



# Annual Management Report of Fund Performance

December 31, 2018

**Beutel Goodman World Focus Equity Fund**

# Beutel Goodman World Focus 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.

## **Beutel Goodman Managed Funds**

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# Beutel Goodman World Focus Equity Fund

## Management Discussion of Fund Performance

### Investment Objectives and Strategies

This Fund seeks long-term capital growth through investment in common stocks and other equity securities of global issuers.

The Fund invests in a limited number of mid-to-large capitalization stocks anywhere in the world, based primarily on the highest risk-adjusted return to the research target price. Each of the 20–35 holdings will be among the best businesses in their respective industries, and generators of sustainable shareholder value and free cash flow. Portfolio risk and return will be judged on an absolute basis. At all times the Fund will seek to be diversified and generally fully invested.

### 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 was 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 a result, stock prices declined, and the MSCI World Index (C\$) returned -0.50% in 2018.

Against this backdrop, Beutel Goodman World Focus Equity Fund underperformed its 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. The Fund's underperformance was attributed primarily to stock selection in the Information Technology, Materials and Industrials sectors. This was partially offset by the Fund's relative underweight in holdings in the Financials sector and security selection in the Communication Services sector.

At the individual security level, AutoZone Inc. was a positive contributor to absolute performance, particularly in the second half of the year, due in part to improving same-store sales growth and a focus on shareholder returns. Norwegian-based TGS-NOPEC Geophysical Co ASA also contributed, as we trimmed the Fund's position when the share price hit our target early in the period, while Verizon Communications Inc. rose partly on better-than-expected earnings results.

GEA Group AG detracted from performance in the period, weakening due in large part to disappointing operational performance. Julius Baer Group Ltd. also detracted, declining due to lower-than-expected client activity and revenues driven by challenging markets, while Harley-Davidson Inc. struggled as the company's topline challenges were compounded by a cautious tone from management for 2019.

We initiated six new positions during the period: Comcast Corporation, Hakuholdo DY Holdings Inc., Kimberly-Clark Corp., Tokyo Electron, SMC Corp. and BlackRock Inc. We also added to the Fund's positions in Harley-Davidson, IMI plc, Michelin, Smith & Nephew plc and Roche Holding AG, and exited Atea ASA, TGS-NOPEC Geophysical Co ASA, Air Liquide SA, LyondellBasell Industries NV and AutoZone Inc.

During the period, due to sector changes in the MSCI World Index, three portfolio holdings – Omnicom Group Inc., Comcast Corp. 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.

### 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.

### 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.

# Beutel Goodman World Focus Equity 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	19	81
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 World Focus 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>	14.53	13.78	13.05	12.73	13.56
<b>Increase (decrease) from operations</b>					
Total revenue	0.41	0.39	0.47	0.38	0.43
Total expenses	(0.39)	(0.41)	(0.35)	(0.44)	(0.45)
Realized gains (losses) for the year	0.65	1.76	0.55	1.32	1.59
Unrealized gains (losses) for the year	(1.81)	0.19	0.45	0.33	(0.80)
<b>Total increase (decrease) from operations <sup>(1)</sup></b>	(1.14)	1.93	1.12	1.59	0.77
<b>Distributions to unitholders per unit:</b>					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	—	0.02	0.08	0.11	0.22
From capital gains	0.59	1.42	0.31	1.34	1.56
From return of capital	—	—	—	—	—
<b>Total annual distributions <sup>(2)</sup></b>	0.59	1.44	0.39	1.45	1.78
<b>Net assets, end of year <sup>(3)</sup></b>	12.72	14.53	13.78	13.05	12.73

### 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>	1,079	1,465	970	978	598
<b>Number of outstanding units (000's) <sup>(4)</sup></b>	85	101	70	75	47
<b>Management expense ratio <sup>(5)</sup></b>	2.25%	2.25%	2.21%	2.23%	2.23%
<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>	22%	49%	27%	39%	48%
<b>Trading expense ratio (%) <sup>(8)</sup></b>	0.06%	0.15%	0.10%	0.15%	0.15%
<b>Net asset value per unit, end of year</b>	12.72	14.53	13.78	13.05	12.73

