



**LETKO
BROSSEAU**

**LETKO BROSSEAU BALANCED FUND
LETKO BROSSEAU FONDS ÉQUILIBRÉ**

ANNUAL FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

**LETKO BROSSEAU BALANCED FUND
LETKO BROSSEAU FONDS ÉQUILIBRÉ**

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

Contents

Independent Auditors' Report	
Statements of Financial Position	2
Statements of Changes in Net Assets Attributable to Holders of Redeemable Units	3
Statements of Comprehensive Income	4
Statements of Cash Flows	5
Schedule of Investment Portfolio	6
Notes to Financial Statements	13

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Fund Manager's Responsibilities for the Financial Statements

The Fund Manager is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

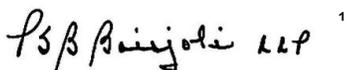
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

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

Opinion

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



Partnership of Chartered Professional Accountants

Montreal, March 17, 2017

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

LETKO BROUSSEAU BALANCED FUND
LETKO BROUSSEAU FONDS ÉQUILIBRÉ
 STATEMENTS OF FINANCIAL POSITION
 AS AT DECEMBER 31, 2016 AND 2015

	2016	2015
	\$	\$
Current assets		
Cash	16,737,306	13,703,472
Investments	513,625,418	492,082,894
Interest, dividends and other receivables	1,496,843	1,472,158
	531,859,567	507,258,524
Current liabilities		
Amounts payable on redemptions of redeemable units	10,250	11,800
Accrued expenses	39,880	151,440
	50,130	163,240
Net assets attributable to holders of redeemable units	531,809,437	507,095,284

Supplementary information

Number of redeemable units in circulation (note 6)	34,526,832	35,588,326
Net assets per unit attributable to holders of redeemable units (note 7)	\$ 15.4028	\$ 14.2489

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



Daniel Brosseau, Director



Peter Letko, Director

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

LETKO BROUSSEAU BALANCED FUND
LETKO BROUSSEAU FONDS ÉQUILIBRÉ
STATEMENTS OF CHANGES IN NET ASSETS
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016 \$	2015 \$
Net assets attributable to holders of redeemable units, beginning of year	507,095,284	462,587,524
Change in net assets attributable to holders of redeemable units	57,454,826	21,890,778
Redeemable unit transactions		
Proceeds from issuance	41,159,906	68,345,038
Reinvestment of distributions	19,393,130	11,456,291
Redemptions	(73,146,777)	(45,190,778)
	(12,593,741)	34,610,551
Distributions to holders of redeemable units (note 7)		
Net investment income	(12,419,558)	(11,993,569)
Net realized gain on sale of investments	(7,727,374)	-
	(20,146,932)	(11,993,569)
Net assets attributable to holders of redeemable units, end of year	531,809,437	507,095,284

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

LETKO BROUSSEAU BALANCED FUND
LETKO BROUSSEAU FONDS ÉQUILIBRÉ
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
	\$	\$
Investment income		
Interest income for distribution purposes	2,978,327	3,603,550
Dividend income	10,517,084	11,895,710
Foreign exchange gain (loss) on cash	(309,334)	894,555
Net realized gain on sale of investments	21,502,203	1,049,904
Net changes in unrealized appreciation of investments	23,885,405	5,736,026
	58,573,685	23,179,745
Expenses		
Trustee fees (note 10)	54,811	251,113
Professional fees	18,317	26,682
Filing fees	-	20,841
Withholding taxes	974,469	850,799
Portfolio transaction costs	71,262	139,532
	1,118,859	1,288,967
Change in net assets attributable to holders of redeemable units	57,454,826	21,890,778
Change in net assets per unit attributable to holders of redeemable units (note 3)	1.7077	0.6266

