



# LetkoBrosseau

**Letko Brosseau Balanced Fund**  
**Letko Brosseau Fonds équilibré**

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## **ANNUAL FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018  
(Expressed in Canadian Dollars)



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## Contents

Independent Auditors' Report	
Statements of Financial Position	3
Statements of Changes in Net Assets Attributable to Holders of Redeemable Units	4
Statements of Comprehensive Income	5
Statements of Cash Flows	6
Schedule of Investment Portfolio	7
Notes to Annual Financial Statements	14

## 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, 2019 and 2018, 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, 2019 and 2018, 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 audit 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 audit 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.



	2019 \$	2018 \$
<b>Current assets</b>		
Cash	513,165	494,950
Investments	632,715,386	595,122,869
Interest, dividends and other receivables	1,891,451	2,086,459
	<b>635,120,002</b>	<b>597,704,278</b>
<b>Current liabilities</b>		
Amounts payable on redemptions of redeemable units	267,448	126,800
Accrued expenses	50,680	47,273
	<b>318,128</b>	<b>174,073</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>634,801,874</b>	<b>597,530,205</b>

**Supplementary information**

<b>Number of redeemable units in circulation (note 6)</b>	39,861,840	40,732,332
<b>Net assets per unit attributable to holders of redeemable units (note 7)</b>	\$ 15.9251	\$ 14.6697

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

Daniel Brosseau, Director

Peter Letko, Director



	2019 \$	2018 \$
<b>Net assets attributable to holders of redeemable units, beginning of year</b>	597,530,205	624,177,229
<b>Change in net assets attributable to holders of redeemable units</b>	68,020,628	(27,957,375)
<b>Redeemable unit transactions</b>		
Proceeds from issuance	46,804,727	43,013,183
Reinvestment of distributions	15,879,033	33,867,545
Redemptions	(76,197,677)	(38,632,715)
	(13,513,917)	38,248,013
<b>Distributions to holders of redeemable units (note 7)</b>		
Net investment income	(16,966,049)	(16,255,589)
Net realized gain on sale of investments	(268,993)	(20,682,073)
	(17,235,042)	(36,937,662)
<b>Net assets attributable to holders of redeemable units, end of year</b>	634,801,874	597,530,205

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



	2019	2018
	\$	\$
<b>Investment income</b>		
Interest income for distribution purposes	3,984,261	4,696,581
Dividend income	14,131,962	12,395,414
Net securities lending income (note 10)	109,639	168,484
Foreign exchange gain (loss) on cash	(182,886)	2,148,037
Net realized gain (loss) on sale of investments	14,480,850	21,337,762
Net changes in unrealized appreciation (depreciation) of investments	36,911,252	(67,804,265)
	<u>69,435,078</u>	<u>(27,057,987)</u>
<b>Expenses</b>		
Trustee fees (note 11)	152,522	149,748
Professional fees	14,635	14,358
Filing fees (recovered)	9,286	(379)
Withholding taxes	1,096,714	613,926
Portfolio transaction costs	141,293	121,735
	<u>1,414,450</u>	<u>899,388</u>
<b>Change in net assets attributable to holders of redeemable units</b>	<u>68,020,628</u>	<u>(27,957,375)</u>
<b>Change in net assets per unit attributable to holders of redeemable units (note 3)</b>	<u>1.6817</u>	<u>(0.7189)</u>

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



	2019	2018
	\$	\$
<b>Cash flows from (used in) operating activities</b>		
Change in net assets attributable to holders of redeemable units	68,020,628	(27,957,375)
Adjustments or variations for :		
Foreign exchange (gain) loss on cash	182,886	(2,148,037)
Net realized (gain) loss on sale of investments	(14,480,850)	(21,337,762)
Net changes in unrealized (appreciation) depreciation of investments	(36,911,252)	67,804,265
Proceeds from sale or maturity of investments	346,031,850	455,135,855
Investments purchased	(332,410,038)	(472,712,387)
Interest, dividends and other receivables	195,008	(316,941)
Amounts payable on redemptions of redeemable units	140,648	(61,500)
Accrued expenses	3,407	(12,519)
	<b>30,772,287</b>	<b>(1,606,401)</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from issuance of redeemable units	46,804,727	43,013,183
Amounts paid on redemptions of redeemable units	(76,197,677)	(38,632,715)
Distributions paid in cash to holders of redeemable units	(1,356,009)	(3,070,117)
	<b>(30,748,959)</b>	<b>1,310,351</b>
<b>Change in cash</b>	<b>23,328</b>	<b>(296,050)</b>
Cash, beginning of year	494,950	789,888
Effect of exchange rate changes on foreign cash	(5,113)	1,112
<b>Cash, end of year</b>	<b>513,165</b>	<b>494,950</b>

