



LetkoBrosseau

Letko Brosseau RSP Balanced Fund
Letko Brosseau Fonds RER équilibré

ANNUAL FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of **LETKO BROUSSEAU RSP BALANCED FUND / LETKO BROUSSEAU FONDS RER ÉQUILIBRÉ** (the "Fund"), which comprise the statements of financial position as at December 31, 2018 and 2017, 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, 2018 and 2017, 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 audits 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 audits 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.

Partnership of Chartered Professional Accountants

Montreal, March 22, 2019

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



	2018 \$	2017 \$
Current assets		
Cash	996,680	390,641
Investments	779,972,567	825,321,289
Interest, dividends and other receivables	3,305,084	2,924,896
	784,274,331	828,636,826
Current liabilities		
Amounts payable on redemptions of redeemable units	329,623	186,343
Accrued expenses	69,490	79,616
	399,113	265,959
Net assets attributable to holders of redeemable units	783,875,218	828,370,867

Supplementary information

Number of redeemable units in circulation (note 6)	61,335,258	57,532,514
Net assets per unit attributable to holders of redeemable units (note 7)	\$ 12.7802	\$ 14.3983

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

Daniel Brousseau, Director

Peter Letko, Director

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



	2018 \$	2017 \$
Net assets attributable to holders of redeemable units, beginning of year	828,370,867	882,615,869
Change in net assets attributable to holders of redeemable units	(36,601,803)	77,171,673
Redeemable unit transactions		
Proceeds from issuance	166,227,946	57,942,985
Reinvestment of distributions	58,136,871	46,737,512
Redemptions	(174,121,792)	(189,359,660)
	50,243,025	(84,679,163)
Distributions to holders of redeemable units (note 7)		
Net investment income	(25,137,811)	(23,316,522)
Net realized gain on sale of investments	(32,999,060)	(23,420,990)
	(58,136,871)	(46,737,512)
Net assets attributable to holders of redeemable units, end of year	783,875,218	828,370,867

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



	2018 \$	2017 \$
Investment income		
Interest income for distribution purposes	7,820,191	6,969,145
Dividend income	17,908,011	17,330,054
Net securities lending income (note 10)	290,155	25,828
Foreign exchange gain (loss) on cash	1,055,437	(1,643,930)
Net realized gain (loss) on sale of investments	43,221,384	57,312,805
Net changes in unrealized appreciation (depreciation) of investments	(106,962,875)	(2,242,662)
	<u>(36,667,697)</u>	<u>77,751,240</u>
Expenses		
Trustee fees (note 11)	200,233	273,327
Professional fees	17,348	14,837
Filing fees	10,203	4,943
Withholding taxes (recovered)	(493,529)	50,140
Portfolio transaction costs	199,851	236,320
	<u>(65,894)</u>	<u>579,567</u>
Change in net assets attributable to holders of redeemable units	<u>(36,601,803)</u>	<u>77,171,673</u>
Change in net assets per unit attributable to holders of redeemable units (note 3)	<u>(0.6237)</u>	<u>1.2901</u>

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



	2018 \$	2017 \$
Cash flows from (used in) operating activities		
Change in net assets attributable to holders of redeemable units	(36,601,803)	77,171,673
Adjustments or variations for :		
Foreign exchange (gain) loss on cash	(1,055,437)	1,643,930
Net realized (gain) loss on sale of investments	(43,221,384)	(57,312,805)
Net changes in unrealized (appreciation) depreciation of investments	106,962,875	2,242,662
Proceeds from sale or maturity of investments	594,908,482	288,862,044
Investments purchased	(612,203,403)	(200,284,123)
Interest, dividends and other receivables	(380,188)	(217,809)
Amounts payable on redemptions of redeemable units	143,280	(280,921)
Accrued expenses	(10,126)	32,953
	8,542,296	111,857,604
Cash flows from (used in) financing activities		
Proceeds from issuance of redeemable units	166,227,946	57,942,985
Amounts paid on redemptions of redeemable units	(174,121,792)	(189,359,660)
	(7,893,846)	(131,416,675)
Change in cash	648,450	(19,559,071)
Cash, beginning of year	390,641	20,356,331
Effect of exchange rate changes on foreign cash	(42,411)	(406,619)
Cash, end of year	996,680	390,641