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

LETKO BROUSSEAU BALANCED FUND
LETKO BROUSSEAU FONDS ÉQUILIBRÉ
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
	\$	\$
Cash flows from (used in) operating activities		
Change in net assets attributable to holders of redeemable units	57,454,826	21,890,778
Adjustments or variations for :		
Foreign exchange loss (gain) on cash	309,334	(894,555)
Net realized gain on sale of investments	(21,502,203)	(1,049,904)
Net changes in unrealized appreciation of investments	(23,885,405)	(5,736,026)
Proceeds from sale or maturity of investments	152,560,133	313,179,595
Investments purchased	(128,462,375)	(350,420,186)
Interest, dividends and other receivables	(24,685)	(398,955)
Amounts payable on redemptions of redeemable units	(1,550)	11,800
Accrued expenses	(111,560)	78,421
	36,336,515	(23,339,032)
Cash flows from (used in) financing activities		
Proceeds from issuance of redeemable units	41,159,906	68,345,038
Amounts paid on redemptions of redeemable units	(73,146,777)	(45,190,778)
Distributions paid in cash to holders of redeemable units	(753,802)	(537,278)
	(32,740,673)	22,616,982
Change in cash	3,595,842	(722,050)
Cash, beginning of year	13,703,472	13,769,562
Effect of exchange rate changes on foreign cash	(562,008)	655,960
	16,737,306	13,703,472

Supplementary information

Interest received	\$ 2,436,021	\$ 3,621,337
Dividends received, net of withholding taxes	\$ 10,061,339	\$ 10,664,169
Interest paid	\$ 1,103	\$ 280

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

LETKO BROUSSEAU BALANCED FUND
LETKO BROUSSEAU FONDS ÉQUILIBRÉ
SCHEDULE OF INVESTMENT PORTFOLIO
AS AT DECEMBER 31, 2016

	Quantity	Cost \$	Fair Value \$
Equities			
Energy			
Birchcliff Energy	124,000	775,000	1,161,880
Canadian Natural Resources	181,850	5,759,352	7,781,362
ConocoPhillips	67,625	3,082,736	4,547,148
Devon Energy Corporation	60,175	3,376,243	3,685,485
Encana Corporation	178,650	3,104,472	2,815,524
Hess Corporation	35,150	1,755,553	2,936,237
Husky Energy	266,895	5,688,072	4,347,720
Marathon Oil Corporation	59,225	1,119,545	1,374,832
Royal Dutch Shell, ADR	84,650	5,860,317	6,173,247
Statoil ASA	27,000	782,811	666,315
Suncor Energy	180,000	5,962,812	7,902,000
Total, Series B	66,550	4,410,238	4,586,214
		41,677,151	47,977,964
Materials			
Agrium	20,000	833,775	2,699,200
Arkema	25,000	2,306,962	3,286,561
Canfor Pulp Products	77,300	1,032,844	781,503
Eastman Chemical Co.	15,875	1,399,943	1,601,168
Freeport-McMoRan, Class B	162,700	1,511,860	2,877,928
HudBay Minerals	244,400	1,722,977	1,876,992
Intertape Polymer Group	35,513	92,168	894,217
Kemira	81,500	1,226,560	1,398,355
Kuraray Co.	70,400	998,035	1,421,398
LafargeHolcim	30,656	2,533,057	2,164,440
Lundin Mining Corporation	362,700	1,402,360	2,321,280
Teck Resources, Class B	200,000	1,078,708	5,374,000
Western Forest Products	800,000	1,509,660	1,512,000
		17,648,909	28,209,042
Industrial Products			
A.P. Moller - Maersk	998	2,511,608	2,139,639
Air Canada	465,550	988,431	6,364,069
Airbus Group	43,075	1,531,944	3,828,781
Bombardier, Class B	1,823,500	5,241,232	3,938,760
Carillion	410,300	1,915,861	1,605,247
Deutsche Lufthansa	185,000	3,218,831	3,210,815
Fluor Corporation	33,525	2,293,743	2,361,245
General Electric Company	130,000	3,383,156	5,509,066
Meggitt	128,400	1,127,767	975,761
Mitsui & Co.	100,000	1,669,818	1,847,713
Siemens	31,500	3,845,825	5,204,181
United Parcel Service, Class B	22,900	1,750,542	3,520,620
WestJet Airlines	117,500	1,974,115	2,707,200
		31,452,873	43,213,097

