



**LETKO
BROSSEAU**

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

ANNUAL FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

**LETKO BROUSSEAU BALANCED FUND
LETKO BROUSSEAU FONDS ÉQUILIBRÉ**

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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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, 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 BALANCED FUND / LETKO BROUSSEAU FONDS 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 BROUSSEAU BALANCED FUND
LETKO BROUSSEAU FONDS ÉQUILIBRÉ
 STATEMENTS OF FINANCIAL POSITION
 AS AT DECEMBER 31, 2017 AND 2016

	2017	2016
	\$	\$
Current assets		
Cash	789,888	16,737,306
Investments	621,865,915	513,625,418
Interest, dividends and other receivables	1,769,518	1,496,843
	624,425,321	531,859,567
Current liabilities		
Amounts payable on redemptions of redeemable units	188,300	10,250
Accrued expenses	59,792	39,880
	248,092	50,130
Net assets attributable to holders of redeemable units	624,177,229	531,809,437

Supplementary information

Number of redeemable units in circulation (note 6)	38,220,682	34,526,832
Net assets per unit attributable to holders of redeemable units (note 7)	\$ 16.3309	\$ 15.4028

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 BROSSEAU BALANCED FUND
LETKO BROSSEAU FONDS 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	531,809,437	507,095,284
Change in net assets attributable to holders of redeemable units	51,239,397	57,454,826
Redeemable unit transactions		
Proceeds from issuance	76,809,786	41,159,906
Reinvestment of distributions	16,577,221	19,393,130
Redemptions	(34,550,587)	(73,146,777)
	58,836,420	(12,593,741)
Distributions to holders of redeemable units (note 7)		
Net investment income	(13,157,771)	(12,419,558)
Net realized gain on sale of investments	(4,550,254)	(7,727,374)
	(17,708,025)	(20,146,932)
Net assets attributable to holders of redeemable units, end of year	624,177,229	531,809,437

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, 2017 AND 2016

	2017	2016
	\$	\$
Investment income		
Interest income for distribution purposes	3,376,328	2,978,327
Dividend income	10,986,345	10,517,084
Net securities lending income (note 10)	11,172	-
Foreign exchange gain (loss) on cash	(1,588,060)	(309,334)
Net realized gain (loss) on sale of investments	12,457,803	21,502,203
Net changes in unrealized appreciation (depreciation) of investments	26,949,425	23,885,405
	52,193,013	58,573,685
Expenses		
Trustee fees (note 11)	165,587	54,811
Professional fees	13,440	18,317
Filing fees	13,204	-
Withholding taxes	666,331	974,469
Portfolio transaction costs	95,054	71,262
	953,616	1,118,859
Change in net assets attributable to holders of redeemable units	51,239,397	57,454,826
Change in net assets per unit attributable to holders of redeemable units (note 3)	1.4110	1.7077

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, 2017 AND 2016

	2017	2016
	\$	\$
Cash flows from (used in) operating activities		
Change in net assets attributable to holders of redeemable units	51,239,397	57,454,826
Adjustments or variations for :		
Foreign exchange (gain) loss on cash	1,588,060	309,334
Net realized (gain) loss on sale of investments	(12,457,803)	(21,502,203)
Net changes in unrealized (appreciation) depreciation of investments	(26,949,425)	(23,885,405)
Proceeds from sale or maturity of investments	171,165,021	152,560,133
Investments purchased	(241,491,462)	(128,462,375)
Interest, dividends and other receivables	(272,675)	(24,685)
Amounts payable on redemptions of redeemable units	178,050	(1,550)
Accrued expenses	19,912	(111,560)
	(56,980,925)	36,336,515
Cash flows from (used in) financing activities		
Proceeds from issuance of redeemable units	76,809,786	41,159,906
Amounts paid on redemptions of redeemable units	(34,550,587)	(73,146,777)
Distributions paid in cash to holders of redeemable units	(1,130,804)	(753,802)
	41,128,395	(32,740,673)
Change in cash	(15,852,530)	3,595,842
Cash, beginning of year	16,737,306	13,703,472
Effect of exchange rate changes on foreign cash	(94,888)	(562,008)
Cash, end of year	789,888	16,737,306

Supplementary information

Interest received	\$ 3,311,953	\$ 2,436,021
Dividends received, net of withholding taxes	\$ 10,111,915	\$ 10,061,339
Interest paid	\$ 688	\$ 1,103