Supplementary information

Interest received	\$ 7,692,754	\$ 7,001,025
Dividends received, net of withholding taxes	\$ 18,201,967	\$ 17,030,380
Interest paid	\$ 235	\$ 505

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



	Quantity	Cost \$	Fair Value \$
Equities			
Energy			
Birchcliff Energy	608,225	3,099,462	1,849,004
Canadian Natural Resources	258,765	8,206,628	8,523,719
Cenovus Energy	545,100	7,464,327	5,232,960
ConocoPhillips	129,075	6,081,145	10,991,745
Devon Energy Corporation	116,150	6,416,788	3,575,701
Encana Corporation	512,450	8,473,822	4,038,106
Enerflex	64,975	959,192	1,038,301
Hess Corporation	60,975	3,099,222	3,372,833
Husky Energy	387,008	7,947,442	5,460,683
Pengrowth Energy Corporation	58,000	40,600	34,800
Peyto Exploration & Development Corporation	175,100	1,818,117	1,239,708
Royal Dutch Shell, ADR	122,250	8,510,158	9,729,308
Suncor Energy	196,150	6,499,793	7,479,200
Total, Series B	149,175	9,410,075	10,755,842
Tourmaline Oil Corporation	49,800	931,709	845,604
		78,958,480	74,167,514
Materials			
5N Plus	105,775	513,133	327,903
Arkema	18,770	1,963,452	2,196,789
Canfor Pulp Products	136,100	1,738,751	2,206,181
Cascades	9,900	124,245	101,277
Eastman Chemical Co.	42,897	4,029,476	4,283,431
Freeport-McMoRan, Class B	234,700	5,507,857	3,304,911
Hitachi Metals	162,100	2,680,369	2,320,614
HudBay Minerals	412,275	3,098,509	2,663,297
Interfor Corporation	6,400	95,360	92,288
Intertape Polymer Group	40,475	86,546	684,837
Kemira	63,350	965,078	974,265
Kuraray Co.	200,300	3,498,481	3,864,868
LafargeHolcim	41,378	2,769,107	2,314,785
Lundin Mining Corporation	398,450	1,619,353	2,247,258
Norbord	31,525	1,338,688	1,144,358
Nutrien	26,825	1,749,795	1,720,019
Pretium Resources	218,426	2,150,804	2,527,189
Regis Resources	422,596	1,473,290	1,962,614
Smurfit Kappa Group	65,200	2,490,530	2,361,300
Stornoway Diamond Corporation	1,017,450	549,423	198,403
Teck Resources	222,450	3,858,409	6,537,806
Western Forest Products	828,300	1,711,693	1,565,487
		44,012,349	45,599,880
Industrial Products			
A.P. Moller - Maersk	2,775	4,836,922	4,751,599
Air Canada	522,000	2,162,869	13,551,120
Bombardier	1,987,275	5,328,834	4,034,168
Deutsche Lufthansa	127,850	2,296,624	3,932,433
Fluor Corporation	46,074	3,051,637	2,026,282

