



**LETKO
BROSSEAU**

**LETKO BROSSEAU BOND FUND
LETKO BROSSEAU FONDS D'OBLIGATIONS**

ANNUAL FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

**LETKO BROUSSEAU BOND FUND
LETKO BROUSSEAU FONDS D'OBLIGATIONS**

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the statements of financial position of **LETKO BROUSSEAU BOND FUND / LETKO BROUSSEAU FONDS D'OBLIGATIONS** (the "Fund") as at December 31, 2016 and 2015, the statements of changes in net assets attributable to holders of redeemable units, comprehensive income and cash flows for the years ended December 31, 2016 and 2015 and the accompanying notes, including a summary of significant accounting policies and other explanatory information.

Fund Manager's Responsibilities for the Financial Statements

The Fund Manager is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Fund Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **LETKO BROUSSEAU BOND FUND / LETKO BROUSSEAU FONDS D'OBLIGATIONS** as at December 31, 2016 and 2015, its financial performance and its cash flows for the years ended December 31, 2016 and 2015 in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

*PSB Boisjoli LLP*¹

Partnership of Chartered Professional Accountants

Montreal, March 17, 2017

¹FCPA auditor, FCA, public accountancy permit No. A108253

LETKO BROUSSEAU BOND FUND
LETKO BROUSSEAU FONDS D'OBLIGATIONS
 STATEMENTS OF FINANCIAL POSITION
 AS AT DECEMBER 31, 2016 AND 2015

	2016	2015
	\$	\$
Current assets		
Cash	34,621	69,642
Investments	11,415,930	13,030,317
Interest, dividends and other receivables	49,703	64,255
	11,500,254	13,164,214
Current liabilities		
Amounts payable on redemptions of redeemable units	10,000	272,275
Accrued expenses	12,788	15,307
	22,788	287,582
Net assets attributable to holders of redeemable units	11,477,466	12,876,632

Supplementary information

Number of redeemable units in circulation (note 5)	1,173,690	1,295,013
Net assets per unit attributable to holders of redeemable units (note 6)	\$ 9.7790	\$ 9.9432

On behalf of Letko, Brosseau & Associates Inc., Fund Manager



Daniel Brosseau, Director



Peter Letko, Director

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

LETKO BROUSSEAU BOND FUND
LETKO BROUSSEAU FONDS D'OBLIGATIONS
STATEMENTS OF CHANGES IN NET ASSETS
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
	\$	\$
Net assets attributable to holders of redeemable units, beginning of year	12,876,632	13,198,580
Change in net assets attributable to holders of redeemable units	165,779	238,386
Redeemable unit transactions		
Proceeds from issuance	569,269	2,585,707
Reinvestment of distributions	325,870	357,747
Redemptions	(2,099,989)	(3,114,635)
	(1,204,850)	(171,181)
Distributions to holders of redeemable units (note 6)		
Net investment income	(305,409)	(372,091)
Net realized gain on sale of investments	(54,686)	(17,062)
	(360,095)	(389,153)
Net assets attributable to holders of redeemable units, end of year	11,477,466	12,876,632

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

LETKO BROUSSEAU BOND FUND
LETKO BROUSSEAU FONDS D'OBLIGATIONS
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
	\$	\$
Investment income		
Interest income for distribution purposes	313,865	373,992
Dividend income	7,935	13,884
Net realized gain on sale of investments	54,687	17,062
Net changes in unrealized depreciation of investments	(194,620)	(148,088)
	181,867	256,850
Expenses		
Trustee fees (note 9)	2,928	5,673
Professional fees	13,160	11,797
Filing fees	-	1,364
	16,088	18,834
Expenses absorbed by the Manager	-	(370)
	16,088	18,464
Change in net assets attributable to holders of redeemable units	165,779	238,386
Change in net assets per unit attributable to holders of redeemable units (note 3)	0.1375	0.1691

