



# Interim Management Report of Fund Performance

June 30, 2019

**Beutel Goodman Short Term Bond Fund**

# Beutel Goodman Short Term Bond 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](http://www.beutelgoodman.com) or SEDAR at [www.sedar.com](http://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

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# Beutel Goodman Short Term Bond Fund

## Management Discussion of Fund Performance

### Investment Objectives and Strategies

This Fund seeks to maximize portfolio returns through capital enhancement and investment income.

The Fund invests primarily in a well-diversified portfolio of short term fixed income securities of Canadian government and corporate issuers. The bonds have a credit rating of BBB or higher by a recognized rating agency. The average portfolio duration of the Fund is 2 to 4 years.

### 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 Short Term Bond Index posted a total return of 2.67%. Beutel Goodman Short Term Bond Fund outperformed the benchmark in 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 detracted slightly in the year to date, as the portfolio was short duration amid bond yields generally falling. Sector allocation added value over the period as despite some concern over trade wars, it has been risk-on for the credit markets for the majority of 2019. Government security selection added value, as our overweight position in the Province of Ontario 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 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

# Beutel Goodman Short Term Bond Fund

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 pre-empting 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	39	61
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 Short Term Bond 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
<b>Net assets, beginning of period</b>	9.27	9.25	9.43	9.54	9.56	9.66
<b>Increase (decrease) from operations</b>						
Total revenue	0.13	0.25	0.24	0.26	0.33	0.35
Total expenses	(0.03)	(0.05)	(0.06)	(0.12)	(0.12)	(0.12)
Realized gains (losses) for the period	0.03	(0.28)	(0.10)	(0.04)	(0.08)	(0.09)
Unrealized gains (losses) for the period	0.12	0.18	(0.11)	(0.10)	0.03	0.01
<b>Total increase (decrease) from operations<sup>(1)</sup></b>	0.25	0.10	(0.03)	–	0.16	0.15
<b>Distributions to unitholders per unit:</b>						
From net investment income (excluding dividends)	0.04	0.04	0.12	0.14	0.14	0.25
From dividends	–	–	–	–	–	–
From capital gains	–	–	–	–	–	–
From return of capital	–	–	–	–	–	–
<b>Total period distributions<sup>(2)</sup></b>	0.04	0.04	0.12	0.14	0.14	0.25
<b>Net assets, end of period<sup>(3)</sup></b>	9.45	9.27	9.25	9.43	9.54	9.56

### 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
<b>Total net asset value (\$ (000's)<sup>(4)</sup></b>	189	270	352	113	69	80
<b>Number of outstanding units (000's)<sup>(4)</sup></b>	20	29	38	12	7	8
<b>Management expense ratio<sup>(5)</sup></b>	1.24%	1.24%	1.24%	1.24%	1.24%	1.24%
<b>Management expense ratio before waivers or absorptions<sup>(6)</sup></b>	N/A	N/A	N/A	N/A	N/A	N/A
<b>Portfolio turnover rate<sup>(7)</sup></b>	63%	194%	126%	275%	258%	73%
<b>Trading expense ratio (%)<sup>(8)</sup></b>	–	–	–	–	–	–
<b>Net asset value per unit, end of period</b>	9.45	9.27	9.25	9.43	9.54	9.56

### 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
<b>Net assets, beginning of period</b>	9.20	9.28	9.46	9.57	9.60	9.72
<b>Increase (decrease) from operations</b>						
Total revenue	0.13	0.25	0.24	0.25	0.33	0.35
Total expenses	(0.03)	(0.06)	(0.06)	(0.06)	(0.07)	(0.06)
Realized gains (losses) for the period	0.03	(0.27)	(0.12)	(0.03)	(0.10)	(0.07)
Unrealized gains (losses) for the period	0.12	0.19	(0.04)	(0.08)	(0.03)	(0.01)
<b>Total increase (decrease) from operations<sup>(1)</sup></b>	0.25	0.11	0.02	0.08	0.13	0.21
<b>Distributions to unitholders per unit:</b>						
From net investment income (excluding dividends)	0.10	0.18	0.17	0.20	0.21	0.33
From dividends	–	–	–	–	–	–
From capital gains	–	–	–	–	–	–
From return of capital	–	–	–	–	–	–
<b>Total period distributions<sup>(2)</sup></b>	0.10	0.18	0.17	0.20	0.21	0.33
<b>Net assets, end of period<sup>(3)</sup></b>	9.36	9.20	9.28	9.46	9.57	9.60