**Supplementary information**

Interest received	\$ 4,137,648	\$ 4,604,177
Dividends received, net of withholding taxes	\$ 13,071,282	\$ 11,594,183
Interest paid	\$ 270	\$ 214

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



	Quantity	Cost \$	Fair Value \$
<b>Equities</b>			
<b>Energy</b>			
Birchcliff Energy	483,400	2,451,585	1,252,006
Canadian Natural Resources	181,850	5,759,352	7,637,700
Cenovus Energy	413,600	5,625,551	5,459,520
ConocoPhillips	67,625	3,082,736	5,702,648
Devon Energy Corporation	74,600	3,869,578	2,512,270
Encana Corporation	562,450	6,011,304	3,419,696
Enerflex	53,200	771,248	650,636
Hess Corporation	59,125	3,348,698	5,122,337
Husky Energy	296,895	6,088,836	3,093,646
Peyto Exploration & Development Corporation	193,275	1,779,001	734,445
Royal Dutch Shell, ADR	84,650	5,860,317	6,474,217
Suncor Energy	146,375	4,848,925	6,229,720
Total	66,550	4,410,238	4,766,026
Tourmaline Oil Corporation	57,500	1,072,527	875,150
		54,979,896	53,930,017
<b>Materials</b>			
5N Plus	76,700	310,398	188,682
Arkema	22,550	2,080,879	3,108,421
Canfor Pulp Products	87,300	1,182,646	729,828
Eastman Chemical Co.	41,775	3,957,209	4,293,644
Freeport-McMoRan	169,500	1,628,655	2,883,760
Hitachi Metals	112,700	1,892,325	2,169,123
HudBay Minerals	306,100	2,141,623	1,646,818
Intertape Polymer Group	35,513	92,168	590,226
Kuraray Co.	171,300	2,857,481	2,720,579
LafargeHolcim	28,156	2,326,486	2,006,166
Lundin Mining Corporation	366,400	1,512,208	2,843,264
Norbord	47,700	1,930,044	1,656,621
Nutrien	34,000	1,177,617	2,113,780
Pretium Resources	146,800	1,449,579	2,121,260
Regis Resources	322,400	1,093,761	1,275,458
Smurfit Kappa Group	68,350	2,577,770	3,428,537
Teck Resources	155,950	841,122	3,511,994
Western Forest Products	1,000,000	1,884,660	1,220,000
		30,936,631	38,508,161
<b>Industrial Products</b>			
Air Canada	200,000	424,629	9,702,000
Bombardier	1,361,300	3,912,744	2,627,309
Deutsche Lufthansa	104,600	1,819,945	2,498,524
FLSmidth & Co.	17,950	1,157,049	927,988
Fluor Corporation	41,375	2,668,700	1,012,967
General Electric Co.	249,375	4,997,153	3,608,881
Mitsui & Co.	209,800	3,719,998	4,871,629

