



LetkoBrosseau

Letko Brosseau Canadian Equity Fund
Letko Brosseau Fonds d'actions canadiennes

ANNUAL FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017



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INDEPENDENT AUDITORS' REPORT

To the Unitholders of
LETKO BROUSSEAU CANADIAN EQUITY FUND
LETKO BROUSSEAU FONDS D' ACTIONS CANADIENNES

Opinion

We have audited the financial statements of **LETKO BROUSSEAU CANADIAN EQUITY FUND / LETKO BROUSSEAU FONDS D' ACTIONS CANADIENNES** (the "Fund"), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of changes in net assets attributable to holders of redeemable units, statements of comprehensive income and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' 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 audits 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 audit opinion.

Responsibilities of the Fund Manager and Those Charged with Governance for the Financial Statements

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Fund Manager 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, the Fund Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Fund Manager 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.

Auditors' 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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 over-ride 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 the Fund Manager.
- Conclude on the appropriateness of the Fund Manager'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 auditors' 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 auditors' report. However, future events or conditions may cause the Fund to cease to continue as 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.

Partnership of Chartered Professional Accountants

Montreal, March 22, 2019

¹ By CPA auditor, CA, public accountancy permit No. A122335



	2018 \$	2017 \$
Current assets		
Cash	1,364,762	56,379
Investments	200,616,753	13,395,946
Interest, dividends and other receivables	533,921	29,968
	<u>202,515,436</u>	<u>13,482,293</u>
Current liabilities		
Amounts payable on redemptions of redeemable units	90,000	-
Amounts payable for investments purchased	840,289	-
Accrued expenses	20,522	16,860
	<u>950,811</u>	<u>16,860</u>
Net assets attributable to holders of redeemable units	<u>201,564,625</u>	<u>13,465,433</u>

Supplementary information

Number of redeemable units in circulation (note 5)	21,353,858	1,228,020
Net assets per unit attributable to holders of redeemable units (note 6)	\$ 9.4393	\$ 10.9652

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

Daniel Brosseau, Director

Peter Letko, Director



	2018 \$	2017 \$
Net assets attributable to holders of redeemable units, beginning of year	13,465,433	10
Change in net assets attributable to holders of redeemable units	(16,081,325)	1,281,762
Redeemable unit transactions		
Proceeds from issuance	206,126,744	12,258,892
Reinvestment of distributions	1,437,066	143,387
Redemptions	(1,946,227)	(75,231)
	205,617,583	12,327,048
Distributions to holders of redeemable units (note 6)		
Net investment income	(1,393,133)	(140,917)
Net realized gain on sale of investments	(43,933)	(2,470)
	(1,437,066)	(143,387)
Net assets attributable to holders of redeemable units, end of year	201,564,625	13,465,433

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



	2018	2017
	\$	\$
Investment income		
Interest income for distribution purposes	57,096	5,067
Dividend income	1,846,873	185,877
Net securities lending income (note 9)	11,799	133
Foreign exchange gain (loss) on cash	(128)	(29)
Net realized gain (loss) on sale of investments	47,032	2,520
Net changes in unrealized appreciation (depreciation) of investments	(17,887,544)	1,125,191
	<u>(15,924,872)</u>	<u>1,318,759</u>
Expenses		
Trustee fees (note 10)	19,543	3,964
Professional fees	3,311	13,936
Filing fees	2,416	3,116
Withholding taxes	1,499	-
Portfolio transaction costs	129,684	15,981
	<u>156,453</u>	<u>36,997</u>
Change in net assets attributable to holders of redeemable units	<u>(16,081,325)</u>	<u>1,281,762</u>
Change in net assets per unit attributable to holders of redeemable units (note 3)	<u>(3.1819)</u>	<u>1.9067</u>