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

LETKO BROUSSEAU BALANCED FUND
LETKO BROUSSEAU FONDS ÉQUILIBRÉ
SCHEDULE OF INVESTMENT PORTFOLIO
AS AT DECEMBER 31, 2016

	Quantity	Cost \$	Fair Value \$
Equities (continued)			
Consumer Discretionary			
Adient	4,654	224,349	365,739
Aisin Seiki Co.	56,800	2,257,057	3,311,120
Canadian Tire Corporation, Class A	25,500	1,314,885	3,551,385
Cogeco Communications	26,400	1,259,542	1,748,736
Comcast Corp., Class A	39,000	795,928	3,611,402
Dick's Sporting Goods	8,900	466,776	633,771
Dorel Industries, Class B	45,000	1,599,300	1,746,000
Goodyear Tire & Rubber Company	85,000	994,954	3,518,869
Johnson Controls International	30,000	1,971,706	1,657,145
Keihin Corporation	70,000	1,209,064	1,648,339
Kingfisher	250,000	636,293	1,451,191
Linamar Corporation	35,000	518,000	2,019,150
Magna International, Class A	51,000	1,690,721	2,973,300
Panasonic Corporation	108,300	1,269,445	1,481,192
Quebecor, Class B	67,600	1,114,957	2,522,832
Thomson Reuters Corporation	25,750	853,600	1,513,070
Transat A.T.	48,000	596,212	264,480
TUI	90,000	1,148,745	1,695,051
Yamaha Motor Co.	45,000	869,887	1,331,802
		20,791,421	37,044,574
Consumer Staples			
Carrefour	91,800	4,597,762	2,972,265
Kimberly-Clark	5,200	317,119	795,816
Maple Leaf Foods	18,800	203,526	528,656
Nestlé	7,500	281,274	722,914
PepsiCo	4,850	318,257	680,527
Wal-Mart Stores	48,000	3,064,577	4,449,308
		8,782,515	10,149,486
Health Care			
Anthem	12,520	2,075,906	2,413,905
Biogen	4,010	1,290,622	1,524,992
Gilead Sciences	33,225	3,245,823	3,190,701
GlaxoSmithKline, ADR	40,800	2,101,151	2,107,081
Johnson & Johnson	14,660	953,422	2,265,018
LifePoint Health	21,775	1,188,972	1,658,647
Medtronic	9,000	427,361	859,712
Merck & Co .	42,800	3,100,190	3,378,978
Pfizer	100,000	2,229,491	4,355,756
Sanofi	30,000	2,594,021	3,263,222
		19,206,959	25,018,012
Financial Services			
Aegon	605,700	4,539,015	4,479,115
Bank of America Corporation	308,800	7,228,351	9,152,022
Bank of Montreal	52,875	3,333,345	5,106,139

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LETKO BROUSSEAU BALANCED FUND
LETKO BROUSSEAU FONDS ÉQUILIBRÉ
SCHEDULE OF INVESTMENT PORTFOLIO
AS AT DECEMBER 31, 2016

