

# Annual Management Report of Fund Performance

December 31, 2018

**Beutel Goodman Fundamental Canadian Equity Fund**

# Beutel Goodman Fundamental Canadian 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 Fundamental Canadian Equity Fund

## Management Discussion of Fund Performance

### Investment Objectives and Strategies

This Fund seeks long-term capital appreciation primarily through investments in common shares and other equity securities of Canadian issuers with medium to large capitalization. Investments by the Fund in non-Canadian securities will generally not exceed 49% of the Fund's assets taken at book value.

To achieve its objectives, the Fund seeks the best economic value in the market regardless of what sector the issuer operates in. The strategy is directed at identifying qualifying issuers that are undervalued. If financial results fall short of expectations, the intrinsic value of the underlying assets of the issuer should provide important downside protection. The investment portfolio of the Fund will usually display valuations that are well below market averages.

### 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

Canadian equities had a challenging January 1 to December 31, 2018 period, with the S&P/TSX Composite Index declining -8.9%. Like many other markets around the world, elevated volatility was driven by multiple factors, including indications of moderating economic growth, a U.S. Federal Reserve that continued to tighten liquidity, extended U.S.-China trade concerns, and geopolitical tensions such as Brexit uncertainty and turmoil in Washington.

On the Canadian front in particular, a major theme in the period was the volatility and ultimate decline in crude oil prices. The price of West Texas Intermediate (WTI) declined by 24.8% during 2018, with the most significant damage occurring in the fourth quarter, when WTI dropped from a high of US\$76.41/barrel (bbl) in late October to a low of US\$42.33/bbl at the end of December. A variety of reasons were floated for the rapid falloff, including miscommunication over the imposition of sanctions on Iran, the failure of OPEC to cut enough, unwinding of speculative hedges, slower global demand, and greater supply from the U.S. shale oil plays. Of more concern for Canada, though, was the widening of differentials between Western Canadian Select and Edmonton Light versus WTI, which was more of a made-in-Canada problem due to the lack of pipeline capacity out of the Alberta Basin.

The Bank of Canada (BoC) hiked the overnight rate by 25 basis points once in each of January, July and October 2018, bringing the overnight rate to 1.75%. At the time of the last rate hike in October, the Bank sounded a fairly upbeat tone on the Canadian economy, noting the reduction in trade uncertainty after the USMCA (U.S. – Mexico – Canada Agreement) was secured will likely increase business investment, and that the Canadian economy was operating close to its potential with the composition of growth more balanced. Fast forward to the Bank's monetary policy release in December and all of the perceived hawkishness was removed. The BoC noted signs had emerged that trade conflicts are weighing more heavily on global demand and growth has slowed in major economies, with the exception of the U.S. For Canada, the major change was the sharp decline in oil prices, which could materially weaken activity in the energy sector. The BoC also cautioned that data suggests there

was less momentum for the Canadian economy going into the fourth quarter than previously expected.

Against this backdrop Beutel Goodman Fundamental Canadian Equity Fund outperformed its 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. At the sector level, the main contributors to this outperformance were the Fund's underweight, relative to the benchmark, in Energy and the strong performance of holdings in the Communication Services and Consumer Discretionary sectors. This was modestly offset by declines in the share prices of holdings in the Industrials and Information Technology sectors.

At the individual security level, Rogers Communications Inc. was the largest contributor on an absolute basis, benefitting from above-average revenue-per-subscriber gains amid a positive industry backdrop of healthy subscriber growth. Metro Inc. also posted improving performance as the year progressed, due to the smooth integration of its acquisition of Jean Coutu Group PJC Inc., as well as an acceleration of its deleveraging plans and reinstatement of its share-buyback program. Additionally, improving market conditions helped pricing, which benefitted sales and margins. Uranium miner Cameco Corp. outperformed as the continued strengthening of the U.S.-dollar-denominated uranium price, coupled with a weak CAD/USD exchange rate, provided upward stimulus for the stock. Quebecor Inc. reported strong results, driven by increased cash flow in cable and a growing wireless business that is enjoying lower capital investment costs due to the company's 4G-network-sharing agreement with Rogers.

The largest detractor was Canadian Natural Resources Ltd., as it declined sharply in the fourth quarter along with other Western Canadian producers due to low crude oil prices as well as an inability to physically ship product to market. Bank of Nova Scotia and Royal Bank of Canada also detracted from performance, despite good earnings and dividend hikes during the year, as more modest consumer loan growth and worries over the housing market weighed on sentiment. In addition, Bank of Nova Scotia was weak over concerns about recent acquisition activity.