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



	2018	2017
	\$	\$
Cash flows from (used in) operating activities		
Change in net assets attributable to holders of redeemable units	(16,081,325)	1,281,762
Adjustments or variations for :		
Foreign exchange (gain) loss on cash	128	29
Net realized (gain) loss on sale of investments	(47,032)	(2,520)
Net changes in unrealized (appreciation) depreciation of investments	17,887,544	(1,125,191)
Proceeds from sale or maturity of investments	50,131,414	9,265,674
Investments purchased	(255,192,995)	(21,533,928)
Interest, dividends and other receivables	(503,953)	(29,968)
Amounts payable on redemptions of redeemable units	90,000	-
Amounts payable for investments purchased	840,289	-
Accrued expenses	3,662	16,860
	(202,872,268)	(12,127,282)
Cash flows from (used in) financing activities		
Proceeds from issuance of redeemable units	206,126,744	12,258,892
Amounts paid on redemptions of redeemable units	(1,946,227)	(75,231)
	204,180,517	12,183,661
Change in cash	1,308,249	56,379
Cash, beginning of year	56,379	10
Effect of exchange rate changes on foreign cash	134	(10)
Cash, end of year	1,364,762	56,379
Supplementary information		
Interest received	\$ 56,341	\$ 4,050
Dividends received, net of withholding taxes	\$ 1,343,952	\$ 156,926

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



	Quantity	Cost \$	Fair Value \$
Equities			
Energy			
Athabasca Oil Corporation	75,700	82,424	74,943
Birchcliff Energy	707,950	2,752,012	2,152,168
Canadian Natural Resources	215,218	8,079,201	7,089,281
Cenovus Energy	422,500	4,838,429	4,056,000
Encana Corporation	529,725	5,638,920	4,174,233
Enerflex	16,000	240,964	255,680
Enerplus Corporation	12,800	180,736	135,936
Husky Energy	340,949	5,817,378	4,810,790
Pengrowth Energy Corporation	137,000	144,235	82,200
Peyto Exploration & Development Corporation	157,800	1,614,995	1,117,224
Precision Drilling Corporation	37,800	111,150	89,586
Suncor Energy	155,525	6,811,952	5,930,168
Tervita Corporation	4,445	38,725	27,915
Tervita Corporation, Warrants 2020-07-19	928	-	408
Tourmaline Oil Corporation	70,300	1,305,196	1,193,694
		37,656,317	31,190,226
Materials			
5N Plus	9,375	23,719	29,063
Atlantic Gold Corp	100,000	159,500	165,000
Canfor Pulp Products	12,700	177,557	205,867
Cascades	215,400	2,494,371	2,203,542
HudBay Minerals	781,900	5,144,650	5,051,074
Interfor Corporation	215,200	3,248,943	3,103,184
Lucara Diamond Corporation	717,200	1,339,618	1,061,456
Lundin Mining Corporation	841,807	4,616,144	4,747,791
Norbord	85,925	3,125,446	3,119,078
Nutrien	44,930	3,328,414	2,880,912
Pretium Resources	244,800	2,409,483	2,832,336
Stelco Holdings	120,350	2,202,406	1,812,471
Stornoway Diamond Corporation	35,000	18,900	6,825
Teck Resources	202,875	5,677,390	5,962,496
Western Forest Products	1,391,325	2,697,195	2,629,604
		36,663,736	35,810,699
Industrial Products			
Air Canada	157,575	3,963,961	4,090,647
Bombardier	2,053,200	4,965,157	4,167,996
Magellan Aerospace Corporation	57,700	875,703	864,346
Thomson Reuters Corp	8,352	452,349	550,647
Wajax Corporation	1,650	36,828	27,357
WestJet Airlines	108,800	2,158,615	1,958,400
		12,452,613	11,659,393
Consumer Discretionary			
Canadian Tire Corporation, Class A	42,205	6,745,912	6,024,342
Dorel Industries	23,000	677,652	405,720
Linamar Corporation	122,775	6,180,538	5,561,708
Magna International	89,325	5,804,186	5,535,470
Reitmans Canada	29,700	115,655	116,721

