



Interim Management Report of Fund Performance

June 30, 2019

Beutel Goodman Income Fund

Beutel Goodman Income Fund

This Interim Management Report of fund performance contains financial highlights but does not contain the complete annual or interim financial statements of the investment fund. You can get a copy of the annual or interim financial statements at your request at no cost (contact details on this page) or by visiting our website at www.beutelgoodman.com or SEDAR at www.sedar.com.

Security holders may also contact us using one of these methods to request the investment fund's prospectus, proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

Certain portions of this report, including, but not limited to, "Results of Operations" and "Recent Developments", may contain forward-looking statements about the Fund, including its strategy, risks, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" and other similar forward-looking expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also a forward-looking statement. Forward-looking statements are based on current expectations and forecasts about future events and are inherently subject to, among other things, risks, uncertainties and assumptions which could cause actual events, results, performance or prospects to be incorrect or to differ materially from those expressed in, or implied by, these forward-looking statements.

These risks, uncertainties and assumptions include, but are not limited to, general economic, political and market factors, domestic and international, interest and foreign exchange rates, equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events. This list of important factors is not exhaustive. Please consider these and other factors carefully before making any investment decisions and avoid placing undue reliance on forward-looking statements. The Fund has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.

Beutel Goodman Managed Funds

20 Eglinton Avenue West,
Suite 2000, P.O. Box 2005
Toronto, Ontario M4R 1K8

Telephone: (416) 932-6403

Toll-free: 1-855-247-9954

Fax: (416) 485-8194

www.beutelgoodman.com

Beutel Goodman Income Fund

Management Discussion of Fund Performance

Investment Objectives and Strategies

This Fund seeks to earn income by investing primarily in fixed income securities of Canadian government and corporate issuers.

To achieve its objectives, the Fund focuses on creating a high-quality portfolio diversified across Government of Canada, Provincial and corporate bonds, which will usually have a credit rating of BBB or higher by a recognized rating agency. The average minimum quality of the fixed income portfolio will be A.

Risk

There were no significant changes to the investment objectives or strategies that affected the Fund's overall level of risk during the period. The risks of investing in this Fund and the suitability of the Fund for investors remain as discussed in the Prospectus.

There were no changes to the Fund's risk rating during the reporting period.

Results of Operations

During the January 1 to June 30, 2019 period, central banks paused, with the U.S. Federal Reserve (the Fed) opting leaving the federal funds rate unchanged at the target range of 2.25-2.50% and the Bank of Canada (BoC) maintaining the overnight rate at 1.75%.

The Fed pointed to slower growth of household spending and business fixed investment in March, with the view that sustained expansion of economic activity, strong labour market conditions and inflation near the 2% target is the most likely outcome. However, by the end of the period, despite a still-strong labour market and moderate growth in economic activity, the Fed noted that muted inflation and increased uncertainty around the baseline outlook for continued economic growth are cause for close monitoring and action "appropriate to sustain the expansion". In addition, analysis of June's dot plots – the Fed's method of conveying its interest rate outlook through a series of data points on a graph – indicated that positions changed significantly from March, with one of the Committee's 17 members projecting one rate cut in 2019 and seven members projecting two. Previously, 11 out of the 17 members were projecting no rate hike in 2019.

During the period, the BoC also maintained the cautious tone struck in its December 2018 monetary policy release. However, amid a pickup in the economy in the second quarter, the BoC highlighted the beginning of a potential recovery in the oil sector, a more stable national housing market and continued strong job growth. Inflation also rose. After hovering near or at the 2% target in March and April, headline inflation rose year-over-year in May to 2.4%, driven mostly by the cost of food and transportation. While part of the strength in inflation data could be attributed to a temporary "Raptors effect", core inflation also rose year-over-year to 2.1% in May from 1.5% in April. However, the Bank tempered optimism, noting that while the slowdown in Canada in late 2018 and early 2019 had proven temporary, global trade risks had grown, particularly those stemming from the U.S.-China dispute. The increasingly dovish tone from the BoC – and the Fed – has led bond markets to price in one to two rate cuts in Canada this year.

