



# Annual Management Report of Fund Performance

December 31, 2018

**Beutel Goodman American Equity Fund**

# Beutel Goodman American Equity Fund

This Annual 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.

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# Beutel Goodman American Equity Fund

## Management Discussion of Fund Performance

### Investment Objectives and Strategies

This Fund seeks long-term capital growth primarily through investments in common shares and other equity securities of established American issuers.

The Fund invests in equity securities selected from a universe of potential candidates whose management have consistently demonstrated a commitment to create shareholder value without undue financial leverage. A value approach is applied, and research is directed to identify stocks which can be purchased at a reasonable price by analyzing relative valuation measures such as the issuer's price/earnings, price/cash flow and price/book value relative to its own history, the overall market and to its sustainable earnings growth rate.

### Risk

There were no significant changes to the investment objectives or strategies that affected the Fund's overall level of risk during the year. 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

U.S. equity markets in the first three quarters of the January 1 to December 31, 2018 period were generally positive. However, the exuberant momentum that characterized much of 2018 was turned on its head at the end of the year as a confluence of factors drove many global indices into bear market territory. Solid economic data, central banks continuing on their gradual tightening, strong corporate earnings, the positive impact of tax reform, and stable equity markets gave way in October to softer economic data, escalating political and trade tensions and a death spiral in oil prices. From the start of the period to September 30, the S&P500 Index (C\$) posted a return of 14.1%; however, by year-end the market had given back much of those gains, posting a lower annual return of 4.2%.

Against this backdrop, Beutel Goodman American Equity Fund underperformed 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. While in the first three quarters of the year the Fund underperformed the benchmark, the Fund outperformed when the broad market plummeted in the fourth quarter. In our opinion, this is an illustration of the success of our investment process, where preservation of capital is paramount.

At the sector level, the Fund's underperformance during the period was largely the result of stock selection in Consumer Discretionary, and a mixture of stock selection and an underweight relative to the benchmark in Information Technology. This was offset somewhat by relative outperformance in Communication Services and Health Care, primarily due to stock selection.

At the individual security level, the main contributors to absolute performance were Eli Lilly & Co., AutoZone Inc. and Verizon Communications Inc. Eli Lilly rose relatively steadily throughout the period, due to strong operating results and continued improvement in fundamentals and sentiment in the pharmaceutical industry. AutoZone also outperformed, particularly in the second half of the year due in part to improving same-store sales growth and a focus on

shareholder returns, which led to a rebound in valuation from depressed levels. A high-conviction weighting in Verizon added value as the stock rose in the latter three quarters of the year partly on better-than-expected earnings results.

Detractors included oil-field services provider Halliburton Co., which retraced first-quarter gains amid increased oil price volatility, particularly in the final quarter of the year, and Ameriprise Financial Inc., which weakened due in part to a massive negative sentiment shift across all global asset and wealth management companies. Harley-Davidson Inc. also struggled in the period, as the company's topline challenges were compounded by a cautious tone from management for 2019.

During the period, we initiated positions in seven new holdings: Amgen Inc., Comcast Corp., Flowserve Corp., Kimberly-Clark Corp., KLA-Tencor Corp., BlackRock Inc. and Cummins Inc.

During the period, we also added to the Fund's positions in Ameriprise Financial, Omnicom, Harley-Davidson, Comcast, Halliburton, Symantec Corp., AmerisourceBergen and American Express.

To fund the additions, several holdings were trimmed, including Verizon, AutoZone, LyondellBasell, Parker Hannifin, Oracle, WellsFargo, Amdocs, JP Morgan. In addition, we completed process-driven one-third sales of Merck, Ingersoll-Rand and Eli Lilly, as holdings achieved their targets, and fully exited Procter & Gamble, Johnson & Johnson, Allegion PLC, Baxter, Teradyne and United Technologies, as the stocks offered minimal upside with increasing downside risk from valuation.

During the period, due to sector changes in the S&P 500 Index, two portfolio holdings – Omnicom Group Inc. and Comcast Corp. – were moved from the Consumer Discretionary sector to the newly renamed Communication Services (previously Telecommunication Services) sector.

