



**LETKO
BROSSEAU**

**LETKO BROSSEAU RSP BALANCED FUND
LETKO BROSSEAU FONDS RER ÉQUILIBRÉ**

ANNUAL FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

**LETKO BROUSSEAU RSP BALANCED FUND
LETKO BROUSSEAU FONDS RER ÉQUILIBRÉ**

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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INDEPENDENT AUDITORS' REPORT

To the Unitholders of
LETKO BROUSSEAU RSP BALANCED FUND
LETKO BROUSSEAU FONDS RER ÉQUILIBRÉ

Report on the Financial Statements

We have audited the statements of financial position of **LETKO BROUSSEAU RSP BALANCED FUND / LETKO BROUSSEAU FONDS RER ÉQUILIBRÉ** (the "Fund") as at December 31, 2017 and 2016, the statements of changes in net assets attributable to holders of redeemable units, comprehensive income and cash flows for the years ended December 31, 2017 and 2016 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 RSP BALANCED FUND / LETKO BROUSSEAU FONDS RER ÉQUILIBRÉ** as at December 31, 2017 and 2016, its financial performance and its cash flows for the years ended December 31, 2017 and 2016 in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

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Partnership of Chartered Professional Accountants

Montreal, March 22, 2018

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

LETKO BROSSAU RSP BALANCED FUND
LETKO BROSSAU FONDS RER ÉQUILIBRÉ
 STATEMENTS OF FINANCIAL POSITION
 AS AT DECEMBER 31, 2017 AND 2016

	2017	2016
	\$	\$
Current assets		
Cash	390,641	20,356,331
Investments	825,321,289	860,066,378
Interest, dividends and other receivables	2,924,896	2,707,087
	828,636,826	883,129,796
Current liabilities		
Amounts payable on redemptions of redeemable units	186,343	467,264
Accrued expenses	79,616	46,663
	265,959	513,927
Net assets attributable to holders of redeemable units	828,370,867	882,615,869

Supplementary information

Number of redeemable units in circulation (note 6)	57,532,514	63,578,717
Net assets per unit attributable to holders of redeemable units (note 7)	\$ 14.3983	\$ 13.8823

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.

LETKO BROSSÉAU RSP BALANCED FUND
LETKO BROSSÉAU FONDS RER ÉQUILIBRÉ
 STATEMENTS OF CHANGES IN NET ASSETS
 ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017 \$	2016 \$
Net assets attributable to holders of redeemable units, beginning of year	882,615,869	873,209,531
Change in net assets attributable to holders of redeemable units	77,171,673	96,566,349
Redeemable unit transactions		
Proceeds from issuance	57,942,985	45,639,523
Reinvestment of distributions	46,737,512	33,330,770
Redemptions	(189,359,660)	(132,799,534)
	(84,679,163)	(53,829,241)
Distributions to holders of redeemable units (note 7)		
Net investment income	(23,316,522)	(24,194,203)
Net realized gain on sale of investments	(23,420,990)	(9,136,567)
	(46,737,512)	(33,330,770)
Net assets attributable to holders of redeemable units, end of year	828,370,867	882,615,869

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

LETKO BROUSSEAU RSP BALANCED FUND
LETKO BROUSSEAU FONDS RER ÉQUILIBRÉ
 STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
	\$	\$
Investment income		
Interest income for distribution purposes	6,969,145	6,990,451
Dividend income	17,330,054	18,431,704
Net securities lending income (note 10)	25,828	-
Foreign exchange gain (loss) on cash	(1,643,930)	(831,647)
Net realized gain (loss) on sale of investments	57,312,805	33,655,610
Net changes in unrealized appreciation (depreciation) of investments	(2,242,662)	39,549,854
	<u>77,751,240</u>	<u>97,795,972</u>
Expenses		
Trustee fees (note 11)	273,327	116,173
Professional fees	14,837	25,751
Filing fees	4,943	-
Withholding taxes	50,140	970,793
Portfolio transaction costs	236,320	116,906
	<u>579,567</u>	<u>1,229,623</u>
Change in net assets attributable to holders of redeemable units	<u>77,171,673</u>	<u>96,566,349</u>
Change in net assets per unit attributable to holders of redeemable units (note 3)	<u>1.2901</u>	<u>1.4709</u>