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



	Quantity	Cost \$	Fair Value \$
Equities (continued)			
Consumer Discretionary (continued)			
Transat A.T.	19,400	176,709	115,430
Uni-Select	8,400	164,287	163,044
		19,864,939	17,922,435
Consumer Staples			
AGT Food & Ingredients	12,225	239,967	203,424
Weston George	33,475	3,093,823	3,014,424
High Liner Foods	20,300	224,133	155,498
Rogers Sugar	81,300	453,867	442,272
		4,011,790	3,815,618
Financial Services			
Bank of Montreal	89,250	8,728,041	7,960,208
Bank of Nova Scotia	113,700	8,206,517	7,737,285
Canadian Imperial Bank of Commerce	65,453	7,521,708	6,655,261
Manulife Financial Corporation	413,275	9,259,363	8,005,137
Power Corporation of Canada	188,150	5,106,458	4,615,320
Royal Bank of Canada	86,325	8,304,171	8,066,208
Sun Life Financial	169,873	8,233,458	7,693,548
Toronto-Dominion Bank	117,650	8,493,810	7,983,729
		63,853,526	58,716,696
Real Estate			
Brookfield Property Partners LP	191,600	4,764,734	4,219,032
Morguard Corporation	10,975	1,947,784	1,931,710
		6,712,518	6,150,742
Technology			
Celestica	382,700	5,227,888	4,577,092
		5,227,888	4,577,092
Communication Services			
BCE	142,700	7,768,652	7,695,807
Cogeco Communications	78,775	5,215,783	5,181,820
Quebecor	14,000	335,376	402,360
Rogers Communications	8,000	507,770	559,680
TELUS Corporation	175,475	8,050,121	7,940,244
		21,877,702	21,779,911
Utilities			
Capital Power Corporation	26,500	650,795	704,635
Superior Plus Corporation	305,500	3,218,013	2,957,240
		3,868,808	3,661,875
Total Equities		212,189,837	195,284,687

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



	Par Value	Cost \$	Fair Value \$
Money Market Securities			
Canada Treasury Bills			
2019-02-21	50,000	49,816	49,816
2019-03-21	1,690,000	1,683,798	1,683,798
2019-04-18	1,690,000	1,681,432	1,681,432
2019-05-30	1,600,000	1,588,416	1,588,416
Ontario Treasury Bills			
2019-02-06	330,000	328,604	328,604
Total Money Market Securities		5,332,066	5,332,066
Portfolio Transaction Costs Included in the Securities' Cost		(142,797)	
Total Investments		217,379,106	200,616,753

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



1. Establishment of the fund

The Letko Brosseau Canadian Equity Fund / Letko Brosseau Fonds d'actions canadiennes (the "Fund") is a private unit investment trust created under a trust agreement established on November 30, 2004 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"), 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 22, 2019.

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

3. Significant accounting policies

Newly adopted accounting standards

Effective January 1, 2018, the Fund adopted IFRS 9 Financial Instruments ("IFRS 9"). IFRS 9 establishes the requirements for the classification and measurement of financial assets and liabilities and replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 largely retains the previous requirements in IAS 39 for the classification and measurement of financial liabilities; however, it eliminates the previous IAS 39 categories for financial assets: held to maturity, available for sale and loans and receivables.

The adoption of IFRS 9 has been applied retrospectively without restatement of the prior year. The application of IFRS 9 did not result in a change to the classification and measurement of the financial instruments held by the Fund. The Fund holds investments of \$200,616,753 (2017: \$13,395,946) which had previously been designated at fair value through profit or loss and on adoption of IFRS 9, these investments continue to be classified as fair value through profit or loss. All other financial assets and financial liabilities which had been previously classified at amortized cost continue to be classified at amortized cost with no change to their carrying amounts.

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 cash and investments, be classified at fair value through profit or loss. All other financial assets and liabilities, with the exception of the Fund's obligation for net assets attributable to holders of redeemable units, are classified at amortized cost. The Fund's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount as described in note 6.



3. Significant accounting policies (continued)

Financial instruments (continued)

Recognition and measurement

The Fund recognizes financial instruments at fair value upon initial recognition. Purchases and sales of financial assets are recognized on the trade date. Subsequent to initial recognition, cash and 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 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.

