of redeemable shares per share, divided by the weighted average number of shares outstanding during the period of that series of shares.

Critical accounting estimates and judgments

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

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

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

In classifying and measuring financial instruments held by the Fund, the Manager has assessed the Fund's business model for managing its 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 interim financial statements [unaudited]

June 30, 2023

Investment entity

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

Provisions

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

Financial assets derecognition

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

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

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

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

LDIC North American Small Business Fund (Corporate Class)

Notes to interim financial statements [unaudited]

June 30, 2023

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

4. Redeemable shares

The shares of the Fund are issued and redeemed at their net assets attributable to holders of redeemable shares per 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 six-month periods ended June 30, 2023 and 2022, share transactions of the Fund were as follows:

	Series A	Series F	Series F1
Outstanding, beginning of period	35,034	690,055	411,331
Redeemable shares issued	—	—	16,733
Redeemable shares redeemed	(12,742)	(98,541)	(52,788)
Outstanding, end of period	22,292	591,514	375,276

	Series A	Series F	Series F1
Outstanding, 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, end of period	35,623	713,881	408,288

5. Related party transactions

As at June 30, 2023, the Manager of the Fund and certain Directors and Officers of the Manager held a total of 265,392 [December 31, 2022 – 278,382] Series F shares and 58,482 [December 31, 2022 – 58,894] Series F1 shares of the Fund.

LDIC North American Small Business Fund (Corporate Class)

Notes to interim financial statements [unaudited]

June 30, 2023

Management fees and expenses

The Manager provides investment and administrative services to the Fund. In consideration for these services, the Manager receives a fee based on a percentage of the net assets of the Fund calculated daily and payable monthly, as follows:

- Series A – 2.00% per annum
- Series F – 1.00% per annum
- Series F1 – 1.50% per annum

The Fund is responsible for the payment of all expenses relating to its operations and the carrying on of its business. These expenses include, but are not limited to, administration and accounting costs, the costs of any back-office service provider retained by the Manager, transaction costs, audit and legal fees, custodian fees, index licensing fees, regulatory filing fees, the costs of preparing and distributing annual and semi-annual financial statements, prospectuses, shareholder reports and investor communications. At certain times, the Manager may pay a portion of the expenses otherwise payable by the Fund.

At its sole discretion, the Manager may stop absorbing operating expenses and/or waiving management fees at any time. Operating expenses absorbed and/or management fees waived by the Manager are disclosed on the statements of comprehensive income (loss).

The Fund will pay a performance fee to the Manager, plus applicable taxes, at the end of each fiscal year. The performance fee will be 15% of the amount by which the series NAV at the end of the fiscal year [the “ending NAV”] exceeds the target NAV. The target NAV is calculated by multiplying the series NAV, net of performance fees paid, as at the last performance fee payment date [the “beginning NAV”] by the sum of one plus the return of the Fund’s “benchmark” [the “benchmark return”] over the same period.

6. Taxation of the Fund and allocation to shareholders

The corporation qualifies as a mutual fund corporation under the *Income Tax Act* (Canada) [the “Act”]. The general income tax rules associated with a public corporation also apply to a mutual fund corporation, with the exception that income taxes payable on realized capital gains are refundable on a formula basis when shares are redeemed or capital gains dividends are paid. The Corporation is a single legal entity for tax purposes and is not taxed on a fund-by-fund or class-by-class basis.

LDIC North American Small Business Fund (Corporate Class)

Notes to interim financial statements [unaudited]

June 30, 2023

The Corporation has a tax year-end of December 31. All of the Fund's expenses, including expenses common to all series of the Fund and management fees and other expenses specific to a particular series of a Fund, will be taken into account in determining the 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, 2022 and 2021. The Fund has accumulated non-capital loss carryforwards as at December 31, 2022 of \$257,389 [2021 – \$555,829].

7. Transaction costs

Commissions and other transaction fees paid for portfolio transactions for the six-month period ended June 30, 2023 were \$74,040 [2022 – \$39,842].

8. Soft dollar commissions

In addition to covering brokerage services on security transactions, commissions paid to certain brokers may also cover research services provided to the Manager. The values of the research services included in the commissions paid by the Fund to those brokers for the six-month periods ended June 30, 2023 and 2022 were \$17,933 and \$5,281, respectively.

