



# LetkoBrosseau

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

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## **ANNUAL FINANCIAL STATEMENTS**

DECEMBER 31, 2020 AND 2019  
(Expressed in Canadian Dollars)



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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, 2020 and 2019, 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, 2020 and 2019, 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.



	2020 \$	2019 \$
<b>Current assets</b>		
Cash	544,360	513,165
Investments	521,758,693	632,715,386
Interest, dividends and other receivables	1,255,188	1,891,451
	<b>523,558,241</b>	<b>635,120,002</b>
<b>Current liabilities</b>		
Amounts payable on redemptions of redeemable units	93,300	267,448
Accrued expenses	38,869	50,680
	<b>132,169</b>	<b>318,128</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>523,426,072</b>	<b>634,801,874</b>

**Supplementary information**

<b>Number of redeemable units in circulation (note 6)</b>	33,846,265	39,861,840
<b>Net assets per unit attributable to holders of redeemable units (note 7)</b>	\$ 15.4648	\$ 15.9251

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

Daniel Brosseau, Director

Peter Letko, Director



	2020 \$	2019 \$
<b>Net assets attributable to holders of redeemable units, beginning of year</b>	634,801,874	597,530,205
<b>Change in net assets attributable to holders of redeemable units</b>	(12,173,540)	68,020,628
<b>Redeemable unit transactions</b>		
Proceeds from issuance	14,597,311	46,804,727
Reinvestment of distributions	13,719,262	15,879,033
Redemptions	(112,767,097)	(76,197,677)
	(84,450,524)	(13,513,917)
<b>Distributions to holders of redeemable units (note 7)</b>		
Net investment income	(14,751,738)	(16,966,049)
Net realized gain on sale of investments	-	(268,993)
	(14,751,738)	(17,235,042)
<b>Net assets attributable to holders of redeemable units, end of year</b>	523,426,072	634,801,874

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



	2020	2019
	\$	\$
<b>Investment income</b>		
Interest income for distribution purposes	2,978,791	3,984,261
Dividend income	11,747,456	14,131,962
Net securities lending income (note 10)	116,547	109,639
Foreign exchange gain (loss) on cash	266,014	(182,886)
Net realized gain (loss) on sale of investments	(3,626,433)	14,480,850
Net changes in unrealized appreciation (depreciation) of investments	(22,453,927)	36,911,252
	<u>(10,971,552)</u>	<u>69,435,078</u>
<b>Expenses</b>		
Trustee fees (note 11)	135,044	152,522
Professional fees	13,621	14,635
Filing fees	2,886	9,286
Withholding taxes	884,070	1,096,714
Portfolio transaction costs	166,367	141,293
	<u>1,201,988</u>	<u>1,414,450</u>
<b>Change in net assets attributable to holders of redeemable units</b>	<u>(12,173,540)</u>	<u>68,020,628</u>
<b>Change in net assets per unit attributable to holders of redeemable units (note 3)</b>	<u>(0.3309)</u>	<u>1.6817</u>

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



	2020	2019
	\$	\$
<b>Cash flows from (used in) operating activities</b>		
Change in net assets attributable to holders of redeemable units	(12,173,540)	68,020,628
Adjustments or variations for:		
Foreign exchange (gain) loss on cash	(266,014)	182,886
Net realized (gain) loss on sale of investments	3,626,433	(14,480,850)
Net changes in unrealized (appreciation) depreciation of investments	22,453,927	(36,911,252)
Proceeds from sale or maturity of investments	379,954,339	346,031,850
Investments purchased	(296,253,486)	(332,410,038)
Interest, dividends and other receivables	636,263	195,008
Amounts payable on redemptions of redeemable units	(174,148)	140,648
Accrued expenses	(11,811)	3,407
	<b>97,791,963</b>	<b>30,772,287</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from issuance of redeemable units	14,597,311	46,804,727
Amounts paid on redemptions of redeemable units	(112,767,097)	(76,197,677)
Distributions paid in cash to holders of redeemable units	(1,032,476)	(1,356,009)
	<b>(99,202,262)</b>	<b>(30,748,959)</b>
<b>Change in cash</b>	<b>(1,410,299)</b>	<b>23,328</b>
Cash, beginning of year	513,165	494,950
Effect of exchange rate changes on foreign cash	1,441,494	(5,113)
<b>Cash, end of year</b>	<b>544,360</b>	<b>513,165</b>

