



Annual Management Report of Fund Performance

December 31, 2018

Beutel Goodman North American Focused Equity Fund

Beutel Goodman North American Focused 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.

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Beutel Goodman North American Focused Equity Fund

Management Discussion of Fund Performance

Investment Objectives and Strategies

The Fund seeks long-term capital growth through investments primarily in common shares and other equity securities of issuers in Canada and the United States.

The Fund seeks to hold a concentrated portfolio of quality companies for the long-term. The investment portfolio of the Fund will therefore consist of a small number of large positions with low turnover. It is not expected that the fund will invest in more than 22 issuers at one time. Currently, the Fund does not expect to invest more than 49% of its assets in securities of U.S. issuers.

The Fund's strategy is to identify companies that can grow their intrinsic value at above normal rates over long periods of time. Companies generating free cash flow are favoured. Securities are purchased when they are trading at a substantial discount to their business value.

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

North American equity markets had a challenging January 1 to December 31, 2018 period. Like many other markets around the world, elevated volatility was driven by multiple factors, including indications of moderating economic growth, flagging oil prices, trade concerns ranging from the renegotiation of NAFTA to escalating tensions between the U.S. and China, and geopolitical issues such as Brexit uncertainty and turmoil in Washington. Canadian equities bore the brunt of this, with the S&P/TSX Composite Index returning -8.9% in the period. While U.S. equities were generally positive in the first three quarters of the year, the exuberant momentum that characterized much of 2018 was turned on its head at the end of the year. 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 North American Focused 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.

The Canadian equity component outperformed its benchmark, due in large part to a significant relative underweight in Energy and a 0% weighting in Materials, as well as security selection in the Financials and Communication Services sectors. This was slightly offset by security selection in Industrials and a 0% weighting in the Information Technology sector. At the individual security level, Rogers Communications Inc. was a 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. SNC-Lavalin Group Inc. was a detractor, declining in the fourth quarter following an announcement that the Canadian government had declined to negotiate a remediation agreement with respect to fraud and corruptions charges concerning activities of some former employees. Finning International Inc. also declined in the fourth quarter as concerns surrounding oil, copper and global growth added uncertainty for profitability.

The U.S. equity component slightly underperformed its benchmark for the period, due primarily to stock selection in the Industrials and Consumer Discretionary sectors, as well as a relative underweight in Information Technology. This was largely offset by stock selection in the Communication Services and Financials sectors. At the individual security level, the main contributors to absolute performance were Eli Lilly & Co. 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, while 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 Parker Hannifin Corp, which was also negatively affected by the falling oil price.

During the period, we initiated five new positions in the Fund: Brookfield Asset Management Inc., Sun Life Financial Inc., Comcast Corp., Saputo Inc. and KLA-Tencor Corp. We also added to the Fund's positions in American Express Co., Finning International Inc., Halliburton Co., Metro Inc., Oracle Corp., Parker Hannifin, Rogers Communications, Royal Bank of Canada, Canadian Tire Corporation Ltd. and SNC-Lavalin Group Inc.; trimmed AmerisourceBergen Corp.; completed a process-driven one-third sale in Eli Lilly before subsequently selling the balance; and exited AutoZone Inc., Great-West Lifeco Inc. and Canadian Natural Resources.

The Fund continues to be a concentrated portfolio focused entirely on individual security selection in the Canadian and U.S. markets. As a result, equity weights can deviate significantly from the broader market. The Fund's strategy has not changed over the period; to buy businesses that generate free cash flow and trade at a discount to business value.

During the period, due to sector changes in the indices that comprise the Fund's benchmark, 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.

Beutel Goodman North American Focused Equity Fund

Recent Developments

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. As a result, we are optimistic as we move into 2019. We added businesses to the portfolio in 2018 at attractive valuations, and in our view, the portfolio is well-positioned on a fundamental basis. This does not mean North American 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.

