



LetkoBrosseau

Letko Brosseau Bond Fund
Letko Brosseau Fonds d'obligations

ANNUAL FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024
(Expressed in Canadian Dollars)



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Independent Auditor's Report

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To the Unitholders of
Letko Brosseau Bond Fund /
Letko Brosseau Fonds d'obligations

Opinion

We have audited the financial statements of Letko Brosseau Bond Fund / Letko Brosseau Fonds obligations (hereafter "the Fund"), which comprise the statements of financial position as at December 31, 2025 and 2024, and the statements of changes in net assets attributable to holders of redeemable units, the statements of comprehensive income and the statements of cash flows for the years then ended, and notes to financial statements, including material accounting policy information, and the schedule of investment portfolio as at December 31, 2025.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (hereafter "IFRS Accounting Standards").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Raymond Chabot Grant Thornton LLP¹

Montréal
March 27, 2026

¹ CPA auditor, public accountancy permit no. A126944



	2025	2024
	\$	\$
Current assets		
Cash	54,041	29,393
Investments	28,280,120	22,275,924
Interest, dividends and other receivables	144,490	139,062
	<u>28,478,651</u>	<u>22,444,379</u>
Current liabilities		
Accrued expenses	14,418	15,375
Net assets attributable to holders of redeemable units	<u>28,464,233</u>	<u>22,429,004</u>

Supplementary information

Number of redeemable units in circulation (note 5)	2,966,646	2,354,899
Net assets per unit attributable to holders of redeemable units (note 6)	\$ 9.5948	\$ 9.5244

Approved by the Board of Directors of Letko, Brosseau & Associates Inc., Fund Manager

Daniel Brosseau, Director



	2025 \$	2024 \$
Net assets attributable to holders of redeemable units, beginning of year	22,429,004	18,001,149
Change in net assets attributable to holders of redeemable units	935,115	1,151,087
Redeemable unit transactions		
Proceeds from issuance	7,540,649	4,566,994
Reinvestment of distributions	764,104	643,024
Redemptions	(2,432,557)	(1,282,185)
	5,872,196	3,927,833
Distributions to holders of redeemable units (note 6)		
Net investment income	(772,082)	(651,065)
Net assets attributable to holders of redeemable units, end of year	28,464,233	22,429,004

The accompanying notes are an integral part of the financial statements.



	2025	2024
	\$	\$
Investment income		
Net interest income for distribution purposes	776,373	653,276
Dividend income	-	6,779
Net securities lending income (note 9)	5,135	4,551
Foreign exchange gain (loss) on cash	-	(38)
Net realized gain (loss) on sale of investments	1,026	(219,215)
Net changes in unrealized appreciation (depreciation) of investments	172,160	724,533
	<u>954,694</u>	<u>1,169,886</u>
Expenses		
Trustee fees (note 10)	4,140	4,278
Professional fees	14,141	13,257
Filing fees	1,298	1,064
Portfolio transaction costs	-	200
	<u>19,579</u>	<u>18,799</u>
Change in net assets attributable to holders of redeemable units	<u>935,115</u>	<u>1,151,087</u>
Change in net assets per unit attributable to holders of redeemable units (note 3)	<u>0.3788</u>	<u>0.5484</u>

The accompanying notes are an integral part of the financial statements.



	2025	2024
	\$	\$
Cash flows from (used in) operating activities		
Change in net assets attributable to holders of redeemable units	935,115	1,151,087
Adjustments or variations for:		
Foreign exchange (gain) loss on cash	-	38
Net realized (gain) loss on sale of investments	(1,026)	219,215
Net changes in unrealized (appreciation) depreciation of investments	(172,160)	(724,533)
Interest, dividends and other receivables	(5,428)	(20,741)
Accrued expenses	(957)	438
Proceeds from sale or maturity of investments	11,052,556	6,872,840
Investments purchased	(16,883,566)	(10,717,790)
	<u>(5,075,466)</u>	<u>(3,219,446)</u>
Cash flows from (used in) financing activities		
Proceeds from issuance of redeemable units	7,540,649	4,566,994
Amounts paid on redemptions of redeemable units	(2,432,557)	(1,327,050)
Distributions paid in cash to holders of redeemable units	(7,978)	(8,041)
	<u>5,100,114</u>	<u>3,231,903</u>
Change in cash	24,648	12,457
Cash, beginning of year	29,393	16,974
Effect of exchange rate changes on foreign cash	-	(38)
Cash, end of year	<u>54,041</u>	<u>29,393</u>

