



LetkoBrosseau

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

ANNUAL FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020
(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, 2021 and 2020, 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, 2021 and 2020, 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.



	2021	2020
	\$	\$
Current assets		
Cash	71,381	303,991
Investments	388,768,012	357,674,276
Interest, dividends and other receivables	1,169,637	1,072,794
	<u>390,009,030</u>	<u>359,051,061</u>
Current liabilities		
Amounts payable on redemptions of redeemable units	-	855,716
Accrued expenses	27,563	36,633
	<u>27,563</u>	<u>892,349</u>
Net assets attributable to holders of redeemable units	<u>389,981,467</u>	<u>358,158,712</u>

Supplementary information

Number of redeemable units in circulation (note 5)	28,529,017	35,296,211
Net assets per unit attributable to holders of redeemable units (note 6)	\$ 13.6696	\$ 10.1472

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

Daniel Brosseau, Director

Peter Letko, Director

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



	2021 \$	2020 \$
Net assets attributable to holders of redeemable units, beginning of year	358,158,712	545,247,768
Change in net assets attributable to holders of redeemable units	112,872,887	(23,754,594)
Redeemable unit transactions		
Proceeds from issuance	26,017,879	43,074,184
Reinvestment of distributions	9,569,630	14,269,232
Redemptions	(107,068,011)	(206,408,646)
	(71,480,502)	(149,065,230)
Distributions to holders of redeemable units (note 6)		
Net investment income	(9,569,630)	(14,269,232)
Net assets attributable to holders of redeemable units, end of year	389,981,467	358,158,712

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



	2021	2020
	\$	\$
Investment income		
Net interest income for distribution purposes	(37,311)	398,972
Dividend income	9,540,875	13,257,821
Net securities lending income (note 9)	68,622	96,596
Foreign exchange gain (loss) on cash	(1,339)	(1,520)
Net realized gain (loss) on sale of investments	14,453,691	(14,123,530)
Net changes in unrealized appreciation (depreciation) of investments	89,126,727	(22,949,706)
	113,151,265	(23,321,367)
Expenses		
Trustee fees (note 10)	75,826	90,891
Professional fees	10,964	11,521
Filing fees (recovered)	(4,706)	63,073
Withholding taxes	16,275	28,362
Portfolio transaction costs	180,019	301,120
	278,378	494,967
Expenses absorbed by the Manager	-	(61,740)
	278,378	433,227
Change in net assets attributable to holders of redeemable units	112,872,887	(23,754,594)
Change in net assets per unit attributable to holders of redeemable units (note 3)	3.9616	(0.4911)

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



	2021	2020
	\$	\$
Cash flows from (used in) operating activities		
Change in net assets attributable to holders of redeemable units	112,872,887	(23,754,594)
Adjustments or variations for:		
Foreign exchange (gain) loss on cash	1,339	1,520
Net realized (gain) loss on sale of investments	(14,453,691)	14,123,530
Net changes in unrealized (appreciation) depreciation of investments	(89,126,727)	22,949,706
Proceeds from sale or maturity of investments	226,786,559	331,460,959
Investments purchased	(154,300,468)	(181,970,644)
Interest, dividends and other receivables	(96,843)	134,377
Amounts payable on redemptions of redeemable units	(855,716)	424,517
Accrued expenses	(9,070)	(3,165)
	80,818,270	163,366,206
Cash flows from (used in) financing activities		
Proceeds from issuance of redeemable units	26,017,879	43,074,184
Amounts paid on redemptions of redeemable units	(107,068,011)	(206,408,646)
	(81,050,132)	(163,334,462)
Change in cash	(231,862)	31,744
Cash, beginning of year	303,991	272,545
Effect of exchange rate changes on foreign cash	(748)	(298)
Cash, end of year	71,381	303,991

Supplementary information

Cash flows relating to operating activities:

Interest received	\$	-	\$	442,734
Dividends received, net of withholding taxes	\$	9,431,438	\$	13,327,750
Interest paid	\$	109	\$	-