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	53	47
Class D	1.25	18	82
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 North American Focused 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	17.41	15.95	13.57	13.76	13.01
Increase (decrease) from operations					
Total revenue	0.43	0.41	0.44	0.38	0.35
Total expenses	(0.42)	(0.40)	(0.36)	(0.34)	(0.35)
Realized gains (losses) for the year	0.54	0.71	0.96	0.02	0.52
Unrealized gains (losses) for the year	(1.30)	1.06	2.07	0.29	0.75
Total increase (decrease) from operations ⁽¹⁾	(0.75)	1.78	3.11	0.35	1.27
Distributions to unitholders per unit:					
From net investment income (excluding dividends)	—	—	—	0.04	0.02
From dividends	—	0.03	0.13	0.16	0.14
From capital gains	0.32	0.40	0.38	0.08	0.46
From return of capital	—	—	—	—	—
Total annual distributions ⁽²⁾	0.32	0.43	0.51	0.28	0.62
Net assets, end of year ⁽³⁾	16.39	17.41	15.95	13.57	13.76

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⁾	10,373	9,068	2,576	1,125	288
Number of outstanding units (000's) ⁽⁴⁾	633	521	161	83	21
Management expense ratio ⁽⁵⁾	2.18%	2.19%	2.20%	2.19%	2.20%
Management expense ratio before waivers or absorptions ⁽⁶⁾	N/A	N/A	N/A	N/A	N/A
Portfolio turnover rate ⁽⁷⁾	23%	18%	21%	10%	28%
Trading expense ratio (%) ⁽⁸⁾	0.04%	0.03%	0.05%	0.04%	0.07%
Net asset value per unit, end of year	16.39	17.41	15.95	13.57	13.76

Financial Highlights per unit

Class D Units

(for the years ended December 31)

\$	2018	2017	2016	2015	2014
Net assets, beginning of year	10.59	9.67	8.20	8.22	7.69
Increase (decrease) from operations					
Total revenue	0.26	0.25	0.27	0.23	0.21
Total expenses	(0.16)	(0.15)	(0.12)	(0.12)	(0.11)
Realized gains (losses) for the year	0.32	0.46	0.53	0.10	0.46
Unrealized gains (losses) for the year	(0.72)	0.64	1.21	(0.08)	0.28
Total increase (decrease) from operations ⁽¹⁾	(0.30)	1.20	1.89	0.13	0.84
Distributions to unitholders per unit:					
From net investment income (excluding dividends)	—	—	—	0.02	0.01
From dividends	0.03	0.05	0.11	0.07	0.10
From capital gains	0.20	0.24	0.23	0.05	0.27
From return of capital	—	—	—	—	—
Total annual distributions ⁽²⁾	0.23	0.29	0.34	0.14	0.38
Net assets, end of year ⁽³⁾	10.01	10.59	9.67	8.20	8.22

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⁾	15,116	15,654	9,435	5,854	5,317
Number of outstanding units (000's) ⁽⁴⁾	1,511	1,478	976	714	647
Management expense ratio ⁽⁵⁾	1.50%	1.51%	1.51%	1.51%	1.46%
Management expense ratio before waivers or absorptions ⁽⁶⁾	N/A	N/A	N/A	N/A	N/A
Portfolio turnover rate ⁽⁷⁾	23%	18%	21%	10%	28%
Trading expense ratio (%) ⁽⁸⁾	0.04%	0.03%	0.05%	0.04%	0.07%
Net asset value per unit, end of year	10.01	10.59	9.67	8.20	8.22

Beutel Goodman North American Focused 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	18.15	16.60	14.07	14.11	13.19
Increase (decrease) from operations					
Total revenue	0.45	0.43	0.46	0.40	0.36
Total expenses	(0.24)	(0.23)	(0.21)	(0.19)	(0.20)
Realized gains (losses) for the year	0.57	0.73	0.97	0.17	0.78
Unrealized gains (losses) for the year	(1.49)	1.16	2.01	(0.16)	0.66
Total increase (decrease) from operations ⁽¹⁾	(0.71)	2.09	3.23	0.22	1.60
Distributions to unitholders per unit:					
From net investment income (excluding dividends)	—	—	—	0.04	0.02
From dividends	0.17	0.18	0.25	0.16	0.14
From capital gains	0.34	0.42	0.40	0.08	0.47
From return of capital	—	—	—	—	—
Total annual distributions ⁽²⁾	0.51	0.60	0.65	0.28	0.63
Net assets, end of year ⁽³⁾	17.11	18.15	16.60	14.07	14.11

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⁾	16,588	11,284	2,275	1,039	915
Number of outstanding units (000's) ⁽⁴⁾	969	622	137	74	65
Management expense ratio ⁽⁵⁾	1.12%	1.13%	1.13%	1.13%	1.13%
Management expense ratio before waivers or absorptions ⁽⁶⁾	N/A	N/A	N/A	N/A	N/A
Portfolio turnover rate ⁽⁷⁾	23%	18%	21%	10%	28%
Trading expense ratio (%) ⁽⁸⁾	0.04%	0.03%	0.05%	0.04%	0.07%
Net asset value per unit, end of year	17.11	18.15	16.60	14.07	14.11