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



	Quantity	Cost \$	Fair Value \$
<b>Equities (continued)</b>			
<b>Industrial Products (continued)</b>			
Siemens	30,000	3,662,690	5,089,083
Spirit Airlines	30,050	1,538,625	1,570,771
United Parcel Service	19,000	1,650,410	2,884,149
		25,551,943	34,793,301
<b>Consumer Discretionary</b>			
Adient	104,179	4,210,827	2,870,745
Aisin Seiki Co.	46,800	1,859,688	2,272,826
Canadian Tire Corporation	30,500	1,986,640	4,262,375
Dick's Sporting Goods	56,900	2,821,692	3,651,617
Dorel Industries	45,000	1,599,300	269,100
Goodyear Tire & Rubber Co.	85,000	994,954	1,714,527
Kingfisher	388,000	1,247,713	1,446,368
Linamar Corporation	79,375	2,746,238	3,899,694
Magna International	56,000	2,010,682	3,987,200
Panasonic Corporation	172,700	2,038,138	2,121,507
Transat A.T.	48,000	596,212	765,120
TUI	268,000	4,616,695	4,447,162
Valeo	71,350	3,582,003	3,262,159
Yamaha Motor Co.	45,000	869,887	1,182,913
		31,180,669	36,153,313
<b>Consumer Staples</b>			
Carrefour	80,000	3,775,640	1,740,902
George Weston	8,900	844,756	916,878
Maple Leaf Foods	18,800	203,526	486,544
Wal-Mart Stores	23,765	1,517,285	3,662,317
		6,341,207	6,806,641
<b>Health Care</b>			
Abbvie	17,000	1,432,162	1,951,839
Biogen	4,010	1,189,151	1,542,984
Gilead Sciences	39,825	3,814,787	3,355,761
GlaxoSmithKline	40,800	2,101,151	2,486,114
Merck & Co.	25,725	1,863,374	3,033,986
Pfizer	56,300	1,255,203	2,860,410
Roche Holding	4,650	1,503,619	1,955,273
Sanofi	30,000	2,594,021	3,913,537
Tenet Healthcare Corporation	67,150	1,325,051	3,311,524
		17,078,519	24,411,428
<b>Financial Services</b>			
Aegon	807,875	5,851,119	4,782,573
Bank of America Corporation	155,000	4,521,133	7,079,076
Bank of Montreal	60,225	4,007,707	6,061,044
Bank of Nova Scotia	90,000	5,706,645	6,601,500

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



	Quantity	Cost	Fair Value
		\$	\$
<b>Equities (continued)</b>			
<b>Financial Services (continued)</b>			
BNP Paribas	82,500	5,206,082	6,344,214
Canadian Imperial Bank of Commerce	26,975	2,938,600	2,914,919
Citigroup	87,272	5,123,046	9,041,133
ING Groep	224,500	3,482,829	3,492,658
Invesco	31,800	935,930	741,434
Manulife Financial Corporation	214,750	3,990,736	5,660,810
Power Corporation of Canada	106,825	2,986,322	3,573,296
Royal Bank of Canada	57,400	4,331,878	5,897,850
Standard Life Aberdeen	392,762	1,929,061	2,213,722
State Street Corporation	45,740	2,509,802	4,691,677
Sun Life Financial	75,925	2,463,104	4,495,519
Toronto-Dominion Bank	80,575	4,056,603	5,868,277
Truist Financial Corporation	67,325	3,739,727	4,916,936
Wells Fargo & Co.	50,075	3,327,707	3,493,484
		67,108,031	87,870,122
<b>Real Estate</b>			
Brookfield Property Partners LP	60,100	1,740,808	1,426,173
Cominar Real Estate Investment Trust	12,900	157,728	182,664
Morguard Corporation	11,600	382,619	2,331,600
		2,281,155	3,940,437
<b>Technology</b>			
ams AG	46,800	1,496,969	2,461,113
Celestica	172,500	1,337,507	1,857,825
Cirrus Logic	30,175	1,666,380	3,224,651
Cisco Systems	53,100	902,986	3,302,396
DXC Technology Co.	15,364	1,016,016	748,914
Fujitsu	24,607	1,301,361	3,015,470
Hewlett Packard Enterprise Co.	70,300	758,688	1,445,819
HP	37,300	791,606	993,977
Intel Corporation	60,000	1,480,349	4,656,621
International Business Machines Corporation (IBM)	26,750	5,097,329	4,649,580
Kyocera Corporation	50,000	2,230,339	4,462,698
Oracle Corporation	27,950	1,419,675	1,920,212
Samsung Electronics Corporation	1,309	1,777,759	2,012,523
Skyworks Solutions	15,000	1,563,846	2,351,263
		22,840,810	37,103,062
<b>Communication Services</b>			
AT&T	159,000	5,574,499	8,057,627
BCE	67,500	1,749,106	4,060,800
Series AA, preferred, 3.610%	36,750	880,163	579,364
Series AG, preferred, 2.800%	5,050	112,363	72,973
China Mobile, ADR	36,800	2,348,711	2,017,138
Cogeco Communications	23,600	1,276,990	2,671,520
Comcast Corporation	75,250	767,866	4,388,185