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, 2017

	Quantity	Cost \$	Fair Value \$
Equities			
Energy			
Birchcliff Energy	300,800	1,852,348	1,323,520
Canadian Natural Resources	181,850	5,759,351	8,168,701
Cenovus Energy	355,000	5,041,642	4,075,400
ConocoPhillips	67,625	3,082,736	4,650,850
Devon Energy Corporation	60,175	3,376,243	3,121,392
Encana Corporation	178,650	3,104,472	2,995,961
Hess Corporation	35,150	1,755,553	2,090,626
Husky Energy	266,895	5,688,071	4,737,386
Royal Dutch Shell, ADR	84,650	5,860,316	7,075,379
Statoil ASA	27,000	782,811	724,621
Suncor Energy	180,000	5,962,811	8,306,999
Total, Series B	66,550	4,410,238	4,610,319
		46,676,592	51,881,154
Materials			
Agrium	16,510	688,282	2,387,016
Arkema	22,550	2,080,879	3,445,299
Canfor Pulp Products	77,300	1,032,844	1,031,955
Eastman Chemical Co.	15,875	1,399,943	1,842,655
Freeport-McMoRan, Class B	162,700	1,511,860	3,865,073
HudBay Minerals	264,700	1,869,902	2,946,111
Intertape Polymer Group	35,513	92,168	763,174
Kemira	81,500	1,226,560	1,410,119
Kuraray Co.	70,400	998,035	1,664,702
LafargeHolcim	30,656	2,533,057	2,169,618
Lundin Mining Corporation	326,400	1,262,008	2,728,704
Norbord	19,550	870,278	831,853
Regis Resources	365,900	1,241,338	1,541,885
Smurfit Kappa Group	43,350	1,669,186	1,842,008
Stornoway Diamond Corporation	890,000	480,600	587,400
Teck Resources	155,950	841,122	5,126,077
Western Forest Products	800,000	1,509,660	1,960,000
		21,307,722	36,143,649
Industrial Products			
A.P. Moller - Maersk	998	2,511,608	2,186,111
Air Canada	465,550	988,431	12,048,433
Airbus Group	8,960	318,659	1,118,888
Bombardier	1,823,500	5,241,231	5,525,205
Deutsche Lufthansa	104,600	1,819,945	4,834,520
Fluor Corporation	33,525	2,293,743	2,169,556
General Electric Company	130,000	3,383,156	2,842,304
Johnson Controls International	30,000	1,971,706	1,432,491
Meggitt	128,400	1,127,767	1,049,398
Mitsui & Co.	209,800	3,719,998	4,274,955
Siemens	31,500	3,845,825	5,504,657

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, 2017

	Quantity	Cost \$	Fair Value \$
Equities (continued)			
Industrial Products (continued)			
Spirit Airlines	18,350	754,201	1,034,389
United Parcel Service, Class B	22,900	1,750,542	3,418,703
WestJet Airlines	117,500	1,974,115	3,097,300
		31,700,927	50,536,910
Consumer Discretionary			
Adient	4,654	224,348	458,916
Aisin Seiki Co.	56,800	2,257,057	3,999,011
Canadian Tire Corporation, Class A	25,500	1,314,885	4,179,450
CBS Corporation	11,200	816,452	827,946
Cogeco Communications	26,400	1,259,542	2,283,072
Comcast Corp., Class A	75,250	767,866	3,776,077
Dick's Sporting Goods	35,050	1,853,325	1,262,137
Dorel Industries	45,000	1,599,300	1,399,500
Goodyear Tire & Rubber Company	85,000	994,954	3,441,024
Keihin Corporation	70,000	1,209,064	1,786,044
Kingfisher	250,000	636,293	1,430,932
Linamar Corporation	35,000	518,000	2,562,350
Magna International	51,000	1,690,721	3,633,240
Panasonic Corporation	108,300	1,269,445	1,986,925
Quebecor, Class B	135,200	1,114,957	3,204,240
Transat A.T.	48,000	596,212	538,560
TUI	118,300	1,723,316	3,056,015
Yamaha Motor Co.	45,000	869,887	1,849,386
		20,715,624	41,674,825
Consumer Staples			
AGT Food & Ingredients	30,400	618,833	611,344
Carrefour	103,900	4,903,612	2,820,022
Maple Leaf Foods	18,800	203,526	673,416
Wal-Mart Stores	48,000	3,064,577	5,938,957
		8,790,548	10,043,739
Health Care			
Abbvie	17,000	1,432,162	2,059,928
Biogen	4,010	1,189,151	1,600,594
Gilead Sciences	33,225	3,245,823	2,982,307
GlaxoSmithKline, ADR	40,800	2,101,151	1,813,231
LifePoint Health	21,775	1,188,972	1,358,687
Medtronic	9,000	427,361	910,577
Merck & Co.	42,800	3,100,190	3,017,536
Pfizer	100,000	2,229,491	4,538,165
Roche Holding AG	2,690	844,245	852,546
Sanofi	30,000	2,594,021	3,243,011
Tenet Healthcare Corporation	48,500	832,846	921,240
		19,185,413	23,297,822

