



**LETKO
BROSSEAU**

**LETKO BROSSEAU EMERGING MARKETS EQUITY FUND
LETKO BROSSEAU FONDS D' ACTIONS DE MARCHÉS ÉMERGENTS**

ANNUAL FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

**LETKO BROUSSEAU EMERGING MARKETS EQUITY FUND
LETKO BROUSSEAU FONDS D' ACTIONS DE MARCHÉS ÉMERGENTS**

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

To the Unitholders of
LETKO BROUSSEAU EMERGING MARKETS EQUITY FUND
LETKO BROUSSEAU FONDS D' ACTIONS DE MARCHÉS ÉMERGENTS

Report on the Financial Statements

We have audited the statements of financial position of **LETKO BROUSSEAU EMERGING MARKETS EQUITY FUND / LETKO BROUSSEAU FONDS D' ACTIONS DE MARCHÉS ÉMERGENTS** (the "Fund") as at December 31, 2016 and 2015, the statements of changes in net assets attributable to holders of redeemable units, comprehensive income and cash flows for the years ended December 31, 2016 and 2015 and the accompanying notes, including a summary of significant accounting policies and other explanatory information.

Fund Manager's Responsibilities for the Financial Statements

The Fund Manager is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

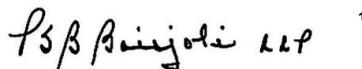
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Fund Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **LETKO BROUSSEAU EMERGING MARKETS EQUITY FUND / LETKO BROUSSEAU FONDS D' ACTIONS DE MARCHÉS ÉMERGENTS** as at December 31, 2016 and 2015, its financial performance and its cash flows for the years ended December 31, 2016 and 2015 in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.



Partnership of Chartered Professional Accountants

Montreal, March 17, 2017

¹FCPA auditor, FCA, public accountancy permit No. A108253

LETKO BROUSSEAU EMERGING MARKETS EQUITY FUND
LETKO BROUSSEAU FONDS D' ACTIONS DE MARCHÉS ÉMERGENTS
 STATEMENTS OF FINANCIAL POSITION
 AS AT DECEMBER 31, 2016 AND 2015

	2016	2015
	\$	\$
Current assets		
Cash	13,844,125	2,530,139
Investments	1,001,372,346	902,666,558
Interest, dividends and other receivables	2,057,824	1,411,981
	1,017,274,295	906,608,678
Current liabilities		
Amounts payable on redemptions of redeemable units	3,238,178	243,864
Payable for investments purchased	600,354	-
Accrued expenses	227,652	114,876
	4,066,184	358,740
Net assets attributable to holders of redeemable units	1,013,208,111	906,249,938

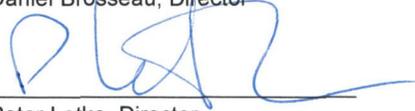
Supplementary information

Number of redeemable units in circulation (note 5)	95,702,039	92,744,914
Net assets per unit attributable to holders of redeemable units (note 6)	\$ 10.5871	\$ 9.7714

On behalf of Letko, Brosseau & Associates Inc., Fund Manager



Daniel Brosseau, Director



Peter Letko, Director

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

LETKO BROSSAU EMERGING MARKETS EQUITY FUND
LETKO BROSSAU FONDS D' ACTIONS DE MARCHÉS ÉMERGENTS
 STATEMENTS OF CHANGES IN NET ASSETS
 ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
	\$	\$
Net assets attributable to holders of redeemable units, beginning of year	906,249,938	796,930,035
Change in net assets attributable to holders of redeemable units	172,844,546	44,145,272
Redeemable unit transactions		
Proceeds from issuance	58,175,913	119,195,427
Reinvestment of distributions	95,952,845	63,996,672
Redemptions	(123,991,885)	(53,837,594)
	30,136,873	129,354,505
Distributions to holders of redeemable units (note 6)		
Net investment income	(39,602,990)	(23,660,535)
Net realized gain on sale of investments	(56,420,256)	(40,519,339)
	(96,023,246)	(64,179,874)
Net assets attributable to holders of redeemable units, end of year	1,013,208,111	906,249,938