	Quantity	Cost \$	Fair Value \$
Equities (continued)			
Financial Services (continued)			
Bank of Nova Scotia	80,000	4,992,667	5,980,800
BB&T Corporation	23,000	974,346	1,450,300
BNP Paribas	38,000	2,420,866	3,254,594
Citigroup	105,772	6,209,035	8,429,930
DEXUS Property Group	149,800	718,931	1,399,375
ING Groep	172,000	2,711,521	3,252,811
Manulife Financial Corporation	174,800	3,181,528	4,179,468
Morguard Corporation	11,600	382,619	2,040,440
Pargesa Holding, Class B	21,925	1,620,813	1,918,043
Royal Bank of Canada	57,850	4,334,246	5,256,830
Standard Life	83,500	482,979	514,723
State Street Corporation	40,000	1,537,052	4,169,081
Sun Life Financial	75,925	2,463,104	3,913,934
Toronto-Dominion Bank	67,000	3,134,108	4,436,740
		50,264,526	68,934,345
Technology			
5N Plus	76,700	310,398	137,293
Celestica	172,500	1,337,507	2,744,475
Cisco Systems	135,000	2,295,726	5,471,113
First Solar	8,300	117,238	357,187
Fujitsu	250,075	1,265,674	1,867,532
Hewlett Packard Enterprise Co.	70,300	1,258,381	2,181,555
HP	37,300	791,606	742,318
Intel Corporation	60,000	1,480,349	2,918,410
International Business Machines Corporation (IBM)	26,750	5,097,329	5,954,609
Kyocera Corporation	75,000	3,345,509	5,011,935
Oracle Corporation	34,050	1,729,514	1,755,743
VeriFone Systems	67,100	1,423,188	1,595,434
		20,452,419	30,737,604
Telecommunication Services			
AT&T	155,000	5,368,423	8,840,454
BCE	67,500	1,749,106	3,917,025
Series AB, preferred, floating dividend	36,750	880,163	563,378
Series AG, preferred, 2.800%	5,050	112,363	71,710
Orange	175,000	4,658,498	3,573,171
Rogers Communications, Class B	69,300	2,269,934	3,589,047
Telefonica	113,400	1,912,035	1,414,753
TELUS Corporation	112,000	2,801,778	4,788,000
Verizon Communications	112,000	5,288,127	8,017,595
Vodafone Group, ADR	40,000	1,864,729	1,310,482
		26,905,156	36,085,615

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

LETKO BROUSSEAU BALANCED FUND
LETKO BROUSSEAU FONDS ÉQUILIBRÉ
SCHEDULE OF INVESTMENT PORTFOLIO
AS AT DECEMBER 31, 2016

	Quantity	Cost \$	Fair Value \$
Equities (continued)			
Utilities			
Capital Power Corporation	128,700	2,920,657	2,989,701
Companhia Paranaense de Energia - COPEL, Class P, ADR	41,000	583,455	466,259
Superior Plus Corp.	176,800	2,106,245	2,254,200
		5,610,357	5,710,160
Index-Based Investment			
BMO S&P/TSX Equal Weight Global Base Metals Hedged to CAD	450,000	2,958,477	4,104,000
Investment Fund			
Letko Brosseau Emerging Markets Equity Fund	2,788,362	26,741,239	29,520,662
Total Equities		272,492,002	366,704,561
	Par Value	Cost \$	Fair Value \$
Canadian Government Bonds			
Federal Government			
Canada Housing Trust			
2.350%, 2018-12-15	3,500,000	3,543,575	3,597,072
floating rate, 2019-03-15	4,250,000	4,254,890	4,256,510
1.950%, 2019-06-15	120,000	120,612	122,678
2.000%, 2019-12-15	1,750,000	1,749,160	1,793,802
floating rate, 2020-03-15	80,000	80,155	79,973
1.200%, 2020-06-15	2,000,000	1,996,880	1,996,505
1.450%, 2020-06-15	3,420,000	3,418,187	3,442,847
		15,163,459	15,289,387
Provincial Governments and Crown Corporations			
Financement-Québec			
3.500%, 2017-12-01	2,000,000	1,988,600	2,049,625
floating rate, 2018-06-01	2,375,000	2,391,263	2,390,582
2.400%, 2018-12-01	2,200,000	2,207,668	2,256,745
floating rate, 2019-05-29	3,985,000	4,001,138	4,006,020
2.450%, 2019-12-01	100,000	101,810	103,283
Hydro-Québec			
floating rate, 2019-12-01	3,220,000	3,212,920	3,224,257
Ontario Hydro Energy			
10.000%, 2020-02-06	300,000	435,900	377,340
Province of Alberta			
floating rate, 2019-01-17	560,000	560,560	559,603
2.000%, 2019-06-01	1,880,000	1,879,192	1,917,898
1.250%, 2020-06-01	2,100,000	2,094,415	2,089,818
floating rate, 2020-06-17	120,000	120,708	119,694
1.350%, 2021-09-01	8,175,000	8,076,819	8,065,111
2.550%, 2022-12-15	2,610,000	2,532,083	2,694,968

