



Annual Management Report of Fund Performance

December 31, 2018

Beutel Goodman International Equity Fund

Beutel Goodman International 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 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

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Beutel Goodman International Equity Fund

Management Discussion of Fund Performance

Investment Objectives and Strategies

This Fund seeks long term capital appreciation through investments in common shares and other equity securities of non-North 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

Global markets were not short of challenges over the January 1 to December 31, 2018 period, with elevated equity volatility driven by multiple factors, including indications of moderating economic growth, a U.S. Federal Reserve (Fed) that continued to tighten liquidity, extended U.S.-China trade concerns, and geopolitical tensions such as Brexit uncertainty and turmoil in Washington.

The most significant theme of the period was the prospect of a global trade war. The first foray was launched by President Trump in early March, when he announced that he was imposing tariffs on all steel and aluminum imports. The European Union responded by stating that if imposed, counter duties would be initiated on certain American-made products. While a trade war on all fronts was ultimately averted, the Trump Administration placed China firmly in the crosshairs, announcing up to US\$50 billion of tariffs. China subsequently retaliated, and the clash escalated during the remainder of the year.

Heading into the final stretch of 2018, economic data appeared buoyant, credit spreads ground tighter, interest rates increased as central banks continued on their gradual tightening cycles, and equity markets continued to climb. Then the wheels fell off in October: economic data came in a little softer, more rhetoric was fired in the trade war, unrest spread to France, oil prices started a death spiral, and financial conditions showed signs of tightening. As if the quarter was not already ending on a low note, President Trump threw one more lump of coal at markets by refusing to sign the bill to extend government spending unless there was funding for the Mexican wall, thereby bringing about a U.S. government shutdown. As a result, stock prices declined. The MSCI EAFE Index (C\$) – after remaining rangebound but mostly positive for the first three quarters of the year – fell in the fourth quarter, leading to a return of -6.0% for the full year 2018.

Against this backdrop, Beutel Goodman International Equity Fund underperformed the benchmark over the period in review. 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, reasons for underperformance included stock selection in Materials and Industrials. Zero weightings in Utilities and Real Estate also detracted, as sectors considered to be "defensive" in nature benefitted from broad market rotation when equity volatility escalated in the final quarter of the year. Partially offsetting this was stock selection in Health Care and Financials.

At the individual security level, GEA Group AG detracted from absolute performance, declining due in large part to disappointing operational performance. Julius Baer Group Ltd. also declined, in part due to lower-than-expected client activity and revenues driven by challenging markets. Leading global advertising agency WPP detracted largely due to the market's negative reaction to weak third-quarter sales results and lowered guidance for 2018 growth. Despite a challenging year, there were still some bright spots, with TGS-NOPEC and Health Care stocks Smith & Nephew, Roche Holdings AG and GlaxoSmithKline plc all turning in positive performance. Although Norwegian-based TGS-NOPEC, which provides oil and gas companies with seismic data, declined somewhat in tandem with crude oil prices heading into year-end, we trimmed the Fund's position when the share price hit our target early in the period. In addition to generally improved sentiment in the Health Care sector in the period, Smith & Nephew, Roche and GlaxoSmithKline benefitted from positive market reaction to earnings results and constructive news flow.

We initiated four new positions over the period: Hakuholdo DY Holdings, GlaxoSmithKline plc, Tokyo Electron and SMC Corp. We also added to several positions, including NTT Docomo Inc., Resona Holdings Inc., Caltex Australia Ltd., Konecranes Abp, Roche Holding Ltd., Smith & Nephew plc, Gjensidige Forsikring ASA, Akzo Nobel N.V., Carlsberg A/S, Henkel AG & Co KGaA, Julius Baer Group Ltd., Vodafone Group plc, Michelin, BASF SE, TGS-NOPEC, DBS Group Holdings Ltd., and Smiths Group plc. To fund the additions, we trimmed the Fund's weighting in Julius Baer, Atea ASA and TGS-NOPEC. We fully exited FamilyMart UNY Holdings Co. Ltd., Kao Corp. and Deutsche Boerse, all of which hit their targets and offered a less attractive risk-reward than the bulk of the portfolio, and WPP plc after the stock breached its downside price and our review was concluded. We also exited Spectris plc and sold out of Telefonica Deutschland based on a change in the investment thesis. Finally, due to the merger of Essilor and Luxottica, the portfolio's holding in Luxottica was switched into the new company, EssilorLuxottica SA (now in the Health Care sector).

During the period, due to sector changes in the MSCI EAFE Index, two portfolio holdings – WPP plc and Hakuholdo DY Holdings – 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.