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

	Quantity	Cost \$	Fair Value \$
Equities (continued)			
Financial Services			
Aegon	605,700	4,539,015	4,843,522
Bank of America Corporation	180,800	4,232,144	6,687,235
Bank of Montreal	52,875	3,333,345	5,318,696
Bank of Nova Scotia	80,000	4,992,667	6,489,600
BB&T Corporation	22,325	945,751	1,390,767
BNP Paribas	38,000	2,420,866	3,558,962
Citigroup	105,772	6,209,034	9,861,291
ING Groep	172,000	2,711,521	3,965,787
Manulife Financial Corporation	174,800	3,181,528	4,583,256
Pargesa Holding, Class B	21,925	1,620,813	2,382,018
Power Corporation of Canada	42,750	1,253,472	1,383,818
Royal Bank of Canada	55,850	4,184,402	5,733,003
Standard Life Aberdeen	128,300	752,752	949,420
State Street Corporation	40,000	1,537,052	4,891,996
Sun Life Financial	75,925	2,463,104	3,938,989
Thomson Reuters Corporation	25,750	853,600	1,410,843
Toronto-Dominion Bank	67,000	3,134,108	4,934,550
		48,365,174	72,323,753
Real Estate			
Brookfield Property Partners LP	60,100	1,823,031	1,673,785
DEXUS Property Group	149,800	718,931	1,431,322
Morguard Corporation	11,600	382,619	2,081,968
		2,924,581	5,187,075
Technology			
5N Plus	76,700	310,398	230,100
Celestica	172,500	1,337,507	2,273,550
Cirrus Logic	12,100	824,645	786,230
Cisco Systems	135,000	2,295,726	6,478,349
DXC Technology Co.	7,464	450,138	887,503
Fujitsu	276,075	1,460,019	2,464,796
Hewlett Packard Enterprise Co.	70,300	758,688	1,264,857
HP	37,300	791,606	981,899
Intel Corporation	60,000	1,480,349	3,470,155
International Business Machines Corporation (IBM)	26,750	5,097,329	5,142,065
Kyocera Corporation	75,000	3,345,509	6,150,439
Oracle Corporation	34,050	1,729,514	2,017,095
VeriFone Systems	67,100	1,423,188	1,488,925
		21,304,616	33,635,963
Telecommunication Services			
AT&T	155,000	5,368,422	7,550,743
BCE	67,500	1,749,106	4,075,650
Series AA, preferred, 3.610%	36,750	880,163	714,420
Series AG, preferred, 2.800%	5,050	112,363	94,284
Orange	135,200	3,599,022	2,944,393
Rogers Communications, Class B	54,175	1,774,512	3,469,909

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, 2017

	Quantity	Cost \$	Fair Value \$
Equities (continued)			
Telecommunication Services (continued)			
Telefonica SA	113,400	1,912,035	1,386,235
TELUS Corporation	112,000	2,801,778	5,333,440
Verizon Communications	112,000	5,288,126	7,427,655
Vodafone Group, ADR	40,000	1,864,729	1,598,757
		25,350,256	34,595,486
Utilities			
Capital Power Corporation	128,700	2,920,657	3,151,863
Companhia Paranaense de Energia - COPEL, Class P, ADR	41,000	583,455	391,959
EDP - Energias de Portugal SA	457,600	1,904,360	1,986,243
Superior Plus Corporation	176,800	2,106,245	2,098,616
		7,514,717	7,628,681
Index-Based Investment			
BMO S&P/TSX Equal Weight Global Base Metals, Hedged to CAD Index ETF	450,000	2,958,477	5,580,000
Investment Fund			
Letko Brosseau Emerging Markets Equity Fund	3,312,422	33,118,241	40,658,649
Total Equities		289,912,888	413,187,706

