



LetkoBrosseau

Letko Brosseau RSP Bond Fund

Letko Brosseau Fonds RER d'obligations

ANNUAL FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023
(Expressed in Canadian Dollars)



Table of Contents

| | |
|---|----|
| Independent Auditors' Report | 1 |
| 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 | 11 |

Independent Auditor's Report

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To the Directors of
Letko Brosseau RSP Bond Fund /
Letko Brosseau Fonds RER d'obligations

Opinion

We have audited the financial statements of Letko Brosseau RSP Bond Fund / Letko Brosseau Fonds RER d'obligations (hereafter "the Fund"), which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of changes in net assets attributable to holders of redeemable units, the statements of comprehensive income and the statements of cash flows for the years then ended, and notes to financial statements, including material accounting policy information, and the statement of investment securities as at December 31, 2024.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (hereafter "IFRS Accounting 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 "Auditor's 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 opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management 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, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management 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.

Auditor's 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 auditor's 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.

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 override 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 management;
- Conclude on the appropriateness of management'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 auditor's 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 auditor's report. However, future events or conditions may cause the Fund to cease to continue as a 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.

Raymond Chabot Grant Thornton LLP¹

Montréal
February 5, 2026

¹ CPA auditor, public accountancy permit no. A126944



| | 2024 | 2023 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Current assets | | |
| Cash | 28,684 | 21,311 |
| Investments | 51,385,706 | 39,753,781 |
| Interest and other receivables | 313,665 | 237,636 |
| | <u>51,728,055</u> | <u>40,012,728</u> |
| Current liabilities | | |
| Amounts payable on redemptions of redeemable units | - | 1,000 |
| Accrued expenses | 17,422 | 17,030 |
| | <u>17,422</u> | <u>18,030</u> |
| Net assets attributable to holders of redeemable units | <u>51,710,633</u> | <u>39,994,698</u> |

Supplementary information

| | | |
|---|-----------|-----------|
| Number of redeemable units in circulation (note 5) | 5,542,856 | 4,377,691 |
| Net assets per unit attributable to holders of redeemable units (note 6) | \$ 9.3292 | \$ 9.1360 |

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

Daniel Brosseau, Director



| | 2024 \$ | 2023 \$ |
|--|-------------|-------------|
| Net assets attributable to holders of redeemable units, beginning of year | 39,994,698 | 35,875,362 |
| Change in net assets attributable to holders of redeemable units | 2,368,863 | 2,387,245 |
| Redeemable unit transactions | | |
| Proceeds from issuance | 12,339,025 | 4,420,717 |
| Reinvestment of distributions | 1,519,454 | 1,259,396 |
| Redemptions | (2,991,953) | (2,688,626) |
| | 10,866,526 | 2,991,487 |
| Distributions to holders of redeemable units (note 6) | | |
| Net investment income | (1,519,454) | (1,259,396) |
| Net assets attributable to holders of redeemable units, end of year | 51,710,633 | 39,994,698 |

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



| | 2024 | 2023 |
|---|------------------|------------------|
| | \$ | \$ |
| Investment income | | |
| Net interest income for distribution purposes | 1,520,412 | 1,276,019 |
| Net securities lending income (note 8) | 11,247 | 9,613 |
| Net realized gain (loss) on sale of investments | (267,780) | (1,007,767) |
| Net changes in unrealized appreciation (depreciation) of investments | 1,129,632 | 2,136,306 |
| | <u>2,393,511</u> | <u>2,414,171</u> |
| Expenses | | |
| Trustee fees (note 9) | 10,388 | 10,252 |
| Professional fees | 13,455 | 15,630 |
| Filing fees | 805 | 1,044 |
| | <u>24,648</u> | <u>26,926</u> |
| Change in net assets attributable to holders of redeemable units | <u>2,368,863</u> | <u>2,387,245</u> |
| Change in net assets per unit attributable to holders of redeemable units (note 3) | <u>0.5050</u> | <u>0.5728</u> |