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

LETKO BROUSSEAU BALANCED FUND
LETKO BROUSSEAU FONDS ÉQUILIBRÉ
SCHEDULE OF INVESTMENT PORTFOLIO
AS AT DECEMBER 31, 2016

	Par Value	Cost \$	Fair Value \$
Canadian Government Bonds (continued)			
Provincial Governments and Crown Corporations (continued)			
Province of British Columbia			
2.700%, 2022-12-18	610,000	618,174	639,121
Province of Manitoba			
4.250%, 2018-03-05	1,000,000	1,001,500	1,039,436
floating rate, 2018-04-02	1,340,000	1,347,737	1,344,309
1.850%, 2018-09-05	1,000,000	985,200	1,014,302
5.500%, 2018-11-15	750,000	774,150	811,550
stripped, 2019-03-05	25,000	23,837	24,275
floating rate, 2019-04-02	10,770,000	10,787,701	10,774,244
4.750%, 2020-02-11	2,040,000	2,079,880	2,248,416
1.600%, 2020-09-05	2,015,000	2,010,305	2,024,021
1.550%, 2021-09-05	2,400,000	2,396,236	2,387,387
Province of New Brunswick			
Series FP, 6.000%, 2017-12-27	600,000	649,944	630,298
4.450%, 2018-03-26	1,700,000	1,636,050	1,774,068
2.850%, 2023-06-02	50,000	49,777	52,068
Province of Newfoundland			
stripped, 2019-10-17	465,000	444,441	443,253
Province of Nova Scotia			
floating rate, 2018-08-15	3,500,000	3,509,450	3,507,268
4.150%, 2019-11-25	650,000	648,369	702,204
floating rate, 2020-06-15	2,200,000	2,200,000	2,189,961
4.450%, 2021-10-24	1,587,000	1,552,777	1,781,364
Province of Ontario			
stripped, 2017-06-02	150,000	149,534	149,563
4.200%, 2018-03-08	2,000,000	1,998,140	2,078,548
2.100%, 2018-09-08	5,015,000	5,028,409	5,108,755
floating rate, 2018-12-03	535,000	537,046	536,606
floating rate, 2019-08-26	2,000,000	1,999,810	2,001,143
4.200%, 2020-06-02	1,135,000	1,122,797	1,240,051
4.000%, 2021-06-02	2,145,000	2,139,920	2,361,833
floating rate, 2021-10-27	1,050,000	1,050,000	1,047,920
1.350%, 2022-03-08	11,000,000	10,948,558	10,766,518
3.150%, 2022-06-02	3,135,000	3,085,875	3,345,031
2.600%, 2025-06-02	1,250,000	1,254,300	1,270,237
Province of Prince Edward Island			
3.700%, 2020-09-02	520,000	517,249	557,283
Province of Québec			
stripped, 2017-06-01	115,000	114,626	114,660
floating rate, 2018-12-19	1,035,000	1,035,780	1,038,916
floating rate, 2019-08-21	1,490,000	1,490,194	1,493,805
		94,790,842	96,353,358