During the period, we initiated two new positions in the portfolio: Saputo Inc. and Bank of Montreal. The largest additions to existing positions included Rogers, Onex Corp. and Sun Life Financial Inc., all due to attractive valuations and risk/return profiles. To fund these additions and new positions, we trimmed several holdings in the Fund, including Quebecor, Canadian Imperial Bank of Commerce and Bank of Nova Scotia. We also undertook a process-driven trim of Canadian Natural Resources after it hit our price target.

During the period, due to a sector re-classification in the Index, Quebecor moved from the Consumer Discretionary sector to the Communication Services sector. Also, following the partnership transaction with Blackstone Group LP (BX), whereby BX acquired a 55% stake in Thomson Reuters's Financial & Risk (F&R) business, Thomson Reuters was re-classified from Financials to the Industrials sector.

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

# Beutel Goodman Fundamental Canadian Equity Fund

## Recent Developments

In our view, the poor stock market performance discounts the strong underlying fundamentals of the portfolio holdings, including sustainable earnings, solid balance sheets and strong cash-flow generation. It is in these types of market environments that our key tenet of capital preservation becomes evident. We focus on buying stocks that trade below their intrinsic value to provide downside protection and mitigate risk.

After a 10-year bull market, it would be unreasonable to assume that there would not be a correction at some point. With the global economy showing signs of a slowdown and central banks trying to normalize interest rates, it appears that the market is focusing on disappointing macro news instead of strong fundamentals. Stocks have declined substantially as a result and are now, in most cases, offering very appealing value – especially for long-term investors. We believe Canadian equities remain attractively valued – indicative of further upside potential. Our bottom-up stock selection and value orientation has led to an overweight in Financials and Communication Services currently, and a more cautious footing with respect to Energy and Materials stocks.

## 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	0	100
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 Fundamental Canadian 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 4 years ended December 31 and from its inception date of June 23 to December 31, 2014. 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>	11.65	10.98	9.46	10.16	10.00
<b>Increase (decrease) from operations</b>					
Total revenue	0.38	0.32	0.30	0.31	0.15
Total expenses	(0.24)	(0.24)	(0.24)	(0.41)	(0.43)
Realized gains (losses) for the year	0.14	(0.01)	0.08	(0.18)	–
Unrealized gains (losses) for the year	(1.36)	0.98	1.64	(0.38)	0.44
<b>Total increase (decrease) from operations<sup>(1)</sup></b>	<b>(1.08)</b>	<b>1.05</b>	<b>1.78</b>	<b>(0.66)</b>	<b>0.16</b>
<b>Distributions to unitholders per unit:</b>					
From net investment income (excluding dividends)	–	–	–	–	–
From dividends	0.16	0.10	0.11	0.03	–
From capital gains	0.17	0.13	–	–	0.01
From return of capital	–	–	–	–	–
<b>Total annual distributions<sup>(2)</sup></b>	<b>0.33</b>	<b>0.23</b>	<b>0.11</b>	<b>0.03</b>	<b>0.01</b>
<b>Net assets, end of year<sup>(3)</sup></b>	<b>10.65</b>	<b>11.65</b>	<b>10.98</b>	<b>9.46</b>	<b>10.16</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>	685	260	80	5	14
<b>Number of outstanding units (000's)<sup>(4)</sup></b>	64	22	7	1	1
<b>Management expense ratio<sup>(5)</sup></b>	2.06%	2.11%	2.20%	2.20%	2.15%
<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>	16%	11%	10%	18%	4%
<b>Trading expense ratio (%)<sup>(8)</sup></b>	0.03%	0.04%	0.06%	0.06%	0.10%
<b>Net asset value per unit, end of year</b>	10.65	11.65	10.98	9.46	10.16

\* Fund launched in June 2014

### 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>	11.83	11.07	9.49	10.19	10.00
<b>Increase (decrease) from operations</b>					
Total revenue	0.39	0.31	0.49	0.31	0.15
Total expenses	(0.13)	(0.13)	(0.16)	(0.21)	(0.23)
Realized gains (losses) for the year	0.13	0.03	0.23	(0.19)	–
Unrealized gains (losses) for the year	(1.41)	0.37	1.80	(0.48)	0.29
<b>Total increase (decrease) from operations<sup>(1)</sup></b>	<b>(1.02)</b>	<b>0.58</b>	<b>2.36</b>	<b>(0.57)</b>	<b>0.21</b>
<b>Distributions to unitholders per unit:</b>					
From net investment income (excluding dividends)	–	–	–	–	–
From dividends	0.26	0.15	0.17	0.13	0.02
From capital gains	0.18	0.13	0.01	–	0.01
From return of capital	–	–	–	–	–
<b>Total annual distributions<sup>(2)</sup></b>	<b>0.44</b>	<b>0.28</b>	<b>0.18</b>	<b>0.13</b>	<b>0.03</b>
<b>Net assets, end of year<sup>(3)</sup></b>	<b>10.83</b>	<b>11.83</b>	<b>11.07</b>	<b>9.49</b>	<b>10.19</b>