For the first half of 2019, the FTSE Canada Universe Bond Index increased by 6.52% on a total-return basis. Against this backdrop, Beutel Goodman Income Fund's performance was in line with the benchmark for the period. Unlike the index, the Fund's return is net of fees and expenses paid by the Fund. Please refer to the "Annual Compound Returns" in the Past Performance section for the returns of all classes of the Fund. Duration slightly detracted in the year to date, as the portfolio was short duration amid bond yields generally falling. Sector allocation added value over the period, despite some concern over trade wars, it has been risk-on for the credit markets for the majority of 2019. Government security selection also added value as the Fund's overweight positions in the provinces of Ontario and Quebec relative to the other provinces has been a positive contributor. Corporate security selection detracted, as higher-quality credit underperformed higher-beta credit due to continued strength in credit market sentiment.

Detailed performance is provided under the heading "Past Performance" in this report.

Recent Developments

Central banks have advanced from a wait-and-see approach to broadly signaling an easing of monetary policy. Equity and bond markets both rallied in response, but on different outlooks. On one hand, the bond market is pricing in up to four cuts through the end of 2020 and the curve remains inverted. Historically, yield-curve inversions have tended to signal recession, although the timing can vary from six months after the curve inverts to up to two years. The bond market appears to believe weakening U.S. economic data is leading to recession, which is why yields have fallen. In addition, in more recent cycles, an inversion alone is not enough to predict recession, although the longer it lasts, the greater the risk. This may also explain why the Fed is signaling rate cuts – Fed chair Powell is possibly trying to influence the yield curve. The equity market, on the other hand, appears to accept that while there are signs that economic data is deteriorating, it is not yet recessionary, and remains optimistic the Fed will make two "insurance" cuts to extend the economic cycle. There is, in our opinion, validity to this perspective. A recession is technically two quarters of negative GDP growth, and the U.S. economy still appears a long way from two quarters of contraction. We also note that no sitting U.S. President has been re-elected in the midst of a recession, so we believe President Trump could enact new fiscal stimulus measures and / or continue to pressure the Fed with his tweets to continue the U.S. expansion.

Whether it is insurance cuts to engineer a soft landing and buoy equity markets or a way to reverse or lessen the yield curve inversion to stave off recession, it appears the Fed is possibly beholden to the markets. As a result, we believe the Fed could cut rates by 25 to 50 bps in the second half of 2019. In the U.S., we do not believe the bond market's prediction of up to four rate cuts by the end of 2020 is the likely scenario. Rather, we would expect the Fed to either (i) cut twice and successfully engineer a soft landing, or (ii) cut up to six or seven times as the economy falls into a recession, and/or inflation remains persistently below the Fed's 2% target. Should the Fed start lowering rates, we believe the BoC will be forced to follow suit with at least one cut this year. Canada has seen a recent uptick in inflation and strong wage and job growth, and Governor Poloz's

Beutel Goodman Income Fund

view that the economic slowdown in Q4/18 and Q1/19 would prove transitory appears to be correct. However, the BoC cannot maintain the current overnight rate of 1.75% in the face of easing by the Fed and other central banks. Failure to react could spur a dramatic appreciation in the Canadian dollar, putting downward pressure on inflation and impacting Canada's competitiveness. The Bank of Canada under Governor Poloz has historically targeted the Canadian dollar with monetary policy. We believe Poloz will take a wait-and-see approach, watching for the impact of a U.S. rate cut on the currency as opposed to preempting the Fed and cutting first.

We believe we are getting close to the end of the cycle; the economic expansion in the U.S. has continued into July, making it the longest expansion ever recorded. This recovery may indeed die of old age, but seems to be kept on life support by central banks wanting to prolong the economic cycle and engineer a potentially elusive soft landing. With equity markets and bond markets at odds with each other, one will ultimately be proven right, leading to a correction in the loser's market. While caution is warranted, we will seek out opportunities to capitalize on, as we believe the risk of recession is less likely than the bond market currently implies.