Supplementary information

Cash flows relating to operating activities:

Interest received	\$ 770,961	\$ 632,535
Dividends received	\$ -	\$ 6,779
Interest paid	\$ 16	\$ -

The accompanying notes are an integral part of the financial statements.



	Par Value	Cost \$	Fair Value \$
Canadian Government Bonds			
Provincial Governments and Crown Corporations			
British Columbia Investment Management Corporation			
4.900%, 2033-06-02	600,000	597,839	650,949
Canadian Government Real Return			
2.973%, 2041-12-01	170,000	248,624	261,466
2.145%, 2044-12-01	185,000	240,936	251,482
CDP Financial			
3.700%, 2028-03-08	1,000,000	982,400	1,019,063
3.950%, 2029-09-01	985,000	994,032	1,016,629
4.200%, 2030-12-02	500,000	522,370	521,935
CPPIB Capital			
1.950%, 2029-09-30	500,000	443,870	482,118
3.950%, 2032-06-02	700,000	674,520	722,611
Ontario Teachers' Finance Trust			
4.150%, 2029-11-01	835,000	844,875	867,361
Province of British Columbia			
4.150%, 2034-06-18	655,000	640,551	676,504
Province of Manitoba			
2.600%, 2027-06-02	200,000	202,720	200,149
2.050%, 2031-06-02	710,000	645,958	668,074
4.250%, 2034-06-02	800,000	788,397	831,279
Province of New Brunswick			
2.600%, 2026-08-14	250,000	264,745	250,393
3.050%, 2030-06-03	1,400,000	1,397,348	1,397,783
Province of Newfoundland and Labrador			
3.000%, 2026-06-02	700,000	763,349	701,934
Province of Ontario			
1.850%, 2027-02-01	75,000	79,090	74,517
2.600%, 2027-06-02	950,000	988,846	950,845
2.150%, 2031-06-02	275,000	251,735	260,437
3.650%, 2033-06-02	1,145,000	1,076,992	1,155,068
4.150%, 2034-06-02	550,000	539,000	569,012
Province of Prince Edward Island			
3.100%, 2030-06-02	50,000	49,922	49,936
Province of Saskatchewan			
2.650%, 2027-06-02	150,000	152,460	150,225
PSP Capital			
2.600%, 2032-03-01	1,160,000	997,438	1,111,070
4.150%, 2033-06-01	325,000	308,295	337,647
		14,696,312	15,178,487
Municipalities and Parapublic Institutions			
City of Montreal			
4.250%, 2032-12-01	100,000	103,400	103,890
Municipal Finance Authority of British Columbia			
3.350%, 2027-06-01	100,000	99,840	101,070
3.750%, 2034-12-03	250,000	246,975	249,180

The accompanying notes are an integral part of the financial statements.