### 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>	5.61	5.32	5.05	4.93	5.20
<b>Increase (decrease) from operations</b>					
Total revenue	0.15	0.15	0.18	0.15	0.18
Total expenses	(0.09)	(0.10)	(0.06)	(0.09)	(0.09)
Realized gains (losses) for the year	0.26	0.70	0.24	0.52	0.58
Unrealized gains (losses) for the year	(0.73)	0.03	0.14	0.13	(0.30)
<b>Total increase (decrease) from operations <sup>(1)</sup></b>	(0.41)	0.78	0.50	0.71	0.37
<b>Distributions to unitholders per unit:</b>					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	0.04	0.05	0.09	0.08	0.10
From capital gains	0.23	0.55	0.12	0.52	0.60
From return of capital	—	—	—	—	—
<b>Total annual distributions <sup>(2)</sup></b>	0.27	0.60	0.21	0.60	0.70
<b>Net assets, end of year <sup>(3)</sup></b>	4.92	5.61	5.32	5.05	4.93

### 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>	3,949	4,916	2,314	2,120	1,464
<b>Number of outstanding units (000's) <sup>(4)</sup></b>	803	876	435	419	297
<b>Management expense ratio <sup>(5)</sup></b>	1.51%	1.51%	1.51%	1.49%	1.45%
<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>	22%	49%	27%	39%	48%
<b>Trading expense ratio (%) <sup>(8)</sup></b>	0.06%	0.15%	0.10%	0.15%	0.15%
<b>Net asset value per unit, end of year</b>	4.92	5.61	5.32	5.05	4.93

# Beutel Goodman World Focus 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>	14.99	14.25	13.56	13.27	14.02
<b>Increase (decrease) from operations</b>					
Total revenue	0.41	0.40	0.47	0.42	0.49
Total expenses	(0.24)	(0.26)	(0.23)	(0.26)	(0.29)
Realized gains (losses) for the year	0.67	1.82	0.67	1.05	1.62
Unrealized gains (losses) for the year	(2.04)	(0.06)	0.56	0.97	(0.73)
<b>Total increase (decrease) from operations <sup>(1)</sup></b>	(1.20)	1.90	1.47	2.18	1.09
<b>Distributions to unitholders per unit:</b>					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	0.18	0.22	0.30	0.31	0.26
From capital gains	0.62	1.48	0.33	1.41	1.63
From return of capital	—	—	—	—	—
<b>Total annual distributions <sup>(2)</sup></b>	0.80	1.70	0.63	1.72	1.89
<b>Net assets, end of year <sup>(3)</sup></b>	13.10	14.99	14.25	13.56	13.27

### 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>	2,920	2,532	428	259	38
<b>Number of outstanding units (000's) <sup>(4)</sup></b>	223	169	30	19	3
<b>Management expense ratio <sup>(5)</sup></b>	1.18%	1.13%	1.16%	1.15%	1.17%
<b>Management expense ratio before waivers or absorptions <sup>(6)</sup></b>	1.29%	1.24%	N/A	N/A	N/A
<b>Portfolio turnover rate <sup>(7)</sup></b>	22%	49%	27%	39%	48%
<b>Trading expense ratio (%) <sup>(8)</sup></b>	0.06%	0.15%	0.10%	0.15%	0.15%
<b>Net asset value per unit, end of year</b>	13.10	14.99	14.25	13.56	13.27

### 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>	5.99	5.67	5.39	5.24	5.54
<b>Increase (decrease) from operations</b>					
Total revenue	0.16	0.16	0.20	0.16	0.19
Total expenses	(0.03)	(0.04)	(0.03)	(0.03)	(0.04)
Realized gains (losses) for the year	0.28	0.75	0.25	0.59	0.65
Unrealized gains (losses) for the year	(0.79)	0.17	0.17	0.20	(0.27)
<b>Total increase (decrease) from operations <sup>(1)</sup></b>	(0.38)	1.04	0.59	0.92	0.53
<b>Distributions to unitholders per unit:</b>					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	0.13	0.13	0.16	0.14	0.16
From capital gains	0.25	0.60	0.13	0.56	0.65
From return of capital	—	—	—	—	—
<b>Total annual distributions <sup>(2)</sup></b>	0.38	0.73	0.29	0.70	0.81
<b>Net assets, end of year <sup>(3)</sup></b>	5.23	5.99	5.67	5.39	5.24

