



**LDIC North American Small Business Fund**

**(Corporate Class)**

Management Report of Fund Performance

June 30, 2023

*Series A shares, Series F shares and Series F1 shares of LDIC North American Small Business Fund*

## **LDIC North American Small Business Fund**

For the period ended June 30, 2023

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.

Shareholders 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 10 Alcorn Avenue, Suite 205, Toronto, ON, M4V 3A9 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 long-term capital appreciation and income by investing primarily in equity and fixed income securities of small cap companies based in North America. The Fund may also include similar investments in mid-capitalization businesses. The prior approval of shareholders is required before a fundamental change is made to the investment objective of the Fund. This approval must be given by a resolution passed by a majority of the votes cast at a meeting of the shareholders of the Fund.

Techniques such as fundamental analysis may be used to assess the growth and value potential of an investment which requires evaluating the financial condition and management of each company, its industry, and the overall economy. As part of this evaluation, the Manager may analyze financial data and other information sources, assess the quality of management, and conduct company interviews.

### **Risk**

As of June 30, 2023, the risks of investing in the Fund remain as described in the prospectus. The main risk to investors is the market capitalization risk of small companies. Small cap companies are inherently higher risk because of 1) lower trading liquidity, 2) access to capital can be limited, and 3) operational history can be limited/minimal.

The Fund is suitable for investors who are seeking a potential for capital appreciation, have high medium risk tolerance and have a medium to long-term investing horizon. However, the level of risk associated with any particular investment depends largely on an investor's personal circumstances. Investors can invest a component of their total portfolio in the Fund to provide portfolio diversification. Investors should consider their personal investment profile and consult their financial advisor before making a decision to invest in the Fund.

## **Result of Operations**

The Fund lost 1.6% on the Series A and 1.0% on the Series F and 1.3% on the Series F1 units during the period. The Fund's benchmark (90% S&P/TSX Small Cap Index/10% Russell 2000) was up 1.319% during the period.

It therefore under-performed the Benchmark. The primary reason for the underperformance was related to the strength in US small caps vs. Canadian small caps. The Russel 2000 index gained 8.1% YTD, while the TSX Small Cap index was relatively flat returning +0.6% thus far. The momentum in US stocks can be extrapolated into the broader market with the S&P 500 advancing 16.9% YTD, while the TSX Index rose only 5.8%.

We attribute the large delta to momentum in the heavier weighting in Technology sector amongst US indices (+22.5% YTD in the Russel 2000) while the Energy and Materials heavy Canadian indices faced headwinds, with Energy down 8.3% and Materials were roughly flat at -0.8% YTD.

The fund has moved from E&P names into servicing and royalty companies in Energy, in an effort to reduce the volatility as well as increase the fund's yield. The Fund also added to its Technology exposure, in an effort to benefit from rising sentiment in the space.

## **Recent Developments**

Given the current uncertainty in the market amongst Canadian Small caps, we have favored to allocate some of our holdings to cash. Should the Canadian small cap market gain its footing, we will deploy proceeds, as the pullback has created attractive value propositions.

We have maintained our exposure to the US given the growth setup. We will continue to monitor any macro risks related to monetary policies and geopolitical risks related to the war in the Ukraine, and allocate tactically where we feel the reward outweighs the risk.

## **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:

Series A: 2.00% per annum  
Series F: 1.00% per annum  
Series F1: 1.50% per annum

The Fund will pay a performance fee to LDIC Inc., plus applicable taxes, at the end of each fiscal year. The performance fee will be 15% of the amount by which the Series NAV at the end of the fiscal year (adding back the amounts of any distributions paid on the shares of the Fund) (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.

As of June 30, 2023, the Manager of the Fund and certain Directors and Officers of the manager held a total of 265,392 shares of the F Series of the Fund and 58,482 Series F1 of the Fund.

**Management Fees**

All management fees are based on the NAV of a series of shares, calculated on each Valuation Date and paid monthly. The management fee for the Fund is 2.00% for Series A, 1.00% for Series F, and 1.50% for Series F1. The breakdown of the services received in consideration of the management fee, as a percentage of the management fee is:

	Series A	Series F	Series F1
Management of Fund	37.5%	100%	100%
Trailing commission to Broker	62.5%	N/A	N/A

### **Financial Highlight**

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the period ended June 30, 2023 and for the past six 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. Ratios and supplemental data are derived from the Fund's Net Asset Value.