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



	Quantity	Cost \$	Fair Value \$
Equities (continued)			
Industrial Products (continued)			
General Electric Company	292,915	5,134,705	3,028,486
Mitsui & Co.	311,700	5,496,420	6,559,550
Siemens	38,325	4,741,477	5,827,018
Spirit Airlines	18,275	761,852	1,445,686
Thomson Reuters Corporation	33,225	1,031,610	2,190,524
United Parcel Service, Class B	20,150	1,772,910	2,684,116
WestJet Airlines	153,300	2,055,414	2,759,400
		38,671,274	52,790,382
Consumer Discretionary			
Adient	55,867	3,574,501	1,149,128
Aisin Seiki Co.	28,700	830,457	1,364,795
Canadian Tire Corporation, Class A	24,700	1,833,901	3,525,678
Dick's Sporting Goods	55,425	2,812,280	2,361,829
Dorel Industries	51,200	1,562,365	903,168
Goodyear Tire & Rubber Company	90,650	1,164,169	2,526,963
Keihin Corporation	91,000	1,611,055	2,088,932
Kingfisher	569,150	1,904,746	2,054,318
Linamar Corporation	74,600	2,865,866	3,379,380
Magna International	72,725	2,873,437	4,506,763
Panasonic Corporation	144,200	1,708,721	1,778,221
Transat A.T.	40,475	328,463	240,826
TUI	195,060	2,615,523	3,748,607
Valeo SA	38,000	2,312,696	1,513,521
Yamaha Motor Co.	49,600	798,818	1,333,081
		28,796,998	32,475,210
Consumer Staples			
AGT Food & Ingredients	65,250	1,260,826	1,085,760
Carrefour	134,925	5,670,361	3,140,975
Weston George	525	50,951	47,276
High Liner Foods	5,100	34,884	39,066
Maple Leaf Foods	39,750	404,818	1,086,368
Wal-Mart Stores	29,485	1,621,887	3,751,216
		9,043,727	9,150,661
Health Care			
Abbvie	24,825	2,162,328	3,125,800
Biogen	6,350	1,943,498	2,609,834
Gilead Sciences	46,208	4,222,867	3,947,595
GlaxoSmithKline	38,700	1,958,496	2,019,650
Merck & Co.	32,325	2,339,470	3,373,470
Pfizer	70,225	1,612,378	4,186,625
Roche Holding AG	6,310	1,912,027	2,127,899
Sanofi	58,025	5,459,754	6,854,502
Tenet Healthcare Corporation	62,950	1,158,172	1,473,651
		22,768,990	29,719,026

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



	Quantity	Cost \$	Fair Value \$
Equities (continued)			
Financial Services			
Acasta Enterprises Inc.	5,600	5,320	5,040
Aegon	1,039,275	7,500,498	6,618,790
Bank of America Corporation	120,800	2,688,846	4,065,329
Bank of Montreal	75,190	4,813,306	6,706,196
Bank of Nova Scotia	120,975	8,329,839	8,232,349
BB&T Corporation	47,561	2,428,357	2,814,022
BNP Paribas	55,175	3,682,919	3,400,626
Canadian Imperial Bank of Commerce	20,200	2,287,419	2,053,936
Citigroup	113,430	5,979,017	8,065,293
ING Groep	330,875	5,877,402	4,861,251
Invesco	49,349	1,725,208	1,128,293
Manulife Financial Corporation	318,175	5,968,528	6,163,050
Power Corporation of Canada	101,450	2,915,564	2,488,569
Royal Bank of Canada	75,900	5,502,799	7,092,096
Standard Life Aberdeen	497,856	2,506,043	2,223,499
State Street Corporation	39,515	1,939,040	3,403,869
Sun Life Financial	116,850	3,872,877	5,292,137
Toronto-Dominion Bank	79,725	3,969,322	5,410,139
Wells Fargo & Company	44,550	2,998,288	2,803,808
		74,990,592	82,828,292
Real Estate			
Brookfield Property Partners LP	108,125	3,005,360	2,380,913
Morguard Corporation	18,325	1,570,135	3,225,383
		4,575,495	5,606,296
Technology			
ams AG	35,850	1,133,255	1,170,215
Blackberry	3,400	37,910	33,014
Celestica	298,775	2,603,520	3,573,349
Cirrus Logic	30,275	1,778,595	1,371,983
Cisco Systems	71,025	1,441,339	4,203,277
DXC Technology Co.	9,682	458,337	703,104
Fujitsu	38,940	2,185,605	3,319,085
Hewlett Packard Enterprise Co.	106,075	1,190,820	1,913,833
Intel Corporation	86,675	1,794,866	5,555,619
International Business Machines Corporation (IBM)	29,210	5,531,968	4,534,877
Kyocera Corporation	40,200	1,724,883	2,756,399
Oracle Corporation	36,025	1,847,184	2,221,518
Qualcomm	22,075	1,551,651	1,715,842
Samsung Electronics Corporation	1,276	1,770,403	1,513,156
Skyworks Solutions	13,007	1,441,297	1,190,610
		26,491,633	35,775,881

