



LetkoBrosseau

Letko Brosseau Balanced Fund
Letko Brosseau Fonds équilibré

ANNUAL FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of **LETKO BROUSSEAU BALANCED FUND / LETKO BROUSSEAU FONDS 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	494,950	789,888
Investments	595,122,869	621,865,915
Interest, dividends and other receivables	2,086,459	1,769,518
	<u>597,704,278</u>	<u>624,425,321</u>
Current liabilities		
Amounts payable on redemptions of redeemable units	126,800	188,300
Accrued expenses	47,273	59,792
	<u>174,073</u>	<u>248,092</u>
Net assets attributable to holders of redeemable units	<u>597,530,205</u>	<u>624,177,229</u>

Supplementary information

Number of redeemable units in circulation (note 6)	40,732,332	38,220,682
Net assets per unit attributable to holders of redeemable units (note 7)	\$ 14.6697	\$ 16.3309

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	624,177,229	531,809,437
Change in net assets attributable to holders of redeemable units	(27,957,375)	51,239,397
Redeemable unit transactions		
Proceeds from issuance	43,013,183	76,809,786
Reinvestment of distributions	33,867,545	16,577,221
Redemptions	(38,632,715)	(34,550,587)
	38,248,013	58,836,420
Distributions to holders of redeemable units (note 7)		
Net investment income	(16,255,589)	(13,157,771)
Net realized gain on sale of investments	(20,682,073)	(4,550,254)
	(36,937,662)	(17,708,025)
Net assets attributable to holders of redeemable units, end of year	597,530,205	624,177,229

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



	2018	2017
	\$	\$
Investment income		
Interest income for distribution purposes	4,696,581	3,376,328
Dividend income	12,395,414	10,986,345
Net securities lending income (note 10)	168,484	11,172
Foreign exchange gain (loss) on cash	2,148,037	(1,588,060)
Net realized gain (loss) on sale of investments	21,337,762	12,457,803
Net changes in unrealized appreciation (depreciation) of investments	(67,804,265)	26,949,425
	<u>(27,057,987)</u>	<u>52,193,013</u>
Expenses		
Trustee fees (note 11)	149,748	165,587
Professional fees	14,358	13,440
Filing fees (recovered)	(379)	13,204
Withholding taxes	613,926	666,331
Portfolio transaction costs	121,735	95,054
	<u>899,388</u>	<u>953,616</u>
Change in net assets attributable to holders of redeemable units	<u>(27,957,375)</u>	<u>51,239,397</u>
Change in net assets per unit attributable to holders of redeemable units (note 3)	<u>(0.7189)</u>	<u>1.4110</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	(27,957,375)	51,239,397
Adjustments or variations for :		
Foreign exchange (gain) loss on cash	(2,148,037)	1,588,060
Net realized (gain) loss on sale of investments	(21,337,762)	(12,457,803)
Net changes in unrealized (appreciation) depreciation of investments	67,804,265	(26,949,425)
Proceeds from sale or maturity of investments	455,135,855	171,165,021
Investments purchased	(472,712,387)	(241,491,462)
Interest, dividends and other receivables	(316,941)	(272,675)
Amounts payable on redemptions of redeemable units	(61,500)	178,050
Accrued expenses	(12,519)	19,912
	(1,606,401)	(56,980,925)
Cash flows from (used in) financing activities		
Proceeds from issuance of redeemable units	43,013,183	76,809,786
Amounts paid on redemptions of redeemable units	(38,632,715)	(34,550,587)
Distributions paid in cash to holders of redeemable units	(3,070,117)	(1,130,804)
	1,310,351	41,128,395
Change in cash	(296,050)	(15,852,530)
Cash, beginning of year	789,888	16,737,306
Effect of exchange rate changes on foreign cash	1,112	(94,888)
Cash, end of year	494,950	789,888

Supplementary information

Interest received	\$ 4,604,177	\$ 3,311,953
Dividends received, net of withholding taxes	\$ 11,594,183	\$ 10,111,915
Interest paid	\$ 214	\$ 688