#### Supplementary information

##### Cash flows relating to operating activities:

Interest received	\$ 3,074,555	\$ 4,137,648
Dividends received, net of withholding taxes	\$ 11,409,273	\$ 13,071,282
Interest paid	\$ 2,025	\$ 270

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



	Quantity	Cost	Fair Value
		\$	\$
<b>Equities</b>			
<b>Energy</b>			
Birchcliff Energy	653,875	2,706,445	1,157,359
Canadian Natural Resources	145,000	4,592,280	4,435,550
Cenovus Energy	413,600	5,625,551	3,205,400
ConocoPhillips	67,625	3,082,736	3,445,306
Enerflex	135,475	1,210,057	888,716
Hess Corporation	55,000	3,115,068	3,698,992
Peyto Exploration & Development Corporation	309,300	2,127,976	903,156
Royal Dutch Shell, ADR	78,500	5,434,552	3,514,313
Suncor Energy	161,700	5,101,498	3,452,295
Total	65,000	4,307,520	3,576,662
Tourmaline Oil Corporation	70,600	1,273,874	1,211,496
		<b>38,577,557</b>	<b>29,489,245</b>
<b>Materials</b>			
5N Plus	76,700	310,398	226,265
Arkema	20,000	1,845,569	2,914,952
Canfor Pulp Products	57,700	781,657	471,986
Eastman Chemical	30,000	2,841,802	3,832,698
Freeport-McMoRan	100,000	960,858	3,314,945
HudBay Minerals	306,100	2,141,623	2,727,351
Intertape Polymer Group	35,513	92,168	857,284
Kuraray	171,300	2,857,481	2,318,804
LafargeHolcim	28,156	2,326,486	1,959,667
Lundin Mining Corporation	300,000	1,238,162	3,390,000
Norbord	47,700	1,930,044	2,621,592
Nutrien	41,500	1,638,356	2,541,460
Pretium Resources	146,800	1,449,579	2,141,812
Regis Resources	322,400	1,093,761	1,185,376
Smurfit Kappa Group	57,200	2,172,831	3,422,716
Teck Resources	170,850	996,257	3,946,635
Western Forest Products	662,425	1,248,446	847,904
		<b>25,925,478</b>	<b>38,721,447</b>
<b>Industrial Products</b>			
Air Canada	182,400	650,391	4,153,248
Bunzl	23,800	699,514	1,012,563
CAE	49,300	1,007,216	1,738,811
FLSmidth & Co.	17,950	1,157,049	875,111
Fraport AG Frankfurt Airport Services Worldwide	14,600	849,082	1,123,357
General Electric	231,650	4,292,756	3,187,316
Mitsui & Co.	117,500	2,083,412	2,739,585
Siemens	28,000	3,078,375	5,129,318
Siemens Energy	14,000	340,136	654,695
Spirit Airlines	19,900	1,018,923	619,871
United Parcel Service	13,000	1,129,228	2,789,039
		<b>16,306,082</b>	<b>24,022,914</b>