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

	SERIES A						
	2023	2022	2021	2020	2019	2018	2017
Net Assets, beginning of period	\$ 13.50	\$ 15.65	\$ 14.56	\$ 11.43	\$ 11.17	\$ 13.34	\$ 12.45
<b>Increase (decrease) from operations:</b>							
Total revenue	0.15	0.22	0.27	0.12	0.16	0.16	0.14
Total expenses	(0.32)	(0.59)	(0.60)	(0.74)	(0.56)	(0.72)	(0.71)
Realized gains (losses) for the period	0.92	1.08	1.68	0.98	0.65	1.02	1.64
Unrealized gains (losses) for the period	(0.89)	(2.80)	(0.25)	2.23	1.70	(1.71)	0.95
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>(0.14)</b>	<b>(2.09)</b>	<b>1.10</b>	<b>2.59</b>	<b>1.95</b>	<b>(1.25)</b>	<b>2.02</b>
<b>Distributions:</b>							
From income (excluding dividends)	-	-	-	-	-	-	-
From dividends	-	-	-	-	(0.19)	(0.14)	(0.19)
From capital gains	-	-	-	-	(0.21)	(0.80)	(0.88)
Return of capital	-	-	-	-	-	-	-
<b>Total annual distributions<sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.40)</b>	<b>(0.94)</b>	<b>(1.07)</b>
Net Assets, end of period	\$ 13.29	\$ 13.50	\$ 15.65	\$ 14.56	\$ 11.43	\$ 11.17	\$ 13.34

SERIES F

	2023	2022	2021	2020	2019	2018	2017
	\$	\$	\$	\$	\$	\$	\$
<b>Net Assets, beginning of period</b>	<b>14.49</b>	<b>16.63</b>	<b>15.29</b>	<b>11.93</b>	<b>11.52</b>	<b>13.62</b>	<b>12.60</b>
<b>Increase (decrease) from operations:</b>							
Total revenue	0.16	0.23	0.28	0.12	0.16	0.16	0.14
Total expenses	(0.26)	(0.46)	(0.45)	(0.65)	(0.21)	(0.56)	(0.61)
Realized gains (losses) for the period	0.93	1.03	1.77	1.02	(0.17)	1.04	1.62
Unrealized gains (losses) for the period	(0.92)	(2.93)	(0.25)	2.52	1.12	(1.76)	0.94
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>(0.09)</b>	<b>(2.13)</b>	<b>1.35</b>	<b>3.01</b>	<b>0.90</b>	<b>(1.12)</b>	<b>2.09</b>
<b>Distributions:</b>							
From income (excluding dividends)	-	-	-	-	-	-	-
From dividends	-	-	-	-	(0.20)	(0.14)	(0.19)
From capital gains	-	-	-	-	(0.22)	(0.82)	(0.88)
Return of capital	-	-	-	-	-	-	-
<b>Total annual distributions<sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.42)</b>	<b>(0.96)</b>	<b>(1.07)</b>
<b>Net Assets, end of period</b>	<b>14.35</b>	<b>14.49</b>	<b>16.63</b>	<b>15.29</b>	<b>11.93</b>	<b>11.52</b>	<b>13.62</b>

SERIES F1

	2023	2022	2021	2020	2019	2018	2017
	\$	\$	\$	\$	\$	\$	\$
<b>Net Assets, beginning of period</b>	<b>14.08</b>	<b>16.23</b>	<b>15.01</b>	<b>11.79</b>	<b>11.43</b>	<b>13.60</b>	<b>12.63</b>
<b>Increase (decrease) from operations:</b>							
Total revenue	0.16	0.22	0.28	0.11	0.17	0.17	0.14
Total expenses	(0.29)	(0.53)	(0.53)	(0.71)	(0.54)	(0.66)	(0.67)
Realized gains (losses) for the period	0.90	1.07	1.70	1.09	0.85	0.99	1.74
Unrealized gains (losses) for the period	(0.93)	(3.02)	(0.20)	3.20	1.92	(1.74)	1.03
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>(0.16)</b>	<b>(2.26)</b>	<b>1.25</b>	<b>3.69</b>	<b>2.40</b>	<b>(1.24)</b>	<b>2.24</b>
<b>Distributions:</b>							
From income (excluding dividends)	-	-	-	-	-	-	-
From dividends	-	-	-	-	(0.20)	(0.14)	(0.19)
From capital gains	-	-	-	-	(0.22)	(0.82)	(0.88)
Return of capital	-	-	-	-	-	-	-
<b>Total annual distributions<sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.42)</b>	<b>(0.96)</b>	<b>(1.07)</b>
<b>Net Assets, end of period</b>	<b>13.90</b>	<b>14.08</b>	<b>16.23</b>	<b>15.01</b>	<b>11.79</b>	<b>11.43</b>	<b>13.60</b>

- (1) This information is derived from the Fund audited annual financial statements and unaudited interim financial statements.  
(2) Net Assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period.  
(3) Distributions were paid in cash/reinvested in additional shares of the Fund, or both.  
(4) Shares of series F1 for this Fund were first issued on May 31, 2016.