	Par Value	Cost \$	Fair Value \$
Canadian Government Bonds (continued)			
Municipalities and Parapublic Institutions (continued)			
Regional Municipality of York			
2.500%, 2026-06-02	325,000	327,783	325,260
2.650%, 2029-04-18	150,000	146,490	148,510
4.450%, 2033-12-08	250,000	260,098	263,790
Toronto Hydro Corporation			
2.520%, 2026-08-25	500,000	478,530	499,986
2.430%, 2029-12-11	150,000	133,920	146,669
		1,797,036	1,838,355
Total Canadian Government Bonds		16,493,348	17,016,842
Corporate Bonds			
Allied Properties Real Estate Investment Trust			
1.726%, 2026-02-12	175,000	175,000	174,805
Bank of Montreal			
2.700%, 2026-12-09	240,000	263,400	240,358
3.190%, 2028-03-01	200,000	193,034	200,658
Bank of Nova Scotia			
2.620%, 2026-12-02	480,000	496,896	480,416
Bell Canada			
1.650%, 2027-08-16	100,000	99,980	98,293
3.800%, 2028-08-21	400,000	401,940	404,593
Canadian Imperial Bank of Commerce			
5.500%, 2028-01-14	145,000	148,509	151,633
Enbridge			
5.700%, 2027-11-09	85,000	89,471	88,703
Enbridge Pipelines			
3.520%, 2029-02-22	100,000	96,300	100,575
Fortis			
2.180%, 2028-05-15	165,000	159,423	162,134
Hydro One			
3.930%, 2029-11-30	200,000	198,800	204,907
Manulife Financial Corporation			
5.409%, 2033-03-10	75,000	74,265	78,329
RioCan Real Estate Investment Trust			
5.962%, 2029-10-01	95,000	94,968	101,724
Rogers Communications			
3.250%, 2029-05-01	105,000	99,288	104,434
Royal Bank of Canada			
5.228%, 2030-06-24	190,000	198,512	203,841
4.464%, 2035-10-17	250,000	250,600	256,036
SmartCentres Real Estate Investment Trust			
3.192%, 2027-06-11	165,000	163,208	165,073
3.526%, 2029-12-20	105,000	97,545	103,642
Sun Life Financial			
2.580%, 2032-05-10	200,000	184,284	198,800
5.500%, 2035-07-04	500,000	499,485	535,963

The accompanying notes are an integral part of the financial statements.



	Par Value	Cost \$	Fair Value \$
Corporate Bonds (continued)			
Telus Corporation			
2.750%, 2026-07-08	200,000	199,268	200,025
2.350%, 2028-01-27	100,000	99,725	98,522
3.300%, 2029-05-02	105,000	99,855	104,855
Toronto-Dominion Bank			
5.491%, 2028-09-08	475,000	475,000	502,538
4.680%, 2029-01-08	250,000	244,105	260,150
Total Corporate Bonds		5,102,861	5,221,007
Total Bonds		21,596,209	22,237,849
Money Market Securities			
Manitoba Treasury Bills			
2026-02-25	325,000	323,242	323,242
New Brunswick Treasury Bills			
2026-02-12	40,000	39,785	39,785
Newfoundland and Labrador Treasury Bills			
2026-03-05	20,000	19,889	19,889
Ontario Treasury Bills			
2026-02-11	50,000	49,727	49,727
2026-03-11	85,000	84,533	84,533
Province of British Columbia, notes			
2026-03-03	565,000	561,898	561,898
2026-03-12	25,000	24,804	24,804
2026-04-23	50,000	49,618	49,618
Province of Manitoba, notes			
2026-03-23	350,000	348,212	348,212
Province of Prince Edward Island, notes			
2026-02-03	745,000	740,999	740,999
2026-02-17	20,000	19,897	19,897
Province of Saskatchewan, notes			
2026-02-03	370,000	367,958	367,958
2026-03-19	20,000	19,896	19,896
Quebec Treasury Bills			
2026-01-30	25,000	24,867	24,867
2026-02-06	20,000	19,893	19,893
2026-02-20	95,000	94,475	94,475
2026-02-27	155,000	154,180	154,180
2026-03-06	20,000	19,894	19,894
2026-03-20	3,095,000	3,078,504	3,078,504
Total Money Market Securities		6,042,271	6,042,271
Total Investments		27,638,480	28,280,120

The accompanying notes are an integral part of the financial statements.



1. Establishment of the fund

The Letko Brosseau Bond Fund / Letko Brosseau Fonds d'obligations (the "Fund") is a private unit investment trust created under a trust agreement established on November 30, 2004, along with its related amendments, under the laws of the province of Ontario. The registered office is located at 155 Wellington Street West, Toronto, Ontario, Canada, M5V 3L3.

The trust agreement designates RBC Investor Services Trust as the trustee, custodian and accountant of the Fund (the "Trustee") and Letko, Brosseau & Associates Inc. as the manager of the Fund (the "Manager").

2. Basis of presentation

These financial statements, for which the functional and presentation currency is the Canadian dollar, have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") as published by the International Accounting Standards Board ("IASB") and comply with the requirements of the Canadian Securities Administrators ("CSA").