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



	Quantity	Cost	Fair Value
		\$	\$
<b>Equities (continued)</b>			
<b>Consumer Discretionary</b>			
Adient	63,800	2,578,742	2,826,145
Canadian Tire Corporation	32,000	2,160,521	5,354,560
Dick's Sporting Goods	50,000	2,479,519	3,580,574
Dorel Industries	45,000	1,599,300	671,850
Kingfisher	689,500	2,001,293	3,246,853
Linamar Corporation	70,000	2,421,879	4,719,400
Magna International	54,400	1,953,234	4,901,984
Panasonic Corporation	172,700	2,038,138	2,537,008
Skechers USA	22,275	920,628	1,019,917
Transat A.T.	48,000	596,212	263,520
Valeo	35,950	1,804,807	1,808,932
Yamaha Motor	45,000	869,887	1,168,311
		21,424,160	32,099,054
<b>Consumer Staples</b>			
Carrefour	80,000	3,775,640	1,749,595
Danone	11,200	1,057,623	938,571
George Weston	21,575	2,076,909	2,051,351
Wal-Mart Stores	23,765	1,517,285	4,364,370
		8,427,457	9,103,887
<b>Health Care</b>			
Abbvie	17,000	1,432,162	2,320,653
Biogen	4,010	1,189,151	1,250,925
CVS Health Corporation	17,075	1,379,057	1,485,766
Gilead Sciences	39,825	3,814,787	2,955,938
GlaxoSmithKline	40,800	2,101,151	1,912,833
Merck & Co.	25,725	1,863,374	2,680,882
Pfizer	56,300	1,192,781	2,640,239
Roche Holding	4,650	1,503,619	2,070,866
Sanofi	30,000	2,594,021	3,680,322
Tenet Healthcare Corporation	86,400	1,696,194	4,395,235
		18,766,297	25,393,659
<b>Financial Services</b>			
Aegon	807,875	5,851,119	4,073,880
Bank of America Corporation	115,000	3,354,389	4,440,714
Bank of Montreal	50,000	3,327,279	4,839,000
Bank of Nova Scotia	80,000	5,052,227	5,504,000
BNP Paribas	65,000	4,101,762	4,367,479
Canadian Imperial Bank of Commerce	18,900	2,058,927	2,054,808
Citigroup	65,000	3,815,634	5,106,060
ING Groep	224,500	3,482,829	2,673,969
Invesco	134,475	2,024,213	2,986,125
Manulife Financial Corporation	224,750	4,027,649	5,090,588
Power Corporation of Canada	122,325	3,355,188	3,575,560

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



	Quantity	Cost \$	Fair Value \$
<b>Equities (continued)</b>			
<b>Financial Services (continued)</b>			
Royal Bank of Canada	40,000	3,018,731	4,183,600
Standard Life Aberdeen	392,762	1,929,061	1,924,070
State Street Corporation	45,740	2,509,802	4,241,088
Sun Life Financial	55,425	1,798,058	3,137,055
Toronto-Dominion Bank	68,000	3,423,506	4,890,560
Truist Financial Corporation	34,825	1,934,437	2,126,511
Wells Fargo & Co.	34,350	2,282,711	1,320,733
		57,347,522	66,535,800
<b>Real Estate</b>			
Brookfield Property Partners LP	71,100	1,285,187	1,308,951
Cominar Real Estate Investment Trust	12,900	158,507	104,619
Morguard Corporation	11,600	382,619	1,339,220
		1,826,313	2,752,790
<b>Technology</b>			
ams AG	115,050	2,450,305	3,210,204
Celestica	240,500	1,635,007	2,469,935
Cirrus Logic	15,400	1,041,971	1,612,730
Cisco Systems	53,100	902,986	3,027,308
Intel Corporation	39,350	970,862	2,497,569
International Business Machines Corporation (IBM)	15,000	2,858,315	2,405,565
Kyocera Corporation	30,000	1,338,204	2,341,804
Open Text Corporation	22,900	1,380,245	1,324,536
Oracle Corporation	27,950	1,419,675	2,303,499
Samsung Electronics Corporation	1,378	1,875,910	3,253,215
SAP	6,500	959,517	1,086,373
Skyworks Solutions	13,000	1,355,333	2,531,996
		18,188,330	28,064,734
<b>Communication Services</b>			
Alphabet	1,174	2,026,314	2,620,243
AT&T	145,000	5,083,663	5,312,830
BCE	79,000	2,739,622	4,299,970
Series AA, preferred, 3.610%	36,750	880,163	542,430
Series AG, preferred, 2.800%	5,050	112,363	70,195
Cogeco Communications	20,300	1,098,428	1,986,558
Comcast Corporation	60,000	612,252	4,005,453
Facebook	9,150	2,050,070	3,184,251
Quebecor	80,000	659,738	2,620,800
Rogers Communications	54,175	1,774,512	3,210,411
Telus Corporation	180,000	2,540,528	4,537,800
Verizon Communications	60,000	2,832,925	4,490,846
Vodafone Group, ADR	40,000	1,864,729	839,820
		24,275,307	37,721,607