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

LETKO BROUSSEAU RSP BALANCED FUND
LETKO BROUSSEAU FONDS RER ÉQUILIBRÉ
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
	\$	\$
Cash flows from (used in) operating activities		
Change in net assets attributable to holders of redeemable units	77,171,673	96,566,349
Adjustments or variations for :		
Foreign exchange (gain) loss on cash	1,643,930	831,647
Net realized (gain) loss on sale of investments	(57,312,805)	(33,655,610)
Net changes in unrealized (appreciation) depreciation of investments	2,242,662	(39,549,854)
Proceeds from sale or maturity of investments	288,862,044	314,770,385
Investments purchased	(200,284,123)	(254,489,225)
Interest, dividends and other receivables	(217,809)	280,929
Amounts payable on redemptions of redeemable units	(280,921)	(46,292)
Accrued expenses	32,953	(154,426)
	111,857,604	84,553,903
Cash flows from (used in) financing activities		
Proceeds from issuance of redeemable units	57,942,985	45,639,523
Amounts paid on redemptions of redeemable units	(189,359,660)	(132,799,534)
	(131,416,675)	(87,160,011)
Change in cash	(19,559,071)	(2,606,108)
Cash, beginning of year	20,356,331	23,611,092
Effect of exchange rate changes on foreign cash	(406,619)	(648,653)
Cash, end of year	390,641	20,356,331

Supplementary information

Interest received	\$ 7,001,025	\$ 7,188,198
Dividends received, net of withholding taxes	\$ 17,030,380	\$ 17,544,710
Interest paid	\$ 505	\$ 617

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

LETKO BROUSSEAU RSP BALANCED FUND
LETKO BROUSSEAU FONDS RER ÉQUILIBRÉ
SCHEDULE OF INVESTMENT PORTFOLIO
AS AT DECEMBER 31, 2017

	Quantity	Cost \$	Fair Value \$
Equities			
Energy			
Birchcliff Energy	411,550	2,517,193	1,810,820
Canadian Natural Resources	274,000	8,507,819	12,308,079
Cenovus Energy	487,700	7,134,262	5,598,796
ConocoPhillips	135,000	5,812,400	9,284,506
Devon Energy Corporation	131,475	7,342,572	6,819,858
Encana Corporation	278,075	6,576,668	4,663,318
Hess Corporation	68,400	3,413,152	4,068,245
Husky Energy	419,525	8,728,257	7,446,569
Royal Dutch Shell, ADR	128,225	8,709,898	10,717,548
Statoil ASA	37,875	1,090,280	1,016,483
Suncor Energy	274,625	8,743,745	12,673,943
Total, Series B	156,350	9,676,168	10,831,306
		78,252,414	87,239,471
Materials			
Agrium	20,500	977,829	2,963,890
Arkema	15,000	1,398,074	2,291,773
Canfor Pulp Products	133,875	1,592,123	1,787,231
Eastman Chemical Co.	26,225	2,313,067	3,044,008
Freeport-McMoRan, Class B	256,325	6,165,942	6,089,212
HudBay Minerals	406,275	3,112,659	4,521,841
Intertape Polymer Group	47,350	101,246	1,017,552
Kemira	74,100	1,128,844	1,282,084
Kuraray Co.	100,000	1,422,247	2,364,634
LafargeHolcim	37,950	2,593,919	2,685,836
Lundin Mining Corporation	430,000	1,669,915	3,594,800
Norbord	26,850	1,199,822	1,142,468
Regis Resources	499,796	1,689,459	2,106,116
Smurfit Kappa Group	57,100	2,197,416	2,426,266
Stornoway Diamond Corporation	1,190,000	642,600	785,400
Teck Resources	235,000	3,744,437	7,724,450
Western Forest Products	794,900	1,663,188	1,947,505
		33,612,787	47,775,066
Industrial Products			
A.P. Moller - Maersk	2,900	4,934,054	6,352,427
Air Canada	600,000	1,102,791	15,527,999
Airbus Group	12,230	318,520	1,527,232
Bombardier	3,124,400	8,669,464	9,466,932
Deutsche Lufthansa	139,950	2,400,283	6,468,366
Fluor Corporation	38,375	2,758,700	2,483,422
General Electric Company	203,600	4,364,459	4,451,486
Meggitt	207,900	1,861,421	1,699,142
Mitsui & Co.	286,800	4,802,942	5,843,933
Siemens	39,000	4,532,831	6,815,289
Spirit Airlines	25,200	1,035,751	1,420,523

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

LETKO BROUSSEAU RSP BALANCED FUND
LETKO BROUSSEAU FONDS RER ÉQUILIBRÉ
SCHEDULE OF INVESTMENT PORTFOLIO
AS AT DECEMBER 31, 2017