Related Party Transactions

Beutel, Goodman & Company Ltd. ("BG") is the Manager, Trustee and Portfolio Advisor to this Fund. The Fund pays a management fee to BG as compensation for its services. The Fund pays a fixed administration fee to BG, which in turn pays certain operating expenses of the Fund. BG as trustee of the Fund earns a fee which is paid by the Manager from the fixed administration fee paid by the Fund.

The Fund did not rely on any recommendation or approval of its Independent Review Committee to proceed with any transaction involving related parties because it did not conduct any related party transactions, except for certain inter-fund trades and the management and administrative fees as described above, as approved by the Independent Review Committee by standing instructions, and subject to regulatory requirements.

Management Fees: As Manager, BG is paid a management fee from each class of the Fund based on the average daily net asset value of the particular class. The fee is payable monthly, in arrears, and is calculated at the annualized rate specified for each class of the Fund as set out in the table below. Management fees for Class I units are negotiated and paid directly by the investor, not by the Fund, and, therefore, are not listed.

	Maximum Annual Management Fee Rate %	As a Percentage of Management Fees	
		Dealer Compensation %	General Administration, Investment Advice and Profit %
Class B	1.00	51	49
Class D	0.70	17	83
Class F	0.50	0	100

Administration Fee: The Manager receives a fixed administration fee to pay certain operating expenses of the Fund. These expenses include audit and legal fees; custodian and transfer agent fees; costs attributable to the issue, redemption and change of units, including the cost of the security holder record-keeping system; expenses incurred in respect of preparing and distributing all regulatory reports; fund accounting and valuation costs; independent review committee fees and filing fees, including those incurred by us. The administration fee may vary by class of units and by Fund.

BG, as trustee of the Fund, earns a fee which is paid by the Manager from the administration fee paid by the Fund.

Beutel Goodman Income Fund

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the 6 month period ended June 30 of the current year and for the past 5 years ended December 31. The December 31 information is derived from the Fund's audited annual financial statements and is provided for each class of units.

Financial Highlights per unit

Class B Units

(for the period ended June 30, 2019 and years ended December 31)

\$	June 2019	2018	2017	2016	2015	2014
Net assets, beginning of period	9.38	9.48	9.47	9.62	9.74	9.47
Increase (decrease) from operations						
Total revenue	0.14	0.27	0.27	0.28	0.31	0.33
Total expenses	(0.06)	(0.11)	(0.11)	(0.12)	(0.12)	(0.12)
Realized gains (losses) for the period	0.15	(0.09)	(0.10)	0.11	0.08	(0.03)
Unrealized gains (losses) for the period	0.34	(0.04)	0.13	(0.17)	(0.18)	0.31
Total increase (decrease) from operations⁽¹⁾	0.57	0.03	0.19	0.10	0.09	0.49
Distributions to unitholders per unit:						
From net investment income (excluding dividends)	0.09	0.14	0.14	0.17	0.19	0.19
From dividends	–	–	–	–	–	–
From capital gains	–	–	–	0.05	–	–
From return of capital	–	–	–	0.03	–	–
Total period distributions⁽²⁾	0.09	0.14	0.14	0.25	0.19	0.19
Net assets, end of period⁽³⁾	9.85	9.38	9.48	9.47	9.62	9.74

Ratios and Supplemental Data

Class B Units

(for the period ended June 30, 2019 and years ended December 31)

	June 2019	2018	2017	2016	2015	2014
Total net asset value (\$) (000's)⁽⁴⁾	2,098	1,949	1,977	2,546	2,590	3,098
Number of outstanding units (000's)⁽⁴⁾	213	208	209	269	269	318
Management expense ratio⁽⁵⁾	1.19%	1.19%	1.19%	1.19%	1.21%	1.19%
Management expense ratio before waivers or absorptions⁽⁶⁾	N/A	N/A	N/A	N/A	N/A	N/A
Portfolio turnover rate⁽⁷⁾	89%	217%	297%	237%	117%	114%
Trading expense ratio (%)⁽⁸⁾	–	–	–	–	–	–
Net asset value per unit, end of period	9.85	9.38	9.48	9.47	9.62	9.74