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



| | 2024 | 2023 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Cash flows from (used in) operating activities | | |
| Change in net assets attributable to holders of redeemable units | 2,368,863 | 2,387,245 |
| Adjustments or variations for: | | |
| Net realized (gain) loss on sale of investments | 267,780 | 1,007,767 |
| Net changes in unrealized (appreciation) depreciation of investments | (1,129,632) | (2,136,306) |
| Proceeds from sale or maturity of investments | 17,359,790 | 25,037,059 |
| Investments purchased | (28,129,863) | (28,235,566) |
| Interest and other receivables | (76,029) | (91,678) |
| Amounts receivable for investments sold | - | 7,305,259 |
| Amounts payable on redemptions of redeemable units | (1,000) | (7,001,000) |
| Accrued expenses | 392 | 3,909 |
| | <u>(9,339,699)</u> | <u>(1,723,311)</u> |
| Cash flows from (used in) financing activities | | |
| Proceeds from issuance of redeemable units | 12,339,025 | 4,420,717 |
| Amounts paid on redemptions of redeemable units | (2,991,953) | (2,688,626) |
| | <u>9,347,072</u> | <u>1,732,091</u> |
| Change in cash | 7,373 | 8,780 |
| Cash, beginning of year | 21,311 | 12,531 |
| Cash, end of year | 28,684 | 21,311 |

Supplementary information

Cash flows relating to operating activities:

| | | |
|-------------------|--------------|--------------|
| Interest received | \$ 1,444,432 | \$ 1,184,904 |
| Interest paid | \$ 49 | \$ 563 |

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



| | Par Value | Cost \$ | Fair Value \$ |
|--|--------------|------------|---------------------|
| Canadian Government Bonds | | | |
| Provincial Governments and Crown Corporations | | | |
| British Columbia Investment Management Corporation | | | |
| 4.900%, 2033-06-02 | 1,555,000 | 1,549,417 | 1,683,130 |
| Canadian Government Real Return | | | |
| floating rate, 2041-12-01 | 385,000 | 563,014 | 598,936 |
| floating rate, 2044-12-01 | 425,000 | 553,512 | 590,112 |
| CDP Financial | | | |
| 3.700%, 2028-03-08 | 975,000 | 996,645 | 991,425 |
| 3.950%, 2029-09-01 | 775,000 | 761,829 | 798,119 |
| 4.200%, 2030-12-02 | 935,000 | 985,490 | 973,776 |
| CPPIB Capital | | | |
| 3.250%, 2028-03-08 | 900,000 | 899,531 | 904,726 |
| 1.950%, 2029-09-30 | 1,740,000 | 1,543,598 | 1,644,998 |
| New Brunswick F-M Project | | | |
| 6.470%, 2027-11-30 | 8,806 | 10,109 | 9,150 |
| Ontario Hydro Energy | | | |
| 8.500%, 2025-05-26 | 245,000 | 328,472 | 250,146 |
| 8.250%, 2026-06-22 | 375,000 | 518,027 | 402,596 |
| Ontario School Boards Financing Corporation | | | |
| 7.200%, 2025-06-09 | 2,096 | 2,405 | 2,133 |
| Ontario Teachers' Finance Trust | | | |
| 1.100%, 2027-10-19 | 575,000 | 542,800 | 543,987 |
| 4.450%, 2032-06-02 | 2,200,000 | 2,221,630 | 2,311,320 |
| Province of Alberta | | | |
| 4.450%, 2025-12-15 | 575,000 | 639,498 | 581,976 |
| 2.550%, 2027-06-01 | 500,000 | 514,250 | 494,586 |
| Province of British Columbia | | | |
| 4.150%, 2034-06-18 | 605,000 | 591,654 | 620,398 |
| Province of Manitoba | | | |
| 7.750%, 2025-12-22 | 680,000 | 898,328 | 710,369 |
| 2.750%, 2029-06-02 | 2,500,000 | 2,470,350 | 2,455,748 |
| 2.050%, 2031-06-02 | 550,000 | 500,390 | 506,599 |
| 4.250%, 2034-06-02 | 800,000 | 792,552 | 825,407 |
| Province of New Brunswick | | | |
| 2.600%, 2026-08-14 | 170,000 | 180,296 | 168,899 |
| 2.350%, 2027-08-14 | 310,000 | 301,648 | 304,603 |
| 3.950%, 2032-08-14 | 400,000 | 388,856 | 408,823 |
| Province of Newfoundland and Labrador | | | |
| 2.300%, 2025-06-02 | 935,000 | 988,295 | 931,832 |
| 9.150%, 2025-07-07 | 50,000 | 75,575 | 51,504 |
| 3.000%, 2026-06-02 | 1,000,000 | 1,081,382 | 999,617 |
| Province of Ontario | | | |
| 2.600%, 2027-06-02 | 1,430,000 | 1,493,877 | 1,416,338 |
| 2.700%, 2029-06-02 | 300,000 | 283,605 | 294,285 |
| 2.150%, 2031-06-02 | 1,000,000 | 915,399 | 928,713 |
| 5.850%, 2033-03-08 | 900,000 | 988,560 | 1,035,885 |
| 3.650%, 2033-06-02 | 2,125,000 | 1,981,563 | 2,120,485 |
| 4.150%, 2034-06-02 | 1,205,000 | 1,180,899 | 1,237,984 |