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



	Quantity	Cost	Fair Value
		\$	\$
Equities (continued)			
Communication Services			
AT&T	213,575	6,666,593	8,325,157
BCE	124,325	3,720,285	6,704,847
CBS Corporation	50,982	3,545,261	3,044,283
China Mobile	37,875	2,390,311	2,483,030
Cogeco Communications	56,150	2,794,909	3,693,547
Comcast Corporation, Class A	107,925	2,241,077	5,019,116
Facebook	10,850	2,406,175	1,942,618
Orange	191,775	4,785,981	4,238,345
Quebecor, Class B	112,850	1,231,425	3,243,309
Rogers Communications, Class B	23,650	653,635	1,654,554
Telefonica SA	219,300	5,063,909	2,512,870
TELUS Corporation	148,825	2,956,077	6,734,331
Verizon Communications	178,275	7,656,952	13,688,925
Vodafone Group, ADR	176,218	7,499,788	4,640,293
		53,612,378	67,925,225
Utilities			
Capital Power Corporation	180,950	4,113,742	4,811,461
Companhia Paranaense de Energia - COPEL, Class P, ADR	78,200	1,097,860	836,289
EDP - Energias de Portugal SA	608,275	2,548,902	2,895,688
Superior Plus Corporation	252,475	3,008,853	2,443,958
Veolia Environnement	105,300	2,859,558	2,951,945
		13,628,915	13,939,341
Investment Fund			
Letko Brosseau Emerging Markets Equity Fund	5,057,317	50,617,243	56,493,769
Total Equities		446,168,074	506,471,477
	Par Value	Cost	Fair Value
		\$	\$
Canadian Government Bonds			
Federal Government			
Canada Housing Trust			
1.950%, 2019-06-15	1,525,000	1,532,778	1,526,006
2.000%, 2019-12-15	310,000	314,786	310,346
floating rate, 2020-03-15	870,000	872,175	872,695
2.650%, 2022-03-15	370,000	373,000	375,852
1.750%, 2022-06-15	2,405,000	2,371,588	2,370,702
2.400%, 2022-12-15	2,955,000	3,024,735	2,974,099
		8,489,062	8,429,700

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



	Par Value	Cost \$	Fair Value \$
Canadian Government Bonds (continued)			
Provincial Governments and Crown Corporations			
CPPIB Capital			
1.400%, 2020-06-04	3,655,000	3,638,592	3,622,728
Financement-Québec			
floating rate, 2019-05-29	6,765,000	6,771,239	6,782,609
2.450%, 2019-12-01	5,800,000	5,799,548	5,825,645
Hydro-Québec			
floating rate, 2019-12-01	1,720,000	1,722,253	1,726,821
11.000%, 2020-08-15	2,745,000	4,250,721	3,133,658
10.500%, 2021-10-15	960,000	1,428,846	1,172,406
New Brunswick (F-M) Project Company			
6.470%, 2027-11-30	45,614	45,989	52,189
Newfoundland & Labrador Hydro			
stripped, 2020-08-27	690,000	670,696	663,031
stripped, 2021-02-27	30,000	26,740	28,464
Ontario Hydro Energy			
10.000%, 2020-02-06	500,000	726,500	542,897
10.750%, 2021-08-06	190,000	243,749	230,292
10.125%, 2021-10-15	585,000	765,402	707,762
8.900%, 2022-08-18	430,000	537,360	525,926
Province of Alberta			
2.000%, 2019-06-01	3,190,000	3,188,628	3,192,229
4.000%, 2019-12-01	300,000	305,382	305,507
1.250%, 2020-06-01	2,990,000	2,931,934	2,957,782
floating rate, 2020-06-17	85,000	85,568	85,452
1.350%, 2021-09-01	3,455,000	3,417,476	3,378,326
1.600%, 2022-09-01	3,230,000	3,217,294	3,142,910
2.550%, 2022-12-15	5,690,000	5,422,569	5,718,589
Province of British Columbia			
4.100%, 2019-12-18	465,000	458,578	474,479
10.600%, 2020-09-05	85,000	103,200	96,765
9.950%, 2021-05-15	2,190,000	3,151,542	2,580,811
2.700%, 2022-12-18	115,000	115,674	116,651
7.875%, 2023-11-30	440,000	548,949	545,951
Province of Manitoba			
floating rate, 2019-04-02	9,155,000	9,145,034	9,165,043
1.150%, 2019-11-21	640,000	637,406	635,428
4.750%, 2020-02-11	1,395,000	1,378,748	1,436,896
floating rate, 2020-05-15	1,370,000	1,375,803	1,377,635
4.150%, 2020-06-03	1,965,000	2,126,501	2,022,757
1.600%, 2020-09-05	590,000	585,685	585,528
1.550%, 2021-09-05	4,735,000	4,717,392	4,654,579
2.550%, 2023-06-02	85,000	85,112	85,275
Province of New Brunswick			
4.400%, 2019-06-03	855,000	889,111	863,970
floating rate, 2019-08-01	1,580,000	1,582,176	1,583,488
4.500%, 2020-06-02	4,035,000	4,202,513	4,172,060
3.350%, 2021-12-03	45,000	46,685	46,362