Financial Highlights per unit

Class D Units

(for the period ended June 30, 2019 and years ended December 31)

\$	June 2019	2018	2017	2016	2015	2014
Net assets, beginning of period	11.73	11.85	11.85	12.03	12.18	11.85
Increase (decrease) from operations						
Total revenue	0.17	0.34	0.33	0.34	0.39	0.40
Total expenses	(0.05)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)
Realized gains (losses) for the period	0.18	(0.12)	(0.12)	0.15	0.10	(0.03)
Unrealized gains (losses) for the period	0.43	(0.06)	0.13	(0.20)	(0.23)	0.38
Total increase (decrease) from operations⁽¹⁾	0.73	0.07	0.25	0.20	0.17	0.66
Distributions to unitholders per unit:						
From net investment income (excluding dividends)	0.14	0.22	0.23	0.26	0.29	0.30
From dividends	–	–	–	–	–	–
From capital gains	–	–	–	0.06	–	–
From return of capital	–	–	–	0.04	–	–
Total period distributions⁽²⁾	0.14	0.22	0.23	0.36	0.29	0.30
Net assets, end of period⁽³⁾	12.33	11.73	11.85	11.85	12.03	12.18

Ratios and Supplemental Data

Class D Units

(for the period ended June 30, 2019 and years ended December 31)

	June 2019	2018	2017	2016	2015	2014
Total net asset value (\$) (000's)⁽⁴⁾	33,986	35,121	45,685	59,553	68,740	86,972
Number of outstanding units (000's)⁽⁴⁾	2,757	2,994	3,855	5,027	5,713	7,139
Management expense ratio⁽⁵⁾	0.78%	0.78%	0.78%	0.78%	0.78%	0.76%
Management expense ratio before waivers or absorptions⁽⁶⁾	0.89%	0.89%	0.89%	N/A	N/A	N/A
Portfolio turnover rate⁽⁷⁾	89%	217%	297%	237%	117%	114%
Trading expense ratio (%)⁽⁸⁾	–	–	–	–	–	–
Net asset value per unit, end of period	12.33	11.73	11.85	11.85	12.03	12.18

Beutel Goodman Income Fund

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the 6 month period ended June 30 of the current year and for the past 5 years ended December 31. The December 31 information is derived from the Fund's audited annual financial statements and is provided for each class of units.

Financial Highlights per unit

Class F Units

(for the period ended June 30, 2019 and years ended December 31)

\$	June 2019	2018	2017	2016	2015	2014
Net assets, beginning of period	9.43	9.53	9.53	9.68	9.79	9.53
Increase (decrease) from operations						
Total revenue	0.14	0.27	0.26	0.29	0.31	0.31
Total expenses	(0.03)	(0.06)	(0.06)	(0.07)	(0.07)	(0.06)
Realized gains (losses) for the period	0.15	(0.09)	(0.10)	0.11	0.08	0.01
Unrealized gains (losses) for the period	0.33	(0.04)	0.11	(0.19)	(0.02)	0.30
Total increase (decrease) from operations⁽¹⁾	0.59	0.08	0.21	0.14	0.30	0.56
Distributions to unitholders per unit:						
From net investment income (excluding dividends)	0.12	0.19	0.20	0.22	0.23	0.27
From dividends	–	–	–	–	–	–
From capital gains	–	–	–	0.05	–	–
From return of capital	–	–	–	0.03	–	–
Total period distributions⁽²⁾	0.12	0.19	0.20	0.30	0.23	0.27
Net assets, end of period⁽³⁾	9.91	9.43	9.53	9.53	9.68	9.79

Ratios and Supplemental Data

Class F Units

(for the period ended June 30, 2019 and years ended December 31)