Beutel Goodman International Equity Fund

Recent Developments

Synchronized global growth appeared to unravel in the latter half of 2018, with economic data in China and other emerging markets indicating roadblocks for the global economy ahead. The main culprit driving disruption over the last few quarters and into 2019 has been continued and escalating trade tensions. Looking ahead, there is no shortage of risks that may weigh on the markets. However, as bottom-up stock pickers, we generally ignore the short-term noise and focus on fundamentals.

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 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	1.90	52	48
Class D	1.25	20	80
Class F	1.00	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 International 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
Net assets, beginning of year	14.28	12.06	12.01	11.00	11.94
Increase (decrease) from operations					
Total revenue	0.44	0.37	0.41	0.31	0.47
Total expenses	(0.39)	(0.42)	(0.32)	(0.48)	(0.51)
Realized gains (losses) for the year	0.39	1.08	0.09	0.08	0.13
Unrealized gains (losses) for the year	(2.12)	0.19	(0.65)	0.09	(0.92)
Total increase (decrease) from operations ⁽¹⁾	(1.68)	1.22	(0.47)	–	(0.83)
Distributions to unitholders per unit:					
From net investment income (excluding dividends)	–	–	–	–	–
From dividends	0.04	0.18	–	0.12	0.17
From capital gains	–	–	–	–	–
From return of capital	–	–	–	–	–
Total annual distributions ⁽²⁾	0.04	0.18	–	0.12	0.17
Net assets, end of year ⁽³⁾	12.89	14.28	12.06	12.01	11.00

Ratios and Supplemental Data

Class B Units

(for the years ended December 31)

	2018	2017	2016	2015	2014
Total net asset value (\$) (000's) ⁽⁴⁾	1,060	750	66	153	59
Number of outstanding units (000's) ⁽⁴⁾	82	53	5	13	5
Management expense ratio ⁽⁵⁾	2.26%	2.30%	2.31%	2.32%	2.32%
Management expense ratio before waivers or absorptions ⁽⁶⁾	N/A	N/A	N/A	N/A	N/A
Portfolio turnover rate ⁽⁷⁾	28%	44%	40%	44%	58%
Trading expense ratio (%) ⁽⁸⁾	0.15%	0.21%	0.16%	0.21%	0.34%
Net asset value per unit, end of year	12.89	14.28	12.06	12.01	11.00

Financial Highlights per unit

Class D Units

(for the years ended December 31)

\$	2018	2017	2016	2015	2014
Net assets, beginning of year	5.90	4.90	4.93	4.49	4.88
Increase (decrease) from operations					
Total revenue	0.18	0.15	0.16	0.14	0.20
Total expenses	(0.08)	(0.07)	(0.08)	(0.10)	(0.11)
Realized gains (losses) for the year	0.18	0.40	0.09	0.13	0.07
Unrealized gains (losses) for the year	(0.94)	0.62	–	0.52	(0.47)
Total increase (decrease) from operations ⁽¹⁾	(0.66)	1.10	0.17	0.69	(0.31)
Distributions to unitholders per unit:					
From net investment income (excluding dividends)	–	–	–	–	–
From dividends	0.08	0.02	0.09	0.06	0.14
From capital gains	–	–	–	–	–
From return of capital	–	–	–	–	–
Total annual distributions ⁽²⁾	0.08	0.02	0.09	0.06	0.14
Net assets, end of year ⁽³⁾	5.31	5.90	4.90	4.93	4.49

Ratios and Supplemental Data

Class D Units

(for the years ended December 31)

	2018	2017	2016	2015	2014
Total net asset value (\$) (000's) ⁽⁴⁾	4,536	3,563	4,037	3,068	3,780
Number of outstanding units (000's) ⁽⁴⁾	854	603	824	622	843
Management expense ratio ⁽⁵⁾	1.51%	1.50%	1.51%	1.51%	1.45%
Management expense ratio before waivers or absorptions ⁽⁶⁾	N/A	N/A	N/A	N/A	N/A
Portfolio turnover rate ⁽⁷⁾	28%	44%	40%	44%	58%
Trading expense ratio (%) ⁽⁸⁾	0.15%	0.21%	0.16%	0.21%	0.34%
Net asset value per unit, end of year	5.31	5.90	4.90	4.93	4.49

Beutel Goodman International 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
Net assets, beginning of year	5.92	4.96	4.98	4.55	4.85
Increase (decrease) from operations					
Total revenue	0.20	0.15	0.17	0.15	0.22
Total expenses	(0.11)	(0.11)	(0.09)	(0.12)	(0.14)
Realized gains (losses) for the year	0.19	0.41	0.12	0.10	0.08
Unrealized gains (losses) for the year	(0.83)	(0.25)	0.08	0.33	(0.45)
Total increase (decrease) from operations ⁽¹⁾	(0.55)	0.20	0.28	0.46	(0.29)
Distributions to unitholders per unit:					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	0.09	0.09	0.10	0.08	0.04
From capital gains	—	—	—	—	—
From return of capital	—	—	—	—	—
Total annual distributions ⁽²⁾	0.09	0.09	0.10	0.08	0.04
Net assets, end of year ⁽³⁾	5.32	5.92	4.96	4.98	4.55