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



	Par Value	Cost \$	Fair Value \$
Canadian Government Bonds (continued)			
Provincial Governments and Crown Corporations (continued)			
Province of Newfoundland and Labrador			
1.125%, 2019-01-30	340,000	338,572	339,806
stripped, 2019-04-17	425,000	423,359	422,601
10.950%, 2021-04-15	880,000	1,332,958	1,048,069
1.950%, 2022-06-02	855,000	860,942	842,373
floating rate, 2023-02-27	3,205,000	3,203,942	3,191,715
Province of Nova Scotia			
4.150%, 2019-11-25	4,655,000	4,799,245	4,744,713
floating rate, 2020-06-15	2,415,000	2,381,032	2,425,258
4.100%, 2021-06-01	3,565,000	3,818,925	3,724,925
4.450%, 2021-10-24	645,000	634,474	683,088
9.600%, 2022-01-30	10,000	14,684	12,110
floating rate, 2022-11-09	300,000	300,903	299,635
floating rate, 2024-11-09	1,505,000	1,509,656	1,504,789
2.100%, 2027-06-01	495,000	472,838	469,709
Province of Ontario			
4.400%, 2019-06-02	13,815,000	15,282,682	13,960,053
floating rate, 2019-08-26	1,650,000	1,649,175	1,654,380
2.100%, 2019-09-08	1,400,000	1,415,106	1,401,642
4.000%, 2021-06-02	1,000,000	1,036,200	1,042,702
floating rate, 2021-10-27	3,095,000	3,085,427	3,116,538
stripped, 2021-12-02	80,000	68,820	74,730
1.350%, 2022-03-08	1,340,000	1,305,292	1,301,629
3.150%, 2022-06-02	15,015,000	15,158,412	15,415,593
floating rate, 2022-06-27	3,655,000	3,676,393	3,663,455
9.500%, 2022-07-13	105,000	136,184	130,038
2.850%, 2023-06-02	1,530,000	1,583,348	1,555,114
2.600%, 2025-06-02	4,895,000	5,128,834	4,886,134
Province of Prince Edward Island			
4.250%, 2019-09-24	1,745,000	1,818,774	1,773,804
3.700%, 2020-09-02	1,525,000	1,580,937	1,563,940
Province of Québec			
floating rate, 2019-08-21	1,700,000	1,700,008	1,705,317
3.500%, 2022-12-01	2,100,000	2,162,067	2,189,870
3.750%, 2024-09-01	1,280,000	1,472,166	1,362,273
Province of Saskatchewan			
3.900%, 2020-07-28	135,000	138,525	138,853
9.600%, 2022-02-04	210,000	272,965	255,106
3.200%, 2024-06-03	3,230,000	3,412,818	3,334,558
PSP Capital			
1.340%, 2021-08-18	6,650,000	6,447,002	6,506,133
1.730%, 2022-06-21	4,250,000	4,125,582	4,166,223
		169,094,842	165,145,777