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



	Quantity	Cost \$	Fair Value \$
<b>Equities (continued)</b>			
<b>Utilities</b>			
Capital Power Corporation	125,000	2,836,690	4,372,500
EDP - Energias de Portugal	496,512	2,106,931	3,990,547
Superior Plus Corporation	206,800	2,450,516	2,518,824
Veolia Environnement	67,400	1,809,690	2,102,310
		9,203,827	12,984,181
<b>Investment Fund</b>			
Letko Brosseau Emerging Markets Equity Fund	4,803,370	50,445,797	51,610,291
<b>Total Equities</b>		290,714,127	358,499,609
	Par Value	Cost \$	Fair Value \$
<b>Canadian Government Bonds</b>			
<b>Provincial Governments and Crown Corporations</b>			
Canada Housing Trust			
1.150%, 2021-12-15	1,000,000	957,850	1,009,364
1.750%, 2022-06-15	3,465,000	3,410,080	3,541,804
Ontario Hydro Energy stripped, 2021-08-06	2,000,000	1,979,549	1,996,650
Province of Alberta			
1.350%, 2021-09-01	11,675,000	11,536,564	11,766,763
1.600%, 2022-09-01	1,000,000	997,610	1,022,142
2.350%, 2025-06-01	500,000	534,140	536,479
Province of British Columbia			
2.700%, 2022-12-18	610,000	618,174	638,890
Province of Manitoba			
1.550%, 2021-09-05	5,950,000	5,937,983	6,005,201
2.550%, 2023-06-02	4,500,000	4,584,955	4,734,731
2.450%, 2025-06-02	6,650,000	7,103,325	7,164,038
Province of New Brunswick			
3.350%, 2021-12-03	500,000	516,735	514,389
1.550%, 2022-05-04	3,000,000	2,909,700	3,052,070
2.850%, 2023-06-02	3,050,000	3,102,847	3,230,175
1.800%, 2025-08-14	3,900,000	4,072,641	4,092,838
Province of Newfoundland and Labrador			
1.950%, 2022-06-02	7,275,000	7,241,995	7,446,040
floating rate, 2023-02-27	3,110,000	3,110,536	3,123,254
Province of Nova Scotia			
4.450%, 2021-10-24	1,587,000	1,552,777	1,641,012
floating rate, 2022-11-09	5,000,000	5,000,000	5,025,386
1.000%, 2023-04-17	625,000	631,868	634,065
floating rate, 2024-11-09	3,320,000	3,328,400	3,353,366

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 Ontario			
4.000%, 2021-06-02	2,270,000	2,268,608	2,305,778
floating rate, 2021-10-27	1,620,000	1,624,563	1,627,205
1.350%, 2022-03-08	13,450,000	13,311,912	13,632,699
3.150%, 2022-06-02	3,695,000	3,659,381	3,846,297
1.950%, 2023-01-27	1,000,000	994,120	1,033,752
2.300%, 2024-09-08	2,000,000	2,024,200	2,127,877
1.750%, 2025-09-08	1,150,000	1,200,907	1,205,307
Province of Saskatchewan			
floating rate, 2021-01-26	2,000,000	1,996,880	2,000,668
0.800%, 2025-09-02	1,000,000	1,000,550	1,004,414
PSP Capital			
1.340%, 2021-08-18	8,000,000	7,861,974	8,059,148
1.730%, 2022-06-21	3,650,000	3,590,175	3,729,176
0.900%, 2026-06-15	2,500,000	2,497,600	2,514,093
		111,158,599	113,615,071
<b>Municipalities and Parapublic Institutions</b>			
City of Toronto			
2.450%, 2025-02-06	300,000	295,173	321,383
City of Vancouver			
2.900%, 2025-11-20	200,000	199,328	220,665
Municipal Finance Authority of British Columbia			
1.650%, 2021-04-19	1,000,000	1,009,820	1,004,531
2.150%, 2024-06-03	500,000	499,245	527,510
		2,003,566	2,074,089
<b>Total Canadian Government Bonds</b>		113,162,165	115,689,160
<b>Corporate Bonds</b>			
Bank of Montreal			
1.880%, 2021-03-31	550,000	543,273	552,163
1.610%, 2021-10-28	1,200,000	1,213,476	1,212,667
2.120%, 2022-03-16	800,000	787,016	816,735
Bank of Nova Scotia			
1.830%, 2022-04-27	1,000,000	1,017,750	1,019,050
2.360%, 2022-11-08	1,000,000	977,760	1,035,074
Bell Canada			
2.700%, 2024-02-27	500,000	526,215	527,596
Canadian Imperial Bank of Commerce			
1.900%, 2021-04-26	2,000,000	1,990,800	2,010,292
2.040%, 2022-03-21	535,000	546,936	545,857