9. Financial risk management

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

LDIC North American Small Business Fund (Corporate Class)

Notes to interim financial statements [unaudited]

June 30, 2023

Credit risk

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

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

As at June 30, 2023 and December 31, 2022, the Fund had not directly invested in debt instruments.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its obligations associated with its financial liabilities. The Fund's primary exposure to liquidity risk relates to its shareholders' rights to redeem their shares on any valuation date. Liquidity risk is managed by retaining sufficient cash 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.

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.

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, 2023 and December 31, 2022, the Fund had no direct exposure to debt instruments and the majority of the financial instruments held by the Fund are non-interest bearing.

LDIC North American Small Business Fund (Corporate Class)

Notes to interim financial statements [unaudited]

June 30, 2023

Currency risk

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

	June 30, 2023		December 31, 2022	
	Currency exposure	Percentage of net assets	Currency exposure	Percentage of net assets
	\$	%	\$	%
US dollar	749,583	5.4	877,845	5.4

As at June 30, 2023, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies represented in the portfolio, with all other variables remaining constant, net assets would have decreased or increased by approximately \$37,479 [December 31, 2022 – \$43,892]. In practice, the actual results may differ, and the difference could be material.

Other price risk

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

The Fund is exposed to other price risk from investments in equities. As at June 30, 2023, approximately 97.6% [December 31, 2022 – 96.8%] of the Fund's net assets were held directly in equities. If equity prices on the exchanges increased or decreased by 5% as at June 30, 2023, the net assets of the Fund would have increased or decreased by approximately \$683,302 or 4.9% [December 31, 2022 – \$787,103 or 4.8%] with all other factors remaining constant. In practice, the actual results may differ, and the difference could be material.

Concentration risk

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

LDIC North American Small Business Fund (Corporate Class)

Notes to interim financial statements [unaudited]

June 30, 2023

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

Investment sector	June 30, 2023 %	December 31, 2022 %
Communication services	0.9	1.3
Consumer discretionary	5.2	5.6
Consumer staples	2.9	2.6
Energy	12.3	20.1
Financials	8.5	4.9
Healthcare	4.6	0.6
Industrial	20.8	17.4
Information technology	9.6	6.2
Materials	16.1	15.9
Real estate	7.5	5.7
Funds	9.2	16.5
Net other assets/liabilities	2.4	3.2
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, 2023 and December 31, 2022:

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Equities	13,550,154	19,764	96,120	13,666,038
	December 31, 2022			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Equities	15,645,931	—	96,120	15,742,051

LDIC North American Small Business Fund (Corporate Class)

Notes to interim financial statements [unaudited]

June 30, 2023

The following is a reconciliation of investments in which significant unobservable inputs [Level 3] were used to determine their fair value:

	Bonds \$	Equities \$
Balance as at December 31, 2022	—	96,120
Balance as at June 30, 2023	—	96,120
Net change in unrealized appreciation from investments as at June 30, 2023	—	—
	Bonds \$	Equities \$
Balance as at December 31, 2021	—	89,000
Change in unrealized appreciation (depreciation) on investments	—	7,120
Balance as at December 31, 2022	—	96,120
Net change in unrealized appreciation from investments as at December 31, 2022	—	7,120

The Manager of the Fund is responsible for performing the valuation of the fair value measurements included in the financial statements, including the Level 3 fair values. As at June 30, 2023 and December 31, 2022, the fair values of Level 3 securities held by the Fund comprised the following securities, and the unobservable inputs used in the fair value measurement of these investments were as follows:

	June 30, 2023		
Investment name	Fair value \$	Valuation technique	Unobservable inputs
Hempton Organics Corp.	96,120	Recent transactions	N/A
	December 31, 2022		
Investment name	Fair value \$	Valuation technique	Unobservable inputs
Hempton Organics Corp.	96,120	Recent transactions	N/A

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

LDIC North American Small Business Fund (Corporate Class)

Notes to interim financial statements [unaudited]

June 30, 2023

11. Capital management

The investment objective of the Fund is to provide long-term capital appreciation and income by investing primarily in equity and fixed-income securities of small capitalization companies based in North America. The capital of the Fund is divided into three series, Series A, Series F and Series F1, with each series having an unlimited number of shares. The shares issued and outstanding represent the capital of the Fund, and shareholders are entitled to distributions when declared.

The Fund manages its capital in accordance with 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.

12. Subsequent events

The Fund has evaluated events subsequent to June 30, 2023 through to the date of approval of the financial statements by the Board of Directors for disclosure and has determined that there were no events that should be disclosed in these financial statements.