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



| | Par Value | Cost \$ | Fair Value \$ |
|--|--------------|-------------------|---------------------|
| Canadian Government Bonds (continued) | | | |
| Provincial Governments and Crown Corporations (continued) | | | |
| PSP Capital | | | |
| 0.900%, 2026-06-15 | 2,335,000 | 2,311,090 | 2,265,836 |
| 2.600%, 2032-03-01 | 2,435,000 | 2,093,759 | 2,289,609 |
| 4.150%, 2033-06-01 | 1,605,000 | 1,522,503 | 1,655,991 |
| | | 33,670,808 | 34,010,041 |
| Municipalities and Parapublic Institutions | | | |
| Municipal Finance Authority of British Columbia | | | |
| 1.100%, 2025-06-01 | 600,000 | 609,210 | 595,140 |
| 3.350%, 2027-06-01 | 100,000 | 99,840 | 100,664 |
| 2.550%, 2029-10-09 | 510,000 | 494,226 | 494,452 |
| Regional Municipality of Peel | | | |
| 2.300%, 2026-11-02 | 125,000 | 121,208 | 123,389 |
| Regional Municipality of York | | | |
| 2.500%, 2026-06-02 | 150,000 | 147,942 | 148,922 |
| 2.650%, 2029-04-18 | 510,000 | 498,066 | 498,339 |
| Toronto Hydro Corporation | | | |
| 2.430%, 2029-12-11 | 310,000 | 276,772 | 295,610 |
| | | 2,247,264 | 2,256,516 |
| Total Canadian Government Bonds | | 35,918,072 | 36,266,557 |
| Corporate Bonds | | | |
| 407 International | | | |
| 4.220%, 2028-02-14 | 250,000 | 249,923 | 254,466 |
| Allied Properties Real Estate Investment Trust | | | |
| 3.636%, 2025-04-21 | 250,000 | 257,445 | 249,862 |
| AltaGas | | | |
| 2.075%, 2028-05-30 | 225,000 | 195,975 | 213,403 |
| Bank of Montreal | | | |
| 4.609%, 2025-09-10 | 45,000 | 49,928 | 45,430 |
| 2.700%, 2026-12-09 | 180,000 | 195,647 | 178,449 |
| 3.190%, 2028-03-01 | 525,000 | 498,015 | 521,784 |
| Bank of Nova Scotia | | | |
| 2.620%, 2026-12-02 | 180,000 | 194,629 | 178,229 |
| 3.100%, 2028-02-02 | 525,000 | 496,204 | 520,690 |
| Bell Canada | | | |
| 3.550%, 2026-03-02 | 195,000 | 197,709 | 195,147 |
| 1.650%, 2027-08-16 | 100,000 | 99,980 | 95,760 |
| 2.200%, 2028-05-29 | 550,000 | 491,150 | 525,854 |
| Canadian Imperial Bank of Commerce | | | |
| 5.500%, 2028-01-14 | 675,000 | 691,335 | 711,250 |
| 3.800%, 2030-12-10 | 200,000 | 200,100 | 199,745 |
| Capital Power Corporation | | | |
| 4.986%, 2026-01-23 | 530,000 | 529,618 | 536,715 |