	June 2019	2018	2017	2016	2015	2014
Total net asset value (\$) (000's)⁽⁴⁾	3,607	2,974	3,303	4,756	4,547	14,819
Number of outstanding units (000's)⁽⁴⁾	364	315	347	499	470	1,514
Management expense ratio⁽⁵⁾	0.67%	0.67%	0.67%	0.67%	0.67%	0.66%
Management expense ratio before waivers or absorptions⁽⁶⁾	N/A	N/A	N/A	N/A	N/A	N/A
Portfolio turnover rate⁽⁷⁾	89%	217%	297%	237%	117%	114%
Trading expense ratio (%)⁽⁸⁾	–	–	–	–	–	–
Net asset value per unit, end of period	9.91	9.43	9.53	9.53	9.68	9.79

Financial Highlights per unit

Class I Units

(for the period ended June 30, 2019 and years ended December 31)

\$	June 2019	2018	2017	2016	2015	2014
Net assets, beginning of period	12.02	12.15	12.15	12.34	12.50	12.16
Increase (decrease) from operations						
Total revenue	0.18	0.34	0.35	0.37	0.40	0.40
Total expenses	–	–	(0.01)	(0.01)	(0.01)	(0.01)
Realized gains (losses) for the period	0.18	(0.10)	(0.12)	0.16	0.14	(0.02)
Unrealized gains (losses) for the period	0.44	(0.03)	0.12	(0.20)	(0.20)	0.37
Total increase (decrease) from operations⁽¹⁾	0.80	0.21	0.34	0.32	0.33	0.74
Distributions to unitholders per unit:						
From net investment income (excluding dividends)	0.19	0.32	0.33	0.36	0.40	0.41
From dividends	–	–	–	–	–	–
From capital gains	–	–	–	0.07	–	–
From return of capital	–	–	–	0.04	–	–
Total period distributions⁽²⁾	0.19	0.32	0.33	0.47	0.40	0.41
Net assets, end of period⁽³⁾	12.63	12.02	12.15	12.15	12.34	12.50

Ratios and Supplemental Data

Class I Units

(for the period ended June 30, 2019 and years ended December 31)

	June 2019	2018	2017	2016	2015	2014
Total net asset value (\$) (000's)⁽⁴⁾	1,046,450	1,009,262	749,167	634,143	876,317	2,014,281
Number of outstanding units (000's)⁽⁴⁾	82,849	83,949	61,660	52,185	70,989	161,090
Management expense ratio⁽⁵⁾	0.03%	0.03%	0.04%	0.04%	0.04%	0.04%
Management expense ratio before waivers or absorptions⁽⁶⁾	0.11%	0.11%	0.11%	N/A	N/A	N/A
Portfolio turnover rate⁽⁷⁾	89%	217%	297%	237%	117%	114%
Trading expense ratio (%)⁽⁸⁾	–	–	–	–	–	–
Net asset value per unit, end of period	12.63	12.02	12.15	12.15	12.34	12.50

Beutel Goodman Income Fund

- (1) Net asset value per unit and distributions to unitholders per unit are based on the actual number of units outstanding for the relevant class at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding for the relevant class over the fiscal period.
- (2) Distributions were paid in cash or automatically reinvested in additional units of the Fund.
- (3) This is not a reconciliation of the beginning and ending net assets per unit.
- (4) This information is provided as at period end of the period shown.
- (5) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.
- (6) The Manager may have waived or absorbed some of the fund expenses. If this had occurred, the management fee ratio before any such waiver or absorption is listed. The Manager may terminate the waiver or absorption at any time, at its discretion. It is not known when such waivers or absorptions will be terminated.
- (7) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the fiscal year. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a higher turnover rate and the performance of a Fund. Portfolio turnover rate equals the lesser of the costs of purchases and proceeds of sales of portfolio securities for the year divided by the average value of the portfolio securities of the Fund calculated on a monthly basis, excluding short-term securities.
- (8) The trading expense ratio represents total commissions and other portfolio transaction costs disclosed in the Statements of Comprehensive Income expressed as an annualized percentage of daily average net asset value of the Fund during the period.

