



LetkoBrosseau

Letko Brosseau Emerging Markets Equity Fund
Letko Brosseau Fonds d'actions de marchés émergents

ANNUAL FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019
(Expressed in Canadian Dollars)



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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

Opinion

We have audited the financial statements of **LETKO BROUSSEAU EMERGING MARKETS EQUITY FUND / LETKO BROUSSEAU FONDS D' ACTIONS DE MARCHÉS ÉMERGENTS** (the "Fund"), which comprise the statements of financial position as at December 31, 2020 and 2019, 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, 2020 and 2019, 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.



	2020 \$	2019 \$
Current assets		
Cash	1,302,932	3,103,687
Investments	1,248,151,907	1,538,504,089
Receivable for investments sold	720,879	3,577,773
Interest, dividends and other receivables	10,453,764	5,350,378
	1,260,629,482	1,550,535,927
Current liabilities		
Amounts payable on redemptions of redeemable units	12,994	381,799
Amounts payable for investments purchased	1,925,562	1,542,438
Accrued expenses	313,859	405,982
	2,252,415	2,330,219
Net assets attributable to holders of redeemable units	1,258,377,067	1,548,205,708

Supplementary information

Number of redeemable units in circulation (note 5)	117,117,560	128,812,367
Net assets per unit attributable to holders of redeemable units (note 6)	\$ 10.7446	\$ 12.0191

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.



	2020 \$	2019 \$
Net assets attributable to holders of redeemable units, beginning of year	1,548,205,708	1,306,350,229
Change in net assets attributable to holders of redeemable units	5,033,184	183,841,129
Redeemable unit transactions		
Proceeds from issuance	61,277,906	194,806,994
Reinvestment of distributions	166,486,299	79,339,596
Redemptions	(355,351,655)	(136,502,198)
	(127,587,450)	137,644,392
Distributions to holders of redeemable units (note 6)		
Net investment income	(38,033,860)	(48,136,962)
Net realized gain on sale of investments	(129,240,515)	(31,493,080)
	(167,274,375)	(79,630,042)
Net assets attributable to holders of redeemable units, end of year	1,258,377,067	1,548,205,708

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



	2020	2019
	\$	\$
Investment income		
Interest income for distribution purposes	333,459	356,425
Dividend income	45,800,768	54,150,913
Net securities lending income (note 9)	67,039	23,030
Foreign exchange gain (loss) on cash	677,149	(1,740,318)
Net realized gain (loss) on sale of investments	129,827,346	48,851,206
Net changes in unrealized appreciation (depreciation) of investments	(166,377,573)	89,963,041
	<u>10,328,188</u>	<u>191,604,297</u>
Expenses		
Trustee fees (note 10)	1,582,792	2,091,784
Professional fees	38,957	48,238
Filing fees	23,822	28,182
Withholding taxes	1,798,708	4,284,471
Portfolio transaction costs	1,850,725	1,310,493
	<u>5,295,004</u>	<u>7,763,168</u>
Change in net assets attributable to holders of redeemable units	<u>5,033,184</u>	<u>183,841,129</u>
Change in net assets per unit attributable to holders of redeemable units (note 3)	<u>0.0415</u>	<u>1.4817</u>

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



	2020	2019
	\$	\$
Cash flows from (used in) operating activities		
Change in net assets attributable to holders of redeemable units	5,033,184	183,841,129
Adjustments or variations for:		
Foreign exchange (gain) loss on cash	(677,149)	1,740,318
Net realized (gain) loss on sale of investments	(129,827,346)	(48,851,206)
Net changes in unrealized (appreciation) depreciation of investments	166,377,573	(89,963,041)
Proceeds from sale or maturity of investments	747,146,268	465,590,233
Investments purchased	(491,681,273)	(585,355,292)
Receivable for investments sold	2,856,894	(3,577,773)
Interest, dividends and other receivables	(5,103,386)	677,738
Amounts payable on redemptions of redeemable units	(368,805)	238,943
Amounts payable for investments purchased	383,124	1,238,667
Accrued expenses	(92,123)	25,424
	294,046,961	(74,394,860)
Cash flows from (used in) financing activities		
Proceeds from issuance of redeemable units	61,277,906	194,806,994
Amounts paid on redemptions of redeemable units	(355,351,655)	(136,502,198)
Distributions paid in cash to holders of redeemable units	(788,076)	(290,446)
	(294,861,825)	58,014,350
Change in cash	(814,864)	(16,380,510)
Cash, beginning of year	3,103,687	19,900,551
Effect of exchange rate changes on foreign cash	(985,891)	(416,354)
Cash, end of year	1,302,932	3,103,687