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



	Quantity	Cost \$	Fair Value \$
<b>Equities (continued)</b>			
<b>Communication Services (continued)</b>			
Facebook	7,650	1,706,620	2,036,105
Quebecor	80,000	659,738	2,651,200
Rogers Communications	54,175	1,774,512	3,493,204
Telefonica	153,400	2,364,054	1,390,425
Telus Corporation	100,000	2,501,587	5,028,000
Verizon Communications	100,000	4,721,542	7,962,031
ViacomCBS	57,675	3,902,212	3,138,933
Vodafone Group, ADR	40,000	1,864,729	1,002,645
		32,204,692	48,550,150
<b>Utilities</b>			
Capital Power Corporation	125,000	2,836,690	4,298,750
EDP - Energias de Portugal	457,600	1,904,360	2,573,750
Superior Plus Corporation	206,800	2,450,516	2,597,408
Veolia Environnement	67,400	1,809,690	2,326,134
		9,001,256	11,796,042
<b>Investment Fund</b>			
Letko Brosseau Emerging Markets Equity Fund	4,708,175	49,389,966	56,588,023
<b>Total Equities</b>		348,894,775	440,450,697

	Par Value	Cost \$	Fair Value \$
<b>Canadian Government Bonds</b>			
<b>Federal Government</b>			
Canada Housing Trust			
floating rate, 2020-03-15	7,580,000	7,584,055	7,583,449
1.200%, 2020-06-15	9,085,000	9,061,143	9,062,053
1.450%, 2020-06-15	3,420,000	3,418,187	3,415,118
1.150%, 2021-12-15	1,000,000	957,850	988,054
1.750%, 2022-06-15	4,000,000	3,936,600	3,992,918
		24,957,835	25,041,592
<b>Provincial Governments and Crown Corporations</b>			
CPPIB Capital			
1.400%, 2020-06-04	7,225,000	7,203,635	7,213,965
Ontario Hydro Energy			
10.000%, 2020-02-06	300,000	435,900	302,142
Province of Alberta			
1.250%, 2020-06-01	7,825,000	7,744,741	7,808,526
floating rate, 2020-06-17	120,000	120,708	120,200
1.350%, 2021-09-01	11,675,000	11,536,564	11,585,591
1.600%, 2022-09-01	1,000,000	997,610	992,477

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



	Par Value	Cost \$	Fair Value \$
<b>Canadian Government Bonds (continued)</b>			
<b>Provincial Governments and Crown Corporations (continued)</b>			
Province of British Columbia			
2.700%, 2022-12-18	610,000	618,174	624,522
Province of Manitoba			
4.750%, 2020-02-11	2,040,000	2,079,880	2,046,016
1.600%, 2020-09-05	2,015,000	2,010,305	2,012,409
1.550%, 2021-09-05	4,150,000	4,113,701	4,131,474
2.550%, 2023-06-02	4,500,000	4,584,955	4,589,430
Province of New Brunswick			
3.350%, 2021-12-03	500,000	516,735	513,842
1.550%, 2022-05-04	3,000,000	2,909,700	2,976,539
2.850%, 2023-06-02	3,050,000	3,102,847	3,137,953
Province of Newfoundland and Labrador			
1.950%, 2022-06-02	7,275,000	7,241,995	7,276,275
floating rate, 2023-02-27	3,110,000	3,110,536	3,116,287
Province of Nova Scotia			
floating rate, 2020-06-15	2,200,000	2,200,000	2,202,984
4.450%, 2021-10-24	1,587,000	1,552,777	1,659,863
floating rate, 2022-11-09	5,000,000	5,000,000	5,021,751
floating rate, 2024-11-09	3,320,000	3,328,400	3,347,224
Province of Ontario			
4.200%, 2020-06-02	5,685,000	5,753,136	5,741,537
4.000%, 2021-06-02	2,145,000	2,139,920	2,210,065
floating rate, 2021-10-27	2,620,000	2,627,379	2,639,400
1.350%, 2022-03-08	13,450,000	13,311,912	13,305,214
3.150%, 2022-06-02	3,945,000	3,906,972	4,063,169
1.950%, 2023-01-27	1,000,000	994,120	1,001,383
2.300%, 2024-09-08	2,000,000	2,024,200	2,023,169
2.600%, 2025-06-02	1,250,000	1,254,300	1,282,547
Province of Prince Edward Island			
3.700%, 2020-09-02	520,000	517,249	526,341
Province of Saskatchewan			
floating rate, 2021-01-26	2,000,000	1,996,880	2,008,576
PSP Capital			
1.340%, 2021-08-18	7,200,000	7,053,174	7,146,445
1.730%, 2022-06-21	2,750,000	2,668,600	2,741,169
		114,657,005	115,368,485
<b>Municipalities and Parapublic Institutions</b>			
City of Hamilton			
2.500%, 2020-10-01	380,000	379,700	381,322
City of Toronto			
2.450%, 2025-02-06	300,000	295,173	303,508
City of Vancouver			
2.900%, 2025-11-20	200,000	199,328	207,673