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



| | Par Value | Cost \$ | Fair Value \$ |
|---|--------------|-------------------|---------------------|
| Corporate Bonds (continued) | | | |
| Enbridge Gas | | | |
| 2.880%, 2027-11-22 | 100,000 | 95,109 | 98,479 |
| 2.370%, 2029-08-09 | 550,000 | 495,336 | 522,370 |
| 2.990%, 2029-10-03 | 415,000 | 400,268 | 401,660 |
| Enbridge Pipelines | | | |
| 3.520%, 2029-02-22 | 215,000 | 199,155 | 213,373 |
| First Capital Realty | | | |
| 4.323%, 2025-07-31 | 305,000 | 319,562 | 306,304 |
| Fortis | | | |
| 4.431%, 2029-05-31 | 500,000 | 498,625 | 513,477 |
| Greater Toronto Airports Authority | | | |
| 6.450%, 2029-07-30 | 2,771 | 3,030 | 2,960 |
| Hydro One | | | |
| 3.930%, 2029-11-30 | 250,000 | 247,905 | 254,847 |
| Manulife Financial Corporation | | | |
| 2.237%, 2030-05-12 | 400,000 | 377,760 | 398,221 |
| 5.409%, 2033-03-10 | 200,000 | 198,040 | 209,757 |
| 5.054%, 2034-02-23 | 145,000 | 150,945 | 151,240 |
| National Bank of Canada | | | |
| 5.023%, 2029-02-01 | 470,000 | 493,547 | 493,370 |
| RioCan Real Estate Investment Trust | | | |
| 5.611%, 2027-10-06 | 300,000 | 299,976 | 313,333 |
| Rogers Communications | | | |
| 3.650%, 2027-03-31 | 260,000 | 249,062 | 260,333 |
| 4.400%, 2028-11-02 | 385,000 | 391,853 | 392,436 |
| 3.250%, 2029-05-01 | 25,000 | 23,173 | 24,388 |
| Royal Bank of Canada | | | |
| 4.930%, 2025-07-16 | 510,000 | 549,892 | 514,686 |
| 1.833%, 2028-07-31 | 265,000 | 251,618 | 251,380 |
| SmartCentres Real Estate Investment Trust | | | |
| 3.192%, 2027-06-11 | 530,000 | 525,613 | 521,791 |
| Sun Life Financial | | | |
| 2.580%, 2032-05-10 | 400,000 | 368,568 | 391,325 |
| 4.780%, 2034-08-10 | 145,000 | 150,583 | 150,461 |
| 5.500%, 2035-07-04 | 150,000 | 149,846 | 160,802 |
| Telus Corporation | | | |
| 3.750%, 2025-01-17 | 75,000 | 77,294 | 74,998 |
| 2.350%, 2028-01-27 | 250,000 | 249,313 | 240,884 |
| 5.000%, 2029-09-13 | 250,000 | 247,125 | 261,303 |
| Toronto-Dominion Bank | | | |
| 5.491%, 2028-09-08 | 235,000 | 250,416 | 249,444 |
| 4.680%, 2029-01-08 | 500,000 | 489,000 | 518,016 |
| TransCanada PipeLines | | | |
| 4.350%, 2026-05-12 | 500,000 | 494,125 | 505,177 |
| Total Corporate Bonds | | 12,594,397 | 12,823,599 |
| Total Bonds | | 48,512,469 | 49,090,156 |

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



| | Par Value | Cost \$ | Fair Value \$ |
|--------------------------------------|--------------|-------------------|---------------------|
| Money Market Securities | | | |
| Alberta Treasury Bills | | | |
| 2025-02-18 | 20,000 | 19,841 | 19,841 |
| Ontario Treasury Bills | | | |
| 2025-02-05 | 195,000 | 193,313 | 193,313 |
| 2025-02-19 | 420,000 | 416,922 | 416,921 |
| Province of Alberta, notes | | | |
| 2025-02-05 | 40,000 | 39,665 | 39,665 |
| 2025-02-24 | 1,620,000 | 1,605,939 | 1,605,938 |
| Quebec Treasury Bills | | | |
| 2025-03-07 | 20,000 | 19,872 | 19,872 |
| Total Money Market Securities | | 2,295,552 | 2,295,550 |
| Total Investments | | 50,808,021 | 51,385,706 |

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, along with its related amendments, 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 Accounting Standards"), 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 February 5, 2026.

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. Material accounting policy information

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. Redeemable units are classified as financial liabilities given that they include a contractual obligation for the Fund to redeem them for cash or another financial asset at the request of the unitholder. 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.

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.



3. Material accounting policy information (continued)

Financial instruments (continued)

Fair value (continued)

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.

Impairment of financial assets

The Fund recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. The Fund applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected credit loss provision for all assets at amortized cost. Impairment losses on financial assets at amortized cost, if any, are recognized in the statements of comprehensive income.

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. 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 Accounting Standards 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 material 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.



3. Material accounting policy information (continued)

Use of estimates, judgments and assumptions (continued)

Classification of redeemable units

The Manager has determined that the Fund's redeemable units must be classified as liabilities given that the conditions for classification as equity in accordance with IAS 32, Financial Instruments: presentation, are not met.

4. Future accounting standards

IFRS 18, Presentation and Disclosure in Financial Statements

The IASB issued IFRS 18, Presentation and Disclosure in Financial Statements on April 9, 2024, which will replace IAS 1, Presentation of Financial Statements. This new standard, effective for annual periods beginning on or after January 1, 2027, aims to improve financial statement comparability and transparency by introducing a more structured statement of comprehensive income. The Manager is in the process of assessing the implications of IFRS 18 and its impact on the Fund's financial statements and disclosures.