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

LETKO BROUSSEAU EMERGING MARKETS EQUITY FUND
LETKO BROUSSEAU FONDS D' ACTIONS DE MARCHÉS ÉMERGENTS
 STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
	\$	\$
Investment income		
Interest income for distribution purposes	208,611	76,989
Dividend income	42,680,437	27,125,944
Foreign exchange gain (loss) on cash	(1,499,609)	794,054
Net realized gain on sale of investments	64,711,692	40,132,368
Net changes in unrealized appreciation (depreciation) of investments	71,010,951	(20,225,742)
	177,112,082	47,903,613
Expenses		
Trustee fees (note 9)	1,246,886	626,923
Professional fees	21,180	26,985
Filing fees	2,842	16,495
Withholding taxes	2,207,108	2,392,200
Portfolio transaction costs	789,520	695,738
	4,267,536	3,758,341
Change in net assets attributable to holders of redeemable units	172,844,546	44,145,272
Change in net assets per unit attributable to holders of redeemable units (note 3)	1.8671	0.5238

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

LETKO BROSSEAU EMERGING MARKETS EQUITY FUND
LETKO BROSSEAU FONDS D' ACTIONS DE MARCHÉS ÉMERGENTS
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
	\$	\$
Cash flows from (used in) operating activities		
Change in net assets attributable to holders of redeemable units	172,844,546	44,145,272
Adjustments or variations for :		
Foreign exchange loss (gain) on cash	1,499,609	(794,054)
Net realized gain on sale of investments	(64,711,692)	(40,132,368)
Net changes in unrealized depreciation (appreciation) of investments	(71,010,951)	20,225,742
Proceeds from sale or maturity of investments	302,733,192	511,643,396
Investments purchased	(267,437,004)	(608,470,254)
Interest, dividends and other receivables	(645,843)	490,177
Amounts payable on redemptions of redeemable units	2,994,314	243,864
Payable for investments purchased	600,354	(81,385)
Accrued expenses	112,776	114,876
	76,979,301	(72,614,734)
Cash flows from (used in) financing activities		
Proceeds from issuance of redeemable units	58,175,913	119,195,427
Amounts paid on redemptions of redeemable units	(123,991,885)	(53,837,594)
Distributions paid in cash to holders of redeemable units	(70,401)	(183,202)
	(65,886,373)	65,174,631
Change in cash	11,092,928	(7,440,103)
Cash, beginning of year	2,530,139	10,171,725
Effect of exchange rate changes on foreign cash	221,058	(201,483)
Cash, end of year	13,844,125	2,530,139

Supplementary information

Interest received	\$ 220,957	\$ 122,492
Dividends received, net of withholding taxes	\$ 39,816,729	\$ 25,169,072
Interest paid	\$ 1,589	\$ 1,641

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

LETKO BROSSAU EMERGING MARKETS EQUITY FUND
LETKO BROSSAU FONDS D' ACTIONS DE MARCHÉS ÉMERGENTS
SCHEDULE OF INVESTMENT PORTFOLIO
AS AT DECEMBER 31, 2016