Financial Highlights per unit

Class I Units

(for the years ended December 31)

\$	2018	2017	2016	2015	2014
Net assets, beginning of year	11.54	10.51	8.87	8.89	8.30
Increase (decrease) from operations					
Total revenue	0.30	0.27	0.30	0.26	0.23
Total expenses	(0.04)	(0.03)	(0.04)	(0.03)	(0.03)
Realized gains (losses) for the year	0.41	0.50	0.55	0.10	0.55
Unrealized gains (losses) for the year	(1.23)	0.76	1.31	(0.11)	0.40
Total increase (decrease) from operations ⁽¹⁾	(0.56)	1.50	2.12	0.22	1.15
Distributions to unitholders per unit:					
From net investment income (excluding dividends)	—	—	—	0.04	0.02
From dividends	0.20	0.18	0.23	0.17	0.16
From capital gains	0.22	0.27	0.25	0.05	0.30
From return of capital	—	—	—	—	—
Total annual distributions ⁽²⁾	0.42	0.45	0.48	0.26	0.48
Net assets, end of year ⁽³⁾	10.90	11.54	10.51	8.87	8.89

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⁾	8,355	4,567	3,683	2,862	2,464
Number of outstanding units (000's) ⁽⁴⁾	766	396	351	323	277
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⁾	23%	18%	21%	10%	28%
Trading expense ratio (%) ⁽⁸⁾	0.04%	0.03%	0.05%	0.04%	0.07%
Net asset value per unit, end of year	10.90	11.54	10.51	8.87	8.89

Beutel Goodman North American Focused 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.**

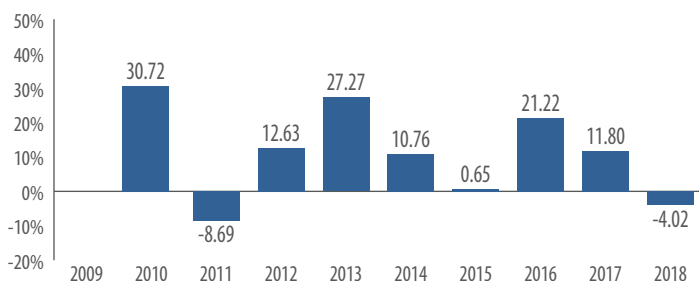
Please remember that the past performance of the Fund is not an accurate prediction of future returns.

Beutel Goodman North American Focused Equity Fund

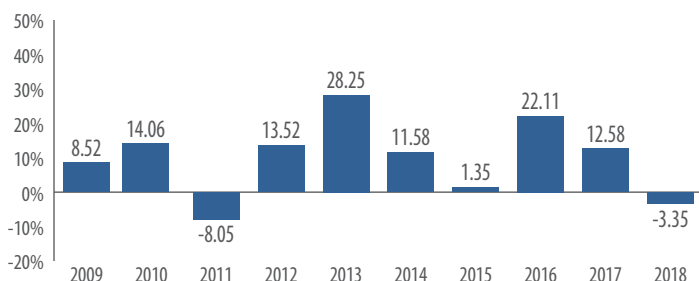
Year-by-Year Returns

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.

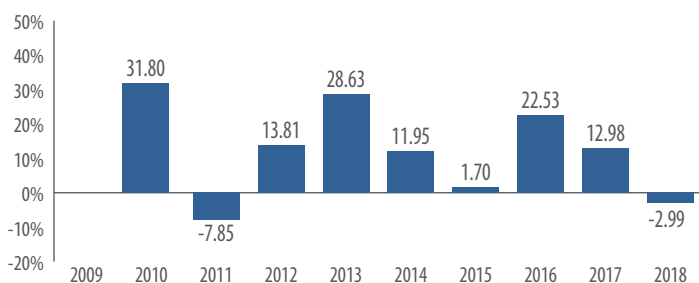
Class B



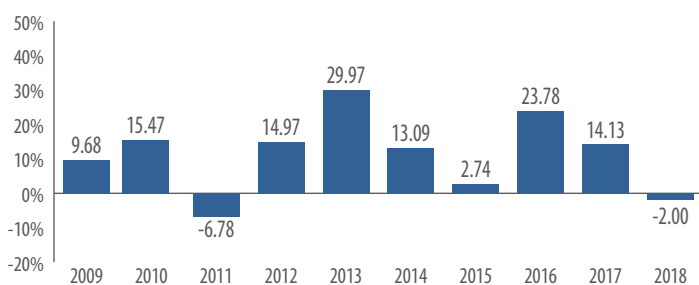
Class D



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 both the North American Focused Equity Benchmark [comprised of S&P/TSX Composite Index (60%), and the S&P 500 (C\$) Index (40%)] and respective indices.*