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.

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 disposition 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.



3. Significant accounting policies (continued)

Use of estimates, judgments and assumptions

The preparation of these financial statements in accordance with IFRS 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 significant 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.

4. Future accounting standards

There are currently no new accounting standards, amendments to current standards or new interpretations that are effective for annual periods beginning on or after January 1, 2019 which would have a material effect on the Fund's financial statements.

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.

Since its inception, the Fund has issued only one series of redeemable units.

	2018	2017
Number of redeemable units in circulation, beginning of year	1,228,020	1
Number of redeemable units issued and redeemed during the year		
Issued for cash and other consideration	20,168,418	1,221,520
Issued on reinvestment of distributions	142,277	13,385
Redeemed	(184,857)	(6,886)
Number of redeemable units in circulation, end of year	21,353,858	1,228,020

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 investment transactions are accounted for in the net assets attributable to holders of redeemable units and net realized gains on investment transactions 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.

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, 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.

2018	Manager \$	Other related parties \$
Redeemable units issued and redeemed		
Issued for cash and other consideration	1,000,000	2,000
Issued on reinvestment of distributions	19,576	240,805
Redeemed	-	-
	1,019,576	242,805

2017	Manager \$	Other related parties \$
Redeemable units issued and redeemed		
Issued for cash and other consideration	-	9,055,786
Issued on reinvestment of distributions	-	110,465
Redeemed	-	-
	-	9,166,251

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

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

	2018 \$	2017 \$
Manager	895,093	11
Other related parties	8,860,746	10,043,174
	9,755,839	10,043,185



9. Net securities lending income

In September 2017, the Fund entered into 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 schedule of investment portfolio.

	2018 \$	2017 \$
Total fair value of securities on loan	37,499,083	1,738,970
Total collateral held	38,249,096	1,773,880

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:

	2018 \$	2017 \$
Gross securities lending income	23,304	266
Securities lending charges	(11,505)	(133)
Net securities lending income	11,799	133
Securities lending charges as a % of the gross securities lending income	49.4%	50.0%

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 mutual fund and has elected to choose a December 15th taxation year-end. The Fund 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 a sufficient portion of net realized taxable capital gains to eliminate the income taxes.

12. Risks associated with financial instruments

Analysis of risk management

In accordance with its "Policy and Guidelines", the Fund's investment objective is to optimize returns by building a well-diversified domestic portfolio, composed of equity and money market securities, without taking undue risk of loss or impairment. In order to minimize the risks associated with financial instruments, the Manager applies a strategy of diversification across issuers and industrial sectors.



12. Risks associated with financial instruments (continued)

Credit risk

The credit risk associated with the Fund's investments in money market securities 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.

The risk of default on transactions with counterparties related to investments is considered minimal since the transaction would fail if either party did not fulfill its obligation.

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 consist 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.

Market risks

For the disclosure of market risks, IFRS 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 below and differences could be material.

Price risk

Given the investments held, the Fund is exposed to the inherent risk associated with fluctuations in the market due to the uncertainty regarding the investments' future price. 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 as follows:

Benchmark indices	Changes in %	2018 Impact \$	2017 Impact \$
FTSE Canada 91 Day TBill Total Return Index	0.25	15,000	2,000
S&P/TSX Composite Total Return Capped Index	3.00	5,843,000	382,000

Currency risk

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



12. Risks associated with financial instruments (continued)

Market risks (continued)

Interest rate risk

Interest rate fluctuations have an insignificant impact on money market securities given their short-term maturities.

Given that the Fund does not hold investments in bonds, it is not directly exposed to an interest rate risk on debt securities.

The Fund's investments in equities are 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.

As at December 31, the investments held by the Fund and measured at fair value are all classified in Level 1.

During the years ended December 31, 2018 and 2017, there were no transfers between the levels.

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. Filing exemption for financial statements

The Fund has advised the CSA that it is exempt under section 2.11 of NI 81-106 from annual filing requirements to the Canadian regulation authorities since all the requirements have been met.