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



	Quantity	Cost \$	Fair Value \$
Equities			
Energy			
Birchcliff Energy	396,300	2,187,456	1,204,752
Canadian Natural Resources	181,850	5,759,352	5,990,139
Cenovus Energy	413,600	5,625,551	3,970,560
ConocoPhillips	67,625	3,082,736	5,758,797
Devon Energy Corporation	60,175	3,376,243	1,852,499
Encana Corporation	264,650	3,796,375	2,085,442
Enerflex	48,200	709,632	770,236
Hess Corporation	35,150	1,755,553	1,944,323
Husky Energy	266,895	5,688,072	3,765,888
Peyto Exploration & Development Corporation	125,600	1,314,934	889,248
Royal Dutch Shell, ADR	84,650	5,860,317	6,736,899
Suncor Energy	146,375	4,848,925	5,581,279
Total, Series B	66,550	4,410,238	4,798,400
Tourmaline Oil Corporation	24,400	467,335	414,312
		48,882,719	45,762,774
Materials			
5N Plus	76,700	310,398	237,770
Arkema	22,550	2,080,879	2,639,189
Canfor Pulp Products	77,300	1,032,844	1,253,033
Eastman Chemical Co.	32,875	3,055,934	3,282,696
Freeport-McMoRan, Class B	169,500	1,628,655	2,386,802
Hitachi Metals	123,700	2,077,024	1,770,882
HudBay Minerals	306,100	2,141,623	1,977,406
Intertape Polymer Group	35,513	92,168	600,880
Kemira	62,025	933,465	953,888
Kuraray Co.	96,000	1,473,214	1,852,358
LafargeHolcim	30,656	2,533,057	1,714,971
Lundin Mining Corporation	326,400	1,262,008	1,840,896
Norbord	19,550	870,278	709,665
Nutrien	21,525	402,403	1,380,183
Pretium Resources	141,700	1,403,084	1,639,469
Regis Resources	322,400	1,093,761	1,497,286
Smurfit Kappa Group	48,350	1,838,685	1,751,056
Stornoway Diamond Corporation	890,000	480,600	173,550
Teck Resources	155,950	841,122	4,583,371
Western Forest Products	800,000	1,509,660	1,512,000
		27,060,862	33,757,351
Industrial Products			
A.P. Moller - Maersk	998	2,511,608	1,708,863
Air Canada	403,100	855,840	10,464,476
Bombardier	1,361,300	3,912,744	2,763,439
Deutsche Lufthansa	104,600	1,819,945	3,217,306
Fluor Corporation	33,525	2,293,743	1,474,391
General Electric Company	166,000	3,979,610	1,716,295
Johnson Controls International	30,000	1,971,706	1,214,882
Mitsui & Co.	209,800	3,719,998	4,415,122
Siemens	31,500	3,845,825	4,789,330

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



	Quantity	Cost \$	Fair Value \$
Equities (continued)			
Industrial Products (continued)			
Spirit Airlines	14,525	596,990	1,149,034
Thomson Reuters Corporation	23,378	701,737	1,541,340
United Parcel Service, Class B	15,800	1,207,798	2,104,667
WestJet Airlines	117,500	1,974,115	2,115,000
		29,391,659	38,674,145
Consumer Discretionary			
Adient	41,754	2,707,096	858,838
Aisin Seiki Co.	56,800	2,257,057	2,701,057
Canadian Tire Corporation, Class A	25,500	1,314,885	3,639,870
Dick's Sporting Goods	42,200	2,153,765	1,798,271
Dorel Industries	45,000	1,599,300	793,800
Goodyear Tire & Rubber Company	85,000	994,954	2,369,463
Keihin Corporation	69,000	1,191,791	1,583,916
Kingfisher	388,000	1,247,713	1,400,466
Linamar Corporation	46,450	1,168,914	2,104,185
Magna International	51,000	1,690,721	3,160,470
Panasonic Corporation	108,300	1,269,445	1,335,515
Transat A.T.	48,000	596,212	285,600
TUI	118,300	1,723,316	2,271,874
Valeo SA	28,850	1,801,665	1,149,081
Yamaha Motor Co.	45,000	869,887	1,209,448
		22,586,721	26,661,854
Consumer Staples			
AGT Food & Ingredients	45,150	897,673	751,296
Carrefour	103,900	4,903,612	2,418,731
Maple Leaf Foods	18,800	203,526	513,804
Wal-Mart Stores	23,765	1,517,285	3,023,491
		7,522,096	6,707,322
Health Care			
Abbvie	17,000	1,432,162	2,140,527
Biogen	4,010	1,189,151	1,648,100
Gilead Sciences	33,225	3,245,823	2,838,444
GlaxoSmithKline	40,800	2,101,151	2,129,243
Merck & Co.	25,725	1,863,374	2,684,687
Pfizer	56,300	1,255,203	3,356,454
Roche Holding AG	3,650	1,136,393	1,230,877
Sanofi	30,000	2,594,021	3,543,905
Tenet Healthcare Corporation	48,500	832,846	1,135,378
		15,650,124	20,707,615
Financial Services			
Aegon	605,700	4,539,015	3,857,498
Bank of America Corporation	90,250	2,112,561	3,037,218
Bank of Montreal	52,875	3,333,345	4,715,921
Bank of Nova Scotia	80,000	4,992,667	5,444,000
BB&T Corporation	22,325	945,751	1,320,894