The financial statements were authorized for issue by the Manager's Board of Directors on March 27, 2026.

These financial statements have been prepared on a historical cost basis with the exception of investments which are measured at fair value.

3. Material accounting policy information

Financial instruments

Classification

The Fund classifies its financial assets based on both the Fund's business model for managing those financial assets and the associated contractual cash flow characteristics. Based on the Fund's objective of achieving long-term capital appreciation and the management and evaluation of the portfolio's performance on a fair value basis, the Fund applies the business model which requires that its portfolio, which includes investments, be classified at fair value through profit or loss. All other assets and liabilities presented on the statements of financial position are financial assets and financial liabilities and are classified at amortized cost. Redeemable units are classified as financial liabilities given that they include a contractual obligation for the Fund to redeem them for cash or another financial asset at the request of the unitholder. The Fund's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount as described in note 6.

Recognition and measurement

The Fund recognizes financial instruments at fair value upon initial recognition. Purchases and sales of investments are recognized on the trade date. Subsequent to initial recognition, investments are measured at fair value and gains and losses arising from changes in the fair value are recognized in the statements of comprehensive income. All other financial assets and financial liabilities are initially recognized on the date on which they originated and are subsequently measured at amortized cost.

Portfolio transaction costs incurred by the Fund for the sale and purchase of investments are expensed as incurred.

Fair value

The fair value of the Fund's investments traded in active markets is determined using the quoted market prices at the close of trading on the date of the financial statements. The closing market price is either obtained from an accredited stock exchange where the security has the highest trading volume or from independent and renowned brokerage houses. In the event where the last closing market price does not fall within the bid-ask spread on the date of the financial statements, the Manager and the Trustee determine the point within the bid-ask spread that is most representative of fair value based on the facts and circumstances. Investment fund units held for trading that are not traded in active markets are measured at fair value based on their net asset value as determined by their trustee.



3. Material accounting policy information (continued)

Financial instruments (continued)

Fair value (continued)

The Fund's accounting policies for measuring the fair value of its investments are consistent with those used to determine the net asset value for transactions with unitholders.

Information on the reliability of the fair value measurement of financial assets is disclosed in note 13. The transfer of a financial asset from one fair value hierarchy level to another is performed at the date of the event or change in circumstances which would justify a change in level.

Impairment of financial assets

The Fund recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. The Fund applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected credit loss provision for all assets at amortized cost. Impairment losses on financial assets at amortized cost, if any, are recognized in the statements of comprehensive income.

Revenue recognition

Investment income is accounted for using the accrual method of accounting. Interest income for distribution purposes is recognized when it is earned. 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 using the effective interest rate method. Dividends are recognized on the ex-dividend date and distributions on investment fund units are recorded at the ex-distribution date. Income from securities lending is recorded when earned. Realized gains and losses upon sale of investments are recognized on the trade date and are calculated using the average cost method.

Foreign currency translation

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates the transactions occur. Assets and liabilities denominated in a foreign currency are translated into Canadian dollars using the exchange rate prevailing at the date of the financial statements. Foreign exchange gains and losses are presented in the statements of comprehensive income.

Change in net assets per unit attributable to holders of redeemable units

This change, presented in the statements of comprehensive income, represents the variation in net assets per unit attributable to holders of redeemable units based on the average number of redeemable units that were in circulation during the year.

Use of estimates, judgments and assumptions

The preparation of these financial statements in accordance with IFRS Accounting Standards requires the Manager to make judgments in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most material accounting judgments and estimates that the Manager has made in preparing the financial statements.

Investment entity

The Manager has determined that the Fund meets the definition of an investment entity in accordance with IFRS 10, Consolidated Financial Statements. As a result, in the event the Fund holds an investment in a subsidiary, the Fund would account for this investment at fair value through profit or loss.



3. Material accounting policy information (continued)

Use of estimates, judgments and assumptions (continued)

Classification of redeemable units

The Manager has determined that the Fund's redeemable units must be classified as liabilities given that the conditions for classification as equity in accordance with IAS 32, Financial Instruments: presentation, are not met.