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

### Recent Developments

Looking ahead, we see several risks that may weigh on the markets, including gridlock in Washington and growing concerns about global trade. However, as bottom-up stock pickers, we generally ignore the short-term noise and focus on fundamentals. As a result, we are optimistic as we move into 2019. We added a number of businesses to the portfolio in 2018 at attractive valuations, and in our view, the portfolio is well-positioned both on a fundamental basis and versus the market. This does not mean U.S. equity markets will broadly outperform this year, and we still think that large parts of the market are overvalued, but it gives us confidence in our outlook for the portfolio. In addition, the list of franchises that meet our high and strict investment guidelines and return thresholds is growing, and equity valuations look more attractive following the fourth-quarter rout.

The holdings in the portfolio continue to generate free cash flow, and have strong balance sheets and capital allocation policies, striking a balance between corporate needs and shareholder returns. High quality business models and company-specific catalysts factor into attractive risk/reward profiles and downside protection. The portfolio continues to incorporate a high concentration of companies with under-levered balance sheets and

# Beutel Goodman American Equity Fund

managements that are well aligned with shareholders, which we expect will continue to lead to positive corporate actions like share buy-backs, dividend increases and value-enhancing deals.

## 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	1.85	54	46
Class D	1.25	20	80
Class F	0.90	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 American Equity 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 past 5 years ended December 31. This 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 years ended December 31)

\$	2018	2017	2016	2015	2014
<b>Net assets, beginning of year</b>	22.05	21.16	19.42	18.23	15.98
<b>Increase (decrease) from operations</b>					
Total revenue	0.53	0.48	0.63	0.45	0.40
Total expenses	(0.55)	(0.56)	(0.52)	(0.54)	(0.49)
Realized gains (losses) for the year	1.89	2.37	1.42	1.80	2.30
Unrealized gains (losses) for the year	(2.25)	(0.08)	0.92	0.75	1.63
<b>Total increase (decrease) from operations <sup>(1)</sup></b>	<b>(0.38)</b>	<b>2.21</b>	<b>2.45</b>	<b>2.46</b>	<b>3.84</b>
<b>Distributions to unitholders per unit:</b>					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	—	—	0.14	—	0.01
From capital gains	1.36	1.66	0.61	1.48	1.46
From return of capital	—	—	—	—	—
<b>Total annual distributions <sup>(2)</sup></b>	<b>1.36</b>	<b>1.66</b>	<b>0.75</b>	<b>1.48</b>	<b>1.47</b>
<b>Net assets, end of year <sup>(3)</sup></b>	<b>20.27</b>	<b>22.05</b>	<b>21.16</b>	<b>19.42</b>	<b>18.23</b>

### Ratios and Supplemental Data

#### Class B Units

(for the years ended December 31)

	2018	2017	2016	2015	2014
<b>Total net asset value (\$) (000's) <sup>(4)</sup></b>	80,079	97,107	53,042	43,843	29,672
<b>Number of outstanding units (000's) <sup>(4)</sup></b>	3,950	4,405	2,506	2,258	1,627
<b>Management expense ratio <sup>(5)</sup></b>	2.17%	2.17%	2.17%	2.18%	2.14%
<b>Management expense ratio before waivers or absorptions <sup>(6)</sup></b>	N/A	N/A	N/A	N/A	N/A
<b>Portfolio turnover rate <sup>(7)</sup></b>	32%	37%	24%	39%	38%
<b>Trading expense ratio (%) <sup>(8)</sup></b>	0.04%	0.06%	0.05%	0.07%	0.08%
<b>Net asset value per unit, end of year</b>	20.27	22.05	21.16	19.42	18.23

### Financial Highlights per unit

#### Class D Units

(for the years ended December 31)

\$	2018	2017	2016	2015	2014
<b>Net assets, beginning of year</b>	15.24	14.56	13.35	12.52	10.95
<b>Increase (decrease) from operations</b>					
Total revenue	0.36	0.33	0.43	0.31	0.27
Total expenses	(0.27)	(0.27)	(0.26)	(0.26)	(0.24)
Realized gains (losses) for the year	1.31	1.66	0.99	1.24	1.60
Unrealized gains (losses) for the year	(1.55)	0.03	0.67	0.53	1.06
<b>Total increase (decrease) from operations <sup>(1)</sup></b>	<b>(0.15)</b>	<b>1.75</b>	<b>1.83</b>	<b>1.82</b>	<b>2.69</b>
<b>Distributions to unitholders per unit:</b>					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	0.05	0.04	0.18	0.07	0.07
From capital gains	0.95	1.15	0.42	1.02	1.00
From return of capital	—	—	—	—	—
<b>Total annual distributions <sup>(2)</sup></b>	<b>1.00</b>	<b>1.19</b>	<b>0.60</b>	<b>1.09</b>	<b>1.07</b>
<b>Net assets, end of year <sup>(3)</sup></b>	<b>14.06</b>	<b>15.24</b>	<b>14.56</b>	<b>13.35</b>	<b>12.52</b>