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



	Par Value	Cost \$	Fair Value \$
<b>Corporate Bonds (continued)</b>			
Morguard Corporation			
4.085%, 2021-05-14	690,000	690,000	693,252
4.402%, 2023-09-28	500,000	500,000	508,532
4.204%, 2024-11-27	75,000	75,269	75,697
Pembina Pipeline Corporation			
4.890%, 2021-03-29	725,000	725,000	732,341
2.560%, 2023-06-01	950,000	949,905	988,536
Royal Bank of Canada			
1.650%, 2021-07-15	500,000	488,185	503,667
1.968%, 2022-03-02	735,000	719,205	748,706
2.360%, 2022-12-05	750,000	740,663	777,302
SmartCentres Real Estate Investment Trust			
2.757%, 2021-06-23	500,000	504,725	505,012
3.730%, 2022-07-22	990,000	1,029,937	1,036,827
3.192%, 2027-06-11	700,000	719,306	750,894
Suncor Energy			
3.100%, 2021-11-26	100,000	98,000	101,980
Thomson Reuters Corporation			
2.239%, 2025-05-14	500,000	522,110	523,084
Toronto-Dominion Bank			
1.909%, 2023-07-18	2,720,000	2,814,376	2,813,871
<b>Total Corporate Bonds</b>		18,179,907	18,479,135
<b>Total Bonds</b>		131,342,072	134,168,295
<b>Money Market Securities</b>			
Alberta Treasury Bills			
2021-03-09	265,000	264,897	264,897
Province of British Columbia, notes			
2021-01-15	900,000	1,178,408	1,146,416
2021-01-21	175,000	224,996	222,932
2021-02-01	100,000	131,061	127,363
2021-02-17	3,030,000	3,920,441	3,859,406
2021-02-18	9,255,000	12,137,262	11,787,452
2021-03-05	5,205,000	6,649,627	6,629,269

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 (continued)</b>			
Province of Nova Scotia, notes 2021-02-08	120,000	119,965	119,965
Province of Saskatchewan, notes 2021-02-18	115,000	114,960	114,960
Quebec Treasury Bills 2021-02-05	1,970,000	1,969,431	1,969,431
2021-03-05	2,165,000	2,164,177	2,164,177
2021-04-16	685,000	684,521	684,521
<b>Total Money Market Securities</b>		29,559,746	29,090,789
<b>Portfolio Transaction Costs Included in the Securities' Cost</b>		(372,634)	
<b>Total Investments</b>		451,243,311	521,758,693

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 19, 2021.

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 sale 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, 2021 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, 2020, the net assets attributable to holders of redeemable units of Letko Brosseau Emerging Markets Equity Fund are \$1,258,377,067 (2019: \$1,548,205,708) and the Fund's maximum exposure to loss is \$51,610,291 (2019: \$56,588,023), 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.

	2020	2019
<b>Number of redeemable units in circulation, beginning of year</b>	39,861,840	40,732,332
<b>Number of redeemable units issued and redeemed during the year</b>		
Issued for cash and other consideration	996,095	3,045,833
Issued on reinvestment of distributions	974,828	1,036,771
Redeemed	(7,986,498)	(4,953,096)
<b>Number of redeemable units in circulation, end of year</b>	<b>33,846,265</b>	<b>39,861,840</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 the sale of investments are accounted for in the net assets attributable to holders of redeemable units and net realized gains are distributed and reinvested at the end of the fiscal year as additional redeemable units or, at the discretion of the unitholders, are paid in cash.