4. Future accounting standards

IFRS 18, Presentation and Disclosure in Financial Statements

The IASB issued IFRS 18, Presentation and Disclosure in Financial Statements on April 9, 2024, which will replace IAS 1, Presentation of Financial Statements. This new standard, effective for annual periods beginning on or after January 1, 2027 aims to improve financial statement comparability and transparency by introducing a more structured statement of comprehensive income. The Manager is in the process of assessing the implications of IFRS 18 and its impact on the Fund's financial statements and disclosures.

IFRS 9, Financial Instruments and IFRS 7, Financial Instruments: Disclosures

The IASB issued amendments to IFRS 9, Financial Instruments and IFRS 7, Financial Instruments: Disclosures. The amendments relate to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets, including those with Environmental, Social, and Governance ("ESG")-linked features. The IASB also amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income ("FVOCI") and added disclosure requirements for financial instruments with contingent features. The amendments are effective for annual periods beginning on or after January 1, 2026, with early adoption permitted. The Manager has assessed the impact of these amendments, and it does not expect a material impact on the Fund's financial statements and disclosures.

5. Redeemable units in circulation

The Fund is authorized to issue an unlimited number of series of units each of which can contain an unlimited number of units, without par value. All units are voting, participating and redeemable by the unitholders at the net asset value.

The Fund is currently offering units of Series I and Series F for issuance as follows:

Series I	Available to accredited investors at the discretion of the Manager.
Series F	Available to accredited investors who are not eligible to purchase Series I units.

The unit activity for Series I units during the years ended December 31 was as follows:

	2025	2024
Number of redeemable units in circulation, beginning of year	2,354,899	1,937,459
Number of redeemable units issued and redeemed during the year		
Issued for cash and other consideration	785,209	486,498
Issued on reinvestment of distributions	79,478	68,672
Redeemed	(252,940)	(137,730)
Number of redeemable units in circulation, end of year	2,966,646	2,354,899

There were no Series F units issued since the Fund's inception.



6. Valuation of redeemable units and distributions

The net asset value per unit, which represents the redemption amount, is determined by dividing the Fund's net assets at fair value by the number of redeemable units in circulation at the end of each valuation date.

Income from dividends, interest and securities lending, net of expenses of the Fund, is accounted for in the net assets attributable to holders of redeemable units. At the end of each month, income received, net of expenses paid, is distributed and reinvested as additional redeemable units or, at the discretion of the unitholders, is paid in cash. Realized gains and losses resulting from the sale of investments are accounted for in the net assets attributable to holders of redeemable units and net realized gains are distributed and reinvested at the end of the fiscal year as additional redeemable units or, at the discretion of the unitholders, are paid in cash. Upon request from the Manager, additional income and capital gain distributions may occur at different times during the fiscal year under exceptional circumstances.

7. Capital management

The capital of the Fund is represented by redeemable units issued and in circulation. According to its mission, substantially all of the Fund's capital is invested in securities. Information about the Fund's objectives, policies and procedures for managing its capital is disclosed in note 12. The Fund is not subject to any particular external requirement for managing its capital.

8. Related party transactions

The following table presents a summary of the transactions during the year between the Fund and related parties. Related parties are represented by the Manager, the investment funds and limited partnerships it manages, directors of the Manager, corporations controlled by the directors of the Manager, family members of the directors and a deferred profit-sharing plan for the benefit of the Manager's employees.

2025	Manager \$	Other related parties \$
Redeemable units issued and redeemed		
Issued for cash and other consideration	-	-
Issued on reinvestment of distributions	-	512
Redeemed	-	-
	-	-
<hr/>		
2024	Manager \$	Other related parties \$
Redeemable units issued and redeemed		
Issued for cash and other consideration	-	-
Issued on reinvestment of distributions	-	490
Redeemed	-	-
	-	490

These transactions took place in the normal course of operations and are measured at the net asset value at the date of the transactions.