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



	Quantity	Cost \$	Fair Value \$
Equities (continued)			
Financial Services (continued)			
BNP Paribas	38,000	2,420,866	2,342,072
Canadian Imperial Bank of Commerce	10,910	1,259,501	1,109,329
Citigroup	97,272	5,710,067	6,916,400
ING Groep	224,500	3,482,829	3,298,378
Invesco	17,450	636,162	398,969
Manulife Financial Corporation	214,750	3,990,736	4,159,708
Power Corporation of Canada	69,650	2,048,591	1,708,515
Royal Bank of Canada	55,850	4,184,402	5,218,624
Standard Life Aberdeen	392,762	1,929,061	1,754,134
State Street Corporation	30,740	1,181,224	2,647,980
Sun Life Financial	75,925	2,463,104	3,438,643
Toronto-Dominion Bank	67,000	3,134,108	4,546,620
Wells Fargo & Company	34,200	2,298,925	2,152,418
		50,662,915	58,067,321
Real Estate			
Brookfield Property Partners LP	60,100	1,800,820	1,323,402
Morguard Corporation	11,600	382,619	2,041,716
		2,183,439	3,365,118
Technology			
ams AG	28,950	916,955	944,985
Celestica	172,500	1,337,507	2,063,100
Cirrus Logic	17,300	1,082,887	783,990
Cisco Systems	53,100	902,986	3,142,471
DXC Technology Co.	7,464	390,142	542,034
Fujitsu	27,607	1,460,019	2,353,107
Hewlett Packard Enterprise Co.	70,300	758,688	1,268,371
HP	37,300	791,606	1,042,324
Intel Corporation	60,000	1,480,349	3,845,828
International Business Machines Corporation (IBM)	26,750	5,097,329	4,152,960
Kyocera Corporation	75,000	3,345,509	5,142,535
Oracle Corporation	27,950	1,419,675	1,723,565
Qualcomm	16,975	1,185,723	1,319,430
Samsung Electronics Corporation	959	1,336,904	1,137,014
Skyworks Solutions	9,150	1,034,583	837,555
		22,540,862	30,299,269
Communication Services			
AT&T	155,000	5,368,423	6,041,903
BCE	67,500	1,749,106	3,640,275
Series AA, preferred, 3.610%	36,750	880,163	608,213
Series AG, preferred, 2.800%	5,050	112,363	81,507
CBS Corporation	36,050	2,518,946	2,152,650
China Mobile	29,750	1,873,803	1,950,367
Cogeco Communications	38,325	2,073,756	2,521,019
Comcast Corporation, Class A	75,250	767,866	3,499,546
Facebook	7,650	1,706,620	1,369,680
Orange	135,200	3,599,022	2,988,003