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.

| | 2024 | 2023 |
|---|------------------|------------------|
| Number of redeemable units in circulation, beginning of year | 4,377,691 | 4,038,547 |
| Number of redeemable units issued and redeemed during the year | | |
| Issued for cash and other consideration | 1,324,418 | 499,562 |
| Issued on reinvestment of distributions | 165,634 | 141,579 |
| Redeemed | (324,887) | (301,997) |
| Number of redeemable units in circulation, end of year | 5,542,856 | 4,377,691 |

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.

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.

| | 2024 | 2023 |
|--|------------|------------|
| | \$ | \$ |
| Total fair value of securities on loan | 20,068,076 | 14,056,890 |
| Total collateral held | 20,469,464 | 14,338,061 |

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:

| | 2024 | 2023 |
|--|---------|---------|
| | \$ | \$ |
| Gross securities lending income | 18,744 | 16,021 |
| Securities lending charges | (7,497) | (6,408) |
| Net securities lending income | 11,247 | 9,613 |
| 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, 2024, the Fund had capital losses in the amount of approximately \$3,589,000 (December 31, 2023: \$3,321,000) 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.



II. Risks associated with financial instruments

Analysis of risk management

The Fund has as its objective to generate income through the creation of a well-diversified bond portfolio. The Fund primarily comprises Canadian government and corporate bonds diversified across issuers, economic regions, industries and maturity dates. The Manager regularly monitors the relative weighting of individual fixed income instruments, sectors, and countries, and also takes into account the market capitalization and liquidity of each security.

Credit risk

The Fund's maximum exposure to credit risk is the fair value of debt securities included in investments, as well as interest and other receivables presented on the statements of financial position. For those financial instruments, the fair value takes into account the creditworthiness of the issuer and, therefore, represents the maximum credit risk to which the Fund is exposed.

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 | 2024 % of net assets | 2023 % of net assets |
|------------------------|----------------------------|----------------------------|
| AAA | 32.68 | 31.14 |
| AA | 29.37 | 12.85 |
| A | 20.13 | 35.58 |
| BBB | 12.27 | 14.55 |
| BB | 0.48 | - |

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.

All transactions involving listed securities are settled or paid upon delivery, using approved brokers. The risk of non-performance is considered limited, as the securities sold are only delivered once the broker has received payment. Payment for a purchase is made once the securities have been received by the broker. The transaction fails if either party fails to fulfil 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.

All other financial liabilities have a maturity of less than twelve months. The Fund maintains a level of cash that the Fund Manager considers sufficient to maintain the necessary liquidity.



II. Risks associated with financial instruments (continued)

Market risks

For the disclosure of market risks, IFRS Accounting Standards 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.

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 approximately as follows:

| Benchmark indices | Changes in % | 2024 Impact \$ | 2023 Impact \$ |
|--|--------------|----------------|----------------|
| FTSE Canada 91 Day T-Bill Total Return Index | 0.25 | 6,000 | 5,000 |
| FTSE Canada Universe Bond Total Return Index | 1.00 | 491,000 | 376,000 |

Currency risk

The Fund is not exposed to currency risk since it does not hold 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 | 2024 \$ | 2023 \$ |
|------------------------|------------|------------|
| Less than 1 year | 4,314,379 | 1,154,858 |
| 1 to 5 years | 25,327,059 | 19,689,686 |
| 5 to 10 years | 18,098,869 | 16,646,404 |
| More than 10 years | 1,349,849 | 155,137 |
| Total | 49,090,156 | 37,646,085 |

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 approximate amount of \$1,970,000 (December 31, 2023: \$1,547,000). 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.

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

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------|------------|------------|---------|------------|
| 2024 | \$ | \$ | \$ | \$ |
| Bonds | 34,010,041 | 15,080,115 | - | 49,090,156 |
| Money market securities | 2,295,550 | - | - | 2,295,550 |
| | 36,305,591 | 15,080,115 | - | 51,385,706 |

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------|------------|------------|---------|------------|
| 2023 | \$ | \$ | \$ | \$ |
| Bonds | 25,293,755 | 12,352,330 | - | 37,646,085 |
| Money market securities | 2,107,696 | - | - | 2,107,696 |
| | 27,401,451 | 12,352,330 | - | 39,753,781 |

No investments were transferred within the levels during the years ended December 31, 2024 and 2023.

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. Events after the reporting period: Tariffs

Several announcements regarding tariffs have been made by the US government during the first quarter of 2025. These measures are constantly evolving, as are the retaliatory measures announced by Canada and other countries. The Manager is continuing to assess and monitor the market risks and financial impact of the tariffs should their application continue. It is not possible to predict with certainty the scope of the economic impact of tariffs both in the short and long term and the potential effect on the Fund's future financial position and performance. The 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.

14. 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.