Past Performance

The performance returns below:

- are calculated as of **December 31** in each year and for the **first 6 months** of the current year;
- assume **all distributions** made by the Fund **are reinvested** to purchase additional units; and
- show the returns of the particular class of the Fund after any applicable management fees and operating expenses have been deducted, **but are not reduced by any redemption charges, optional charges or income taxes payable by you that would have reduced returns on performance.**

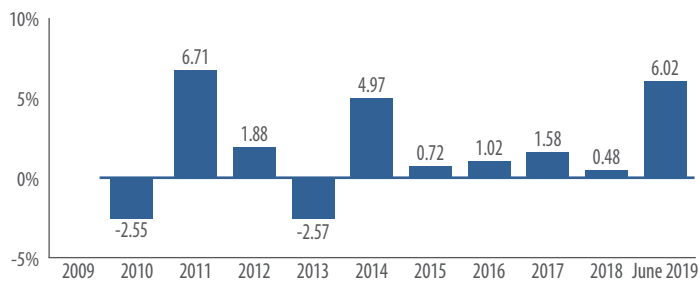
Please remember that the past performance of the Fund is not an accurate prediction of future returns.

Beutel Goodman Income Fund

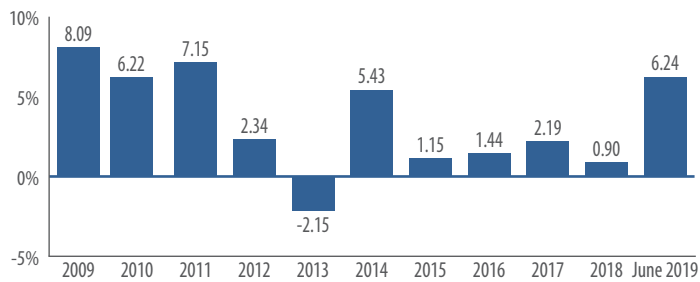
Year-by-Year Returns

The bar chart indicates the Fund's annual performance for each of the year's shown and for the current 6 month period, illustrating how the Fund's performance has changed from year to year. The bar chart shows in percentage terms how much an investment made on the first day of each financial year or period would have grown or decreased by the last day of each financial year or period.

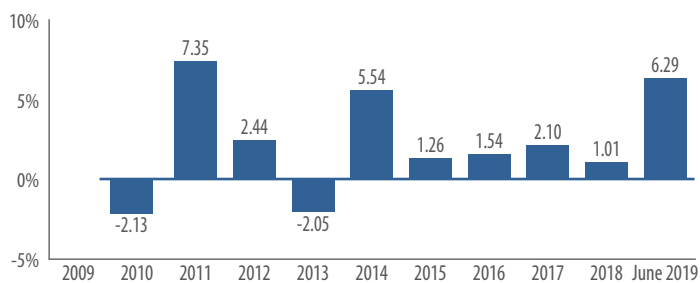
Class B



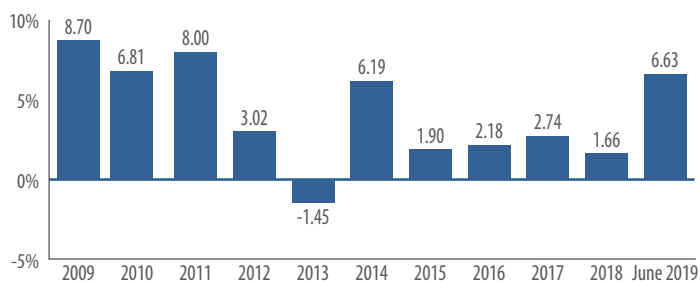
Class D



Class F



Class I



Beutel Goodman Income Fund

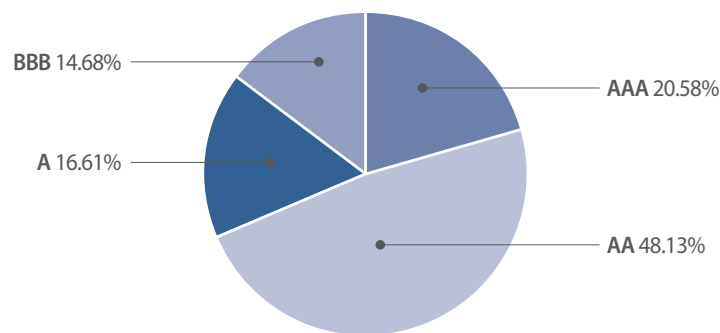
Summary of Investment Portfolio

The following information may change due to the ongoing portfolio transactions of the Fund. More current information regarding the holdings of the Fund may be obtained on our website at www.beutelgoodman.com.

