



LetkoBrosseau

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

ANNUAL FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018
(Expressed in Canadian Dollars)



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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, 2019 and 2018, 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, 2019 and 2018, 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 audit 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 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 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.



	2019 \$	2018 \$
Current assets		
Cash	272,545	1,364,762
Investments	544,239,049	200,616,753
Interest, dividends and other receivables	1,207,171	533,921
	<u>545,718,765</u>	<u>202,515,436</u>
Current liabilities		
Amounts payable on redemptions of redeemable units	431,199	90,000
Amounts payable for investments purchased	-	840,289
Accrued expenses	39,798	20,522
	<u>470,997</u>	<u>950,811</u>
Net assets attributable to holders of redeemable units	<u>545,247,768</u>	<u>201,564,625</u>

Supplementary information

Number of redeemable units in circulation (note 5)	52,191,477	21,353,858
Net assets per unit attributable to holders of redeemable units (note 6)	\$ 10.4471	\$ 9.4393

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

Daniel Brosseau, Director

Peter Letko, Director



	2019	2018
	\$	\$
Net assets attributable to holders of redeemable units, beginning of year	201,564,625	13,465,433
Change in net assets attributable to holders of redeemable units	42,729,348	(16,081,325)
Redeemable unit transactions		
Proceeds from issuance	326,993,397	206,126,744
Reinvestment of distributions	13,940,326	1,437,066
Redemptions	(26,039,602)	(1,946,227)
	314,894,121	205,617,583
Distributions to holders of redeemable units (note 6)		
Net investment income	(9,809,510)	(1,393,133)
Net realized gain on sale of investments	(4,130,816)	(43,933)
	(13,940,326)	(1,437,066)
Net assets attributable to holders of redeemable units, end of year	545,247,768	201,564,625

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



	2019	2018
	\$	\$
Investment income		
Interest income for distribution purposes	404,485	57,096
Dividend income	11,185,473	1,846,873
Net securities lending income (note 9)	64,745	11,799
Foreign exchange gain (loss) on cash	(1,742)	(128)
Net realized gain (loss) on sale of investments	4,402,159	47,032
Net changes in unrealized appreciation (depreciation) of investments	26,920,480	(17,887,544)
	<u>42,975,600</u>	<u>(15,924,872)</u>
Expenses		
Trustee fees (note 10)	92,681	19,543
Professional fees	17,409	3,311
Filing fees	6,133	2,416
Withholding taxes	888	1,499
Portfolio transaction costs	182,002	129,684
	<u>299,113</u>	<u>156,453</u>
Expenses absorbed by the Manager	(52,861)	-
	<u>246,252</u>	<u>156,453</u>
Change in net assets attributable to holders of redeemable units	<u>42,729,348</u>	<u>(16,081,325)</u>
Change in net assets per unit attributable to holders of redeemable units (note 3)	<u>1.1478</u>	<u>(3.1819)</u>

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



	2019	2018
	\$	\$
Cash flows from (used in) operating activities		
Change in net assets attributable to holders of redeemable units	42,729,348	(16,081,325)
Adjustments or variations for :		
Foreign exchange (gain) loss on cash	1,742	128
Net realized (gain) loss on sale of investments	(4,402,159)	(47,032)
Net changes in unrealized (appreciation) depreciation of investments	(26,920,480)	17,887,544
Proceeds from sale or maturity of investments	155,781,683	50,131,414
Investments purchased	(468,081,848)	(255,192,995)
Interest, dividends and other receivables	(673,250)	(503,953)
Amounts payable on redemptions of redeemable units	341,199	90,000
Amounts payable for investments purchased	(840,289)	840,289
Accrued expenses	19,276	3,662
	(302,044,778)	(202,872,268)
Cash flows from (used in) financing activities		
Proceeds from issuance of redeemable units	326,993,397	206,126,744
Amounts paid on redemptions of redeemable units	(26,039,602)	(1,946,227)
	300,953,795	204,180,517
Change in cash	(1,090,983)	1,308,249
Cash, beginning of year	1,364,762	56,379
Effect of exchange rate changes on foreign cash	(1,234)	134
Cash, end of year	272,545	1,364,762

Supplementary information

Interest received	\$ 362,368	\$ 56,341
Dividends received, net of withholding taxes	\$ 10,685,649	\$ 1,343,952
Interest paid	\$ 25	\$ -