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



	Par Value	Cost \$	Fair Value \$
<b>Canadian Government Bonds (continued)</b>			
<b>Municipalities and Parapublic Institutions (continued)</b>			
Municipal Finance Authority of British Columbia			
1.750%, 2020-10-15	670,000	669,990	669,756
2.150%, 2024-06-03	500,000	499,245	501,708
Soucoa			
3.800%, 2020-11-02	1,475,000	1,473,909	1,499,374
		3,517,345	3,563,341
<b>Total Canadian Government Bonds</b>		143,132,185	143,973,418
<b>Corporate Bonds</b>			
Bank of Montreal			
1.880%, 2021-03-31	550,000	543,273	548,947
2.120%, 2022-03-16	800,000	787,016	799,944
Bank of Nova Scotia			
2.130%, 2020-06-15	1,600,000	1,585,840	1,601,309
2.090%, 2020-09-09	900,000	898,665	900,718
2.360%, 2022-11-08	1,000,000	977,760	1,005,005
Bell Canada			
2.000%, 2021-10-01	1,150,000	1,143,456	1,146,487
Canadian Imperial Bank of Commerce			
floating rate, 2020-12-08	125,000	125,100	125,261
1.900%, 2021-04-26	2,000,000	1,990,800	1,995,946
Capital Power Corporation			
5.276%, 2020-11-16	740,000	740,000	758,707
Pembina Pipeline Corporation			
4.890%, 2021-03-29	725,000	725,000	747,738
2.560%, 2023-06-01	950,000	949,905	951,055
Royal Bank of Canada			
1.920%, 2020-07-17	950,000	939,835	949,813
1.650%, 2021-07-15	500,000	488,185	496,902
1.968%, 2022-03-02	735,000	719,205	732,715
2.360%, 2022-12-05	750,000	740,663	754,042
Telus Corporation			
3.200%, 2021-04-05	1,550,000	1,545,270	1,568,006
Thomson Reuters Corporation			
3.309%, 2021-11-12	750,000	754,700	765,826
<b>Total Corporate Bonds</b>		15,654,673	15,848,421
<b>Total Bonds</b>		158,786,858	159,821,839

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



	<b>Par Value</b>	<b>Cost \$</b>	<b>Fair Value \$</b>
<b>Money Market Securities</b>			
Manitoba Treasury Bills 2020-03-11	22,030,000	21,938,135	21,938,135
Nova Scotia Treasury Bills 2020-01-23	685,000	684,233	684,233
Province of British Columbia, notes 2020-02-18	2,805,000	3,682,860	3,626,793
2020-03-03	45,000	58,863	58,139
2020-03-19	2,210,000	2,880,360	2,854,292
Province of Quebec, notes 2020-03-25	1,035,000	1,030,456	1,030,456
Province of Saskatchewan, notes 2020-03-10	2,260,000	2,250,802	2,250,802
<b>Total Money Market Securities</b>		<b>32,525,709</b>	<b>32,442,850</b>
<b>Portfolio Transaction Costs Included in the Securities' Cost</b>		<b>(461,265)</b>	
<b>Total Investments</b>		<b>539,746,077</b>	<b>632,715,386</b>

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, Canada. 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 20, 2020.

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**

#### **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.

#### **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.



### 3. Significant accounting policies (continued)

#### Financial instruments (continued)

##### 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.

##### 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, 2020 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, 2019, the net assets attributable to holders of redeemable units of Letko Brosseau Emerging Markets Equity Fund are \$1,548,205,708 (2018: \$1,306,350,229) and the Fund's maximum exposure to loss is \$56,588,023 (2018: \$44,433,567), 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.

	2019	2018
<b>Number of redeemable units in circulation, beginning of year</b>	40,732,332	38,220,682
<b>Number of redeemable units issued and redeemed during the year</b>		
Issued for cash and other consideration	3,045,833	2,687,835
Issued on reinvestment of distributions	1,036,771	2,216,474
Redeemed	(4,953,096)	(2,392,659)
<b>Number of redeemable units in circulation, end of year</b>	<b>39,861,840</b>	<b>40,732,332</b>

#### 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 and the investment funds it manages, 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.