### 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>	1,483	358	170	5	5
<b>Number of outstanding units (000's)<sup>(4)</sup></b>	137	30	15	1	1
<b>Management expense ratio<sup>(5)</sup></b>	1.06%	1.13%	1.13%	1.12%	1.12%
<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>	16%	11%	10%	18%	4%
<b>Trading expense ratio (%)<sup>(8)</sup></b>	0.03%	0.04%	0.06%	0.06%	0.10%
<b>Net asset value per unit, end of year</b>	10.83	11.83	11.07	9.49	10.19

\* Fund launched in June 2014

# Beutel Goodman Fundamental Canadian 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 4 years ended December 31 and from its inception date of June 23 to December 31, 2014. 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 I Units

(for the years ended December 31)

\$	2018	2017	2016	2015	2014*
<b>Net assets, beginning of year</b>	11.94	11.19	9.49	10.20	10.00
<b>Increase (decrease) from operations</b>					
Total revenue	0.36	0.32	0.31	0.32	0.14
Total expenses	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Realized gains (losses) for the year	0.19	0.04	0.08	(0.21)	–
Unrealized gains (losses) for the year	(1.08)	0.84	1.75	(0.63)	0.14
<b>Total increase (decrease) from operations<sup>(1)</sup></b>	<b>(0.54)</b>	<b>1.19</b>	<b>2.13</b>	<b>(0.53)</b>	<b>0.27</b>
<b>Distributions to unitholders per unit:</b>					
From net investment income (excluding dividends)	–	–	–	–	–
From dividends	0.32	0.28	0.17	0.24	0.06
From capital gains	0.18	0.14	0.01	–	0.01
From return of capital	–	–	–	–	–
<b>Total annual distributions<sup>(2)</sup></b>	<b>0.50</b>	<b>0.42</b>	<b>0.18</b>	<b>0.24</b>	<b>0.07</b>
<b>Net assets, end of year<sup>(3)</sup></b>	<b>10.99</b>	<b>11.94</b>	<b>11.19</b>	<b>9.49</b>	<b>10.20</b>

### 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>	806,837	651,084	488,250	119,287	74,887
<b>Number of outstanding units (000's)<sup>(4)</sup></b>	73,422	54,512	43,645	12,573	7,345
<b>Management expense ratio<sup>(5)</sup></b>	0.07%	0.07%	0.07%	0.07%	0.07%
<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>	16%	11%	10%	18%	4%
<b>Trading expense ratio (%)<sup>(8)</sup></b>	0.03%	0.04%	0.06%	0.06%	0.10%
<b>Net asset value per unit, end of year</b>	10.99	11.94	11.19	9.49	10.20

\* Fund launched in June 2014

# Beutel Goodman Fundamental Canadian 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.**

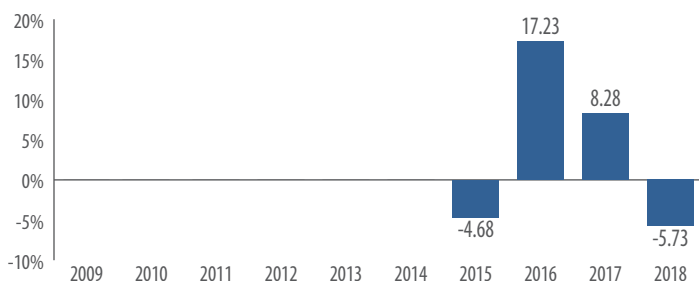
**Please remember that the past performance of the Fund is not an accurate prediction of future returns.**

# Beutel Goodman Fundamental Canadian Equity Fund

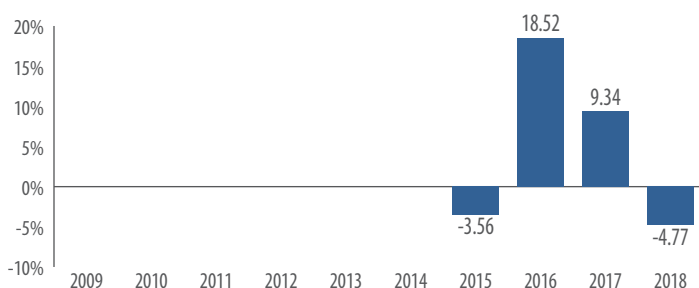
## Year-by-Year Returns

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.