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



	Quantity	Cost \$	Fair Value \$
Equities			
Energy			
Athabasca Oil Corporation	327,900	242,956	193,461
Birchcliff Energy	1,499,450	4,985,041	3,883,576
Canadian Natural Resources	505,313	18,427,533	21,223,146
Cenovus Energy	1,137,000	12,831,151	15,008,400
Encana Corporation	2,009,958	15,719,087	12,220,545
Enerflex	181,200	2,352,419	2,216,076
Enerplus Corporation	91,200	877,088	843,600
Husky Energy	1,107,098	15,400,551	11,535,961
Peyto Exploration & Development Corporation	709,400	4,231,806	2,695,720
Precision Drilling Corporation	268,775	669,017	486,483
Suncor Energy	426,200	17,952,292	18,139,072
Tervita Corporation, Warrants 2020-07-19	7,087	244	35
Tourmaline Oil Corporation	222,000	3,626,409	3,378,840
		97,315,594	91,824,915
Materials			
5N Plus	257,275	593,732	632,897
Canfor Corporation	305,450	3,422,844	3,708,163
Canfor Pulp Products	437,700	5,435,345	3,659,172
Cascades	628,600	6,629,725	7,046,606
HudBay Minerals	1,767,450	11,031,954	9,508,881
Interfor Corporation	402,200	5,946,093	5,900,274
Intertape Polymer Group	7,900	136,433	131,298
Ivanhoe Mines	156,175	553,157	663,744
Lucara Diamond Corporation	1,563,800	2,530,289	1,329,230
Lundin Mining Corporation	1,421,282	8,495,222	11,029,148
Norbord	211,125	7,269,917	7,332,371
Nutrien	106,730	7,224,280	6,635,404
Pretium Resources	422,700	4,381,273	6,108,015
Stelco Holdings	311,150	4,816,741	3,394,647
Teck Resources	674,725	16,981,619	15,194,807
Western Forest Products	2,834,225	5,032,810	3,457,755
Winpak	26,600	1,231,860	1,249,668
		91,713,294	86,982,080
Industrial Products			
Air Canada	438,575	15,365,522	21,275,273
Bombardier	5,790,900	12,806,232	11,176,437
Finning International	207,850	4,820,781	5,258,605
Magellan Aerospace Corporation	152,000	2,369,510	2,137,120
Mullen Group	12,700	119,497	117,729
Wajax Corporation	93,350	1,469,038	1,381,580
		36,950,580	41,346,744

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



	Quantity	Cost \$	Fair Value \$
Equities (continued)			
Consumer Discretionary			
Canadian Tire Corporation	111,665	16,523,757	15,605,184
Dorel Industries	155,550	2,170,581	930,189
Linamar Corporation	268,875	12,865,101	13,209,829
Magna International	200,955	13,165,667	14,307,996
Reitmans Canada	132,400	354,399	153,584
Transat A.T.	203,500	1,860,714	3,243,790
Uni-Select	72,700	879,706	828,053
		47,819,925	48,278,625
Consumer Staples			
George Weston	59,800	5,700,790	6,160,596
High Liner Foods	77,350	733,442	636,591
Maple Leaf Foods	16,000	370,720	414,080
Rogers Sugar	222,500	1,267,671	1,094,699
		8,072,623	8,305,966
Financial Services			
Bank of Montreal	200,635	19,655,725	20,191,906
Bank of Nova Scotia	284,875	20,538,002	20,895,581
Canadian Imperial Bank of Commerce	150,083	16,557,766	16,217,969
Clarke	31,975	378,955	397,769
Manulife Financial Corporation	843,650	19,230,532	22,238,613
Power Corporation of Canada	427,900	11,734,774	14,313,255
Royal Bank of Canada	182,900	18,235,160	18,792,975
Sun Life Financial	349,773	17,692,718	20,710,059
Toronto-Dominion Bank	250,200	18,332,062	18,222,066
		142,355,694	151,980,193
Real Estate			
Brookfield Property Partners LP	338,900	8,167,393	8,042,097
Cominar Real Estate Investment Trust	268,700	3,319,330	3,804,791
Morguard Corporation	29,875	5,640,819	6,004,875
		17,127,542	17,851,763
Technology			
Blackberry	32,400	270,136	270,540
Celestica	607,600	7,415,528	6,543,852
		7,685,664	6,814,392
Communication Services			
BCE	149,200	8,614,924	8,975,872
Cogeco Communications	66,620	4,762,789	7,541,383
Quebecor	72,500	2,141,709	2,402,650
Rogers Communications	212,500	14,185,977	13,702,000
Telus Corporation	314,775	14,885,546	15,826,887
		44,590,945	48,448,792