	Par Value	Cost \$	Fair Value \$
Canadian Government Bonds			
Federal Government			
Canada Housing Trust			
2.350%, 2018-12-15	3,500,000	3,543,575	3,527,071
floating rate, 2019-03-15	2,680,000	2,683,084	2,687,395
1.950%, 2019-06-15	120,000	120,612	120,448
2.000%, 2019-12-15	1,750,000	1,749,160	1,757,671
floating rate, 2020-03-15	80,000	80,155	80,273
1.200%, 2020-06-15	2,000,000	1,996,880	1,969,649
1.450%, 2020-06-15	3,420,000	3,418,187	3,388,339
1.750%, 2022-06-15	3,000,000	2,956,500	2,955,889
		16,548,153	16,486,735
Provincial Governments and Crown Corporations			
CPPIB Capital			
1.400%, 2020-06-04	6,200,000	6,194,081	6,124,287
Financement-Québec			
2.400%, 2018-12-01	2,200,000	2,207,668	2,216,163
floating rate, 2019-05-29	3,985,000	4,001,138	4,010,363
2.450%, 2019-12-01	100,000	101,810	101,119
Hydro-Québec			
floating rate, 2019-12-01	5,595,000	5,596,470	5,627,688

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, 2017

	Par Value	Cost \$	Fair Value \$
Canadian Government Bonds (continued)			
Provincial Governments and Crown Corporations (continued)			
Ontario Hydro Corporation stripped, 2019-05-26	460,000	451,493	447,944
Ontario Hydro Energy 10.000%, 2020-02-06	300,000	435,900	349,519
Province of Alberta			
floating rate, 2019-01-17 2.000%, 2019-06-01	560,000	560,560	561,113
1.250%, 2020-06-01	1,880,000	1,879,192	1,887,206
floating rate, 2020-06-17 1.350%, 2021-09-01	2,100,000	2,094,415	2,067,390
1.600%, 2022-09-01	120,000	120,708	120,741
2.550%, 2022-12-15	8,675,000	8,564,793	8,452,917
Province of British Columbia			
2.700%, 2022-12-18	1,000,000	997,610	972,516
Province of Manitoba			
2.550%, 2022-12-15	2,610,000	2,532,083	2,645,903
Province of British Columbia			
2.700%, 2022-12-18	610,000	618,174	624,348
Province of Manitoba			
floating rate, 2018-04-02 1.850%, 2018-09-05	1,340,000	1,347,737	1,341,553
5.500%, 2018-11-15	1,000,000	985,200	1,002,621
stripped, 2019-03-05	750,000	774,150	775,407
floating rate, 2019-04-02 4.750%, 2020-02-11	25,000	24,370	24,476
1.600%, 2020-09-05	10,770,000	10,787,702	10,807,743
1.550%, 2021-09-05	2,040,000	2,079,880	2,160,521
2.550%, 2023-06-02	2,015,000	2,010,305	1,997,077
Province of New Brunswick			
4.450%, 2018-03-26	4,150,000	4,113,701	4,071,673
stripped, 2019-09-26	1,700,000	1,636,050	1,713,108
1.550%, 2022-05-04	155,000	150,950	149,784
2.850%, 2023-06-02	3,000,000	2,909,700	2,918,090
Province of Newfoundland			
1.125%, 2019-01-30	50,000	49,777	51,223
stripped, 2019-10-17	150,000	149,370	149,090
1.950%, 2022-06-02	465,000	451,778	446,812
Province of Nova Scotia			
floating rate, 2018-08-15 4.150%, 2019-11-25	6,275,000	6,241,774	6,187,225
stripped, 2019-12-01	3,500,000	3,509,450	3,507,376
floating rate, 2020-06-15 4.450%, 2021-10-24	650,000	648,369	677,861
floating rate, 2022-11-09	40,000	38,925	38,506
Province of Ontario			
2.100%, 2018-09-08	2,200,000	2,200,000	2,210,440
floating rate, 2018-12-03	1,587,000	1,552,777	1,718,106
floating rate, 2019-08-26	5,000,000	5,000,000	5,010,578
4.200%, 2020-06-02	5,015,000	5,028,409	5,036,372
4.000%, 2021-06-02	535,000	537,046	536,980
floating rate, 2021-10-27	2,000,000	1,999,810	2,009,070
1.350%, 2022-03-08	1,135,000	1,122,797	1,196,000
	2,145,000	2,139,920	2,281,964
	2,620,000	2,627,379	2,650,659
	12,500,000	12,398,324	12,095,337