2019	Manager \$	Other related parties \$
<b>Redeemable units issued and redeemed</b>		
Issued for cash and other consideration	-	6,000
Issued on reinvestment of distributions	1,238,627	648,243
Redeemed	-	(6,122,773)
	<b>1,238,627</b>	<b>(5,468,530)</b>

2018	Manager \$	Other related parties \$
<b>Redeemable units issued and redeemed</b>		
Issued for cash and other consideration	-	103,000
Issued on reinvestment of distributions	2,605,589	1,526,885
Redeemed	-	(2,525,668)
	<b>2,605,589</b>	<b>(895,783)</b>

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:

	2019 \$	2018 \$
Manager	46,917,061	42,032,171
Other related parties	19,972,261	23,490,902
	<b>66,889,322</b>	<b>65,523,073</b>



## 10. Net securities lending income

The Fund takes part in 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.

	2019 \$	2018 \$
Total fair value of securities on loan	117,149,898	107,027,606
Total collateral held	119,495,010	109,168,923

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:

	2019 \$	2018 \$
Gross securities lending income	188,477	335,582
Securities lending charges	(78,838)	(167,098)
Net securities lending income	109,639	168,484
Securities lending charges as a % of the gross securities lending income	41.8%	49.8%

## 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 trust and has elected to choose a December 15<sup>th</sup> 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 investment policy, 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	2019 % of net assets	2018 % of net assets
AAA	6.95	5.14
AA	2.67	5.67
A	14.62	15.59
BBB	0.94	1.11
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 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 consists 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 herein and differences could be material.



### 13. Risks associated with financial instruments (continued)

#### Market risks (continued)

##### Price risk

Given the uncertainty regarding the investments' future prices, the Fund is exposed to the inherent risk associated with fluctuations in the market. 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 %	2019 Impact \$	2018 Impact \$
FTSE Canada 91 Day TBill Total Return Index	0.25	82,000	159,000
FTSE Canada Universe Bond Total Return Index	1.00	1,607,000	1,663,000
S&P/TSX Composite Total Return Capped Index	3.00	4,330,000	3,749,000
MSCI World Total Return Net Index	3.00	8,843,000	7,109,000

##### 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	2019 % of net assets	2018 % of net assets
U.S. dollars	27.44	29.21
Euros	8.52	7.84
Other currencies representing less than 5% individually	11.54	10.49

As at December 31, 2019, 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 \$9,046,000 (2018: \$8,527,000).

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 currencies.

##### Interest rate risk

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

Bonds by maturity date	2019 \$	2018 \$
Less than 1 year	54,920,999	39,047,166
1 to 5 years	103,107,112	121,181,482
5 to 10 years	1,793,728	5,062,687
Total	159,821,839	165,291,335



### 13. Risks associated with financial instruments (continued)

#### Market risks (continued)

##### Interest rate risk (continued)

An increase or decrease of 1% in interest rates, with all other variables being equal, would have resulted in a downward or upward variation of the Fund's investments and net assets in the amount of \$2,224,000 (2018: \$2,985,000). Interest rate fluctuations have an insignificant impact on money market securities given their short-term maturities.

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

The Fund's investments in equities are also exposed to interest rate risk. This is due to the fact that their value is dependent on the rate used in discounting future dividends and to the general effect from changes in interest rates on the economy as a whole, the availability of credit and the profitability of companies. The Manager believes that it is not possible to quantify the impact of the variations taking into account the interdependence of these components.

### 14. Information on fair value of financial instruments

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

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

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

	Level 1	Level 2	Level 3	Total
2019	\$	\$	\$	\$
Equities, excluding investment fund	383,862,674	-	-	383,862,674
Investment fund	-	56,588,023	-	56,588,023
Bonds	140,410,077	19,411,762	-	159,821,839
Money market securities	32,442,850	-	-	32,442,850
	556,715,601	75,999,785	-	632,715,386

	Level 1	Level 2	Level 3	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

No investments were transferred within the levels during the years ended December 31, 2019 and 2018.

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. Subsequent event**

The COVID-19 outbreak during the first quarter of 2020 has caused persistent volatility in the global economy and the financial markets. As a result, the fair value of the Fund's investments and the net assets attributable to holders of redeemable units have been adversely impacted subsequent to year end. As at March 19, 2020, the net assets per unit attributable to holders of redeemable units decreased to \$12.2546.

### **16. 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.