### Ratios and Supplemental Data

#### Class D Units

(for the years ended December 31)

	2018	2017	2016	2015	2014
<b>Total net asset value (\$) (000's) <sup>(4)</sup></b>	123,443	156,798	128,919	106,897	76,674
<b>Number of outstanding units (000's) <sup>(4)</sup></b>	8,779	10,291	8,853	8,009	6,126
<b>Management expense ratio <sup>(5)</sup></b>	1.50%	1.50%	1.50%	1.50%	1.47%
<b>Management expense ratio before waivers or absorptions <sup>(6)</sup></b>	N/A	N/A	N/A	N/A	N/A
<b>Portfolio turnover rate <sup>(7)</sup></b>	32%	37%	24%	39%	38%
<b>Trading expense ratio (%) <sup>(8)</sup></b>	0.04%	0.06%	0.05%	0.07%	0.08%
<b>Net asset value per unit, end of year</b>	14.06	15.24	14.56	13.35	12.52

# Beutel Goodman American Equity 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 past 5 years ended December 31. This 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 years ended December 31)

\$	2018	2017	2016	2015	2014
<b>Net assets, beginning of year</b>	15.43	14.78	13.54	12.71	11.12
<b>Increase (decrease) from operations</b>					
Total revenue	0.37	0.33	0.43	0.32	0.28
Total expenses	(0.22)	(0.23)	(0.22)	(0.21)	(0.20)
Realized gains (losses) for the year	1.36	1.68	1.01	1.21	1.63
Unrealized gains (losses) for the year	(1.67)	(0.09)	0.65	0.54	1.12
<b>Total increase (decrease) from operations <sup>(1)</sup></b>	(0.16)	1.69	1.87	1.86	2.83
<b>Distributions to unitholders per unit:</b>					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	0.14	0.13	0.24	0.13	0.11
From capital gains	0.96	1.17	0.43	1.04	1.03
From return of capital	—	—	—	—	—
<b>Total annual distributions <sup>(2)</sup></b>	1.10	1.30	0.67	1.17	1.14
<b>Net assets, end of year <sup>(3)</sup></b>	14.21	15.43	14.78	13.54	12.71

### Ratios and Supplemental Data

#### Class F Units

(for the years ended December 31)

	2018	2017	2016	2015	2014
<b>Total net asset value (\$) (000's) <sup>(4)</sup></b>	150,722	158,075	72,157	54,805	35,693
<b>Number of outstanding units (000's) <sup>(4)</sup></b>	10,609	10,245	4,883	4,047	2,809
<b>Management expense ratio <sup>(5)</sup></b>	1.10%	1.11%	1.10%	1.10%	1.10%
<b>Management expense ratio before waivers or absorptions <sup>(6)</sup></b>	N/A	N/A	N/A	N/A	N/A
<b>Portfolio turnover rate <sup>(7)</sup></b>	32%	37%	24%	39%	38%
<b>Trading expense ratio (%) <sup>(8)</sup></b>	0.04%	0.06%	0.05%	0.07%	0.08%
<b>Net asset value per unit, end of year</b>	14.21	15.43	14.78	13.54	12.71

### Financial Highlights per unit

#### Class I Units

(for the years ended December 31)

\$	2018	2017	2016	2015	2014
<b>Net assets, beginning of year</b>	16.62	15.88	14.53	13.62	11.89
<b>Increase (decrease) from operations</b>					
Total revenue	0.40	0.36	0.47	0.34	0.30
Total expenses	(0.07)	(0.07)	(0.09)	(0.07)	(0.06)
Realized gains (losses) for the year	1.47	1.81	1.08	1.39	1.72
Unrealized gains (losses) for the year	(1.76)	0.07	0.74	0.62	1.11
<b>Total increase (decrease) from operations <sup>(1)</sup></b>	0.04	2.17	2.20	2.28	3.07
<b>Distributions to unitholders per unit:</b>					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	0.32	0.28	0.39	0.28	0.22
From capital gains	1.05	1.27	0.46	1.13	1.11
From return of capital	—	—	—	—	—
<b>Total annual distributions <sup>(2)</sup></b>	1.37	1.55	0.85	1.41	1.33
<b>Net assets, end of year <sup>(3)</sup></b>	15.29	16.62	15.88	14.53	13.62