Class B

	Since Inception	10 Years	5 Years	3 Years	Past Year
Beutel Goodman North American Focused Equity Fund	% 9.05	–	7.72	9.16	-4.02
North American Focused Equity Benchmark	% 9.45	–	8.14	7.52	-3.65
S&P/TSX Composite Index	% 4.84	–	4.06	6.37	-8.89
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 North American Focused Equity Fund	% 9.55	8.49	9.94	-3.35
North American Focused Equity Benchmark	% 10.65	8.14	7.52	-3.65
S&P/TSX Composite Index	% 7.92	4.06	6.37	-8.89
S&P 500 (C\$) Index	% 14.35	14.05	8.76	4.23

Class F

	Since Inception	10 Years	5 Years	3 Years	Past Year
Beutel Goodman North American Focused Equity Fund	% 10.19	–	8.86	10.33	-2.99
North American Focused Equity Benchmark	% 9.45	–	8.14	7.52	-3.65
S&P/TSX Composite Index	% 4.84	–	4.06	6.37	-8.89
S&P 500 (C\$) Index	% 16.24	–	14.05	8.76	4.23

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

Class I

	10 Years	5 Years	3 Years	Past Year
Beutel Goodman North American Focused Equity Fund	% 10.99	9.97	11.45	-2.00
North American Focused Equity Benchmark	% 10.65	8.14	7.52	-3.65
S&P/TSX Composite Index	% 7.92	4.06	6.37	-8.89
S&P 500 (C\$) Index	% 14.35	14.05	8.76	4.23

* The S&P/TSX Composite Index is designed to represent the Canadian mid-large cap equity market. 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 North American Focused Equity Fund

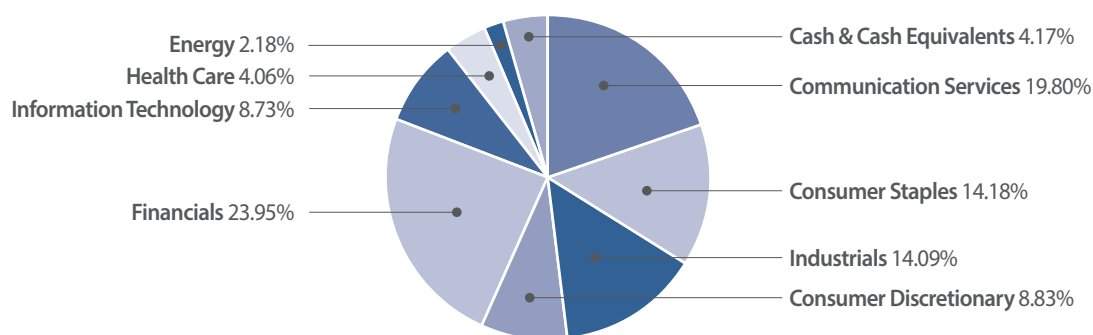
Summary of Investment Portfolio

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	Coupon Rate (%)	Maturity Date	% of Net Assets
1. Verizon Communications Inc.	5.82	14. Kellogg Co.			4.30
2. Royal Bank of Canada	5.74	15. Canadian Tire Corp Ltd., Class A			4.17
3. Metro Inc., Class A	5.55	16. SNC-Lavalin Group Inc.			4.14
4. The Toronto-Dominion Bank	5.46	17. AmerisourceBergen Corp.			4.06
5. American Express Co.	4.85	18. Parker Hannifin Corp.			3.75
6. Comcast Corp.	4.77	19. Molson Coors Canada Inc., Class B			3.75
7. Rogers Communications Inc., Class B	4.77	20. American Express Co.			3.35
8. Magna International Inc.	4.66	21. Halliburton Co.			2.18
9. Great-West Lifeco Inc.	4.57	22. Canadian Pacific Railway Ltd.			1.89
10. Omnicom Group Inc.	4.47	23. Government of Canada	1.706	7-Feb-19	1.63
11. Oracle Corp.	4.44	24. Government of Canada	1.694	21-Feb-19	1.18
12. Finning International Inc.	4.32	25. Government of Canada	1.623	7-Mar-19	0.84
13. KLA-Tencor Corp.	4.31				

Asset Mix





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