



LetkoBrosseau

Letko Brosseau RSP Bond Fund

Letko Brosseau Fonds RER d'obligations

ANNUAL FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(Expressed in Canadian Dollars)



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INDEPENDENT AUDITORS' REPORT

To the Unitholders of
LETKO BROUSSEAU RSP BOND FUND
LETKO BROUSSEAU FONDS RER D'OBLIGATIONS

Opinion

We have audited the financial statements of **LETKO BROUSSEAU RSP BOND FUND / LETKO BROUSSEAU FONDS RER D'OBLIGATIONS** (the "Fund"), which comprise the statements of financial position as at December 31, 2022 and 2021, 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, 2022 and 2021, 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.



	2022	2021
	\$	\$
Current assets		
Cash	12,531	579
Investments	35,426,735	53,518,142
Amounts receivable for investments sold	7,305,259	-
Interest and other receivables	145,958	187,501
	<u>42,890,483</u>	<u>53,706,222</u>
Current liabilities		
Amounts payable on redemptions of redeemable units	7,002,000	400
Accrued expenses	13,121	14,832
	<u>7,015,121</u>	<u>15,232</u>
Net assets attributable to holders of redeemable units	<u>35,875,362</u>	<u>53,690,990</u>

Supplementary information

Number of redeemable units in circulation (note 5)	4,038,547	5,731,426
Net assets per unit attributable to holders of redeemable units (note 6)	\$ 8.8832	\$ 9.3678

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

Daniel Brosseau, Director

Peter Letko, Director

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



	2022 \$	2021 \$
Net assets attributable to holders of redeemable units, beginning of year	53,690,990	55,684,604
Change in net assets attributable to holders of redeemable units	(1,293,052)	(250,310)
Redeemable unit transactions		
Proceeds from issuance	843,110	20,645,121
Reinvestment of distributions	1,273,292	1,457,452
Redemptions	(17,365,686)	(22,388,425)
	(15,249,284)	(285,852)
Distributions to holders of redeemable units (note 6)		
Net investment income	(1,273,292)	(1,457,452)
Net assets attributable to holders of redeemable units, end of year	35,875,362	53,690,990

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



	2022	2021
	\$	\$
Investment income		
Net interest income for distribution purposes	1,287,439	1,476,423
Net securities lending income (note 8)	10,517	9,006
Net realized gain (loss) on sale of investments	(793,494)	(344,086)
Net changes in unrealized appreciation (depreciation) of investments	(1,773,409)	(1,364,239)
	<u>(1,268,947)</u>	<u>(222,896)</u>
Expenses		
Trustee fees (note 9)	11,871	14,989
Professional fees	11,908	11,535
Filing fees	326	890
	<u>24,105</u>	<u>27,414</u>
Change in net assets attributable to holders of redeemable units	<u>(1,293,052)</u>	<u>(250,310)</u>
Change in net assets per unit attributable to holders of redeemable units (note 3)	<u>(0.2520)</u>	<u>(0.0400)</u>

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



	2022	2021
	\$	\$
Cash flows from (used in) operating activities		
Change in net assets attributable to holders of redeemable units	(1,293,052)	(250,310)
Adjustments or variations for:		
Net realized (gain) loss on sale of investments	793,494	344,086
Net changes in unrealized (appreciation) depreciation of investments	1,773,409	1,364,239
Proceeds from sale or maturity of investments	27,251,874	31,716,207
Investments purchased	(11,727,370)	(31,538,022)
Interest and other receivables	41,543	32,136
Amounts receivable for investments sold	(7,305,259)	-
Amounts payable on redemptions of redeemable units	7,001,600	(1,000)
Accrued expenses	(1,711)	(3,174)
	16,534,528	1,664,162
Cash flows from (used in) financing activities		
Proceeds from issuance of redeemable units	843,110	20,645,121
Amounts paid on redemptions of redeemable units	(17,365,686)	(22,388,425)
	(16,522,576)	(1,743,304)
Change in cash	11,952	(79,142)
Cash, beginning of year	579	79,721
Cash, end of year	12,531	579

Supplementary information

Cash flows relating to operating activities:

Interest received	\$	1,328,984	\$	1,508,527
Interest paid	\$	2	\$	32

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



	Par Value	Cost \$	Fair Value \$
Canadian Government Bonds			
Provincial Governments and Crown Corporations			
New Brunswick F-M Project			
2.600%, 2026-08-14	170,000	180,298	162,445
6.470%, 2027-11-30	13,809	15,852	14,249
Ontario Hydro Energy			
8.500%, 2025-05-26	245,000	328,473	268,844
8.250%, 2026-06-22	375,000	518,027	425,370
Ontario School Boards Financing Corporation			
7.200%, 2025-06-09	9,772	11,218	10,066
Province of Alberta			
2.350%, 2025-06-01	1,205,000	1,279,982	1,157,881
4.450%, 2025-12-15	575,000	639,498	579,133
2.200%, 2026-06-01	800,000	807,040	756,102
2.550%, 2027-06-01	500,000	514,250	474,398
Province of British Columbia			
7.875%, 2023-11-30	475,000	647,446	486,628
Province of Manitoba			
2.450%, 2025-06-02	1,605,000	1,699,647	1,545,307
7.750%, 2025-12-22	680,000	898,328	748,665
Province of New Brunswick			
3.650%, 2024-06-03	170,000	180,442	168,294
1.800%, 2025-08-14	600,000	626,838	566,533
2.350%, 2027-08-14	310,000	301,648	290,367
Province of Newfoundland and Labrador			
floating rate, 2023-02-27	2,000,000	2,000,000	2,001,080
2.300%, 2025-06-02	935,000	988,295	895,989
9.150%, 2025-07-07	50,000	75,575	55,844
3.000%, 2026-06-02	1,000,000	1,081,382	968,171
Province of Nova Scotia			
floating rate, 2024-11-09	1,975,000	1,979,997	1,989,171
2.150%, 2025-06-01	350,000	343,865	334,648
Province of Ontario			
3.500%, 2024-06-02	1,460,000	1,597,306	1,442,787
2.600%, 2025-06-02	1,985,000	2,137,386	1,918,391
2.400%, 2026-06-02	1,265,000	1,337,826	1,203,505
2.600%, 2027-06-02	1,430,000	1,493,877	1,359,484
Province of Saskatchewan			
3.200%, 2024-06-03	1,460,000	1,574,475	1,436,694
PSP Capital			
0.900%, 2026-06-15	2,335,000	2,311,090	2,104,848
		25,570,061	23,364,894
Municipalities and Parapublic Institutions			
City of Vancouver			
3.050%, 2024-10-16	250,000	257,248	244,353
Municipal Finance Authority of British Columbia			
2.950%, 2024-10-14	250,000	256,558	244,274
1.100%, 2025-06-01	600,000	609,210	558,890
3.350%, 2027-06-01	100,000	99,840	97,922

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



	Par Value	Cost \$	Fair Value \$
Canadian Government Bonds (continued)			
Municipalities and Parapublic Institutions (continued)			
Regional Municipality of Peel 2.300%, 2026-11-02	125,000	121,208	117,622
Regional Municipality of York 2.500%, 2026-06-02	150,000	147,942	142,983
		1,492,006	1,406,044
Total Canadian Government Bonds		27,062,067	24,770,938
Corporate Bonds			
407 International 4.220%, 2028-02-14	250,000	249,923	244,543
Allied Properties Real Estate Investment Trust 3.636%, 2025-04-21	250,000	257,445	239,059
Bank of Montreal 4.609%, 2025-09-10	45,000	49,928	44,873
2.700%, 2026-12-09	180,000	195,647	167,332
3.190%, 2028-03-01	525,000	498,015	490,667
Bank of Nova Scotia 2.620%, 2026-12-02	180,000	194,629	166,864
3.100%, 2028-02-02	525,000	496,204	489,080
Bell Canada 2.700%, 2024-02-27	65,000	63,902	63,219
3.550%, 2026-03-02	195,000	197,709	187,297
1.650%, 2027-08-16	100,000	99,980	87,050
2.200%, 2028-05-29	550,000	491,150	481,116
Canadian Imperial Bank of Commerce 2.970%, 2023-07-11	100,000	101,244	98,970
3.300%, 2025-05-26	685,000	688,137	663,523
Canadian Natural Resources 3.550%, 2024-06-03	200,000	203,062	196,703
Capital Power Corporation 4.986%, 2026-01-23	530,000	529,618	524,275
Enbridge 3.940%, 2023-06-30	95,000	98,200	94,345
Enbridge Gas 2.880%, 2027-11-22	100,000	95,109	92,987
2.370%, 2029-08-09	550,000	495,336	482,500
First Capital Realty 4.790%, 2024-08-30	30,000	34,002	29,224
4.323%, 2025-07-31	305,000	319,562	290,964
Fortis 4.431%, 2029-05-31	500,000	498,625	486,400
Greater Toronto Airports Authority 6.450%, 2029-07-30	3,659	4,001	3,839
Rogers Communications 4.000%, 2024-03-13	335,000	352,496	329,992
3.650%, 2027-03-31	260,000	249,062	245,448