### Ratios and Supplemental Data

#### Class I Units

(for the years ended December 31)

	2018	2017	2016	2015	2014
<b>Total net asset value (\$) (000's) <sup>(4)</sup></b>	978,918	984,877	787,418	675,737	531,249
<b>Number of outstanding units (000's) <sup>(4)</sup></b>	64,030	59,275	49,576	46,502	38,993
<b>Management expense ratio <sup>(5)</sup></b>	0.07%	0.07%	0.11%	0.11%	0.11%
<b>Management expense ratio before waivers or absorptions <sup>(6)</sup></b>	0.11%	0.11%	N/A	N/A	N/A
<b>Portfolio turnover rate <sup>(7)</sup></b>	32%	37%	24%	39%	38%
<b>Trading expense ratio (%) <sup>(8)</sup></b>	0.04%	0.06%	0.05%	0.07%	0.08%
<b>Net asset value per unit, end of year</b>	15.29	16.62	15.88	14.53	13.62

# Beutel Goodman American Equity 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 year.
- (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 year end of the year shown.
- (5) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated year and is expressed as an annualized percentage of daily average net asset value during the year.
- (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 the 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 year.

## Past Performance

The performance returns below:

- are calculated as of **December 31** in each 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.**

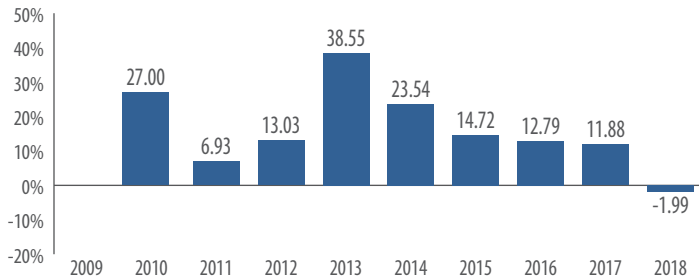
**Please remember that the past performance of the Fund is not an accurate prediction of future returns.**

# Beutel Goodman American Equity Fund

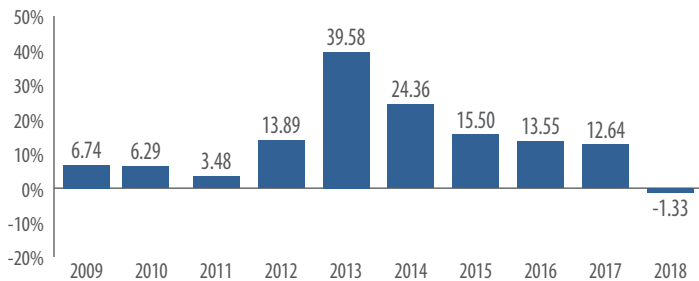
## Year-by-Year Returns

The bar chart indicates the Fund's annual performance for each of the year's shown and illustrates 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 would have grown or decreased by the last day of each financial year.