	Quantity	Cost \$	Fair Value \$
Equities (continued)			
Industrial Products (continued)			
United Parcel Service, Class B	17,700	1,294,977	2,642,403
WestJet Airlines	154,575	1,888,756	4,074,597
		39,964,949	68,773,751
Consumer Discretionary			
Aisin Seiki Co.	33,500	969,349	2,358,572
Canadian Tire Corporation, Class A	22,700	1,219,412	3,720,530
CBS Corporation	15,325	1,117,154	1,132,881
Cogeco Communications	45,000	1,869,750	3,891,600
Comcast Corp., Class A	85,000	746,404	4,265,336
Dick's Sporting Goods	48,200	2,557,557	1,735,664
Dorel Industries	45,100	1,492,408	1,402,610
Goodyear Tire & Rubber Company	99,425	1,160,904	4,024,986
Keihin Corporation	101,200	1,759,374	2,582,109
Kingfisher	430,875	1,125,592	2,466,212
Linamar Corporation	45,025	1,097,555	3,296,280
Magna International	76,100	2,772,947	5,421,364
Panasonic Corporation	156,300	1,830,942	2,867,556
Quebecor, Class B	110,000	910,191	2,607,000
Transat A.T.	25,575	216,535	286,952
TUI	231,660	2,477,667	5,984,416
Yamaha Motor Co.	58,000	934,102	2,383,653
		24,257,843	50,427,721
Consumer Staples			
AGT Food & Ingredients	41,300	840,752	830,543
Carrefour	146,200	6,293,732	3,968,116
Maple Leaf Foods	60,000	611,046	2,149,200
Wal-Mart Stores	44,000	2,420,316	5,444,044
		10,165,846	12,391,903
Health Care			
Abbvie	27,000	2,274,610	3,271,651
Biogen	6,725	1,972,326	2,684,287
Gilead Sciences	40,550	3,662,077	3,639,806
GlaxoSmithKline, ADR	42,125	2,135,841	1,872,117
LifePoint Health	36,377	2,698,788	2,269,802
Medtronic	14,000	664,772	1,416,454
Merck & Co.	69,900	5,038,017	4,928,172
Pfizer	123,000	2,627,800	5,581,943
Roche Holding AG	3,080	966,645	976,150
Sanofi	45,000	3,956,658	4,864,517
Tenet Healthcare Corporation	64,900	1,114,559	1,232,752
		27,112,093	32,737,651

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LETKO BROUSSEAU RSP BALANCED FUND
LETKO BROUSSEAU FONDS RER ÉQUILIBRÉ
SCHEDULE OF INVESTMENT PORTFOLIO
AS AT DECEMBER 31, 2017

	Quantity	Cost \$	Fair Value \$
Equities (continued)			
Financial Services			
Aegon	1,096,450	7,825,730	8,767,839
Bank of America Corporation	235,000	4,657,684	8,691,926
Bank of Montreal	75,750	4,423,984	7,619,693
Bank of Nova Scotia	104,175	6,947,329	8,450,676
BB&T Corporation	33,375	1,409,323	2,079,142
BNP Paribas	47,350	2,848,248	4,434,655
Citigroup	116,800	5,563,597	10,889,449
ING Groep	340,000	5,903,542	7,839,346
Manulife Financial Corporation	300,000	5,394,178	7,866,000
Pargesa Holding, Class B	15,000	1,103,976	1,629,659
Power Corporation of Canada	58,600	1,710,811	1,896,882
Royal Bank of Canada	82,400	5,790,091	8,458,360
Standard Life Aberdeen	191,575	1,122,180	1,417,655
State Street Corporation	44,100	1,703,406	5,393,426
Sun Life Financial	122,200	3,812,629	6,339,736
Thomson Reuters Corporation	61,550	1,972,154	3,372,325
Toronto-Dominion Bank	64,025	2,544,543	4,715,441
		64,733,405	99,862,210
Real Estate			
Brookfield Property Partners LP	84,500	2,563,055	2,353,325
DEXUS Property Group	165,725	796,369	1,583,484
Morguard Corporation	14,025	490,998	2,517,207
		3,850,422	6,454,016
Technology			
5N Plus	77,275	463,090	231,825
Celestica	274,625	2,064,461	3,619,558
Cirrus Logic	16,575	1,129,627	1,077,005
Cisco Systems	158,000	2,714,520	7,582,068
DXC Technology Co.	10,511	541,616	1,249,804
Fujitsu	380,000	1,921,205	3,392,638
Hewlett Packard Enterprise Co.	119,475	1,297,537	2,149,628
Intel Corporation	100,000	1,844,299	5,783,591
International Business Machines Corporation (IBM)	30,825	5,855,839	5,925,389
Kyocera Corporation	47,000	2,016,654	3,854,275
Oracle Corporation	44,325	2,227,576	2,625,778
VeriFone Systems	107,575	2,281,545	2,387,051
		24,357,969	39,878,610
Telecommunication Services			
AT&T	222,550	6,605,189	10,841,407
BCE	134,000	3,697,411	8,090,920
Orange	212,600	5,339,308	4,630,014
Rogers Communications, Class B	27,675	764,877	1,772,584
Telefonica SA	223,825	5,514,133	2,736,103
TELUS Corporation	169,000	3,222,341	8,047,780

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

LETKO BROSSAU RSP BALANCED FUND
LETKO BROSSAU FONDS RER ÉQUILIBRÉ
SCHEDULE OF INVESTMENT PORTFOLIO
AS AT DECEMBER 31, 2017