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



	Quantity	Cost \$	Fair Value \$
Equities (continued)			
Communication Services (continued)			
Quebecor, Class B	129,800	1,070,424	3,730,452
Rogers Communications, Class B	54,175	1,774,512	3,790,083
Telefonica SA	113,400	1,912,035	1,299,405
TELUS Corporation	112,000	2,801,778	5,068,000
Verizon Communications	112,000	5,288,127	8,599,970
Vodafone Group, ADR	40,000	1,864,729	1,053,307
		35,361,673	48,394,380
Utilities			
Capital Power Corporation	128,700	2,920,657	3,422,133
Companhia Paranaense de Energia - COPEL, Class P, ADR	41,000	583,455	438,464
EDP - Energias de Portugal SA	457,600	1,904,360	2,178,401
Superior Plus Corporation	176,800	2,106,245	1,711,424
Veolia Environnement	67,400	1,809,690	1,889,469
		9,324,407	9,639,891
Investment Fund			
Letko Brosseau Emerging Markets Equity Fund	3,977,689	41,022,821	44,433,567
Total Equities		312,190,298	366,470,607

	Par Value	Cost \$	Fair Value \$
Canadian Government Bonds			
Federal Government			
Canada Housing Trust			
1.950%, 2019-06-15	120,000	120,612	120,079
2.000%, 2019-12-15	1,750,000	1,749,160	1,751,955
floating rate, 2020-03-15	80,000	80,155	80,248
1.200%, 2020-06-15	2,000,000	1,996,880	1,979,666
1.450%, 2020-06-15	3,420,000	3,418,187	3,397,361
1.250%, 2020-12-15	2,500,000	2,439,125	2,465,495
1.150%, 2021-12-15	1,000,000	957,850	972,863
1.750%, 2022-06-15	4,000,000	3,936,600	3,942,955
		14,698,569	14,710,622

Provincial Governments and Crown Corporations			
CPPIB Capital			
1.400%, 2020-06-04	7,225,000	7,203,635	7,161,206
Financement-Québec			
floating rate, 2019-05-29	3,985,000	4,001,138	3,995,373
2.450%, 2019-12-01	100,000	101,810	100,442
Hydro-Québec			
floating rate, 2019-12-01	5,595,000	5,596,470	5,617,188
Ontario Hydro Corporation			
stripped, 2019-05-26	460,000	457,591	456,575

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)			
Ontario Hydro Energy 10.000%, 2020-02-06	300,000	435,900	325,738
Province of Alberta			
floating rate, 2019-01-17	560,000	560,560	560,186
2.000%, 2019-06-01	1,880,000	1,879,192	1,881,314
1.250%, 2020-06-01	6,715,000	6,621,188	6,642,644
floating rate, 2020-06-17	120,000	120,708	120,638
1.350%, 2021-09-01	8,675,000	8,564,794	8,482,482
1.600%, 2022-09-01	1,000,000	997,610	973,037
2.550%, 2022-12-15	2,610,000	2,532,083	2,623,114
Province of British Columbia			
2.700%, 2022-12-18	610,000	618,174	618,755
Province of Manitoba			
stripped, 2019-03-05	25,000	24,908	24,920
floating rate, 2019-04-02	10,770,000	10,787,703	10,781,815
4.750%, 2020-02-11	2,040,000	2,079,880	2,101,267
1.600%, 2020-09-05	2,015,000	2,010,305	1,999,728
1.550%, 2021-09-05	4,150,000	4,113,701	4,079,515
2.550%, 2023-06-02	2,000,000	2,027,000	2,006,463
Province of New Brunswick			
stripped, 2019-09-26	155,000	153,291	152,822
1.550%, 2022-05-04	3,000,000	2,909,700	2,923,549
2.850%, 2023-06-02	3,050,000	3,102,847	3,094,834
Province of Newfoundland and Labrador			
1.125%, 2019-01-30	150,000	149,370	149,915
stripped, 2019-10-17	465,000	459,175	456,827
1.950%, 2022-06-02	6,275,000	6,241,775	6,182,326
floating rate, 2023-02-27	3,110,000	3,110,536	3,097,108
Province of Nova Scotia			
4.150%, 2019-11-25	650,000	648,369	662,527
stripped, 2019-12-01	40,000	39,488	39,238
floating rate, 2020-06-15	2,200,000	2,200,000	2,209,345
4.450%, 2021-10-24	1,587,000	1,552,777	1,680,715
floating rate, 2022-11-09	5,000,000	5,000,000	4,993,925
floating rate, 2024-11-09	3,320,000	3,328,400	3,319,535
Province of Ontario			
floating rate, 2019-08-26	2,000,000	1,999,810	2,005,309
4.200%, 2020-06-02	185,000	183,011	190,558
4.000%, 2021-06-02	2,145,000	2,139,920	2,236,595
floating rate, 2021-10-27	2,620,000	2,627,379	2,638,232
1.350%, 2022-03-08	13,450,000	13,311,912	13,064,855
3.150%, 2022-06-02	3,945,000	3,906,972	4,050,251
1.950%, 2023-01-27	1,000,000	994,120	984,034
2.600%, 2025-06-02	1,250,000	1,254,300	1,247,736
Province of Prince Edward Island			
3.700%, 2020-09-02	520,000	517,249	533,278
Province of Québec			
floating rate, 2019-08-21	1,490,000	1,490,194	1,494,660