Ratios and Supplemental Data

Class F Units

(for the years ended December 31)

	2018	2017	2016	2015	2014
Total net asset value (\$) (000's) ⁽⁴⁾	1,175	1,064	129	74	52
Number of outstanding units (000's) ⁽⁴⁾	221	180	26	15	11
Management expense ratio ⁽⁵⁾	1.30%	1.30%	1.29%	1.30%	1.30%
Management expense ratio before waivers or absorptions ⁽⁶⁾	N/A	N/A	N/A	N/A	N/A
Portfolio turnover rate ⁽⁷⁾	28%	44%	40%	44%	58%
Trading expense ratio (%) ⁽⁸⁾	0.15%	0.21%	0.16%	0.21%	0.34%
Net asset value per unit, end of year	5.32	5.92	4.96	4.98	4.55

Financial Highlights per unit

Class I Units

(for the years ended December 31)

\$	2018	2017	2016	2015	2014
Net assets, beginning of year	6.34	5.29	5.30	4.84	5.25
Increase (decrease) from operations					
Total revenue	0.21	0.17	0.17	0.16	0.22
Total expenses	(0.04)	(0.04)	(0.03)	(0.03)	(0.05)
Realized gains (losses) for the year	0.22	0.42	0.09	0.13	0.08
Unrealized gains (losses) for the year	(0.89)	0.58	(0.10)	0.39	(0.48)
Total increase (decrease) from operations ⁽¹⁾	(0.50)	1.13	0.13	0.65	(0.23)
Distributions to unitholders per unit:					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	0.17	0.14	0.15	0.14	0.19
From capital gains	—	—	—	—	—
From return of capital	—	—	—	—	—
Total annual distributions ⁽²⁾	0.17	0.14	0.15	0.14	0.19
Net assets, end of year ⁽³⁾	5.70	6.34	5.29	5.30	4.84

Ratios and Supplemental Data

Class I Units

(for the years ended December 31)

	2018	2017	2016	2015	2014
Total net asset value (\$) (000's) ⁽⁴⁾	175,782	177,509	129,882	132,552	126,262
Number of outstanding units (000's) ⁽⁴⁾	30,851	27,986	24,559	24,993	26,112
Management expense ratio ⁽⁵⁾	0.11%	0.11%	0.11%	0.11%	0.11%
Management expense ratio before waivers or absorptions ⁽⁶⁾	N/A	N/A	N/A	N/A	N/A
Portfolio turnover rate ⁽⁷⁾	28%	44%	40%	44%	58%
Trading expense ratio (%) ⁽⁸⁾	0.15%	0.21%	0.16%	0.21%	0.34%
Net asset value per unit, end of year	5.70	6.34	5.29	5.30	4.84

Beutel Goodman International 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.**

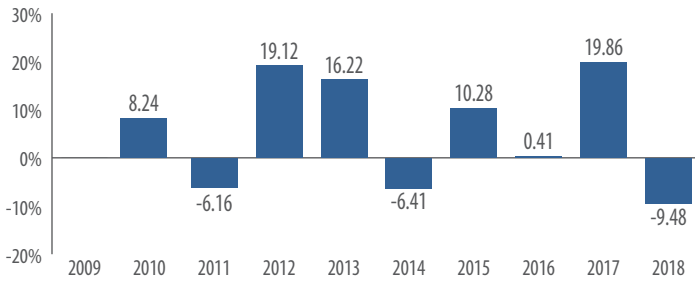
Please remember that the past performance of the Fund is not an accurate prediction of future returns.

Beutel Goodman International Equity Fund

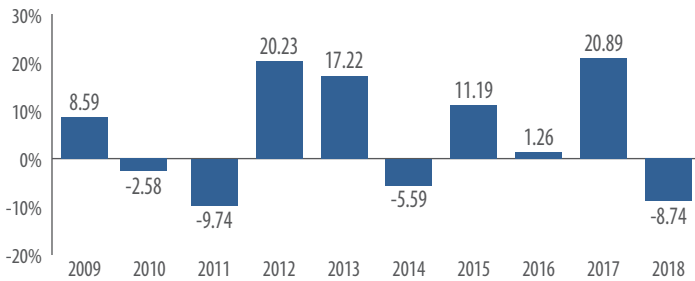
Year-by-Year Returns

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.