	Quantity	Cost \$	Fair Value \$
Equities (continued)			
Telecommunication Services (continued)			
Verizon Communications	201,700	8,505,020	13,376,410
Vodafone Group, ADR	183,432	7,970,615	7,331,580
		41,618,894	56,826,798
Utilities			
Capital Power Corporation	208,375	4,734,444	5,103,104
Companhia Paranaense de Energia - COPEL, Class P, ADR	76,450	1,165,255	730,859
EDP - Energias de Portugal SA	611,475	2,528,250	2,654,147
Superior Plus Corporation	254,000	3,083,660	3,014,980
		11,511,609	11,503,090
Investment Fund			
Letko Brosseau Emerging Markets Equity Fund	4,774,701	45,663,458	58,607,541
Total Equities		405,101,689	572,477,828

	Par Value	Cost \$	Fair Value \$
Canadian Government Bonds			
Federal Government			
Canada Housing Trust			
2.350%, 2018-12-15	6,310,000	6,516,572	6,358,804
4.100%, 2018-12-15	5,000	5,496	5,121
1.950%, 2019-06-15	1,785,000	1,794,104	1,791,659
2.000%, 2019-12-15	360,000	365,558	361,578
floating rate, 2020-03-15	1,020,000	1,022,550	1,023,475
1.750%, 2022-06-15	880,000	879,525	867,061
2.400%, 2022-12-15	2,365,000	2,448,721	2,393,693
		13,032,526	12,801,391

Provincial Governments and Crown Corporations			
CPPIB Capital			
1.400%, 2020-06-04	3,000,000	3,000,100	2,963,365
Financement-Québec			
2.400%, 2018-12-01	6,540,000	6,568,928	6,588,050
floating rate, 2019-05-29	7,910,000	7,917,295	7,960,344
2.450%, 2019-12-01	6,250,000	6,246,911	6,319,954
Hydro-Québec			
floating rate, 2019-12-01	1,620,000	1,620,360	1,629,465
11.000%, 2020-08-15	3,210,000	4,970,788	3,944,677
10.500%, 2021-10-15	930,000	1,433,084	1,209,689
New Brunswick (F-M) Project Company			
6.470%, 2027-11-30	59,628	60,118	70,489
Newfoundland & Labrador Hydro			
stripped, 2020-08-27	805,000	768,795	756,906
stripped, 2021-02-27	35,000	29,426	32,407

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

LETKO BROUSSEAU RSP BALANCED FUND
LETKO BROUSSEAU FONDS RER ÉQUILIBRÉ
SCHEDULE OF INVESTMENT PORTFOLIO
AS AT DECEMBER 31, 2017

	Par Value	Cost \$	Fair Value \$
Canadian Government Bonds (continued)			
Provincial Governments and Crown Corporations (continued)			
Ontario Hydro Energy			
10.000%, 2020-02-06	585,000	850,005	681,562
10.125%, 2021-10-15	160,000	241,332	205,798
8.900%, 2022-08-18	50,000	70,850	64,392
Province of Alberta			
2.000%, 2019-06-01	3,730,000	3,728,396	3,744,296
1.350%, 2021-09-01	4,040,000	3,996,122	3,936,575
1.600%, 2022-09-01	3,600,000	3,591,396	3,501,059
2.550%, 2022-12-15	6,440,000	6,126,871	6,528,589
Province of British Columbia			
4.100%, 2019-12-18	545,000	537,474	569,178
9.950%, 2021-05-15	2,075,000	3,096,083	2,602,121
7.875%, 2023-11-30	20,000	26,550	25,471
Province of Manitoba			
5.500%, 2018-11-15	4,530,000	5,192,406	4,683,456
floating rate, 2019-04-02	10,710,000	10,698,343	10,747,534
1.150%, 2019-11-21	750,000	746,960	740,670
4.750%, 2020-02-11	1,560,000	1,537,120	1,652,163
floating rate, 2020-05-15	1,335,000	1,339,699	1,344,936
4.150%, 2020-06-03	2,195,000	2,381,172	2,309,940
1.600%, 2020-09-05	500,000	497,255	495,553
1.550%, 2021-09-05	5,000,000	4,992,450	4,905,630
Province of New Brunswick			
4.450%, 2018-03-26	4,550,000	4,802,961	4,585,083
4.400%, 2019-06-03	150,000	166,365	155,542
floating rate, 2019-08-01	1,135,000	1,135,227	1,138,971
4.500%, 2020-06-02	4,720,000	4,915,950	5,003,753
Province of Newfoundland			
1.125%, 2019-01-30	400,000	398,320	397,572
stripped, 2019-04-17	500,000	491,387	487,517
Series 5X, 10.950%, 2021-04-15	925,000	1,430,073	1,178,591
1.950%, 2022-06-02	1,000,000	1,006,950	986,012
Province of Nova Scotia			
floating rate, 2018-08-15	1,495,000	1,499,617	1,498,151
4.150%, 2019-11-25	4,900,000	5,053,015	5,110,028
floating rate, 2020-06-15	2,675,000	2,634,554	2,687,694
4.100%, 2021-06-01	4,170,000	4,467,017	4,449,581
4.450%, 2021-10-24	755,000	742,678	817,373
9.600%, 2022-01-30	10,000	14,684	12,820
2.100%, 2027-06-01	270,000	262,899	257,799
Province of Ontario			
2.100%, 2018-09-08	2,510,000	2,490,502	2,520,697
floating rate, 2018-12-03	940,000	940,810	943,479
4.400%, 2019-06-02	16,040,000	17,755,130	16,636,602
floating rate, 2019-08-26	1,930,000	1,929,035	1,938,752
2.100%, 2019-09-08	1,640,000	1,657,696	1,648,610
floating rate, 2021-10-27	3,245,000	3,230,398	3,282,973
stripped, 2021-12-02	95,000	77,153	87,029