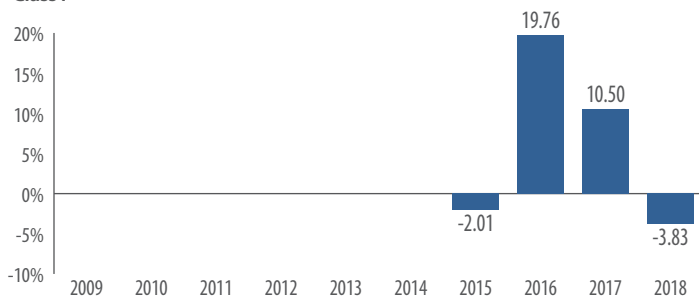
### Class B



### Class 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/TSX Composite Index.\*

### Class B

		Since Inception	10 Years	5 Years	3 Years	Past Year
Beutel Goodman Fundamental Canadian Equity Fund	%	2.82	–	–	6.16	-5.73
S&P/TSX Composite Index	%	1.83	–	–	6.37	-8.89

Class B units have been available for sale to unitholders since June 23, 2014.

### Class F

		Since Inception	10 Years	5 Years	3 Years	Past Year
Beutel Goodman Fundamental Canadian Equity Fund	%	3.87	–	–	7.26	-4.77
S&P/TSX Composite Index	%	1.83	–	–	6.37	-8.89

Class F units have been available for sale to unitholders since June 23, 2014.

### Class I

		Since Inception	10 Years	5 Years	3 Years	Past Year
Beutel Goodman Fundamental Canadian Equity Fund	%	4.93	–	–	8.37	-3.83
S&P/TSX Composite Index	%	1.83	–	–	6.37	-8.89

Class I units have been available for sale to unitholders since June 23, 2014.

\* The S&P/TSX Composite Index is designed to represent the Canadian mid-large cap equity market.

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



# Beutel Goodman Fundamental Canadian Equity Fund

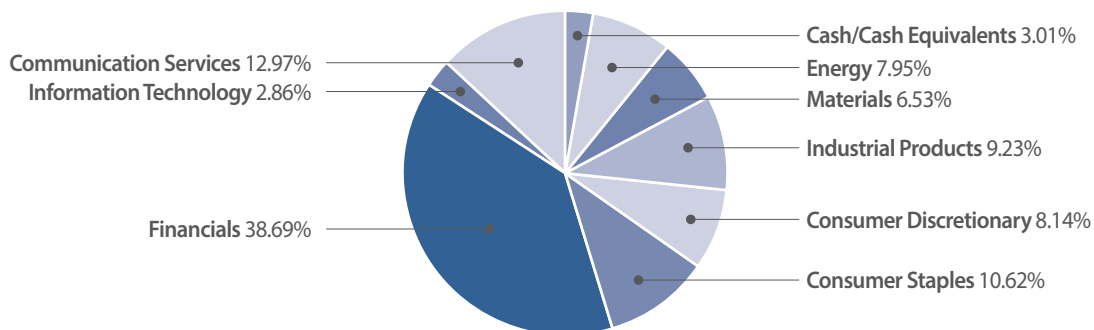
## Summary of Investment Portfolio

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	Coupon Rate (%)	Maturity Rate	% of Net Assets
1. Royal Bank of Canada	9.11	14. Open Text Corp.			2.85
2. Rogers Communications Inc., Class B	8.67	15. Saputo Inc.			2.43
3. The Toronto-Dominion Bank	8.54	16. Great-West Lifeco Inc.			2.43
4. Metro Inc., Class A	5.31	17. TELUS Corp.			2.30
5. Brookfield Asset Management Inc.	4.84	18. Cameco Corp.			2.16
6. Nutrien Ltd.	4.80	19. SNC-Lavalin Group Inc.			2.05
7. Magna International Inc.	4.75	20. Government of Canada	1.633	7-Mar-19	1.99
8. Canadian Natural Resources Ltd.	4.41	21. Quebecor Inc., Class B			1.97
9. Bank of Nova Scotia	4.41	22. Molson Coors Canada Inc., Class B			1.95
10. Canadian Tire Corp Ltd., Class A	3.37	23. Finning International Inc.			1.86
11. Sun Life Financial Inc.	3.23	24. Canadian Pacific Railway Ltd.			1.77
12. Bank of Montreal	3.14	25. Franco-Nevada Corp.			1.72
13. Canadian National Railway Co.	2.86				

### Asset Mix





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