## Ratios and Supplemental Data

	SERIES A						
	June 30,	Dec 31,	Dec 31,	Dec 31,	Dec 31,	Dec 31,	Dec 31,
	2023	2022	2021	2020	2019	2018	2017
Total Net Asset Value (\$) <sup>(1)</sup>	<b>296,211</b>	472,833	686,774	641,421	915,989	4,245,997	4,689,792
Number of shares outstanding <sup>(1)</sup>	<b>22,292</b>	35,034	43,880	44,067	80,151	379,965	351,453
Management expense ratio <sup>(2) (5)</sup>	<b>3.73%</b>	3.60%	3.27%	5.91%	3.02%	4.37%	4.69%
Management expense ratio before waivers or absorption <sup>(2) (5)</sup>	<b>3.73%</b>	3.60%	3.27%	5.91%	3.02%	4.37%	4.69%
Management expense ratio excluding performance fees <sup>(5)</sup>	<b>3.73%</b>	3.60%	3.27%	3.38%	3.02%	2.76%	2.87%
Trading expense ratio <sup>(3) (5)</sup>	<b>1.01%</b>	0.49%	0.57%	0.69%	0.85%	1.17%	1.18%
Portfolio turnover rate <sup>(4)</sup>	<b>122.18%</b>	135.01%	91.92%	111.62%	112.69%	170.82%	190.36%
Net Asset Value per share (\$)	<b>13.29</b>	13.50	15.65	14.56	11.43	11.17	13.34

	SERIES F						
	June 30,	Dec 31,	Dec 31,	Dec 31,	Dec 31,	Dec 31,	Dec 31,
	2023	2022	2021	2020	2019	2018	2017
Total Net Asset Value (\$) <sup>(1)</sup>	<b>8,485,994</b>	9,998,795	12,181,483	11,573,563	10,918,427	11,539,264	13,299,194
Number of shares outstanding <sup>(1)</sup>	<b>591,514</b>	690,055	732,493	756,790	915,425	1,001,690	976,349
Management expense ratio <sup>(2) (5)</sup>	<b>2.62%</b>	2.56%	2.14%	4.86%	2.07%	3.38%	3.79%
Management expense ratio before waivers or absorption <sup>(2) (5)</sup>	<b>2.62%</b>	2.56%	2.14%	4.86%	2.07%	3.38%	3.79%
Management expense ratio excluding performance fees <sup>(5)</sup>	<b>2.62%</b>	2.56%	2.14%	2.27%	2.07%	1.63%	1.78%
Trading expense ratio <sup>(3) (5)</sup>	<b>1.01%</b>	0.49%	0.57%	0.69%	0.85%	1.17%	1.18%
Portfolio turnover rate <sup>(4)</sup>	<b>122.18%</b>	135.01%	91.92%	111.62%	112.69%	170.82%	190.36%
Net Asset Value per share (\$)	<b>14.35</b>	14.49	16.63	15.29	11.93	11.52	13.62

	SERIES F1						
	June 30,	Dec 31,	Dec 31,	Dec 31,	Dec 31,	Dec 31,	Dec 31,
	2023	2022	2021	2020	2019	2018	2017
Total Net Asset Value (\$) <sup>(1)</sup>	<b>5,216,173</b>	5,791,053	7,609,890	7,327,157	4,717,879	15,399,415	13,221,139
Number of shares outstanding <sup>(1)</sup>	<b>375,276</b>	411,331	468,767	488,019	400,229	1,347,374	972,330
Management expense ratio <sup>(2) (5)</sup>	<b>3.20%</b>	3.03%	2.71%	5.27%	2.33%	3.93%	4.29%
Management expense ratio before waivers or absorption <sup>(2) (5)</sup>	<b>3.20%</b>	3.03%	2.71%	5.27%	2.33%	3.93%	4.29%
Management expense ratio excluding performance fees <sup>(5)</sup>	<b>3.20%</b>	3.03%	2.71%	2.82%	2.33%	2.24%	2.33%
Trading expense ratio <sup>(3) (5)</sup>	<b>1.01%</b>	0.49%	0.57%	0.69%	0.85%	1.17%	1.18%
Portfolio turnover rate <sup>(4)</sup>	<b>122.18%</b>	135.01%	91.92%	111.62%	112.69%	170.82%	190.36%
Net Asset Value per share (\$)	<b>13.90</b>	14.08	16.23	15.01	11.79	11.43	13.60

(1) The information is provided for the period ended June 30, 2023 and for the past six years ended December 31, 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 period. 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 period.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover in a period, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

(5) Percentages are annualized.

(6) Shares of series A for this Fund were first issued on May 29, 2015 and series F were first issued on May 22, 2015.