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LETKO BROUSSEAU RSP BALANCED FUND
LETKO BROUSSEAU FONDS RER ÉQUILIBRÉ
SCHEDULE OF INVESTMENT PORTFOLIO
AS AT DECEMBER 31, 2017

	Par Value	Cost \$	Fair Value \$
Canadian Government Bonds (continued)			
Provincial Governments and Crown Corporations (continued)			
Province of Ontario (continued)			
1.350%, 2022-03-08	5,785,000	5,693,417	5,597,722
3.150%, 2022-06-02	8,270,000	8,233,551	8,604,125
2.850%, 2023-06-02	1,290,000	1,347,822	1,325,784
2.600%, 2025-06-02	5,725,000	5,998,483	5,762,303
Province of Prince Edward Island			
4.250%, 2019-09-24	1,500,000	1,571,250	1,560,478
Province of Québec			
floating rate, 2018-12-19	2,920,000	2,919,508	2,931,770
floating rate, 2019-08-21	1,990,000	1,990,010	2,001,413
floating rate, 2022-04-19	8,000,000	8,004,400	8,147,890
3.750%, 2024-09-01	1,500,000	1,725,195	1,622,922
Province of Saskatchewan			
9.600%, 2022-02-04	80,000	117,974	102,914
3.200%, 2024-06-03	3,775,000	3,988,665	3,951,731
		180,958,985	177,647,950
Municipalities and Parapublic Institutions			
City of Ottawa			
3.250%, 2020-10-19	400,000	420,488	413,424
City of Toronto			
4.950%, 2018-06-27	1,875,000	1,870,410	1,906,853
4.500%, 2019-12-02	2,655,000	2,848,709	2,782,067
3.500%, 2021-12-06	500,000	499,455	523,777
2.450%, 2025-02-06	100,000	98,391	98,762
City of Vancouver			
4.900%, 2019-12-02	500,000	549,050	528,086
Municipal Finance Authority of British Columbia			
4.600%, 2018-04-23	2,150,000	2,141,658	2,172,871
2.350%, 2018-12-03	3,325,000	3,442,377	3,349,428
4.875%, 2019-06-03	15,000	15,666	15,655
4.450%, 2020-06-01	60,000	67,218	63,520
Regional Municipality of Peel			
3.500%, 2021-12-01	965,000	960,870	1,009,751
Regional Municipality of York			
5.000%, 2019-04-29	2,915,000	3,038,768	3,038,063
		15,953,060	15,902,257
Total Canadian Government Bonds		209,944,571	206,351,598

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

LETKO BROSSÉAU RSP BALANCED FUND
LETKO BROSSÉAU FONDS RER ÉQUILIBRÉ
SCHEDULE OF INVESTMENT PORTFOLIO
AS AT DECEMBER 31, 2017

	Par Value	Cost \$	Fair Value \$
Corporate Bonds			
Alimentation Couche-Tard 3.319%, 2019-11-01	725,000	725,000	738,610
Bank of Montreal 1.880%, 2021-03-31	600,000	593,270	590,987
2.120%, 2022-03-16	200,000	199,922	197,131
Bank of Nova Scotia 2.090%, 2020-09-09	500,000	498,065	497,483
Bell Canada 2.000%, 2021-10-01	1,000,000	994,100	979,255
3.000%, 2022-10-03	1,000,000	1,009,340	1,012,107
Capital Power Corporation 4.850%, 2019-02-21	380,000	379,555	390,037
5.276%, 2020-11-16	1,915,000	1,941,218	2,029,550
Cominar Real Estate Investment Trust 4.941%, 2020-07-27	195,000	200,540	200,670
4.164%, 2022-06-01	530,000	530,000	527,202
EPCOR Utilities 5.800%, 2018-01-31	10,000	10,854	10,031
First Capital Realty 5.480%, 2019-07-30	1,850,000	1,844,783	1,940,013
Series M, 5.600%, 2020-04-30	10,000	11,303	10,685
Loblaw Companies 3.748%, 2019-03-12	210,000	220,563	214,166
Royal Bank of Canada 2.770%, 2018-12-11	540,000	565,380	544,636
1.968%, 2022-03-02	1,990,000	1,938,771	1,949,847
Rogers Communications 4.000%, 2024-03-13	1,100,000	1,159,290	1,165,347
Saputo 2.654%, 2019-11-26	820,000	820,000	826,929
1.939%, 2022-06-13	2,130,000	2,089,238	2,066,319
TELUS Corporation Series CM, 3.600%, 2021-01-26	100,000	103,584	103,347
TransAlta Corporation 6.400%, 2019-11-18	820,000	842,277	866,894
Total Corporate Bonds		16,677,053	16,861,246
Total Bonds		226,621,624	223,212,844