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

LETKO BROUSSEAU BOND FUND
LETKO BROUSSEAU FONDS D'OBLIGATIONS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
	\$	\$
Cash flows from operating activities		
Change in net assets attributable to holders of redeemable units	165,779	238,386
Adjustments or variations for :		
Net realized gain on sale of investments	(54,687)	(17,062)
Net changes in unrealized depreciation of investments	194,620	148,088
Proceeds from sale or maturity of investments	5,755,168	9,406,250
Investments purchased	(4,280,714)	(9,442,907)
Interest, dividends and other receivables	14,552	(1,777)
Amounts payable on redemptions of redeemable units	(262,275)	272,275
Accrued expenses	(2,519)	2,536
	1,529,924	605,789
Cash flows used in financing activities		
Proceeds from issuance of redeemable units	569,269	2,585,707
Amounts paid on redemptions of redeemable units	(2,099,989)	(3,114,635)
Distributions paid in cash to holders of redeemable units	(34,225)	(31,406)
	(1,564,945)	(560,334)
Change in cash	(35,021)	45,455
Cash, beginning of year	69,642	24,187
Cash, end of year	34,621	69,642
 Supplementary information		
Interest received	\$ 327,684	\$ 372,585
Dividends received, net of withholding taxes	\$ 9,093	\$ 13,884
Interest paid	\$ 425	\$ -

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

LETKO BROUSSEAU BOND FUND
LETKO BROUSSEAU FONDS D'OBLIGATIONS
SCHEDULE OF INVESTMENT PORTFOLIO
AS AT DECEMBER 31, 2016

	Quantity	Cost \$	Fair Value \$
Equities			
Telecommunication Services			
BCE			
Series AB, preferred, floating dividend	5,000	119,750	76,650
Series AJ, preferred, floating dividend	5,700	132,525	86,355
Total Equities		252,275	163,005
	Par Value	Cost \$	Fair Value \$
Canadian Government Bonds			
Federal Government			
Canada Housing Trust			
Series 66, 1.450%, 2020-06-15	150,000	149,921	151,002
		149,921	151,002
Provincial Governments and Crown Corporations			
Alberta Capital Finance Authority			
4.650%, 2017-06-15	105,000	104,134	106,845
Financement-Québec			
floating rate, 2018-06-01	460,000	463,141	463,018
2.400%, 2018-12-01	250,000	249,557	256,448
floating rate, 2019-05-29	375,000	374,999	376,978
2.450%, 2019-12-01	200,000	199,600	206,565
Province of Alberta			
1.600%, 2018-06-15	325,000	322,169	328,313
1.250%, 2020-06-01	250,000	248,025	248,788
1.350%, 2021-09-01	100,000	99,659	98,656
Province of Manitoba			
floating rate, 2017-04-03	450,000	452,929	450,477
4.250%, 2018-03-05	200,000	200,865	207,887
1.850%, 2018-09-05	405,000	404,206	410,792
5.500%, 2018-11-15	150,000	154,830	162,310
floating rate, 2020-05-15	100,000	100,352	99,955
1.600%, 2020-09-05	100,000	99,767	100,448
1.550%, 2021-09-05	70,000	69,870	69,632
Province of New Brunswick			
Series FR, 6.000%, 2017-12-27	150,000	162,486	157,575
4.450%, 2018-03-26	275,000	277,445	286,982
floating rate, 2019-08-01	50,000	50,000	49,927
stripped, 2019-10-17	50,000	47,351	47,662
Province of Nova Scotia			
floating rate, 2018-08-15	335,000	335,905	335,696
4.150%, 2019-11-25	420,000	448,696	453,732
floating rate, 2020-06-15	50,000	50,000	49,772

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LETKO BROUSSEAU BOND FUND
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SCHEDULE OF INVESTMENT PORTFOLIO
AS AT DECEMBER 31, 2016