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



	Par Value	Cost \$	Fair Value \$
Canadian Government Bonds (continued)			
Municipalities and Parapublic Institutions			
City of Hamilton			
2.650%, 2021-10-01	475,000	474,577	475,470
2.800%, 2022-10-01	30,000	29,996	30,336
City of Ottawa			
3.250%, 2020-10-19	340,000	357,415	345,661
City of Toronto			
4.500%, 2019-12-02	2,340,000	2,507,173	2,391,512
6.800%, 2021-07-26	1,050,000	1,160,065	1,164,709
3.500%, 2021-12-06	425,000	424,537	438,557
2.450%, 2025-02-06	85,000	83,632	83,314
City of Vancouver			
4.900%, 2019-12-02	575,000	620,673	590,053
4.500%, 2020-06-01	50,000	51,574	51,681
Municipal Finance Authority of British Columbia			
4.875%, 2019-06-03	90,000	91,703	91,106
4.450%, 2020-06-01	175,000	184,925	180,746
1.650%, 2021-04-19	3,225,000	3,161,832	3,184,151
3.350%, 2022-06-01	120,000	122,923	123,678
Regional Municipality of Peel			
3.500%, 2021-12-01	825,000	821,469	851,585
Regional Municipality of Waterloo			
3.950%, 2020-11-30	85,000	88,183	86,718
Regional Municipality of York			
5.000%, 2019-04-29	2,490,000	2,595,723	2,515,020
4.500%, 2020-06-30	160,000	168,909	165,537
2.500%, 2026-06-02	175,000	169,171	170,338
Translink			
3.800%, 2020-11-02	70,000	71,793	72,021
York Region District School Board			
6.550%, 2023-04-12	60,000	68,849	69,272
		13,255,122	13,081,465
Total Canadian Government Bonds		190,839,026	186,656,942

Corporate Bonds

Alimentation Couche-Tard			
3.319%, 2019-11-01	620,000	620,000	623,341
Bank of Montreal			
1.880%, 2021-03-31	615,000	606,114	604,327
2.120%, 2022-03-16	170,000	169,934	166,499
Bank of Nova Scotia			
2.130%, 2020-06-15	2,310,000	2,289,557	2,296,034
2.090%, 2020-09-09	525,000	522,200	520,496
2.873%, 2021-06-04	1,270,000	1,272,011	1,274,115

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



	Par Value	Cost \$	Fair Value \$
Corporate Bonds (continued)			
Bank of Nova Scotia (continued)			
2.360%, 2022-11-08	855,000	835,985	838,409
Bell Canada			
2.000%, 2021-10-01	1,005,000	995,045	977,334
3.000%, 2022-10-03	855,000	862,986	847,744
Canadian Imperial Bank of Commerce			
floating rate, 2020-12-08	295,000	295,236	294,626
2.900%, 2021-09-14	1,000,000	999,970	1,003,340
Canadian Natural Resources			
2.890%, 2020-08-14	85,000	85,706	84,738
Canadian Utilities			
6.800%, 2019-08-13	640,000	675,430	657,505
Capital Power Corporation			
4.850%, 2019-02-21	420,000	421,267	421,174
5.276%, 2020-11-16	1,730,000	1,755,530	1,789,711
Cominar Real Estate Investment Trust			
4.941%, 2020-07-27	165,000	169,688	167,635
4.164%, 2022-06-01	455,000	455,000	449,921
First Capital Realty			
5.480%, 2019-07-30	1,630,000	1,627,712	1,657,057
5.600%, 2020-04-30	95,000	101,912	98,319
Royal Bank of Canada			
1.920%, 2020-07-17	45,000	44,572	44,573
1.650%, 2021-07-15	125,000	121,155	121,702
1.968%, 2022-03-02	1,700,000	1,656,237	1,657,944
Rogers Communications			
2.800%, 2019-03-13	150,000	150,185	150,143
4.700%, 2020-09-29	1,455,000	1,522,730	1,499,481
4.000%, 2024-03-13	940,000	990,666	964,319
Saputo			
2.654%, 2019-11-26	800,000	800,271	799,972
2.196%, 2021-06-23	80,000	78,033	78,408
1.939%, 2022-06-13	1,820,000	1,785,171	1,745,162
TELUS Corporation			
3.600%, 2021-01-26	170,000	175,695	172,224
Total Corporate Bonds		22,085,998	22,006,253
Total Bonds		212,925,024	208,663,195