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

LETKO BROUSSEAU RSP BALANCED FUND
LETKO BROUSSEAU FONDS RER ÉQUILIBRÉ
SCHEDULE OF INVESTMENT PORTFOLIO
AS AT DECEMBER 31, 2017

	Par Value	Cost \$	Fair Value \$
Money Market Securities			
Canada Treasury Bills			
2018-01-25	1,760,000	1,758,667	1,758,667
2018-02-08	1,460,000	1,457,789	1,457,789
Ontario Treasury Bills			
2018-01-10	790,000	789,542	789,542
2018-02-28	340,000	339,147	339,147
2018-03-07	170,000	169,607	169,607
Province of Alberta, notes			
2018-01-08	4,170,000	5,352,899	5,219,756
2018-02-27	340,000	339,157	339,157
2018-03-01	2,255,000	2,861,963	2,816,207
2018-03-12	1,095,000	1,092,197	1,092,197
2018-03-12	100,000	125,208	124,899
Province of British Columbia, notes			
2018-02-13	1,070,000	1,067,571	1,067,571
Province of Québec, notes			
2018-01-04	555,000	703,241	694,703
2018-01-09	650,000	828,853	813,494
2018-01-16	1,980,000	2,461,929	2,473,295
2018-02-15	1,875,000	1,870,388	1,870,388
2018-02-20	2,200,000	2,793,281	2,749,394
2018-03-05	1,845,000	1,840,388	1,840,388
2018-03-19	3,200,000	4,097,927	3,994,467
Québec Treasury Bills			
2018-03-16	20,000	19,949	19,949
Total Money Market Securities		29,969,703	29,630,617
Portfolio Transaction Costs Included in the Securities' Cost		(523,487)	
Total Investments		661,169,529	825,321,289

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

LETKO BROUSSEAU RSP BALANCED FUND
LETKO BROUSSEAU FONDS RER ÉQUILIBRÉ
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2017 AND 2016

1. ESTABLISHMENT OF THE FUND

The Letko Brousseau RSP Balanced Fund / Letko Brousseau Fonds RER équilibré (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, Brousseau & Associates Inc. as the manager of the Fund (the "Manager").

2. BASIS OF PRESENTATION

These financial statements, for which the functional and presentation currency is the Canadian dollar, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB") and comply with the requirements of the Canadian Securities Administrators ("CSA").

The financial statements were authorized for issue by the Manager's Board of Directors on March 22, 2018.

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 7.

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 14. 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 RSP BALANCED FUND
LETKO BROUSSEAU FONDS RER ÉQUILIBRÉ
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2017 AND 2016

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, except for zero coupon bonds which are amortized using the effective interest rate method. Dividends are recognized on the ex-dividend date and distributions on investment fund units are recorded at the ex-distribution date. Income from securities lending is recorded when earned. Realized gains and losses upon disposition of investments are recognized on the trade date and are calculated using the average cost method.

Foreign currency translation

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates the transactions occur. 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 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. An investment entity is an entity that obtains funds from one or more investors for the purpose of providing those investors with investment management services, commits to its investors that its business purpose is to invest funds as for the sole purpose of achieving returns in the form of capital gains and investment income and evaluates and assesses the performance of all of its investments on the basis of fair value. Given that the Fund meets these criteria, the investments held are all designated as fair value through profit or loss.

4. FUTURE ACCOUNTING STANDARDS

IFRS 9 Financial Instruments ("IFRS 9") effective for annual periods beginning on or after January 1, 2018 addresses the classification and measurement of financial assets and financial liabilities and will replace IAS 39, the standard currently in effect for financial instruments. Based on an analysis of the financial assets and financial liabilities as at December 31, 2017 with consideration of the facts and circumstances that existed at that date, the Manager has assessed the potential impact of IFRS 9. It has determined that upon adoption, the Fund's investment portfolio will continue to be classified as fair value through profit or loss. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Fund's financial statements other than modifications in note disclosures in accordance with the new standard.