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



	Par Value	Cost \$	Fair Value \$
Corporate Bonds (continued)			
Royal Bank of Canada 4.930%, 2025-07-16	210,000	244,267	211,081
Saputo 2.827%, 2023-11-21	175,000	173,063	171,404
SmartCentres Real Estate Investment Trust 3.192%, 2027-06-11	530,000	525,613	479,974
Telus Corporation 3.350%, 2023-03-15	330,000	344,229	329,025
3.350%, 2024-04-01	35,000	36,456	34,255
3.750%, 2025-01-17	75,000	77,294	73,063
2.350%, 2028-01-27	250,000	249,313	221,263
Toronto-Dominion Bank 1.909%, 2023-07-18	50,000	48,571	49,179
TransCanada PipeLines 4.350%, 2026-05-12	500,000	494,125	489,272
Total Corporate Bonds		8,655,917	8,258,786
Total Bonds		35,717,984	33,029,724
Money Market Securities			
Manitoba Treasury Bills 2023-02-15	655,000	649,681	649,681
2023-03-22	10,000	9,893	9,893
2023-03-29	75,000	74,188	74,188
New Brunswick Treasury Bills 2023-02-23	20,000	19,805	19,805
Newfoundland and Labrador Treasury Bills 2023-02-23	235,000	232,756	232,756
Ontario Treasury Bills 2023-02-08	500,000	494,957	494,957
2023-03-01	545,000	539,690	539,697
2023-03-08	20,000	19,805	19,805
2023-03-22	10,000	9,893	9,893
2023-08-09	20,000	19,438	19,438
Province of Alberta, notes 2023-01-05	20,000	19,830	19,830
2023-03-24	50,000	49,491	49,491
Province of Nova Scotia, notes 2023-01-31	260,000	257,577	257,577
Total Money Market Securities		2,397,004	2,397,011
Total Investments		38,114,988	35,426,735

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



1. Establishment of the fund

The Letko Brosseau RSP Bond Fund / Letko Brosseau Fonds RER d'obligations (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 24, 2023.

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 6.

Recognition and measurement

The Fund recognizes financial instruments at fair value upon initial recognition. Purchases and sales of investments 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 initially recognized on the date on which they originated and 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 12. 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, 2023 which would have a material effect on the Fund's financial statements.

5. 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.

	2022	2021
Number of redeemable units in circulation, beginning of year	5,731,426	5,778,062
Number of redeemable units issued and redeemed during the year		
Issued for cash and other consideration	92,025	2,151,427
Issued on reinvestment of distributions	141,234	153,572
Redeemed	(1,926,138)	(2,351,635)
Number of redeemable units in circulation, end of year	4,038,547	5,731,426

6. 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 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. Upon request from the Manager, additional income and capital gain distributions may occur at different times during the fiscal year under exceptional circumstances.

7. 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 11. The Fund is not subject to any particular external requirement for managing its capital.

8. 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.



8. 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.

	2022	2021
	\$	\$
Total fair value of securities on loan	8,102,254	13,436,115
Total collateral held	8,264,397	13,704,978

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:

	2022	2021
	\$	\$
Gross securities lending income	17,529	15,010
Securities lending charges	(7,012)	(6,004)
Net securities lending income	10,517	9,006
Securities lending charges as a % of the gross securities lending income	40.0%	40.0%

9. 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.

10. Income taxes

In accordance with provisions of the Income Tax Act (Canada) and the Quebec Taxation Act, the Fund qualifies as a unit trust and is taxed on its income received and not distributed to unitholders. The Fund distributes to unitholders the total income from interest and securities lending, net of expenses and its net realized taxable capital gains.

As at December 31, 2022, the Fund had capital losses in the amount of approximately \$2,043,000 (2021: \$1,520,000) 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.

11. 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 bond portfolio, without taking undue risk of loss or impairment. The portfolio consists generally of Canadian bonds and money market securities, but can also include, on a lesser scale, equities, foreign bonds and foreign pay bonds. In order to minimize the risks associated with financial instruments, the Manager applies a strategy of diversification across issuers, economic regions and industrial sectors.



II. 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 amounts receivable for investments sold, interest 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	2022 % of net assets	2021 % of net assets
AAA	9.79	16.51
AA	15.82	17.97
A	51.69	57.81
BBB	14.77	7.39

Credit ratings attributed to money market securities are not presented above since the related credit risk is insignificant given their short-term maturities.

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.



II. 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 %	2022 Impact \$	2021 Impact \$
FTSE Canada 91 Day TBill Total Return Index	0.25	5,000	-
FTSE Canada Universe Bond Total Return Index	1.00	334,000	535,000

Currency risk

The Fund is not exposed to a significant currency risk given the small proportion of its investments in foreign securities.

Interest rate risk

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

Bonds by maturity date	2022 \$	2021 \$
Less than 1 year	3,230,631	9,824,536
1 to 5 years	26,899,684	40,606,511
5 to 10 years	2,899,409	3,087,095
Total	33,029,724	53,518,142

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 \$687,000 (2021: \$1,144,000). Interest rate fluctuations have an insignificant impact on money market securities given their short-term maturities.

12. 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.



12. Information on fair value of financial instruments (continued)

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

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
2022				
Bonds	23,364,894	9,664,830	-	33,029,724
Money market securities	2,397,011	-	-	2,397,011
	25,761,905	9,664,830	-	35,426,735
2021				
Bonds	45,187,279	8,330,863	-	53,518,142
Money market securities	-	-	-	-
	45,187,279	8,330,863	-	53,518,142

No investments were transferred within the levels during the years ended December 31, 2022 and 2021.

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.

13. 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.