Supplementary information

Cash flows relating to operating activities:

Interest received	\$ 359,146	\$ 343,724
Dividends received, net of withholding taxes	\$ 38,892,505	\$ 50,522,787
Interest paid	\$ 11,482	\$ 2,768

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



	Quantity	Cost \$	Fair Value \$
Equities			
Energy			
CNOOC	15,800,000	27,614,388	18,639,453
Gazprom, ADR	799,700	7,794,210	5,705,375
PTT Exploration & Production	5,900,000	22,478,796	24,649,714
Reliance Industries	577,935	12,366,773	40,274,986
		70,254,167	89,269,528
Materials			
Cemex S.A.B. de C.V.	5,015,711	21,383,415	33,036,355
China Lumena New Materials Corporation	319,500	3,666,663	-
Ivanhoe Mines	1,480,900	1,908,188	10,158,974
Lucara Diamond Corporation	21,301,200	26,609,262	11,076,624
Nine Dragons Paper Holdings	16,331,000	24,052,325	29,515,973
Semen Indonesia Persero Tbk PT	19,038,000	19,708,656	21,449,169
		97,328,509	105,237,095
Industrial Products			
Adani Ports & Special Economic Zone	4,550,000	27,470,411	38,377,548
Air Arabia PJSC	32,085,665	13,784,949	14,244,617
Alfa S.A.B. de C.V.	30,073,572	34,243,816	27,650,553
Companhia de Concessoes Rodoviaras	12,313,200	60,234,912	40,680,782
Copa Holdings SA	165,000	16,627,018	16,234,505
Ferreycorp SAA	29,466,000	22,566,076	18,057,373
Global Ports Investments, GDR	1,178,377	13,827,178	4,503,753
Globaltrans Investment	1,082,457	14,276,655	8,246,714
GMR Infrastructure	66,000,000	22,186,835	30,495,422
Grupo Aeroportuario del Centro Norte S.A.B. de C.V.	4,338,100	30,491,920	35,611,534
J Kumar Infraprojects	1,449,988	7,528,244	3,365,017
Sinotrans	39,376,000	21,223,222	18,244,516
		284,461,236	255,712,334
Consumer Discretionary			
Alibaba Group Holding	58,000	16,077,772	17,196,871
Controladora Nemark S.A.B. de C.V.	30,073,572	7,609,737	5,037,862
Geely Automobile Holdings	1,550,000	550,588	6,748,841
Minth Group	1,106,900	2,048,764	7,438,465
Mitra Adiperkasa Tbk PT	126,039,700	7,081,577	9,028,741
Yamaha Motor	850,000	16,942,481	22,068,087
Yatra Online	1,638,000	3,384,565	4,027,544
		53,695,484	71,546,411
Consumer Staples			
Kernel Holding	1,026,700	12,813,388	17,306,792
MHP	1,275,478	15,840,611	9,782,245
		28,653,999	27,089,037

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



	Quantity	Cost \$	Fair Value \$
Equities (continued)			
Health Care			
Shandong Weigao Group Medical Polymer	5,718,000	5,006,327	16,460,002
Sinopharm Group	11,463,600	43,848,897	35,523,386
		48,855,224	51,983,388
Financial Services			
Axis Bank	390,895	10,035,912	21,065,392
Credicorp	79,500	17,546,229	16,612,424
First Pacific	75,037,902	52,502,654	30,452,943
Grupo Financiero Banorte S.A.B. de C.V.	4,005,000	26,040,829	28,150,017
ICICI Bank, ADR	1,160,000	10,250,429	21,960,684
Sberbank of Russia PJSC	926,000	11,624,319	17,125,757
Warsaw Stock Exchange	988,000	12,550,862	15,438,292
		140,551,234	150,805,509
Real Estate			
Aliansce Sonae Shopping Centers SA de CV	3,072,310	23,497,836	21,981,242
Atrium European Real Estate	8,158,776	36,140,375	31,858,296
Concentradora Fibra Danhos SA de CV	24,629,615	42,715,472	38,298,443
		102,353,683	92,137,981
Technology			
HCL Technologies	1,840,844	14,495,795	30,368,394
Infosys, ADR	561,974	4,530,933	12,304,998
Kingboard Laminates Holdings	11,586,500	9,659,080	24,101,141
Samsung Electronics Corporation	18,000	13,166,950	42,598,561
		41,852,758	109,373,094
Communication Services			
China Mobile, ADR	860,650	48,214,361	31,293,174
Global Mediacom	550,250,000	34,152,784	14,469,409
		82,367,145	45,762,583
Utilities			
Beijing Enterprises Holdings	7,737,400	52,655,131	32,163,789
China Water Affairs Group	30,787,000	17,636,148	30,654,316
Companhia de Saneamento Básico do Estado de São Paulo, ADR	2,935,900	31,521,996	32,129,465
Companhia de Saneamento do Parana	5,721,500	47,154,728	36,486,652
Companhia Paranaense de Energia, ADR	2,008,350	24,108,909	36,588,492
Manila Water	99,025,400	57,077,086	41,979,629
Power Grid Corporation of India	10,501,213	34,539,152	34,761,214
		264,693,150	244,763,557
Total Equities		1,215,066,589	1,243,680,517