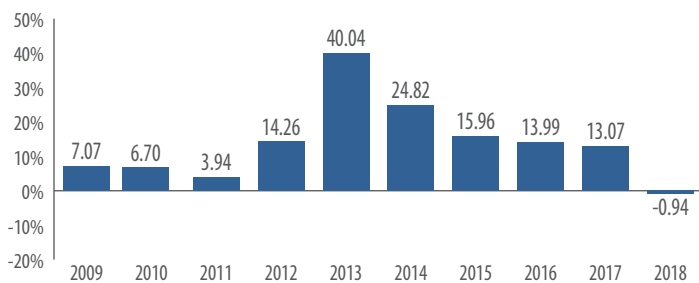
### Class B



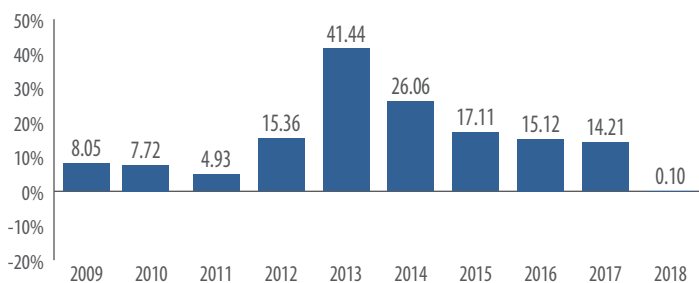
### Class D



### Class F



### Class I



## Annual Compound Returns

The following table shows the Fund's historical annual compound total returns for each of the periods indicated ended on December 31, 2018, as compared to the performance of the S&P 500 (C\$) Index.\*

### Class B

		Since Inception	10 Years	5 Years	3 Years	Past Year
Beutel Goodman American Equity Fund	%	14.29	–	11.88	7.34	-1.99
S&P 500 (C\$) Index	%	16.24	–	14.05	8.76	4.23

Class B units have been available for sale to unitholders since October 4, 2010.

### Class D

		10 Years	5 Years	3 Years	Past Year
Beutel Goodman American Equity Fund	%	12.96	12.63	8.07	-1.33
S&P 500 (C\$) Index	%	14.35	14.05	8.76	4.23

### Class F

		10 Years	5 Years	3 Years	Past Year
Beutel Goodman American Equity Fund	%	13.38	13.07	8.49	-0.94
S&P 500 (C\$) Index	%	14.35	14.05	8.76	4.23

### Class I

		10 Years	5 Years	3 Years	Past Year
Beutel Goodman American Equity Fund	%	14.50	14.21	9.59	0.10
S&P 500 (C\$) Index	%	14.35	14.05	8.76	4.23

\* The S&P 500 (C\$) Index is designed to represent the U.S. equity market.

*A discussion of the relative performance of the Fund is under the Results of Operations section of this report.*



# Beutel Goodman American Equity Fund

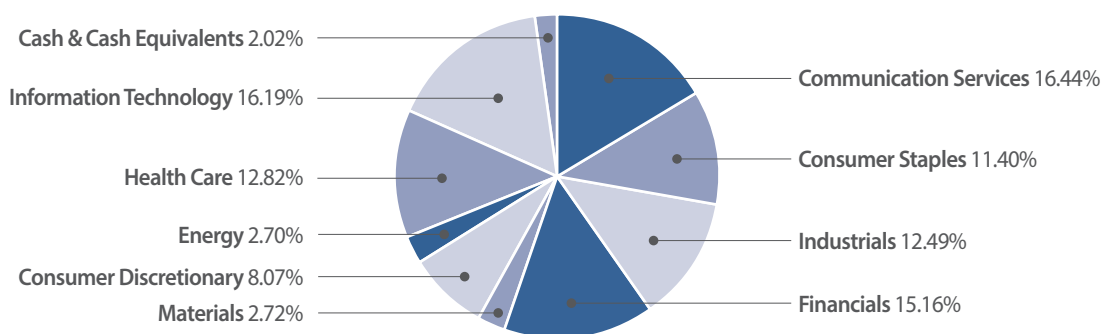
## Summary of Investment Portfolio

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	% of Net Assets	Issuer Name	% of Net Assets
1. Verizon Communications Inc.	6.71	14. KLA-Tencor Corp.	3.77
2. Omnicom Group Inc.	5.52	15. Ameriprise Financial Inc.	3.76
3. Oracle Corp.	5.32	16. Symantec Corp.	3.19
4. American Express Co.	5.28	17. Ingersoll-Rand PLC	3.18
5. Parker Hannifin Corp.	4.98	18. LyondellBasell Industries NV	2.72
6. AmerisourceBergen Corp.	4.96	19. Halliburton Co.	2.69
7. Kimberly-Clark Corp.	4.43	20. BlackRock Inc.	2.63
8. Kellogg Co.	4.41	21. Campbell Soup Co.	2.55
9. AutoZone Inc.	4.28	22. Eli Lilly & Co.	2.32
10. Comcast Corp.	4.20	23. Flowserve Corp.	2.25
11. Amgen Inc.	4.14	24. Cummins Inc.	2.07
12. Amdocs Ltd.	3.90	25. JPMorgan Chase & Co.	2.07
13. Harley-Davidson Inc.	3.78		

### Asset Mix





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