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, 2017

	Par Value	Cost \$	Fair Value \$
Canadian Government Bonds (continued)			
Provincial Governments and Crown Corporations (continued)			
Province of Ontario (continued)			
3.150%, 2022-06-02	3,135,000	3,085,875	3,261,660
1.950%, 2023-01-27	1,000,000	994,120	986,133
2.600%, 2025-06-02	1,250,000	1,254,300	1,258,145
Province of Prince Edward Island			
3.700%, 2020-09-02	520,000	517,249	541,854
Province of Québec			
floating rate, 2018-12-19	1,035,000	1,035,780	1,039,172
floating rate, 2019-08-21	1,490,000	1,490,194	1,498,545
Province of Saskatchewan			
floating rate, 2021-01-26	2,000,000	1,996,880	2,017,346
		121,273,143	121,599,228
Municipalities and Parapublic Institutions			
City of Toronto			
2.450%, 2025-02-06	300,000	295,173	296,287
City of Vancouver			
2.900%, 2025-11-20	200,000	199,328	202,997
Municipal Finance Authority of British Columbia			
4.600%, 2018-04-23	1,000,000	996,120	1,010,638
2.050%, 2019-06-02	1,700,000	1,708,602	1,707,321
1.750%, 2020-10-15	670,000	669,990	665,202
New Brunswick Municipal Finance Corporation			
2.150%, 2019-12-08	500,000	498,845	498,209
Regional Municipality of York			
5.000%, 2019-04-29	450,000	448,916	468,998
		4,816,974	4,849,652
Total Canadian Government Bonds		142,638,270	142,935,615
Corporate Bonds			
Alimentation Couche-Tard			
3.319%, 2019-11-01	285,000	285,000	290,350
Bank of Montreal			
1.880%, 2021-03-31	550,000	543,273	541,738
2.120%, 2022-03-16	800,000	787,016	788,523
Bank of Nova Scotia			
1.330%, 2018-05-01	910,000	909,800	909,386
2.090%, 2020-09-09	900,000	898,665	895,469
Bell Canada			
2.000%, 2021-10-01	1,150,000	1,143,456	1,126,143
Canadian Natural Resources			
2.600%, 2019-12-03	350,000	350,935	351,516
Capital Power Corporation			
4.850%, 2019-02-21	155,000	154,819	159,094
5.276%, 2020-11-16	740,000	740,000	784,265

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

LETKO BROUSSEAU BALANCED FUND
LETKO BROUSSEAU FONDS ÉQUILIBRÉ
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	Par Value	Cost \$	Fair Value \$
Corporate Bonds (continued)			
Cominar Real Estate Investment Trust 4.230%, 2019-12-04	905,000	887,900	917,380
Enbridge floating rate, 2019-05-24	100,000	100,000	100,301
First Capital Realty 5.480%, 2019-07-30	800,000	796,984	838,925
Hydro One 1.480%, 2019-11-18	2,000,000	1,977,800	1,979,450
Pembina Pipeline Corporation 4.890%, 2021-03-29	725,000	725,000	773,388
Royal Bank of Canada 1.650%, 2021-07-15	500,000	488,185	487,438
1.968%, 2022-03-02	1,685,000	1,648,790	1,651,001
Saputo 2.654%, 2019-11-26	875,000	875,000	882,393
TELUS Corporation 1.500%, 2018-03-27	500,000	499,810	499,984
Series CO, 3.200%, 2021-04-05	1,550,000	1,545,270	1,582,713
Thomson Reuters Corporation 3.309%, 2021-11-12	750,000	754,700	768,783
TransAlta Corporation 6.400%, 2019-11-18	670,000	697,214	708,316
TransLink 3.800%, 2020-11-02	1,475,000	1,473,909	1,542,465
Total Corporate Bonds		18,283,526	18,579,021
Total Bonds		160,921,796	161,514,636
Money Market Securities			
Canada Treasury Bills 2018-01-11	3,345,000	3,341,065	3,341,065
2018-01-25	1,250,000	1,248,760	1,248,760
2018-02-08	250,000	249,663	249,663
2018-02-22	7,880,000	7,867,256	7,867,256
Ontario Treasury Bills 2018-02-28	635,000	633,406	633,406
2018-03-07	1,120,000	1,117,413	1,117,413
Province of Alberta, notes 2018-01-08	1,715,000	2,205,186	2,146,666
2018-02-27	640,000	638,413	638,413
2018-03-12	100,000	125,208	124,899
Province of Québec, notes 2018-01-04	130,000	164,723	162,723
2018-01-09	515,000	656,707	644,537
2018-01-16	12,615,000	15,814,806	15,762,968
2018-02-20	4,950,000	6,284,883	6,186,136