#### 8. Capital management

The capital of the Fund is represented by redeemable units issued and in circulation. According to its mission, substantially all of the Fund's capital is invested in securities. Information about the Fund's objectives, policies and procedures for managing its capital is disclosed in note 13. The Fund is not subject to any particular external requirement for managing its capital.



## 9. Related party transactions

The following table presents a summary of the transactions during the year between the Fund and related parties. Related parties are represented by the Manager 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.

2020	Manager \$	Other related parties \$
<b>Redeemable units issued and redeemed</b>		
Issued for cash and other consideration	-	6,000
Issued on reinvestment of distributions	469,225	1,036,468
Redeemed	(8,000,000)	(63,252)
Transferred between related parties	(22,222,194)	22,222,194
	<b>(29,752,969)</b>	<b>23,201,410</b>
<hr/>		
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>

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:

	2020 \$	2019 \$
Manager	13,450,728	46,917,061
Other related parties	43,384,005	19,972,261
	<b>56,834,733</b>	<b>66,889,322</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.



## 10. Net securities lending income (continued)

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 statements of financial position.

	2020	2019
	\$	\$
Total fair value of securities on loan	103,312,327	117,149,898
Total collateral held	105,379,506	119,495,010

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:

	2020	2019
	\$	\$
Gross securities lending income	194,245	188,477
Securities lending charges	(77,698)	(78,838)
Net securities lending income	116,547	109,639
Securities lending charges as a % of the gross securities lending income	40.0%	41.8%

## 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.

As at December 31, 2020, the Fund had capital losses in the amount of approximately \$290,000 (2019: Nil) available to carry-forward indefinitely, which can be used to offset future taxable capital gains that are allocated to unitholders. No asset related to these losses has been recognized in the financial statements.

## 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	2020 % of net assets	2019 % of net assets
AAA	4.25	6.95
AA	3.58	2.67
A	16.57	14.62
BBB	1.23	0.94

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 %	2020 Impact \$	2019 Impact \$
FTSE Canada 91 Day TBill Total Return Index	0.25	74,000	82,000
FTSE Canada Universe Bond Total Return Index	1.00	1,350,000	1,607,000
S&P/TSX Composite Total Return Capped Index	3.00	3,661,000	4,330,000
MSCI World Total Return Net Index	3.00	7,055,000	8,843,000

##### 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	2020 % of net assets	2019 % of net assets
U.S. dollars	29.31	27.44
Euros	8.28	8.52
Other currencies representing less than 5% individually	11.96	11.54

As at December 31, 2020, an increase or decrease of 3% in the value of Canadian currency compared to foreign currencies, with all other variables being equal, would have resulted in an upward or downward variation of the Fund's investments and net assets of \$7,779,000 (2019: \$9,046,000).

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	2020 \$	2019 \$
Less than 1 year	44,242,081	54,920,999
1 to 5 years	86,661,229	103,107,112
5 to 10 years	3,264,985	1,793,728
Total	134,168,295	159,821,839



### 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 \$2,112,000 (2019: \$2,224,000). 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
2020	\$	\$	\$	\$
Equities, excluding investment fund	306,889,318	-	-	306,889,318
Investment fund	-	51,610,291	-	51,610,291
Bonds	113,615,071	20,553,224	-	134,168,295
Money market securities	29,090,789	-	-	29,090,789
	449,595,178	72,163,515	-	521,758,693

	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

No investments were transferred within the levels during the years ended December 31, 2020 and 2019.

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. COVID-19**

The Coronavirus (“COVID-19”), which was declared a pandemic by the World Health Organization during the first quarter of the fiscal year has negatively impacted the global financial markets and has had an adverse effect on the Fund’s financial results and capital. The Manager is continuing to assess and monitor the market risks and financial impact of the COVID-19 pandemic should its duration, spread or intensity further develop. It is not possible to predict with certainty the duration and the scope of the economic impact of COVID-19 both in the short and long term and the potential effect on the Fund’s future financial position and performance. The Fund Manager continues to monitor the Fund’s risk exposures from its portfolio holdings in order to fulfill on the Fund’s investment objective of optimizing returns for unit holders.

## **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.