	Quantity	Cost \$	Fair Value \$
Equities			
Energy			
CNOOC	16,195,000	29,317,803	27,172,020
Gazprom, ADR	799,700	7,794,210	5,458,740
PTT Exploration and Production	7,381,000	28,105,612	26,604,379
Reliance Industries	524,000	20,402,933	22,170,636
TMK OAO	325,000	3,955,678	2,222,803
		89,576,236	83,628,578
Materials			
China Lumena New Materials Corp.	12,780,000	3,666,663	2
Ivanhoe Mines, Class A	5,410,700	6,971,864	13,743,178
MMC Norilsk Nickel PJSC	1,054,838	18,686,000	23,751,113
PT Semen Gresik (Persero) Tbk	22,349,500	24,229,580	20,411,419
Suzano Papel e Celulose	2,543,900	11,542,049	14,884,209
Yingde Gases Group Company	18,015,000	17,010,312	8,943,045
		82,106,468	81,732,966
Industrial Products			
Adani Transmission	3,451,287	3,273,013	3,870,050
Air China	12,497,000	11,977,659	10,699,912
Aramex PJSC	1,892,000	1,458,670	2,811,601
Aveng	2,091,700	7,318,594	1,628,697
Bangkok Expressway & Metro PCL	74,909,704	11,923,657	20,899,290
Beijing Capital International Airport	17,969,275	12,437,984	24,367,774
Beijing Enterprises Holdings	3,693,500	27,696,003	23,414,308
Bidvest Group	516,231	12,540,488	9,175,768
Companhia de Concessionarias Rodovias	2,595,000	18,382,033	17,065,053
Enka Insaat ve Sanayi	3,461,205	6,796,708	7,099,231
Global Ports Investments, Class S, GDR	1,177,877	13,824,749	6,318,405
Globaltrans Investment	955,000	13,467,368	8,106,896
Wizz Air Holdings	192,300	5,283,373	5,707,149
		146,380,299	141,164,134
Consumer Discretionary			
Belle International Holdings	10,900,000	13,733,528	8,220,197
Geely Automobile Holdings	8,975,000	3,188,081	11,503,286
Global Mediacom	209,641,200	17,824,322	12,833,676
Mint Group	3,301,900	6,111,496	13,792,732
Yamaha Motor Co.	507,000	6,142,567	15,004,969
		46,999,994	61,354,860
Consumer Staples			
Clover Industries	8,687,505	16,663,039	16,144,501
Kernel Holding	900,700	10,797,222	18,475,883
MHP	772,591	9,377,822	9,107,224
		36,838,083	43,727,608

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

LETKO BROSSAU EMERGING MARKETS EQUITY FUND
LETKO BROSSAU FONDS D' ACTIONS DE MARCHÉS ÉMERGENTS
SCHEDULE OF INVESTMENT PORTFOLIO
AS AT DECEMBER 31, 2016

	Quantity	Cost	Fair Value
		\$	\$
Equities (continued)			
Health Care			
Concord Medical Services Holdings, ADR	100,000	586,543	608,840
Fleury	1,030,200	7,314,804	15,132,771
MicroPort Scientific Corporation	8,099,000	5,338,144	8,181,134
NMC Health	450,000	1,445,799	11,513,414
Shandong Weigao Group Medical Polymer Co.	19,076,000	16,613,438	17,091,741
Sinopharm Group Co., Class H	4,592,400	13,074,015	25,379,310
		44,372,743	77,907,210
Financial Services			
Aliance Shopping Centers	3,228,300	20,832,975	19,221,139
Atrium European Real Estate	3,391,576	18,542,202	18,853,549
Axis Bank	413,395	8,801,862	18,183,880
DBS Group Holdings	1,482,000	26,976,722	23,854,411
First Pacific Company	23,511,902	22,519,992	22,042,268
ICICI Bank, ADR	1,625,000	13,177,148	16,322,350
Sberbank, ADR	926,000	11,266,693	14,374,866
Sberbank, ADR (Germany)	181,900	2,474,235	2,830,247
Turkiye Garanti Bankasi	2,943,475	12,023,225	8,551,002
Warsaw Stock Exchange	988,000	12,550,862	12,674,195
		149,165,916	156,907,907
Technology			
FIH Mobile	13,000,000	5,723,405	5,509,075
HCL Technologies	1,450,787	21,351,811	23,734,355
Infosys, ADR	750,000	8,778,735	14,915,916
Kingboard Laminates Holdings	14,386,500	7,201,330	18,961,791
Pegatron Corporation	2,200,000	3,691,792	7,048,782
Samsung Electronics, GDR	28,600	20,924,759	28,629,144
Semiconductor Manufacturing International Corporation	459,000	1,925,371	4,690,457
		69,597,203	103,489,520
Telecommunication Services			
China Mobile, ADR	407,400	21,049,660	28,644,971
Mobile TeleSystems, ADR	895,900	16,113,285	10,945,243
MTN Group	635,100	11,965,538	7,858,118
Ooredoo	148,518	4,295,955	5,568,085
Singapore Telecommunications	1,355,000	3,180,642	4,590,961
Turkcell Iletisim Hizmetleri	3,441,000	20,997,634	12,790,602
		77,602,714	70,397,980