8. Related party transactions (continued)

As at December 31, related parties held units of the Fund with an aggregate fair market value of the following:

	2025 \$	2024 \$
Manager	-	-
Other related parties	16,112	15,487
	16,112	15,487

9. Net securities lending income

The Fund takes part in a securities lending program with the Trustee. Securities lending transactions involve the temporary exchange of securities for collateral with a commitment to return the same securities to the Fund on a future date. In accordance with the terms of the program, the Fund receives collateral of at least 102% of the fair value of the securities on loan. The collateral consists primarily of debt securities with high credit ratings. The fair value of the securities loaned is determined in accordance with standard market practices and additional collateral is requested if necessary.

The table below presents the aggregate fair value of the securities on loan and collateral held under securities lending transactions as at December 31. The securities on loan continue to be included in the statements of financial position.

	2025 \$	2024 \$
Total fair value of securities on loan	8,855,851	7,943,938
Total collateral held	9,032,970	8,102,828

Securities lending income reported in the statements of comprehensive income is net of securities lending charges which the Fund's Trustee is entitled to receive as per the terms of the program. For the years ended December 31, securities lending income was as follows:

	2025 \$	2024 \$
Gross securities lending income	8,559	7,585
Securities lending charges	(3,424)	(3,034)
Net securities lending income	5,135	4,551
Securities lending charges as a % of the gross securities lending income	40.0%	40.0%

10. Fees

Trustee fees are calculated according to an agreement between the Manager and the Trustee.

Management fees of the Manager are invoiced directly to the unitholders.

11. Income taxes

In accordance with provisions of the Income Tax Act (Canada) and the Quebec Taxation Act, the Fund qualifies as a unit trust and is taxed on its income received and not distributed to unitholders. The Fund distributes to unitholders the total income from dividends, interest and securities lending, net of expenses and its net realized taxable capital gains.

As at December 31, 2025, the Fund had capital losses in the amount of approximately \$581,000 (December 31, 2024: \$582,000) available to carry-forward indefinitely, which can be used to offset future taxable capital gains that are allocated to unitholders. No asset related to these losses has been recognized in the financial statements.



12. Risks associated with financial instruments

Analysis of risk management

The Fund has as its objective to generate income through the creation of a well-diversified bond portfolio. The Fund primarily comprises Canadian government and corporate bonds diversified across issuers, economic regions, industries and maturity dates. The Manager regularly monitors the relative weighting of individual fixed income instruments, sectors, and countries, and also takes into account the market capitalization and liquidity of each security.

Credit risk

The Fund's maximum exposure to credit risk is the fair value of debt securities included in investments, as well as interest, dividends and other receivables presented on the statements of financial position. For those financial instruments, the fair value takes into account the creditworthiness of the issuer and, therefore, represents the maximum credit risk to which the Fund is exposed.

The majority of the credit risk to which the Fund is exposed to arises from its investments in debt securities. The Manager is of the opinion that the credit risk associated with these investments in debt securities is limited given that the Fund invests in issuers with high credit ratings. The Fund holds bonds for which the credit rating breakdown is as follows:

Bonds by credit rating	2025 % of net assets	2024 % of net assets
AAA	29.27	33.44
AA	12.17	17.82
A	29.99	30.34
BBB	6.70	12.08
BB	-	0.76

Credit ratings attributed to money market securities are not presented above since the related credit risk is insignificant given their short-term maturities.

The credit risk associated with securities lending transactions is considered minimal given the nature and the value of the collateral held by the Fund in connection with these transactions.

All transactions involving listed securities are settled or paid upon delivery, using approved brokers. The risk of non-performance is considered limited, as the securities sold are only delivered once the broker has received payment. Payment for a purchase is made once the securities have been received by the broker. The transaction fails if either party fails to fulfill its obligation.

The credit risk associated with all other financial assets is considered insignificant.

Liquidity risk

The Fund's units are redeemable at the option of the holder thereby exposing the Fund to liquidity risk. Although the Fund is exposed to redemptions of units, liquidity risk is mitigated by the fact that the majority of its assets consists of investments traded on a stock exchange or an organized market, which can be readily liquidated. In addition, at the Manager's discretion, the Fund may pay the redemptions in securities instead of cash.

All other financial liabilities have a maturity of less than twelve months. The Fund maintains a level of cash that the Fund Manager considers sufficient to maintain the necessary liquidity.