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 Saskatchewan floating rate, 2021-01-26	2,000,000	1,996,880	2,014,043
PSP Capital 1.340%, 2021-08-18	3,050,000	2,955,374	2,984,016
1.730%, 2022-06-21	2,750,000	2,668,600	2,695,794
		125,675,799	125,654,427
Municipalities and Parapublic Institutions			
City of Hamilton 2.500%, 2020-10-01	380,000	379,700	380,904
City of Toronto 2.450%, 2025-02-06	300,000	295,173	294,050
City of Vancouver 2.900%, 2025-11-20	200,000	199,328	201,365
Municipal Finance Authority of British Columbia 2.050%, 2019-06-02	1,700,000	1,708,602	1,701,159
1.750%, 2020-10-15	670,000	669,990	665,481
New Brunswick Municipal Finance Corporation 2.150%, 2019-12-08	500,000	498,845	500,394
Regional Municipality of York 5.000%, 2019-04-29	450,000	448,916	454,522
TransLink 3.800%, 2020-11-02	1,475,000	1,473,909	1,517,591
		5,674,463	5,715,466
Total Canadian Government Bonds		146,048,831	146,080,515
Corporate Bonds			
Alimentation Couche-Tard 3.319%, 2019-11-01	285,000	285,000	286,536
Bank of Montreal 1.880%, 2021-03-31	550,000	543,273	540,455
2.120%, 2022-03-16	800,000	787,016	783,523
Bank of Nova Scotia 2.130%, 2020-06-15	1,600,000	1,585,840	1,590,327
2.090%, 2020-09-09	900,000	898,665	892,278
2.360%, 2022-11-08	1,000,000	977,760	980,595
Bell Canada 2.000%, 2021-10-01	1,150,000	1,143,456	1,118,342
Canadian Imperial Bank of Commerce floating rate, 2020-12-08	125,000	125,100	124,842
Canadian Natural Resources 2.600%, 2019-12-03	350,000	350,935	349,244
Capital Power Corporation 4.850%, 2019-02-21	155,000	154,819	155,433
5.276%, 2020-11-16	740,000	740,000	765,541
Cominar Real Estate Investment Trust 4.230%, 2019-12-04	905,000	887,900	910,421

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



	Par Value	Cost \$	Fair Value \$
Corporate Bonds (continued)			
Enbridge floating rate, 2019-05-24	100,000	100,000	100,097
First Capital Realty 5.480%, 2019-07-30	800,000	796,984	813,279
Greater Toronto Airports Authority 1.510%, 2021-02-16	335,000	327,798	328,017
Hydro One 1.480%, 2019-11-18	2,000,000	1,977,800	1,984,941
Pembina Pipeline Corporation 4.890%, 2021-03-29	725,000	725,000	751,825
Royal Bank of Canada 1.920%, 2020-07-17	950,000	939,835	940,987
1.650%, 2021-07-15	500,000	488,185	486,809
1.968%, 2022-03-02	735,000	719,205	716,817
2.360%, 2022-12-05	750,000	740,663	736,147
Saputo 2.654%, 2019-11-26	875,000	875,000	874,969
TELUS Corporation 3.200%, 2021-04-05	1,550,000	1,545,270	1,556,924
Thomson Reuters Corporation 3.309%, 2021-11-12	750,000	754,700	757,447
Toronto-Dominion Bank floating rate, 2019-07-31	665,000	665,000	665,024
Total Corporate Bonds		19,135,204	19,210,820
Total Bonds		165,184,035	165,291,335
Money Market Securities			
Canada Treasury Bills			
2019-01-10	1,305,000	1,299,587	1,299,587
2019-01-24	230,000	229,157	229,157
2019-02-07	2,600,000	2,591,262	2,591,262
2019-02-21	1,300,000	1,295,148	1,295,148
2019-03-21	1,600,000	1,594,128	1,594,128
2019-04-18	1,850,000	1,840,621	1,840,621
2019-05-30	1,800,000	1,786,968	1,786,968
Government of Canada, notes			
2019-02-12	1,000,000	1,333,869	1,360,067
Province of British Columbia, notes			
2019-02-08	800,000	795,400	795,400
2019-02-28	3,050,000	3,998,805	4,140,205
Province of Québec, notes			
2019-01-07	105,000	104,718	104,718
2019-01-18	280,000	374,963	381,656
2019-01-22	11,100,000	14,649,746	15,099,186
2019-01-30	5,300,000	6,986,058	7,208,281
2019-02-04	1,655,000	1,649,820	1,649,820