	Par Value	Cost \$	Fair Value \$
Canadian Government Bonds (continued)			
Provincial Governments and Crown Corporations (continued)			
Province of Ontario			
2.100%, 2018-09-08	250,000	249,631	254,674
floating rate, 2018-12-03	225,000	225,090	225,675
4.200%, 2020-06-02	160,000	158,279	174,809
1.350%, 2022-03-08	875,000	871,722	856,427
3.150%, 2022-06-02	480,000	477,570	512,157
2.600%, 2025-06-02	75,000	75,320	76,214
Province of Québec			
floating rate, 2018-12-19	275,000	274,945	276,041
floating rate, 2019-08-21	70,000	70,000	70,179
		7,318,543	7,414,634
Municipalities and Parapublic Institutions			
City of Toronto			
4.950%, 2018-06-27	85,000	84,745	89,820
4.500%, 2019-12-02	360,000	358,888	390,950
2.450%, 2025-02-06	50,000	49,196	49,458
City of Vancouver			
4.900%, 2019-12-02	365,000	364,547	400,668
Municipal Finance Authority of British Columbia			
1.750%, 2020-10-15	150,000	149,793	150,564
Regional Municipality of York			
5.000%, 2019-04-29	240,000	239,422	260,080
		1,246,591	1,341,540
Total Canadian Government Bonds		8,715,055	8,907,176
Corporate Bonds			
Alimentation Couche-Tard			
2.860%, 2017-11-01	35,000	35,000	35,432
3.320%, 2019-11-01	40,000	40,000	41,641
Bank of Montreal			
2.120%, 2022-03-16	200,000	196,754	200,015
Bank of Nova Scotia			
2.090%, 2020-09-09	200,000	200,300	202,056
Bell Canada			
Series M-35, 4.370%, 2017-09-13	60,000	63,706	61,309
2.000%, 2021-10-01	100,000	99,804	98,930
Capital Power Corporation			
5.280%, 2020-11-16	170,000	170,000	182,894
Cominar Real Estate Investment Trust			
4.230%, 2019-12-04	80,000	76,866	82,840
EPCOR Utilities			
5.800%, 2018-01-31	75,000	69,555	78,645
First Capital Realty			
5.480%, 2019-07-30	105,000	104,604	113,908
Series M, 5.600%, 2020-04-30	115,000	115,359	127,159

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SCHEDULE OF INVESTMENT PORTFOLIO
AS AT DECEMBER 31, 2016

	Par Value	Cost \$	Fair Value \$
Corporate Bonds (continued)			
Pembina Pipeline Corporation 4.890%, 2021-03-29	130,000	130,000	142,657
Royal Bank of Canada 1.970%, 2022-03-02	375,000	369,291	371,528
Shaw Communications 5.700%, 2017-03-02	150,000	148,656	151,047
Suncor Energy 5.800%, 2018-05-22	100,000	90,025	105,963
Total Corporate Bonds		1,909,920	1,996,024
Total Bonds		10,624,975	10,903,200
Money Market Securities			
Canada Treasury Bills 2017-01-26	200,000	199,918	199,918
2017-03-23	150,000	149,807	149,807
Total Money Market Securities		349,725	349,725
Portfolio Transaction Costs Included in the Securities' Cost		(285)	
Total Investments		11,226,690	11,415,930

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

LETKO BROUSSEAU BOND FUND
LETKO BROUSSEAU FONDS D'OBLIGATIONS
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2016 AND 2015

1. ESTABLISHMENT OF THE FUND

The Letko Brosseau Bond Fund / Letko Brosseau Fonds d'obligations (the "Fund") is a private unit investment trust created under 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. is 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 on March 17, 2017.

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

Recognition and measurement

Purchases and sales of financial assets as well as the assumption and settlement of financial liabilities are recognized on the date of the transaction. The Fund recognizes financial instruments at fair value upon initial recognition. Cash and investments held for trading purposes, are classified as financial assets at fair value through profit or loss. These assets are subsequently measured at fair value and the difference between the unrealized appreciation (depreciation) at the beginning and the end of the year is recognized in the statements of comprehensive income. All other financial assets and liabilities, with the exception of the Fund's obligation for net assets attributable to holders of redeemable units, are subsequently measured 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.

Portfolio transaction costs, incurred by the Fund for the sale and purchase of investments, are recorded in the statements of comprehensive income.

Fair value measurement

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.

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Dividends are recognized on the ex-dividend date and distributions on investment fund units are recorded at the ex-distribution date. Realized gains and losses upon disposition of investments are recognized on the trade date and are calculated using the average cost method.

Foreign currency translation

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates the transactions occur. Foreign currency 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 Manager did not have to make judgments or estimates that would have a significant impact on the financial information presented.

4. FUTURE ACCOUNTING STANDARDS

The IASB has issued a new accounting standard, IFRS 9 Financial Instruments ("IFRS 9"), for which mandatory application is required for annual periods beginning on or after January 1, 2018. IFRS 9 addresses the classification and measurement of financial assets and financial liabilities and intends to replace IAS 39, the standard currently in effect for financial instruments. Early adoption of this standard is permitted; however, the Manager has not early adopted the standard in the Fund's financial statements. The Manager and the Trustee have not yet assessed the impact of this new standard 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.