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



	Quantity	Cost \$	Fair Value \$
Equities			
Energy			
Advantage Energy	332,300	1,439,915	2,462,343
Birchcliff Energy	726,850	2,252,475	4,695,451
Canadian Natural Resources	153,650	5,330,449	8,212,593
Cenovus Energy	529,993	7,041,339	8,220,191
Cenovus Energy (warrants)	65,940	311,895	627,086
Enerflex	285,450	2,611,263	2,186,547
Ovintiv	71,966	2,814,088	3,062,873
Peyto Exploration & Development Corporation	461,300	2,583,897	4,359,285
Suncor Energy	342,225	13,088,048	10,831,421
TC Energy Corporation	58,725	3,144,186	3,454,792
Tourmaline Oil Corporation	98,075	1,602,072	4,005,383
		42,219,627	52,117,965
Materials			
5N Plus	257,275	593,732	612,315
Canfor Corporation	169,550	1,919,291	5,435,773
Canfor Pulp Products	102,700	1,198,182	687,063
Cascades	393,350	4,473,285	5,495,100
HudBay Minerals	400,000	2,496,694	3,664,000
Interfor Corporation	153,200	2,264,897	6,206,132
Intertape Polymer Group	92,900	1,473,837	2,445,128
Lucara Diamond Corporation	313,800	507,741	185,142
Lundin Mining Corporation	264,500	1,580,957	2,613,260
Nutrien	125,000	6,783,787	11,885,000
Pretium Resources	282,000	2,922,921	5,025,240
Stelco Holdings	50,000	774,022	2,061,000
Teck Resources	325,800	7,765,554	11,868,894
West Fraser Timber Corporation	60,368	2,906,531	7,285,210
Western Forest Products	2,834,225	5,032,810	5,980,215
Winnpak	43,850	1,982,351	1,629,905
		44,676,592	73,079,377
Industrial Products			
Air Canada	257,000	7,619,139	5,430,410
Bombardier	3,500,000	7,740,042	5,880,000
CAE	100,000	1,892,953	3,191,000
Finning International	112,800	2,488,204	3,596,064
Magellan Aerospace Corporation	152,000	2,369,510	1,513,920
Wajax Corporation	93,350	1,469,038	2,265,605
		23,578,886	21,876,999
Consumer Discretionary			
Canadian Tire Corporation	52,015	7,696,979	9,437,602
Dorel Industries	156,950	2,192,255	3,215,906
Linamar Corporation	139,625	7,473,187	10,462,101
Magna International	88,200	6,270,896	9,027,270

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



	Quantity	Cost \$	Fair Value \$
Equities (continued)			
Consumer Discretionary (continued)			
Restaurant Brands International	38,450	2,910,813	2,949,115
Transat A.T.	38,500	352,027	155,155
		26,896,157	35,247,149
Consumer Staples			
George Weston	72,300	6,996,244	10,603,518
High Liner Foods	77,350	733,442	1,153,289
Maple Leaf Foods	96,400	2,409,514	2,820,664
Rogers Sugar	327,500	1,836,026	1,948,625
		11,975,226	16,526,096
Financial Services			
Bank of Montreal	92,000	9,013,017	12,529,480
Bank of Nova Scotia	155,000	11,281,257	13,880,250
Canadian Imperial Bank of Commerce	39,940	4,406,343	5,889,153
Clarke	31,975	378,955	329,982
Definity Financial Corporation	28,650	630,300	846,035
Element Fleet Management Corporation	245,900	3,502,446	3,167,192
Manulife Financial Corporation	490,000	11,212,987	11,813,900
Power Corporation of Canada	296,725	8,137,417	12,403,105
Royal Bank of Canada	80,840	8,059,761	10,852,770
Sun Life Financial	114,225	5,777,892	8,042,582
Toronto-Dominion Bank	123,000	9,012,165	11,928,540
		71,412,540	91,682,989
Real Estate			
Cominar Real Estate Investment Trust	249,650	2,814,537	2,918,409
Morguard Corporation	29,875	5,640,819	4,076,743
		8,455,356	6,995,152
Technology			
Celestica	527,725	5,764,637	7,440,923
Open Text Corporation	92,650	5,430,878	5,562,706
		11,195,515	13,003,629
Communication Services			
BCE	153,000	8,551,339	10,068,930
Cogeco Communications	43,250	3,446,736	4,356,573
Quebecor	135,500	4,151,039	3,868,525
Rogers Communications	172,300	11,255,017	10,377,624
Shaw Communications	86,000	1,951,214	3,301,540
Telus Corporation	245,000	6,020,638	7,298,550
		35,375,983	39,271,742