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



	Par Value	Cost \$	Fair Value \$
Money Market Securities			
Canada Treasury Bills			
2019-01-10	110,000	109,610	109,610
2019-01-24	3,895,000	3,878,369	3,878,369
2019-02-07	3,975,000	3,958,739	3,958,739
2019-02-21	250,000	249,065	249,065
2019-03-21	7,000,000	6,974,310	6,974,310
2019-04-18	7,000,000	6,964,510	6,964,510
2019-05-30	7,000,000	6,949,320	6,949,320
Ontario Treasury Bills			
2019-02-06	11,780,000	11,730,171	11,730,171
Province of British Columbia, notes			
2019-01-17	550,000	744,083	749,824
2019-02-08	550,000	546,838	546,838
2019-02-28	1,000,000	1,311,084	1,357,444
Province of Québec, notes			
2019-01-07	770,000	767,929	767,929
2019-01-10	915,000	1,203,605	1,244,849
2019-01-18	135,000	180,786	184,013
2019-01-22	7,620,000	10,048,823	10,365,290
2019-01-30	3,800,000	5,008,871	5,168,201
2019-02-04	850,000	847,340	847,340
2019-02-05	1,100,000	1,446,648	1,496,103
2019-02-19	1,300,000	1,295,970	1,295,970
Total Money Market Securities		64,216,071	64,837,895
Portfolio Transaction Costs Included in the Securities' Cost		(525,487)	
Total Investments		722,783,682	779,972,567

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



1. Establishment of the fund

The Letko Brosseau RSP Balanced Fund / Letko Brosseau Fonds RER équilibré (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 22, 2019.

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

Newly adopted accounting standards

Effective January 1, 2018, the Fund adopted IFRS 9 Financial Instruments (“IFRS 9”). IFRS 9 establishes the requirements for the classification and measurement of financial assets and liabilities and replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 largely retains the previous requirements in IAS 39 for the classification and measurement of financial liabilities; however, it eliminates the previous IAS 39 categories for financial assets: held to maturity, available for sale and loans and receivables.

The adoption of IFRS 9 has been applied retrospectively without restatement of the prior year. The application of IFRS 9 did not result in a change to the classification and measurement of the financial instruments held by the Fund. The Fund holds investments of \$779,972,567 (2017: \$825,321,289) which had previously been designated at fair value through profit or loss and on adoption of IFRS 9, these investments continue to be classified as fair value through profit or loss. All other financial assets and financial liabilities which had been previously classified at amortized cost continue to be classified at amortized cost with no change to their carrying amounts.

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 7.



3. Significant accounting policies (continued)

Financial instruments (continued)

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.

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 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.

Revenue recognition

Investment income is accounted for using the accrual method of accounting. Interest income for distribution purposes is recognized when it is earned. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities, except for zero coupon bonds which are amortized using the effective interest rate method. Dividends are recognized on the ex-dividend date and distributions on investment fund units are recorded at the ex-distribution date. Income from securities lending is recorded when earned. Realized gains and losses upon disposition of investments are recognized on the trade date and are calculated using the average cost method.

Foreign currency translation

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates the transactions occur. Assets and liabilities denominated in a foreign currency are translated into Canadian dollars using the exchange rate prevailing at the date of the financial statements. Foreign exchange gains and losses are presented in the statements of comprehensive income.

Change in net assets per unit attributable to holders of redeemable units

This change, presented in the statements of comprehensive income, represents the variation in net assets per unit attributable to holders of redeemable units based on the average number of redeemable units that were in circulation during the year.