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



	Par Value	Cost \$	Fair Value \$
Money Market Securities			
Province of British Columbia, notes			
2021-01-21	3,310,000	4,255,635	4,216,599
2021-06-25	255,000	254,791	254,791
Total Money Market Securities		4,510,426	4,471,390
Portfolio Transaction Costs Included in the Securities' Cost		(2,813,918)	
Total Investments		1,216,763,097	1,248,151,907

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



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 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 19, 2021.

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 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, 2021 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.

	2020	2019
Number of redeemable units in circulation, beginning of year	128,812,367	116,943,875
Number of redeemable units issued and redeemed during the year		
Issued for cash and other consideration	5,847,403	16,679,277
Issued on reinvestment of distributions	15,747,835	6,711,178
Redeemed	(33,290,045)	(11,521,963)
Number of redeemable units in circulation, end of year	117,117,560	128,812,367

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.

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.

2020	Manager \$	Investment funds managed by the Manager \$	Other related parties \$
Redeemable units issued and redeemed			
Issued for cash and other consideration	-	10,458,060	73,544
Issued on reinvestment of distributions	6,425,433	43,154,335	17,607,538
Redeemed	-	(97,671,086)	(16,405)
	6,425,433	(44,058,691)	17,664,677

2019	Manager \$	Investment funds managed by the Manager \$	Other related parties \$
Redeemable units issued and redeemed			
Issued for cash and other consideration	15,000,000	38,749,495	9,160,440
Issued on reinvestment of distributions	2,291,132	21,530,915	6,826,163
Redeemed	(8,474,884)	(19,676,615)	(2,017,379)
	8,816,248	40,603,795	13,969,224

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:

	2020 \$	2019 \$
Manager	50,007,652	48,641,084
Investment funds managed by the Manager	323,035,921	409,237,938
Other related parties	136,637,536	132,921,470
	509,681,109	590,800,492



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.

	2020 \$	2019 \$
Total fair value of securities on loan	69,288,328	106,453,679
Total collateral held	70,674,118	108,582,918

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:

	2020 \$	2019 \$
Gross securities lending income	111,732	38,384
Securities lending charges	(44,693)	(15,354)
Net securities lending income	67,039	23,030
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.



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 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 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 %	2020 Impact \$	2019 Impact \$
Deutsche Bank Fed Funds Effective Rate Total Return Index	0.25	13,000	51,000
MSCI Emerging Markets Total Return Net Index	3.00	37,284,000	45,541,000



12. 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:

	2020 % of net assets	2019 % of net assets
Foreign currencies		
U.S. dollars	29.11	29.64
Hong Kong dollars	20.34	22.97
Indian rupee	11.97	8.13
Mexican peso	10.71	7.22
Brazilian real	7.77	7.24
Other currencies representing less than 5% individually	18.42	22.17

As at December 31, 2020, 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 \$37,114,000 (2019: \$45,218,000).

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 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
2020	\$	\$	\$	\$
Equities	1,243,680,517	-	-	1,243,680,517
Money market securities	4,471,390	-	-	4,471,390
	1,248,151,907	-	-	1,248,151,907

	Level 1	Level 2	Level 3	Total
2019	\$	\$	\$	\$
Equities	1,524,675,843	-	-	1,524,675,843
Money market securities	13,828,246	-	-	13,828,246
	1,538,504,089	-	-	1,538,504,089

No investments were transferred within the levels during the years ended December 31, 2020 and 2019.

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. COVID-19

The Coronavirus ("COVID-19"), which was declared a pandemic by the World Health Organization during the first quarter of the fiscal year has negatively impacted the global financial markets and has had an adverse effect on the Fund's financial results and capital. The Manager is continuing to assess and monitor the market risks and financial impact of the COVID-19 pandemic should its duration, spread or intensity further develop. It is not possible to predict with certainty the duration and the scope of the economic impact of COVID-19 both in the short and long term and the potential effect on the Fund's future financial position and performance. The Fund Manager continues to monitor the Fund's risk exposures from its portfolio holdings in order to fulfill on the Fund's investment objective of optimizing returns for unit holders.

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.