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



	Quantity	Cost \$	Fair Value \$
Equities (continued)			
Utilities			
Capital Power Corporation	110,225	3,257,830	3,790,638
Superior Plus Corporation	542,800	5,978,711	6,817,567
		9,236,541	10,608,205
Closed-end Investment Fund			
iShares S&P/TSX 60 Index ETF	190,000	4,649,300	4,856,400
Total Equities		507,517,702	517,298,075
	Par Value	Cost \$	Fair Value \$
Money Market Securities			
Canada Treasury Bills			
2020-01-09	50,000	49,816	49,816
2020-01-23	1,115,000	1,112,443	1,112,443
2020-02-06	240,000	238,949	238,949
Manitoba Treasury Bills			
2020-03-11	50,000	49,792	49,792
Nova Scotia Treasury Bills			
2020-01-23	525,000	524,412	524,412
Ontario Treasury Bills			
2020-01-22	425,000	423,609	423,609
2020-02-12	170,000	169,380	169,380
2020-02-19	2,735,000	2,724,569	2,724,569
2020-03-04	135,000	134,440	134,440
2020-03-11	9,050,000	9,010,139	9,010,139
2020-03-25	315,000	313,097	313,097
Province of Alberta, notes			
2020-01-06	8,265,000	8,241,197	8,241,197
2020-03-03	120,000	119,574	119,574
2020-03-10	635,000	632,384	632,384
Province of British Columbia, notes			
2020-01-22	215,000	214,506	214,506
Province of Saskatchewan, notes			
2020-03-10	150,000	149,390	149,390
Quebec Treasury Bills			
2020-02-28	2,845,000	2,833,277	2,833,277
Total Money Market Securities		26,940,974	26,940,974
Portfolio Transaction Costs Included in the Securities' Cost		(377,754)	
Total Investments		534,080,922	544,239,049

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, Canada. 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 20, 2020.

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

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.

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.



3. Significant accounting policies (continued)

Financial instruments (continued)

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.

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, 2020 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.

	2019	2018
Number of redeemable units in circulation, beginning of year	21,353,858	1,228,020
Number of redeemable units issued and redeemed during the year		
Issued for cash and other consideration	32,018,121	20,168,418
Issued on reinvestment of distributions	1,353,443	142,277
Redeemed	(2,533,945)	(184,857)
Number of redeemable units in circulation, end of year	52,191,477	21,353,858

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 period between the Fund and related parties. Related parties are represented by the Manager and the investment funds 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.

2019	Manager \$	Other related parties \$
Redeemable units issued and redeemed		
Issued for cash and other consideration	-	-
Issued on reinvestment of distributions	33,243	329,084
Redeemed	-	-
	33,243	329,084

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

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:

	2019 \$	2018 \$
Manager	1,024,340	895,093
Other related parties	10,140,201	8,860,746
	11,164,541	9,755,839



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 schedule of investment portfolio.

	2019 \$	2018 \$
Total fair value of securities on loan	79,252,918	37,499,083
Total collateral held	80,838,382	38,249,096

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:

	2019 \$	2018 \$
Gross securities lending income	111,219	23,304
Securities lending charges	(46,474)	(11,505)
Net securities lending income	64,745	11,799
Securities lending charges as a % of the gross securities lending income	41.8%	49.4%

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 trust 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 investment policy, 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.

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 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.

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 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 as follows:

Benchmark indices	Changes in %	2019 Impact \$	2018 Impact \$
FTSE Canada 91 Day TBill Total Return Index	0.25	68,000	15,000
S&P/TSX Composite Total Return Capped Index	3.00	15,509,000	5,843,000



12. Risks associated with financial instruments (continued)

Market risks (continued)

Currency risk

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

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 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.

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

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
2019				
Equities	517,298,075	-	-	517,298,075
Money market securities	26,940,974	-	-	26,940,974
	544,239,049	-	-	544,239,049

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
2018				
Equities	195,284,687	-	-	195,284,687
Money market securities	5,332,066	-	-	5,332,066
	200,616,753	-	-	200,616,753

No investments were transferred within the levels during the years ended December 31, 2019 and 2018.

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. Subsequent event

The COVID-19 outbreak during the first quarter of 2020 has caused persistent volatility in the global economy and the financial markets. As a result, the fair value of the Fund's investments and the net assets attributable to holders of redeemable units have been adversely impacted subsequent to year end. As at March 19, 2020, the net assets per unit attributable to holders of redeemable units decreased to \$6.3948.

15. 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.