	2016	2015
Number of redeemable units in circulation, beginning of year	1,295,013	1,314,800
Number of redeemable units issued and redeemed during the year		
Issued for cash and other consideration	57,384	284,649
Issued on reinvestment of distributions	32,978	35,642
Redeemed	(211,685)	(340,078)
Number of redeemable units in circulation, end of year	1,173,690	1,295,013

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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 dividends and interest, net of expenses of the Fund, is accounted for in the net assets attributable to holders of redeemable units and, at the end of each month, may be distributed and reinvested as additional redeemable units or, at the discretion of the unitholders, paid in cash. Realized gains and losses resulting from investment transactions are accounted for in the net assets attributable to holders of redeemable units and the net realized gain on investment transactions may be distributed and reinvested at the end of the fiscal year as additional redeemable units or, at the discretion of the unitholders, paid in cash.

7. CAPITAL DISCLOSURES

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 investments. 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. RELATED PARTY TRANSACTIONS

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

2016	Manager \$	Other related parties \$
Redeemable units issued and redeemed		
Issued on reinvestment of distributions	2,017	6,749
Redeemed	(974,269)	-
	(972,252)	6,749
<hr/>		
2015	Manager \$	Other related parties \$
Redeemable units issued and redeemed		
Issued on reinvestment of distributions	26,686	6,021
Redeemed	(57)	(172)
	26,629	5,849

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

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.

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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 earned and not distributed to unitholders. The Fund allocates to unitholders the total income from dividends and interest, net of expenses and a sufficient portion of net realized taxable capital gains to eliminate the income taxes.

11. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

Analysis of risk management

In accordance with its "Policy and Guidelines", the Fund's investment objective is to optimize returns by building a well-diversified 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.

Credit risk

The Fund's maximum exposure to credit risk is the carrying value of debt securities included in investments, as well as interest, dividends and other receivables presented on the statements of financial position. 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.

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	2016 % of net assets	2015 % of net assets
AAA	2.63	3.78
AA	40.40	38.88
A	42.92	47.64
BBB	9.04	9.70

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

Liquidity risk

The Fund's units are redeemable at the option of the holder thereby exposing the Fund to liquidity risk. The Manager ensures a minimum cash balance to meet the Fund's obligations. Although the Fund is exposed to redemptions of units, liquidity risk is mitigated by the fact that the majority of its assets consist of investments traded on a stock exchange or an organized market which can easily be liquidated. In addition, at the Manager's discretion, the Fund may pay the redemptions in securities instead of cash.

Market risks

For the disclosure of market risks, IFRS requires that a sensitivity analysis be presented showing the effects of reasonable possible changes in relevant risk variables on the value of net assets attributable to holders of redeemable units.

The Manager considers that this sensitivity analysis, showing the impact on the value of financial instruments from changes in the market, is based on a highly unlikely assumption that all other variables remain constant. Moreover, considering the many interrelationships between the various components of market risk, the Manager is of the opinion that it is not possible to quantify the impact of market fluctuations due to the interdependence of these components. Consequently, in practice, actual results may differ from the sensitivity analyses presented below and differences could be material.

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11. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

Market risks (continued)

Price risk

Given the investments held, the Fund is exposed to the inherent risk associated with fluctuations in the market due to the uncertainty regarding the investments' future price. Consequently, the maximum risk to which the Fund is exposed corresponds to the fair value of its investments.

The Manager's best estimate of the upward or downward impact on the Fund's investments and net assets as a result of reasonable probable changes in benchmark indices, with all other variables being equal, is as follows:

Benchmark indices	Changes in %	2016 Impact \$	2015 Impact \$
FTSE TMX Canada 91-day Treasury Bills	0.25	1,000	2,000
FTSE TMX Canada Universe Bond Index	1.00	108,000	124,000

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	2016 \$	2015 \$
Less than 1 year	962,684	761,590
1 to 5 years	7,874,715	10,765,345
5 to 10 years	2,065,801	1,353,513
Total	10,903,200	12,880,448

An increase or decrease of 1% in interest rates, with all other variables being equal, would have resulted in an upward or downward variation of the Fund's investments and net assets in the amount of \$261,000 (2015: \$309,000). Interest rate fluctuations have an insignificant impact on money market securities given their short-term maturities.

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 the 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.

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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	Total
	\$	\$	\$
2016			
Equities	163,005	-	163,005
Bonds	7,565,636	3,337,564	10,903,200
Money market securities	349,725	-	349,725
	8,078,366	3,337,564	11,415,930
2015			
Equities	149,869	-	149,869
Bonds	8,834,639	4,045,809	12,880,448
	8,984,508	4,045,809	13,030,317

No investments were transferred within the levels between the years ended December 31, 2015 and 2016.

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.