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

LETKO BROSSEAU BALANCED FUND
LETKO BROSSEAU FONDS ÉQUILIBRÉ
SCHEDULE OF INVESTMENT PORTFOLIO
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	Par Value	Cost \$	Fair Value \$
Money Market Securities (continued)			
Province of Québec, notes (continued)			
2018-03-05	1,340,000	1,336,671	1,336,671
2018-03-19	4,325,000	5,538,604	5,398,772
Québec Treasury Bills			
2018-03-16	305,000	304,225	304,225
Total Money Market Securities		47,526,989	47,163,573
Portfolio Transaction Costs Included in the Securities' Cost		(358,080)	
Total Investments		498,003,593	621,865,915

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, 2017 AND 2016

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. 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 BALANCED FUND
LETKO BROUSSEAU FONDS ÉQUILIBRÉ
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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 BROUSSEAU BALANCED FUND
LETKO BROUSSEAU FONDS ÉQUILIBRÉ
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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 \$40,658,649 (2016: \$29,520,662), 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	34,526,832	35,588,326
Number of redeemable units issued and redeemed during the year		
Issued for cash and other consideration	4,827,741	2,900,242
Issued on reinvestment of distributions	1,041,553	1,312,405
Redeemed	(2,175,444)	(5,274,141)
Number of redeemable units in circulation, end of year	38,220,682	34,526,832

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 BROUSSEAU BALANCED FUND
LETKO BROUSSEAU FONDS ÉQUILIBRÉ
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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	-	-
Issued on reinvestment of distributions	1,282,904	793,685
Redeemed	-	-
	1,282,904	793,685
<hr/>		
2016	Manager \$	Other related parties \$
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

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	44,009,677	40,267,009
Other related parties	27,277,150	24,911,701
	71,236,827	65,178,710

LETKO BROUSSEAU BALANCED FUND
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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	127,183,149	-
Total collateral held	129,992,569	-

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	22,344	-
Securities lending charges	(11,172)	-
Net securities lending income	11,172	-
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 BALANCED FUND
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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	4.14	3.61
AA	6.37	9.82
A	13.81	9.84
BBB	1.41	2.23
BB	0.15	-

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 BALANCED FUND
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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	124,000	64,000
FTSE TMX Canada Universe Bond Index	1.00	1,617,000	1,335,000
S&P/TSX Capped	3.00	4,477,000	3,698,000
MSCI World	3.00	7,836,000	6,934,000

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	27.69	30.29
Euros	8.37	9.11
Other currencies representing less than 5% individually	10.62	8.83

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 \$8,742,000 (December 31, 2016: \$7,695,000). 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	23,115,832	6,660,996
1 to 5 years	133,582,517	107,216,012
5 to 10 years	4,816,287	21,737,097
Total	161,514,636	135,614,105

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 \$3,435,000 (2016: \$3,282,000). Interest rate fluctuations have an insignificant impact on money market securities given their short-term maturities.

LETKO BROSSEAU BALANCED FUND
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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	372,529,057	-	372,529,057
Investment fund	-	40,658,649	40,658,649
Bonds	138,085,963	23,428,673	161,514,636
Money market securities	47,163,573	-	47,163,573
	557,778,593	64,087,322	621,865,915
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

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.