### 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
<b>Total net asset value (\$ (000's)<sup>(4)</sup></b>	2,661	2,488	1,938	2,787	2,150	1,031
<b>Number of outstanding units (000's)<sup>(4)</sup></b>	284	270	209	295	225	107
<b>Management expense ratio<sup>(5)</sup></b>	0.65%	0.66%	0.67%	0.66%	0.68%	0.63%
<b>Management expense ratio before waivers or absorptions<sup>(6)</sup></b>	N/A	N/A	N/A	N/A	N/A	N/A
<b>Portfolio turnover rate<sup>(7)</sup></b>	63%	194%	126%	275%	258%	73%
<b>Trading expense ratio (%)<sup>(8)</sup></b>	–	–	–	–	–	–
<b>Net asset value per unit, end of period</b>	9.36	9.20	9.28	9.46	9.57	9.60

# Beutel Goodman Short Term Bond 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 I Units

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

\$	June 2019	2018	2017	2016	2015	2014
<b>Net assets, beginning of period</b>	9.26	9.34	9.52	9.63	9.66	9.77
<b>Increase (decrease) from operations</b>						
Total revenue	0.13	0.24	0.24	0.25	0.30	0.35
Total expenses	–	–	–	–	–	–
Realized gains (losses) for the period	0.03	(0.35)	(0.14)	(0.03)	(0.09)	(0.09)
Unrealized gains (losses) for the period	0.12	0.22	(0.04)	(0.06)	(0.01)	0.02
<b>Total increase (decrease) from operations <sup>(1)</sup></b>	0.28	0.11	0.06	0.16	0.20	0.28
<b>Distributions to unitholders per unit:</b>						
From net investment income (excluding dividends)	0.13	0.24	0.23	0.26	0.27	0.38
From dividends	–	–	–	–	–	–
From capital gains	–	–	–	–	–	–
From return of capital	–	–	–	–	–	–
<b>Total period distributions <sup>(2)</sup></b>	0.13	0.24	0.23	0.26	0.27	0.38
<b>Net assets, end of period <sup>(3)</sup></b>	9.41	9.26	9.34	9.52	9.63	9.66

### 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
<b>Total net asset value (\$) (000's) <sup>(4)</sup></b>	80,642	63,600	176,697	208,811	240,059	64,122
<b>Number of outstanding units (000's) <sup>(4)</sup></b>	8,568	6,870	18,928	21,940	24,920	6,640
<b>Management expense ratio <sup>(5)</sup></b>	0.04%	0.04%	0.04%	0.05%	0.04%	0.04%
<b>Management expense ratio before waivers or absorptions <sup>(6)</sup></b>	0.11%	0.11%	0.11%	N/A	N/A	N/A
<b>Portfolio turnover rate <sup>(7)</sup></b>	63%	194%	126%	275%	258%	73%
<b>Trading expense ratio (%) <sup>(8)</sup></b>	–	–	–	–	–	–
<b>Net asset value per unit, end of period</b>	9.41	9.26	9.34	9.52	9.63	9.66

# Beutel Goodman Short Term Bond 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.**

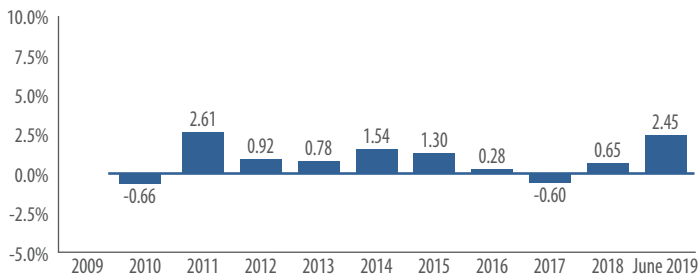
**Please remember that the past performance of the Fund is not an accurate prediction of future returns.**

# Beutel Goodman Short Term Bond Fund

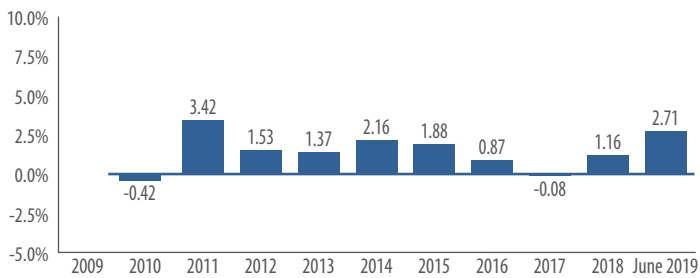
## Year-by-Year Returns

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.