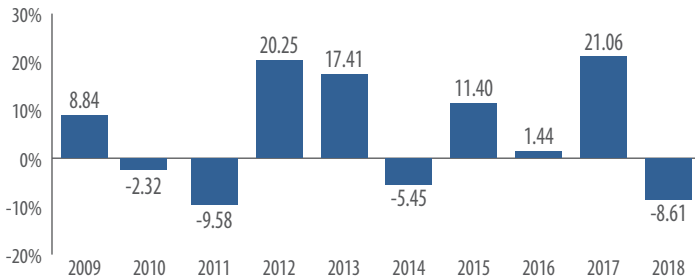
Class B



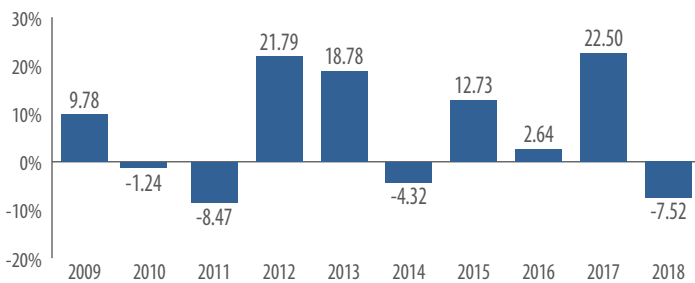
Class D



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 MSCI EAFE (C\$) Index.*

Class B

		Since Inception	10 Years	5 Years	3 Years	Past Year
Beutel Goodman International Equity Fund	%	4.36	–	2.37	2.89	-9.48
MSCI EAFE (C\$) Index	%	7.65	–	5.68	2.40	-6.03

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 International Equity Fund	%	4.67	3.24	3.76	-8.74
MSCI EAFE (C\$) Index	%	7.48	5.68	2.40	-6.03

Class F

		10 Years	5 Years	3 Years	Past Year
Beutel Goodman International Equity Fund	%	4.84	3.40	3.92	-8.61
MSCI EAFE (C\$) Index	%	7.48	5.68	2.40	-6.03

Class I

		10 Years	5 Years	3 Years	Past Year
Beutel Goodman International Equity Fund	%	6.06	4.63	5.16	-7.52
MSCI EAFE (C\$) Index	%	7.48	5.68	2.40	-6.03

* The MSCI EAFE (C\$) Index is designed to reflect non-North American stock markets.

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

Beutel Goodman International Equity Fund

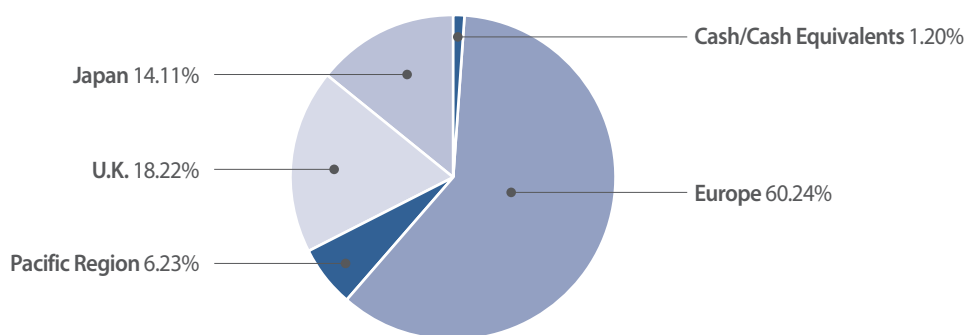
Summary of Investment Portfolio

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.

Summary of Top 25 Holdings

Issuer Name	% of Net Assets	Issuer Name	% of Net Assets
1. Merck KGaA	4.69	14. BASF SE	3.23
2. Carlsberg A/S	4.40	15. Koninklijke KPN NV	3.21
3. Smith & Nephew PLC	4.27	16. Air Liquide SA	3.11
4. Roche Holding AG	4.08	17. NTT DOCOMO Inc.	3.07
5. Henkel AG & Co KGaA	3.97	18. IMI PLC	3.04
6. Akzo Nobel NV	3.84	19. DBS Group Holdings Ltd.	3.00
7. Vodafone Group PLC	3.70	20. Konecranes OYJ	2.84
8. Cie Générale des Établissements Michelin	3.61	21. Atea ASA	2.84
9. Hakuholdo DY Holdings Inc.	3.61	22. Resona Holdings Inc.	2.81
10. Gjensidige Forsikring ASA	3.58	23. Software AG	2.70
11. GlaxoSmithKline PLC	3.58	24. Julius Baer Group Ltd.	2.58
12. Smiths Group PLC	3.55	25. Tokyo Electron Ltd.	2.54
13. Caltex Australia Ltd.	3.23		

Regional Mix





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