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

LETKO BROSSAU EMERGING MARKETS EQUITY FUND
LETKO BROSSAU FONDS D' ACTIONS DE MARCHÉS ÉMERGENTS
SCHEDULE OF INVESTMENT PORTFOLIO
AS AT DECEMBER 31, 2016

	Quantity	Cost \$	Fair Value \$
Equities (continued)			
Utilities			
Aygaz	1,118,625	5,252,987	5,130,407
China Water Affairs Group	23,673,000	7,737,036	20,760,150
Companhia de Gas de Sao Paulo, A Shares	968,237	20,936,337	18,311,830
Companhia de Saneamento Básico do Estado de São Paulo, ADR	1,388,500	14,344,525	16,162,670
Companhia Paranaense de Energia - COPEL, Class P, ADR	2,035,450	29,663,767	23,147,484
Manila Water Company	18,930,900	10,945,251	14,809,866
Power Grid Corporation of India	6,176,928	19,022,632	22,396,403
Reliance Infrastructure, GDR.	830,000	20,055,919	22,595,484
Reliance Infrastructure	408,000	3,735,946	3,766,454
		131,694,400	147,080,748
Index-Based Investments			
iShares Core MSCI Emerging Markets ETF	81,500	4,303,079	4,639,624
Vanguard FTSE Emerging Markets ETF	92,900	3,798,959	4,457,625
		8,102,038	9,097,249
Closed-end Investment Funds			
Morgan Stanley India Investment Fund	535,150	8,974,461	18,386,631
The India Fund	186,586	3,854,327	5,352,262
		12,828,788	23,738,893
Total Equities		895,264,882	1,000,227,653
	Par Value	Cost \$	Fair Value \$
Money Market Securities			
Canada Treasury Bills 2017-01-12	1,000,000	999,860	999,860
Province of Alberta, notes 2017-02-28	145,000	144,833	144,833
Total Money Market Securities		1,144,693	1,144,693
Portfolio Transaction Costs Included in the Securities' Cost		(2,153,920)	
Total Investments		894,255,655	1,001,372,346

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

LETKO BROUSSEAU EMERGING MARKETS EQUITY FUND
LETKO BROUSSEAU FONDS D' ACTIONS DE MARCHÉS ÉMERGENTS
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2016 AND 2015

1. ESTABLISHMENT OF THE FUND

The Letko Brosseau Emerging Markets Equity Fund / Letko Brosseau Fonds d'actions de marchés émergents (the "Fund") is a private unit investment trust created under 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. is 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 on March 17, 2017.

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

Recognition and measurement

Purchases and sales of financial assets as well as the assumption and settlement of financial liabilities are recognized on the date of the transaction. The Fund recognizes financial instruments at fair value upon initial recognition. Cash and investments held for trading purposes, are classified as financial assets at fair value through profit or loss. These assets are subsequently measured at fair value and the difference between the unrealized appreciation (depreciation) at the beginning and the end of the year is recognized in the statements of comprehensive income. All other financial assets and liabilities, with the exception of the Fund's obligation for net assets attributable to holders of redeemable units, are subsequently measured 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.

Portfolio transaction costs, incurred by the Fund for the sale and purchase of investments, are recorded in the statements of comprehensive income.

Fair value measurement

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 12. 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.

LETKO BROUSSEAU EMERGING MARKETS EQUITY FUND
LETKO BROUSSEAU FONDS D' ACTIONS DE MARCHÉS ÉMERGENTS
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2016 AND 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Dividends are recognized on the ex-dividend date and distributions on investment fund units are recorded at the ex-distribution date. 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. Foreign currency 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 Manager did not have to make judgments or estimates that would have a significant impact on the financial information presented.

4. FUTURE ACCOUNTING STANDARDS

The IASB has issued a new accounting standard, IFRS 9 Financial Instruments ("IFRS 9"), for which mandatory application is required for annual periods beginning on or after January 1, 2018. IFRS 9 addresses the classification and measurement of financial assets and financial liabilities and intends to replace IAS 39, the standard currently in effect for financial instruments. Early adoption of this standard is permitted; however, the Manager has not early adopted the standard in the Fund's financial statements. The Manager and the Trustee have not yet assessed the impact of this new standard 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.