LETKO BROSSAU RSP BALANCED FUND
LETKO BROSSAU FONDS RER ÉQUILIBRÉ
 NOTES TO FINANCIAL STATEMENTS
 AS AT DECEMBER 31, 2017 AND 2016

5. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Fund holds redeemable units in the Letko Brosseau Emerging Markets Equity Fund, an investment fund which is also managed by Letko, Brosseau & Associates Inc. The units held can be redeemed daily. The Letko Brosseau Emerging Markets Equity Fund's investment objective is to optimize returns by way of capital appreciation and generate investment income through an internationally well-diversified portfolio comprised primarily of publicly traded companies exposed to more rapidly growing developing economies. This fund is financed entirely through capital provided by its investors. As at December 31, 2017, the net assets attributable to holders of redeemable units of Letko Brosseau Emerging Markets Equity Fund are \$1,352,537,181 (2016: \$1,013,208,111) and the Fund's maximum exposure to loss is \$58,607,541 (2016: \$51,549,917), which is equivalent to the fair value of the investment held.

6. 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.

	2017	2016
Number of redeemable units in circulation, beginning of year	63,578,717	67,694,951
Number of redeemable units issued and redeemed during the year		
Issued for cash and other consideration	4,053,790	3,551,207
Issued on reinvestment of distributions	3,275,354	2,531,561
Redeemed	(13,375,347)	(10,199,002)
Number of redeemable units in circulation, end of year	57,532,514	63,578,717

7. VALUATION OF REDEEMABLE UNITS AND DISTRIBUTIONS

The net asset value per unit, which represents the redemption amount, is determined by dividing the Fund's net assets at fair value by the number of redeemable units in circulation at the end of each valuation date.

Income from dividends, interest and securities lending, net of expenses of the Fund, is accounted for in the net assets attributable to holders of redeemable units. At the end of each month, income received, net of expenses paid, is distributed and reinvested as additional redeemable units or, at the discretion of the unitholders, is paid in cash. Realized gains and losses resulting from investment transactions are accounted for in the net assets attributable to holders of redeemable units and the net realized gain on investment transactions is distributed and reinvested at the end of the fiscal year as additional redeemable units or, at the discretion of the unitholders, is paid in cash.

8. 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 securities. Information about the Fund's objectives, policies and procedures for managing its capital is disclosed in note 13. The Fund is not subject to any particular external requirement for managing its capital.

LETKO BROSSAU RSP BALANCED FUND
LETKO BROSSAU FONDS RER ÉQUILIBRÉ
 NOTES TO FINANCIAL STATEMENTS
 AS AT DECEMBER 31, 2017 AND 2016

9. RELATED PARTY TRANSACTIONS

The following table presents a summary of the transactions during the year between the Fund and related parties. Related parties are represented by the Manager, directors of the Manager, corporations controlled by the directors of the Manager, family members of the directors and a deferred profit sharing plan for the benefit of the Manager's employees.

2017	Manager \$	Other related parties \$
Redeemable units issued and redeemed		
Issued for cash and other consideration	-	284,340
Issued on reinvestment of distributions	-	167,010
Redeemed	-	(322,015)
	-	129,335

2016	Manager \$	Other related parties \$
Redeemable units issued and redeemed		
Issued for cash and other consideration	-	271,675
Issued on reinvestment of distributions	-	101,691
Redeemed	-	(15,609)
	-	357,757

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, 2017 and 2016, related parties held units of the Fund with an aggregate fair market value of the following:

	2017 \$	2016 \$
Manager	-	-
Other related parties	3,030,631	2,791,476
	3,030,631	2,791,476

LETKO BROUSSEAU RSP BALANCED FUND
LETKO BROUSSEAU FONDS RER ÉQUILIBRÉ
 NOTES TO FINANCIAL STATEMENTS
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10. NET SECURITIES LENDING INCOME

During the year ended December 31, 2017, the Fund entered into a securities lending program with the Trustee. Securities lending transactions involve the temporary exchange of securities for collateral with a commitment to return the same securities to the Fund on a future date. In accordance with the terms of the program, the Fund receives collateral of at least 102% of the fair value of the securities on loan. The collateral consists primarily of debt securities with high credit ratings. The fair value of the securities loaned is determined in accordance with standard market practices and additional collateral is requested if necessary.

The table below presents the aggregate fair value of the securities on loan and collateral held under securities lending transactions as at December 31. The securities on loan continue to be included in the schedule of investment portfolio.

	2017	2016
	\$	\$
Total fair value of securities on loan	157,913,109	-
Total collateral held	161,670,410	-

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 year ended December 31, securities lending income was as follows:

	2017	2016
	\$	\$
Gross securities lending income	51,656	-
Securities lending charges	(25,828)	-
Net securities lending income	25,828	-
Securities lending charges as a % of the gross securities lending income	50%	-

11. 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.