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



	Quantity	Cost \$	Fair Value \$
Equities (continued)			
Utilities			
Capital Power Corporation	132,725	3,663,538	5,237,329
Superior Plus Corporation	432,625	4,727,396	5,624,125
		8,390,934	10,861,454
Health Care			
Bausch Health Cos	65,500	2,320,217	2,288,570
Profound Medical Corporation	37,800	890,176	539,028
		3,210,393	2,827,598
Total Equities		287,387,209	363,490,150
	Par Value	Cost \$	Fair Value \$
Money Market Securities			
Alberta Treasury Bills			
2022-03-08	3,210,000	3,208,812	3,208,812
2022-03-15	2,530,000	2,529,013	2,529,013
2022-03-22	2,530,000	2,528,912	2,528,912
Canada Treasury Bills			
2022-01-06	380,000	379,973	379,973
New Brunswick Treasury Bills			
2022-03-17	140,000	139,941	139,941
Newfoundland Treasury Bills			
2022-03-01	50,000	49,981	49,981
2022-03-03	180,000	179,931	179,931
2022-03-08	125,000	124,946	124,946
Ontario Treasury Bills			
2022-01-12	1,065,000	1,064,531	1,064,531
2022-02-02	805,000	804,589	804,589
2022-03-23	10,155,000	10,150,532	10,150,532
2022-03-30	2,460,000	2,457,614	2,457,614
Province of Alberta, notes			
2022-01-25	20,000	19,996	19,996
2022-02-01	20,000	19,996	19,996
Province of Saskatchewan, notes			
2022-02-01	20,000	19,998	19,998
Quebec Treasury Bills			
2022-02-11	1,600,000	1,599,097	1,599,097
Total Money Market Securities		25,277,862	25,277,862
Portfolio Transaction Costs Included in the Securities' Cost		(232,207)	
Total Investments		312,432,864	388,768,012

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 23, 2022.

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 investments 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 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.



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 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 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, 2022 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.

	2021	2020
Number of redeemable units in circulation, beginning of year	35,296,211	52,191,477
Number of redeemable units issued and redeemed during the year		
Issued for cash and other consideration	2,071,772	5,668,033
Issued on reinvestment of distributions	802,862	1,745,840
Redeemed	(9,641,828)	(24,309,139)
Number of redeemable units in circulation, end of year	28,529,017	35,296,211

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 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.

2021	Manager \$	Other related parties \$
Redeemable units issued and redeemed		
Issued for cash and other consideration	-	-
Issued on reinvestment of distributions	34,773	344,227
Redeemed	-	-
	34,773	344,227

2020	Manager \$	Other related parties \$
Redeemable units issued and redeemed		
Issued for cash and other consideration	-	-
Issued on reinvestment of distributions	29,342	290,464
Redeemed	-	-
	29,342	290,464

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:

	2021 \$	2020 \$
Manager	1,428,915	1,031,161
Other related parties	14,145,185	10,207,723
	15,574,100	11,238,884



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.

	2021 \$	2020 \$
Total fair value of securities on loan	60,436,199	54,468,140
Total collateral held	61,645,263	55,557,844

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:

	2021 \$	2020 \$
Gross securities lending income	114,370	160,993
Securities lending charges	(45,748)	(64,397)
Net securities lending income	68,622	96,596
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 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.

As at December 31, 2021, the Fund had capital losses in the amount of approximately \$14,495,000 (2020: \$14,495,000) 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

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 %	2021 Impact \$	2020 Impact \$
FTSE Canada 91 Day TBill Total Return Index	0.25	63,000	6,000
S&P/TSX Composite Total Return Capped Index	3.00	10,905,000	10,658,000



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 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.

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

	Level 1	Level 2	Level 3	Total
2021	\$	\$	\$	\$
Equities	363,490,150	-	-	363,490,150
Money market securities	25,277,862	-	-	25,277,862
	388,768,012	-	-	388,768,012

	Level 1	Level 2	Level 3	Total
2020	\$	\$	\$	\$
Equities	355,600,384	-	-	355,600,384
Money market securities	2,073,892	-	-	2,073,892
	357,674,276	-	-	357,674,276

No investments were transferred within the levels during the years ended December 31, 2021 and 2020.

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.