	2016	2015
Number of redeemable units in circulation, beginning of year	92,744,914	80,316,914
Number of redeemable units issued and redeemed during the year		
Issued for cash and other consideration	5,443,851	11,327,733
Issued on reinvestment of distributions	9,209,662	6,462,347
Redeemed	(11,696,388)	(5,362,080)
Number of redeemable units in circulation, end of year	95,702,039	92,744,914

LETKO BROUSSEAU EMERGING MARKETS EQUITY FUND
LETKO BROUSSEAU FONDS D' ACTIONS DE MARCHÉS ÉMERGENTS
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2016 AND 2015

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 and interest, net of expenses of the Fund, is accounted for in the net assets attributable to holders of redeemable units and, at the end of each month, may be distributed and reinvested as additional redeemable units or, at the discretion of the unitholders, 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 the net realized gain on investment transactions may be distributed and reinvested at the end of the fiscal year as additional redeemable units or, at the discretion of the unitholders, paid in cash.

7. CAPITAL DISCLOSURES

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 investments. Information about the Fund's objectives, policies and procedures for managing its capital is disclosed in note 11. 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, the Manager and other related parties. Other related parties are represented by the directors of the Manager, corporations controlled by the directors of the Manager, family members of the directors, investment funds which are also managed by Letko, Brosseau & Associates Inc., and a deferred profit sharing plan for the benefit of the Manager's employees.

2016	Manager \$	Other related parties \$
Redeemable units issued and redeemed		
Issued for cash and other consideration	-	22,048,103
Issued on reinvestment of distributions	3,352,609	28,598,358
	3,352,609	50,646,461
<hr/>		
2015	Manager \$	Other related parties \$
Redeemable units issued and redeemed		
Issued for cash and other consideration	5,000,000	40,763,697
Issued on reinvestment of distributions	2,074,320	16,663,114
	7,074,320	57,426,811

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

9. 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.

LETKO BROUSSEAU EMERGING MARKETS EQUITY FUND
LETKO BROUSSEAU FONDS D' ACTIONS DE MARCHÉS ÉMERGENTS
 NOTES TO FINANCIAL STATEMENTS
 AS AT DECEMBER 31, 2016 AND 2015

10. 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 earned and not distributed to unitholders. The Fund allocates to unitholders the total income from dividends and interest, net of expenses and a sufficient portion of net realized taxable capital gains to eliminate the income taxes.

11. 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 international portfolio comprised primarily of publicly traded companies exposed to more rapidly growing developing economies. In order to minimize the risks associated with financial instruments, the Manager applies a strategy of diversification across economic regions and industrial sectors.

When the Fund invests in other investment funds, it may be indirectly exposed to risks related to the financial instruments held by these funds, according to their investment objectives and the type of securities they hold.

Credit risk

The Fund is not exposed to a significant credit risk given the nature of the financial instruments held. 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. The Manager ensures a minimum cash balance to meet the Fund's obligations. 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 easily be 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 %	2016 Impact \$	2015 Impact \$
DB Fed Funds Effective Rate	0.25	125,000	113,000
MSCI Emerging Markets	3.00	28,539,000	25,726,000

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11. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

Market risks (continued)

Currency risk

The Fund holds securities of foreign issuers in its investment portfolio. The value of these securities is dependent on fluctuations in currency rates. These fluctuations may increase the short-term volatility of foreign securities in the markets and affect the short-term performance of the Fund.

The Fund holds assets denominated in foreign currencies for which the distribution is as follows:

	2016 % of net assets	2015 % of net assets
Foreign currencies		
U.S. dollars	31.60	38.37
Hong Kong dollars	24.30	24.28
Brazilian real	8.37	5.93
Other currencies representing less than 4.70% individually (2015: 4.19%)	28.99	29.41

As at December 31, 2016, an increase or decrease of 3% in the value of Canadian currency compared to foreign currencies, with all other variables being equal, would have resulted in an upward or downward variation of the Fund's investments and net assets of \$28,341,000 (2015: \$26,643,000).

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 value of bonds held by the Fund through its holdings in other investment funds is not significant. Consequently, the interest rate risk associated with these investments is not significant.

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 the 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.

12. 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, 2016 and 2015, the investments held by the Fund and measured at fair value are all classified in Level 1.

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.

13. 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.