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

LETKO BROSSEAU BALANCED FUND
LETKO BROSSEAU FONDS ÉQUILIBRÉ
SCHEDULE OF INVESTMENT PORTFOLIO
AS AT DECEMBER 31, 2016

	Par Value	Cost \$	Fair Value \$
Canadian Government Bonds (continued)			
Municipalities and Parapublic Institutions			
City of Toronto			
5.050%, 2017-07-18	1,100,000	1,097,008	1,124,967
2.450%, 2025-02-06	300,000	295,173	296,747
City of Vancouver			
2.900%, 2025-11-20	200,000	199,328	202,945
Municipal Finance Authority of British Columbia			
4.600%, 2018-04-23	1,000,000	996,120	1,046,686
2.050%, 2019-06-02	1,700,000	1,708,602	1,729,841
1.750%, 2020-10-15	500,000	499,310	501,881
New Brunswick Municipal Finance Corporation			
2.150%, 2019-12-08	500,000	498,845	507,568
Regional Municipality of York			
5.000%, 2019-04-29	450,000	448,916	487,650
		5,743,302	5,898,285
Total Canadian Government Bonds		115,697,603	117,541,030
Corporate Bonds			
Alimentation Couche-Tard			
2.860%, 2017-11-01	340,000	340,625	344,197
3.320%, 2019-11-01	285,000	285,000	296,689
Bank of Montreal			
1.880%, 2021-03-31	50,000	49,998	49,950
2.120%, 2022-03-16	800,000	787,016	800,058
Bank of Nova Scotia			
1.330%, 2018-05-01	910,000	909,800	911,088
2.090%, 2020-09-09	400,000	400,600	404,112
Bell Canada			
2.000%, 2021-10-01	1,150,000	1,143,456	1,137,690
Canadian Natural Resources			
2.600%, 2019-12-03	350,000	350,935	353,467
Capital Power Corporation			
4.850%, 2019-02-21	155,000	154,819	161,490
5.280%, 2020-11-16	740,000	740,000	796,126
Cominar Real Estate Investment Trust			
4.230%, 2019-12-04	905,000	887,900	937,133
Enbridge			
floating rate, 2017-03-13	1,130,000	1,131,147	1,130,050
First Capital Realty			
5.480%, 2019-07-30	800,000	796,984	867,867
Greater Toronto Airports Authority			
4.850%, 2017-06-01	555,000	591,075	563,799
Pembina Pipeline Corporation			
4.890%, 2021-03-29	725,000	725,000	795,590
Royal Bank of Canada			
1.970%, 2022-03-02	1,685,000	1,648,790	1,669,401

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

LETKO BROUSSEAU BALANCED FUND
LETKO BROUSSEAU FONDS ÉQUILIBRÉ
SCHEDULE OF INVESTMENT PORTFOLIO
AS AT DECEMBER 31, 2016

	Par Value	Cost \$	Fair Value \$
Corporate Bonds (continued)			
Saputo 2.650%, 2019-11-26	875,000	875,000	896,439
Shaw Communications 5.700%, 2017-03-02	550,000	590,040	553,837
Suncor Energy 5.800%, 2018-05-22	200,000	174,300	211,926
TELUS Corporation 1.500%, 2018-03-27	500,000	499,810	500,997
Series CO, 3.200%, 2021-04-05	1,550,000	1,545,270	1,610,591
Thomson Reuters Corporation 3.310%, 2021-11-12	750,000	754,700	779,365
TransAlta Corporation 6.400%, 2019-11-18	670,000	697,214	713,744
TransLink 3.800%, 2020-11-02	1,475,000	1,473,909	1,587,469
Total Corporate Bonds		17,553,388	18,073,075
Total Bonds		133,250,991	135,614,105
Money Market Securities			
Canada Treasury Bills 2017-01-12	2,700,000	2,697,382	2,697,382
2017-01-26	2,100,000	2,098,135	2,098,135
2017-03-09	700,000	699,097	699,097
2017-03-23	700,000	699,097	699,097
Ontario Treasury Bills 2017-01-11	500,000	499,465	499,465
2017-01-18	500,000	499,335	499,335
Province of Alberta, notes 2017-01-24	2,000,000	1,997,300	1,997,300
2017-02-28	700,000	699,195	699,195
Province of British Columbia, notes 2017-03-10	1,200,000	1,197,924	1,197,924
Province of Saskatchewan, notes 2017-01-23	220,000	219,822	219,822
Total Money Market Securities		11,306,752	11,306,752
Portfolio Transaction Costs Included in the Securities' Cost		(337,223)	
Total Investments		416,712,522	513,625,418

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

LETKO BROUSSEAU BALANCED FUND
LETKO BROUSSEAU FONDS ÉQUILIBRÉ
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2016 AND 2015

1. ESTABLISHMENT OF THE FUND

The Letko Brosseau Balanced Fund / Letko Brosseau Fonds 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, Brosseau & Associates Inc. is the manager of the Fund (the "Manager").

2. BASIS OF PRESENTATION

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

The financial statements were authorized for issue by the Manager on March 17, 2017.