12. INCOME TAXES

In accordance with provisions of the Income Tax Act (Canada) and the Quebec Taxation Act, the Fund qualifies as a mutual fund and has elected to choose a December 15th taxation year-end. The Fund is taxed on its income received and not distributed to unitholders. The Fund distributes to unitholders the total income from dividends, interest and securities lending, net of expenses and a sufficient portion of net realized taxable capital gains to eliminate the income taxes.

13. 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 and balanced portfolio, composed of fixed income securities, 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, 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.

LETKO BROUSSEAU RSP BALANCED FUND
LETKO BROUSSEAU FONDS RER ÉQUILIBRÉ
 NOTES TO FINANCIAL STATEMENTS
 AS AT DECEMBER 31, 2017 AND 2016

13. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

The Fund's maximum exposure to credit risk is the fair value of debt securities included in investments, as well as interest, dividends and other receivables presented on the statements of financial position.

The majority of the credit risk to which the Fund is exposed to arises from its investments in debt securities. The Manager is of the opinion that the credit risk associated with these investments in debt securities is limited given that the Fund invests in issuers with high credit ratings. The Fund holds bonds for which the credit rating breakdown is as follows:

Bonds by credit rating	2017 % of net assets	2016 % of net assets
AAA	3.20	3.19
AA	9.33	8.24
A	13.19	12.70
BBB	1.14	1.47
BB	0.09	-

Credit ratings attributed to money market securities are not presented above since the related credit risk is insignificant given their short-term maturities. The Fund is not exposed to a significant credit risk on its investments held in the Letko Brosseau Emerging Markets Equity Fund given that this fund's holdings in debt securities are not significant.

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. 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. 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 has applied these reasonable changes to the relevant indices based on the Fund's actual asset mix for the year ended December 31, 2017 rather than on the target asset mix as was done in the financial statements for the year ended December 31, 2016. The comparative information presented below has been modified to reflect this change.

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.

LETKO BROUSSEAU RSP BALANCED FUND
LETKO BROUSSEAU FONDS RER ÉQUILIBRÉ
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2017 AND 2016

13. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

Market risks (continued)

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 %	2017 Impact \$	2016 Impact \$
FTSE TMX Canada 91-day Treasury Bills	0.25	83,000	86,000
FTSE TMX Canada Universe Bond Index	1.00	2,228,000	2,236,000
S&P/TSX Capped	3.00	6,190,000	5,676,000
MSCI World	3.00	10,894,000	12,385,000

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:

Foreign currencies	2017 % of net assets	2016 % of net assets
U.S. dollars	26.36	29.38
Euros	9.65	10.14
Other currencies representing less than 5% individually	10.54	10.07

As at December 31, 2017, 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 \$11,570,000 (2016: \$13,122,000). The Fund holds units in the Letko Brosseau Emerging Markets Equity Fund which holds investments in foreign currencies. This has been considered in the variation presented above.

Interest rate risk

The Fund is exposed to interest rate risk primarily on its bonds with maturity dates as follows:

Bonds by maturity date	2017 \$	2016 \$
Less than 1 year	38,098,430	24,041,197
1 to 5 years	170,833,805	161,861,556
5 to 10 years	14,280,609	39,700,158
10 years and more	-	332,554
Total	223,212,844	225,935,465

An increase or decrease of 1% in interest rates, with all other variables being equal, would have resulted in an upward or downward variation of the Fund's investments and net assets in the amount of \$4,703,000 (2016: \$5,264,000). Interest rate fluctuations have an insignificant impact on money market securities given their short-term maturities.

LETKO BROUSSEAU RSP BALANCED FUND
LETKO BROUSSEAU FONDS RER ÉQUILIBRÉ
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 AS AT DECEMBER 31, 2017 AND 2016

13. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

Market risks (continued)

Interest rate risk (continued)

The value of bonds held by the Fund through its holdings in the Letko Brosseau Emerging Markets Equity Fund is not significant. Consequently, the interest rate risk associated with these investments is not significant.

The Fund's investments in equities are also 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.

14. 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	Total
	\$	\$	\$
2017			
Equities, excluding investment fund	513,870,287	-	513,870,287
Investment fund	-	58,607,541	58,607,541
Bonds	190,449,341	32,763,503	223,212,844
Money market securities	29,630,617	-	29,630,617
	733,950,245	91,371,044	825,321,289
2016			
Equities, excluding investment fund	562,147,105	-	562,147,105
Investment fund	-	51,549,917	51,549,917
Bonds	191,247,593	34,687,872	225,935,465
Money market securities	20,433,891	-	20,433,891
	773,828,589	86,237,789	860,066,378

No investments were transferred within the levels between the years ended December 31, 2016 and 2017.

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.

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.