3. Significant accounting policies (continued)

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, 2019 which would have a material effect on the Fund's financial statements.

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, 2018, the net assets attributable to holders of redeemable units of Letko Brosseau Emerging Markets Equity Fund are \$1,306,350,229 (2017: \$1,352,537,181) and the Fund's maximum exposure to loss is \$56,493,769 (2017: \$58,607,541), 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.

	2018	2017
Number of redeemable units in circulation, beginning of year	57,532,514	63,578,717
Number of redeemable units issued and redeemed during the year		
Issued for cash and other consideration	11,678,243	4,053,790
Issued on reinvestment of distributions	4,337,635	3,275,354
Redeemed	(12,213,134)	(13,375,347)
Number of redeemable units in circulation, end of year	61,335,258	57,532,514



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 net realized gains on investment transactions are distributed and reinvested at the end of the fiscal year as additional redeemable units or, at the discretion of the unitholders, are paid in cash.

8. 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 13. The Fund is not subject to any particular external requirement for managing its capital.

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.

2018	Manager \$	Other related parties \$
Redeemable units issued and redeemed		
Issued for cash and other consideration	-	295,760
Issued on reinvestment of distributions	-	227,575
Redeemed	-	(89,413)
	-	433,922

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

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



9. Related party transactions (continued)

As at December 31, related parties held units of the Fund with an aggregate fair market value of the following:

	2018 \$	2017 \$
Manager	-	-
Other related parties	3,086,643	3,030,631
	3,086,643	3,030,631

10. Net securities lending income

In September 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.

	2018 \$	2017 \$
Total fair value of securities on loan	180,274,401	157,913,109
Total collateral held	183,881,338	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 years ended December 31, securities lending income was as follows:

	2018 \$	2017 \$
Gross securities lending income	575,197	51,656
Securities lending charges	(285,042)	(25,828)
Net securities lending income	290,155	25,828
Securities lending charges as a % of the gross securities lending income	49.6%	50.0%

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.

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	2018 % of net assets	2017 % of net assets
AAA	4.09	3.20
AA	6.74	9.33
A	14.53	13.19
BBB	1.18	1.14
BB	0.08	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 through its investment 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. 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 be readily liquidated. In addition, at the Manager’s discretion, the Fund may pay the redemptions in securities instead of cash.



13. Risks associated with financial instruments (continued)

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 %	2018 Impact \$	2017 Impact \$
FTSE Canada 91 Day TBill Total Return Index	0.25	164,000	83,000
FTSE Canada Universe Bond Total Return Index	1.00	2,091,000	2,228,000
S&P/TSX Composite Total Return Capped Index	3.00	5,298,000	6,190,000
MSCI World Total Return Net Index	3.00	9,856,000	10,894,000

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	2018 % of net assets	2017 % of net assets
U.S. dollars	25.46	26.36
Euros	9.01	9.65
Other currencies representing less than 5% individually	10.29	10.54

As at December 31, 2018 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 \$10,528,000 (2017: \$11,570,000).

The currency distribution presented above and the calculated variation take into account the Fund's investment in the Letko Brosseau Emerging Markets Equity Fund which holds investments in foreign currency.



13. Risks associated with financial instruments (continued)

Market risks (continued)

Interest rate risk

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

Bonds by maturity date	2018 \$	2017 \$
Less than 1 year	68,290,773	38,098,430
1 to 5 years	127,544,798	170,833,805
5 to 10 years	12,827,624	14,280,609
Total	208,663,195	223,212,844

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 \$3,883,000 (2017: \$4,703,000). Interest rate fluctuations have an insignificant impact on money market securities given their short-term maturities.

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 this investment 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 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
	\$	\$	\$
2018			
Equities, excluding investment fund	449,977,708	-	449,977,708
Investment fund	-	56,493,769	56,493,769
Bonds	173,575,477	35,087,718	208,663,195
Money market securities	64,837,895	-	64,837,895
	688,391,080	91,581,487	779,972,567

	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

As at December 31, the Fund did not hold any Level 3 investments.

During the years ended December 31, 2018 and 2017, there were no transfers between the levels.

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.