These financial statements have been prepared on a historical cost basis with the exception of cash and investments which are measured at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Recognition and measurement

Purchases and sales of financial assets as well as the assumption and settlement of financial liabilities are recognized on the date of the transaction. The Fund recognizes financial instruments at fair value upon initial recognition. Cash and investments held for trading purposes, are classified as financial assets at fair value through profit or loss. These assets are subsequently measured at fair value and the difference between the unrealized appreciation (depreciation) at the beginning and the end of the year is recognized in the statements of comprehensive income. All other financial assets and liabilities, with the exception of the Fund's obligation for net assets attributable to holders of redeemable units, are subsequently measured at amortized cost. The Fund's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount as described in note 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 13. The transfer of a financial asset from one fair value hierarchy level to another is performed at the date of the event or change in circumstances which would justify a change in level.

LETKO BROUSSEAU BALANCED FUND
LETKO BROUSSEAU FONDS ÉQUILIBRÉ
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2016 AND 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

Foreign currency translation

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

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

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

Use of estimates, judgments and assumptions

The preparation of these financial statements in accordance with IFRS requires the Manager to make judgments in applying its accounting policies and to make estimates and assumptions about the future. The Manager did not have to make judgments or estimates that would have a significant impact on the financial information presented.

4. FUTURE ACCOUNTING STANDARDS

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

5. 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 Fund's maximum exposure to loss is \$29,520,662 (2015: \$24,666,843), which is equivalent to the carrying amount of the investment held. The units held can be redeemed daily by the Fund. 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, 2016, the net assets attributable to holders of redeemable units of Letko Brosseau Emerging Markets Equity Fund were \$1,013,208,111 (2015: \$906,249,938).

LETKO BROUSSEAU BALANCED FUND
LETKO BROUSSEAU FONDS ÉQUILIBRÉ
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2016 AND 2015

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.

	2016	2015
Number of redeemable units in circulation, beginning of year	35,588,326	33,214,551
Number of redeemable units issued and redeemed during the year		
Issued for cash and other consideration	2,900,242	5,074,316
Issued on reinvestment of distributions	1,312,405	798,690
Redeemed	(5,274,141)	(3,499,231)
Number of redeemable units in circulation, end of year	34,526,832	35,588,326

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

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 investments. Information about the Fund's objectives, policies and procedures for managing its capital is disclosed in note 12. The Fund is not subject to any particular external requirement for managing its capital.

LETKO BROSSEAU BALANCED FUND
LETKO BROSSEAU FONDS ÉQUILIBRÉ
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2016 AND 2015

9. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2016, the Fund acquired units of the Letko Brosseau Emerging Markets Equity Fund in the amount of \$2,751,089 (2015: \$6,322,996).

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

	Manager \$	Other related parties \$
2016		
Redeemable units issued and redeemed		
Issued for cash and other consideration	-	-
Issued on reinvestment of distributions	1,532,407	949,948
Redeemed	(700,000)	(400,000)
	832,407	549,948
2015		
Redeemable units issued and redeemed		
Issued for cash and other consideration	10,000,000	-
Issued on reinvestment of distributions	737,925	558,409
Redeemed	(57)	(1,600,287)
	10,737,868	(1,041,878)

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

10. FEES

Trustee fees are calculated according to an agreement between the Manager and the Trustee.

Management fees of the Manager are invoiced directly to the unitholders.

11. INCOME TAXES

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

12. 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 BALANCED FUND
LETKO BROUSSEAU FONDS ÉQUILIBRÉ
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2016 AND 2015

12. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

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

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	2016 % of net assets	2015 % of net assets
AAA	3.61	5.58
AA	9.82	8.90
A	9.84	10.54
BBB	2.23	2.47

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.

Liquidity risk

The Fund's units are redeemable at the option of the holder thereby exposing the Fund to liquidity risk. The Manager ensures a minimum cash balance to meet the Fund's obligations. Although the Fund is exposed to redemptions of units, liquidity risk is mitigated by the fact that the majority of its assets consist of investments traded on a stock exchange or an organized market which can easily be liquidated. In addition, at the Manager's discretion, the Fund may pay the redemptions in securities instead of cash.