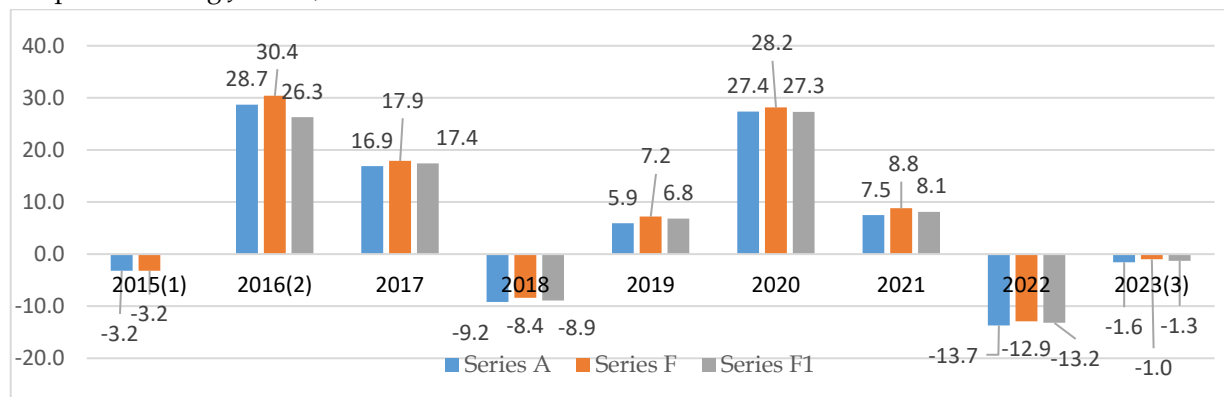
(7) Shares of series F1 for this Fund were first issued on May 31, 2016.



## Past Performance

### A) Annual Total Returns (%)

The bar chart shows the investment fund's performance in percentage terms of Series A and F of the Fund, since inception of the fund to December 31, 2015 and Series A, Series F, and Series F1 for the period ending June 30, 2023.



- (1) Returns for Series A and Series F, are from May 29 and May 22, 2015 respectively, to December 31, 2015.
- (2) Return for Series F1 is from May 31, 2016 to December 31, 2016.
- (3) Returns for Series A, Series F and Series F1 are from January 1, 2023 to June 30, 2023.

### About the Fund's Benchmark

#### S&P TSX Small Cap Index (90%)

The S&P/TSX Small Cap Index measures the performance of small cap Canadian equity securities listed on the Toronto Stock Exchange. Securities in the index are selected by S&P using its industrial classifications and guidelines for evaluating issuer capitalization, liquidity and fundamentals. The index is float adjusted and market cap weighted and was developed with industry input as the ideal benchmark for those with small cap exposure of the Canadian equity market.

#### Russel 2000 Index (10%)

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000 is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

**Summary of Investment Portfolio as at June 30, 2023**

**Top 25 Investments as of June 30, 2023**

	<b>% of Funds Net Asset Value</b>
1 iShares Russell 2000 ETF	5.3
2 Horizons High Interest Savings ETF	3.9
3 Air Canada	3.9
4 Exchange Income Corp.	3.1
5 Premium Brands Holdings Corp.	2.9
6 Osisko Gold Royalties Ltd.	2.9
7 Element Fleet Management Corp.	2.9
8 Trisura Group Ltd.	2.8
9 Boyd Group Services Inc.	2.8
10 Kinaxis Inc.	2.8
11 Definity Financial Corp.	2.8
12 Gibson Energy Inc.	2.8
13 Diversified Royalty Corp.	2.7
14 Docebo Inc.	2.7
15 StorageVault Canada Inc.	2.7
16 Capstone Copper Corp.	2.6
17 Winpak Ltd.	2.6
18 RB Global Inc.	2.6
19 Ag Growth International Inc.	2.5
20 Dream Industrial Real Estate Investment Trust	2.5
21 Keyera Corp.	2.5
22 Hammond Power Solutions Inc.	2.5
23 Cash	2.4
24 Park Lawn Corp.	2.4
25 Freehold Royalties Ltd.	2.4

Total Net Asset Value of the Fund as at June 30, 2023: \$13,998,378

As of June 30, 2023, all investments were only long positions.

<b>Sector Mix</b>	<b>% of Funds Net Asset Value</b>
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Communication Services	0.9
Consumer Discretionary	5.2
Consumer Staples	2.9
Energy	12.3
Financials	8.5
Funds	9.2
Health Care	4.6
Industrials	20.8
Information Technology	9.6
Materials	16.1
Real Estate	7.5
Cash	2.4

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100.0

<b>Geographic Mix</b>	<b>% of Funds Net Asset Value</b>
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Canada	94.6
United States of America	5.4

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100.0

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

### **Corporate Information**

#### **Corporate Address**

LDIC Inc.

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#### **Auditors**

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