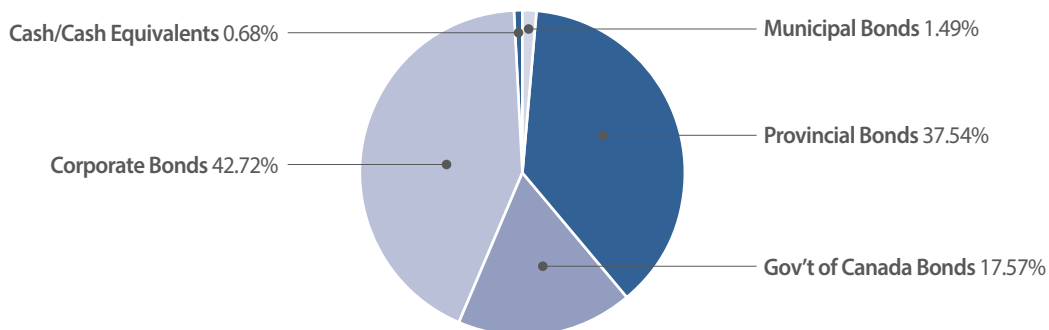
Summary of Top 25 Holdings

Issuer Name	Coupon Rate (%)	Maturity Date	% of Net Assets	Issuer Name	Coupon Rate (%)	Maturity Date	% of Net Assets
1. Province of Ontario	2.400	2-Jun-26	7.24	14. Canadian Government Real Return Bond	6.959	1-Dec-21	1.61
2. Canadian Government Bond	2.250	1-Jun-29	6.29	15. Province of British Columbia	2.950	18-Dec-28	1.61
3. Province of Ontario	2.600	2-Jun-25	4.67	16. Province of Ontario	2.600	8-Sep-23	1.61
4. Canadian Government Bond	2.750	1-Dec-48	3.63	17. Province of Quebec	3.500	1-Dec-48	1.61
5. Province of Ontario	2.700	2-Jun-29	3.08	18. Canadian Imperial Bank of Commerce	3.290	15-Jan-24	1.55
6. Canadian Imperial Bank of Commerce	2.040	21-Mar-22	2.59	19. Province of Ontario	2.900	2-Jun-28	1.51
7. Bank of Montreal	2.850	6-Mar-24	2.35	20. Royal Bank of Canada	2.352	2-Jul-24	1.50
8. Province of Quebec	2.300	1-Sep-29	2.31	21. The Toronto-Dominion Bank	2.850	8-Mar-24	1.50
9. Province of Alberta	2.900	1-Dec-28	2.18	22. Province of Quebec	3.100	1-Dec-51	1.41
10. Bank of Montreal	1.610	28-Oct-21	2.09	23. Royal Bank of Canada	3.296	26-Sep-23	1.41
11. Province of Ontario	2.800	2-Jun-48	1.94	24. Province of Quebec	5.000	1-Dec-41	1.39
12. Canadian Government Bond	1.500	1-Jun-26	1.74	25. Province of Ontario	2.900	2-Jun-49	1.33
13. The Toronto-Dominion Bank	3.589	14-Sep-28	1.63				

Bond Quality



Asset Mix





Beutel, Goodman & Company Ltd.
20 Eglinton Avenue West, Suite 2000
P.O. Box 2005, Toronto, Ontario
M4R 1K8

Telephone: (416) 932-6403
Toll-free: 1-855-247-9954
Fax: (416) 485-8194

E-mail: mutualfunds@beutelgoodman.com

www.beutelgoodman.com