12. Risks associated with financial instruments

Market risks

For the disclosure of market risks, IFRS Accounting Standards requires that a sensitivity analysis be presented showing the effects of reasonable possible changes in relevant risk variables on the value of net assets attributable to holders of redeemable units.

The Manager considers that this sensitivity analysis, showing the impact on the value of financial instruments from changes in the market, is based on a highly unlikely assumption that all other variables remain constant. Moreover, considering the many interrelationships between the various components of market risk, the Manager is of the opinion that it is not possible to quantify the impact of market fluctuations due to the interdependence of these components. Consequently, in practice, actual results may differ from the sensitivity analyses presented herein and differences could be material.

Price risk

Given the uncertainty regarding the investments' future prices, the Fund is exposed to the inherent risk associated with fluctuations in the market. Consequently, the maximum risk to which the Fund is exposed corresponds to the fair value of its investments.

The Manager's best estimate of the upward or downward impact on the Fund's investments and net assets as a result of reasonable probable changes in benchmark indices, with all other variables being equal, is approximately as follows:

Benchmark indices	Changes in %	2025 Impact \$	2024 Impact \$
FTSE Canada 91 Day T-Bill Total Return Index	0.25	15,000	2,800
FTSE Canada Universe Bond Total Return Index	1.00	222,000	212,000

Currency risk

The Fund is not exposed to currency risk since it does not hold investments in foreign securities.

Interest rate risk

The Fund is exposed to interest rate risk primarily on its bonds with maturity dates as follows:

Bonds by maturity date	2025 \$	2024 \$
Less than 1 year	2,873,177	1,694,983
1 to 5 years	10,183,085	10,844,194
5 to 10 years	8,668,639	7,583,979
More than 10 years	512,948	1,057,342
Total	22,237,849	21,180,498

An increase or decrease of 1% in interest rates, with all other variables being equal, would have resulted in a downward or upward variation of the Fund's investments and net assets in the approximate amount of \$844,000 (December 31, 2024: \$848,000). Interest rate fluctuations have an insignificant impact on money market securities given their short-term maturities.

The Fund's investments in equities are also exposed to interest rate risk. This is due to the fact that their value is dependent on the rate used in discounting future dividends and to the general effect from changes in interest rates on the economy as a whole, the availability of credit and the profitability of companies. The Manager believes that it is not possible to quantify the impact of the variations taking into account the interdependence of these components.



13. Information on fair value of financial instruments

The financial instruments measured at fair value are classified according to a hierarchy which includes three levels, reflecting the reliability of the inputs involved in the fair value determination:

- Level 1: financial instruments for which the fair value is determined using quoted prices in active markets;
- Level 2: financial instruments for which the fair value is determined using pricing models based on market observable inputs;
- Level 3: financial instruments for which the fair value is determined using pricing models based on market unobservable inputs.

The investments held by the Fund and measured at fair value are classified as follows:

	Level 1	Level 2	Level 3	Total
2025	\$	\$	\$	\$
Bonds	15,178,487	7,059,362	-	22,237,849
Money market securities	6,042,271	-	-	6,042,271
	21,220,758	7,059,362	-	28,280,120

	Level 1	Level 2	Level 3	Total
2024	\$	\$	\$	\$
Bonds	13,108,666	8,071,832	-	21,180,498
Money market securities	1,095,426	-	-	1,095,426
	14,204,092	8,071,832	-	22,275,924

No investments were transferred within the levels during the years ended December 31, 2025 and 2024.

The financial instruments not measured at fair value through profit or loss are short term financial assets and liabilities whose carrying amounts approximate fair value.

14. Reclassification

Certain comparative figures have been reclassified in the cash flow statement to reflect the presentation adopted in the current period. Amounts receivable and payable as at December 31, 2024 for investment activities and activities related to redeemable units have been reclassified against items reflecting cash flows. The net effect on cash flows from operating activities and financing activities is not significant.

In addition, unrealized gains and losses on foreign exchange effects classified as the effect of exchange rate changes on foreign cash have been reclassified against proceeds from the sale or maturity of investments.