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



	Par Value	Cost \$	Fair Value \$
Money Market Securities (continued)			
Province of Québec, notes (continued)			
2019-02-05	3,075,000	4,044,039	4,182,289
2019-02-13	10,265,000	13,668,117	13,962,672
2019-02-19	945,000	942,071	942,071
Ontario Treasury Bills			
2019-02-06	2,910,000	2,897,691	2,897,691
Total Money Market Securities		62,082,168	63,360,927
Portfolio Transaction Costs Included in the Securities' Cost		(391,689)	
Total Investments		539,064,812	595,122,869

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



1. Establishment of the fund

The Letko Brosseau Balanced Fund / Letko Brosseau Fonds 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 \$595,122,869 (2017: \$621,865,915) 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 \$44,433,567 (2017: \$40,658,649), 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	38,220,682	34,526,832
Number of redeemable units issued and redeemed during the year		
Issued for cash and other consideration	2,687,835	4,827,741
Issued on reinvestment of distributions	2,216,474	1,041,553
Redeemed	(2,392,659)	(2,175,444)
Number of redeemable units in circulation, end of year	40,732,332	38,220,682



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, is 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	-	103,000
Issued on reinvestment of distributions	2,605,589	1,526,885
Redeemed	-	(2,525,668)
	2,605,589	(895,783)
<hr/>		
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

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

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

	2018 \$	2017 \$
Manager	42,032,171	44,009,677
Other related parties	23,490,902	27,277,150
	65,523,073	71,236,827



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	107,027,606	127,183,149
Total collateral held	109,168,923	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 years ended December 31, securities lending income was as follows:

	2018 \$	2017 \$
Gross securities lending income	335,582	22,344
Securities lending charges	(167,098)	(11,172)
Net securities lending income	168,484	11,172
Securities lending charges as a % of the gross securities lending income	49.8%	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.



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	2018 % of net assets	2017 % of net assets
AAA	5.14	4.14
AA	5.67	6.37
A	15.59	13.81
BBB	1.11	1.41
BB	0.15	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 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.

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.



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 %	2018 Impact \$	2017 Impact \$
FTSE Canada 91 Day TBill Total Return Index	0.25	159,000	124,000
FTSE Canada Universe Bond Total Return Index	1.00	1,663,000	1,617,000
S&P/TSX Composite Total Return Capped Index	3.00	3,749,000	4,477,000
MSCI World Total Return Net Index	3.00	7,109,000	7,836,000

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	29.21	27.69
Euros	7.84	8.37
Other currencies representing less than 5% individually	10.49	10.62

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 \$8,527,000 (2017: \$8,742,000).

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.

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	39,047,166	23,115,832
1 to 5 years	121,181,482	133,582,517
5 to 10 years	5,062,687	4,816,287
Total	165,291,335	161,514,636

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 \$2,985,000 (2017: \$3,435,000). Interest rate fluctuations have an insignificant impact on money market securities given their short-term maturities.



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 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	322,037,040	-	322,037,040
Investment fund	-	44,433,567	44,433,567
Bonds	140,365,049	24,926,286	165,291,335
Money market securities	63,360,927	-	63,360,927
	525,763,016	69,359,853	595,122,869
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

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.