Market risks

For the disclosure of market risks, IFRS requires that a sensitivity analysis be presented showing the effects of reasonable possible changes in relevant risk variables on the value of net assets attributable to holders of redeemable units.

The Manager considers that this sensitivity analysis, showing the impact on the value of financial instruments from changes in the market, is based on a highly unlikely assumption that all other variables remain constant. Moreover, considering the many interrelationships between the various components of market risk, the Manager is of the opinion that it is not possible to quantify the impact of market fluctuations due to the interdependence of these components. Consequently, in practice, actual results may differ from the sensitivity analyses presented below and differences could be material.

Price risk

Given the investments held, the Fund is exposed to the inherent risk associated with fluctuations in the market due to the uncertainty regarding the investments' future price. Consequently, the maximum risk to which the Fund is exposed corresponds to the fair value of its investments.

The Manager's best estimate of the upward or downward impact on the Fund's investments and net assets as a result of reasonable probable changes in benchmark indices, with all other variables being equal, is as follows:

Benchmark indices	Changes in %	2016 Impact \$	2015 Impact \$
FTSE TMX Canada 91-day Treasury Bills	0.25	64,000	62,000
FTSE TMX Canada Universe Bond Index	1.00	2,055,000	1,968,000
S&P/TSX Capped	3.00	2,774,000	2,657,000
MSCI World	3.00	5,701,000	5,462,000

LETKO BROUSSEAU BALANCED FUND
LETKO BROUSSEAU FONDS ÉQUILIBRÉ
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2016 AND 2015

12. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

Market risks (continued)

Currency risk

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

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

	2016 % of net assets	2015 % of net assets
Foreign currencies		
U.S. dollars	30.29	32.39
Euros	9.11	10.19
Other currencies representing less than 3.47% individually (2015: 3.30%)	8.83	8.31

As at December 31, 2016, an increase or decrease of 3% in the value of Canadian currency compared to foreign currencies, with all other variables being equal, would have resulted in an upward or downward variation of the Fund's investments and net assets of \$7,695,000 (2015: \$7,743,000). 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:

	2016 \$	2015 \$
Bonds by maturity date		
Less than 1 year	6,660,996	14,570,188
1 to 5 years	107,216,012	106,064,492
5 to 10 years	21,737,097	18,771,294
Total	135,614,105	139,405,974

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 \$3,282,000 (2015: \$3,206,000). 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 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.

LETKO BROUSSEAU BALANCED FUND
LETKO BROUSSEAU FONDS ÉQUILIBRÉ
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2016 AND 2015

13. INFORMATION ON FAIR VALUE OF FINANCIAL INSTRUMENTS

The financial instruments measured at fair value are classified according to a hierarchy which includes three levels, reflecting the reliability of the inputs involved in the fair value determination:

- Level 1: financial instruments for which the fair value is determined using quoted prices in active markets;
- Level 2: financial instruments for which the fair value is determined using pricing models based on market observable inputs;
- Level 3: financial instruments for which the fair value is determined using pricing models based on market unobservable inputs.

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

	Level 1	Level 2	Total
	\$	\$	\$
2016			
Equities, excluding investment fund	337,183,899	-	337,183,899
Investment fund	-	29,520,662	29,520,662
Bonds	111,642,745	23,971,360	135,614,105
Money market securities	11,306,752	-	11,306,752
	460,133,396	53,492,022	513,625,418
2015			
Equities, excluding investment fund	317,796,935	-	317,796,935
Investment fund	-	24,666,843	24,666,843
Bonds	110,275,497	29,130,477	139,405,974
Money market securities	10,213,142	-	10,213,142
	438,285,574	53,797,320	492,082,894

No investments were transferred within the levels between the years ended December 31, 2015 and 2016.

The financial instruments not measured at fair value through profit or loss are short term financial assets and liabilities whose carrying amounts approximate fair value.

14. FILING EXEMPTION FOR FINANCIAL STATEMENTS

The Fund has advised the CSA that it is exempt under section 2.11 of NI 81-106 from annual filing requirements to the Canadian regulation authorities since all the requirements have been met.