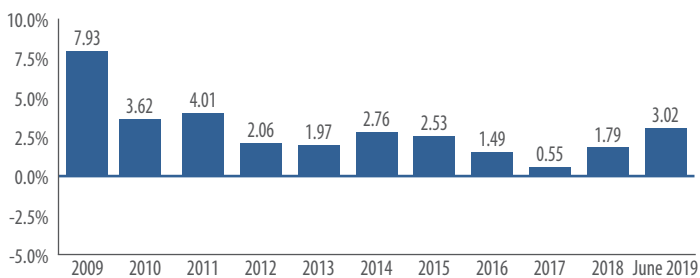
### Class B



### Class F



### Class I





# Beutel Goodman Short Term Bond Fund

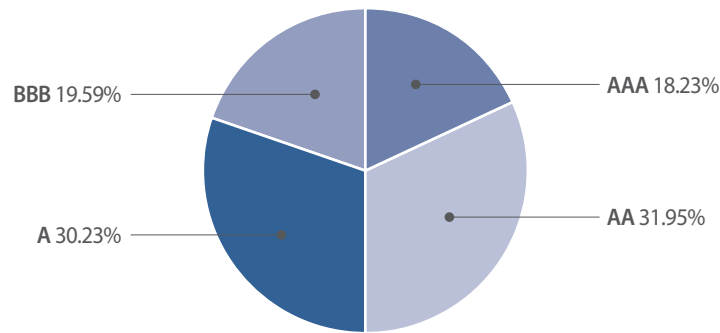
## Summary of Investment Portfolio

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](http://www.beutelgoodman.com).

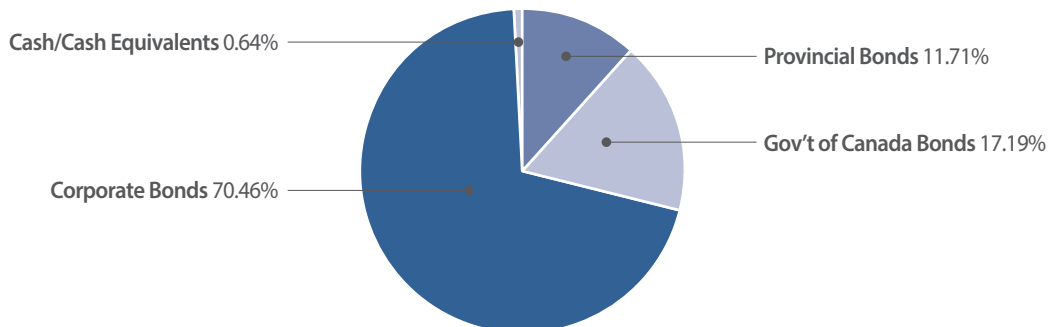
### Summary of Top 25 Holdings

Issuer Name	Coupon Rate (%)	Maturity Date	% of Net Assets	Issuer Name	Coupon Rate (%)	Maturity Date	% of Net Assets
1. Lower Mattagami Energy LP	4.331	18-May-21	8.69	14. TransCanada Pipelines Ltd.	3.690	19-Jul-23	2.34
2. Canadian Government Bond	1.250	1-Feb-20	6.77	15. Royal Bank of Canada	3.310	20-Jan-26	2.23
3. Province of Ontario	3.150	2-Jun-22	6.04	16. Canadian Mortgage Pools	1.620	1-Mar-22	2.22
4. The Toronto-Dominion Bank	2.045	8-Mar-21	5.90	17. Bell Canada Inc.	3.000	3-Oct-22	2.16
5. Royal Bank of Canada	3.296	26-Sep-23	5.81	18. Canadian Natural Resources Ltd.	2.050	1-Jun-20	2.03
6. Canadian Imperial Bank of Commerce	2.040	21-Mar-22	5.71	19. Canadian Imperial Bank of Commerce	2.950	19-Jun-29	1.99
7. Province of Ontario	2.600	8-Sep-23	5.61	20. Bank of Montreal	2.850	6-Mar-24	1.94
8. Union Gas Ltd.	4.850	25-Apr-22	4.95	21. AltaGas Ltd.	3.720	28-Sep-21	1.88
9. Rogers Communications Inc.	4.700	29-Sep-20	3.56	22. The Toronto-Dominion Bank	3.589	14-Sep-28	1.74
10. Canadian Mortgage Pools	1.840	1-Dec-22	3.12	23. PSP Capital Inc.	2.090	22-Nov-23	1.69
11. Bank of Montreal	1.610	28-Oct-21	3.03	24. EPCOR Utilities Inc.	1.949	8-Jul-22	1.50
12. Bank of Montreal	2.270	11-Jul-22	2.92	25. Royal Bank of Canada	2.352	2-Jul-24	1.50
13. Canadian Government Bond	2.250	1-Mar-24	2.69				

### Bond Quality



### Asset Mix





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