### 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>	12,972	13,558	12,869	11,417	11,609
<b>Number of outstanding units (000's) <sup>(4)</sup></b>	2,479	2,263	2,268	2,119	2,217
<b>Management expense ratio <sup>(5)</sup></b>	0.11%	0.11%	0.11%	0.10%	0.10%
<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>	22%	49%	27%	39%	48%
<b>Trading expense ratio (%) <sup>(8)</sup></b>	0.06%	0.15%	0.10%	0.15%	0.15%
<b>Net asset value per unit, end of year</b>	5.23	5.99	5.67	5.39	5.24

# Beutel Goodman World Focus 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.**

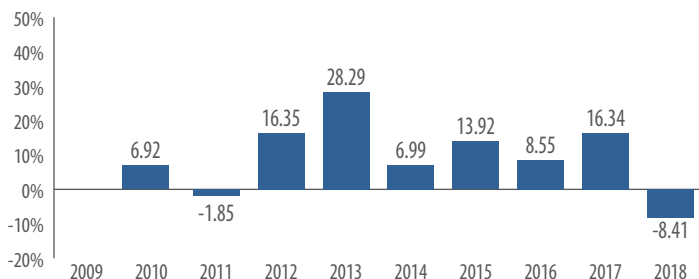
**Please remember that the past performance of the Fund is not an accurate prediction of future returns.**

# Beutel Goodman World Focus Equity Fund

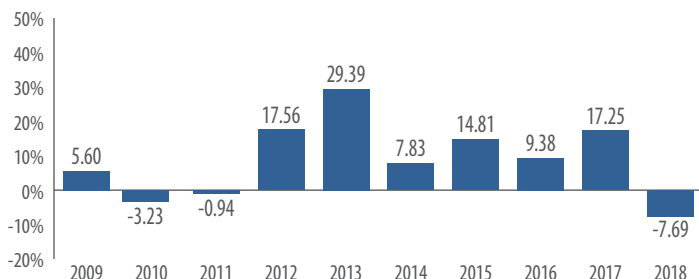
## Year-by-Year Returns

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.

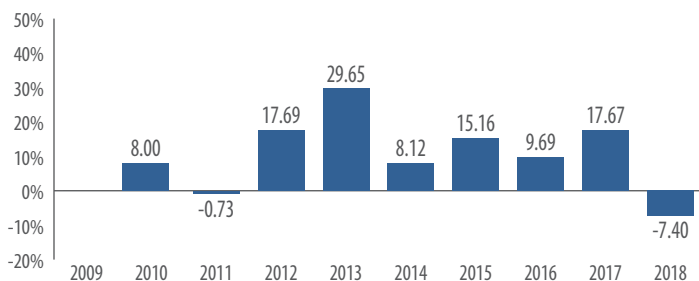
### Class B



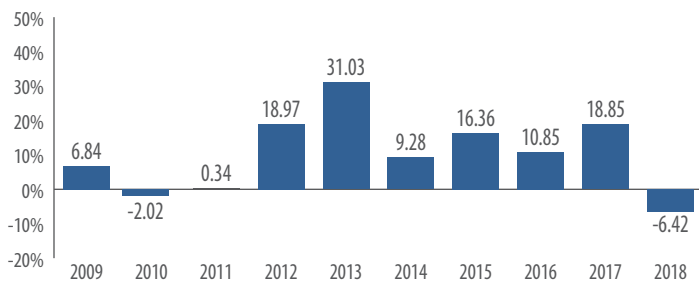
### Class D



### 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 World (C\$) Index.\*

### Class B

		Since Inception	10 Years	5 Years	3 Years	Past Year
Beutel Goodman World Focus Equity Fund	%	9.41	—	7.11	4.97	-8.41
MSCI World (C\$) Index	%	11.75	—	9.91	5.82	-0.49

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 World Focus Equity Fund	%	8.48	7.94	5.79	-7.69
MSCI World (C\$) Index	%	10.86	9.91	5.82	-0.49

### Class F

		Since Inception	10 Years	5 Years	3 Years	Past Year
Beutel Goodman World Focus Equity Fund	%	10.62	—	8.28	6.13	-7.40
MSCI World (C\$) Index	%	11.75	—	9.91	5.82	-0.49

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 World Focus Equity Fund	%	9.89	9.41	7.23	-6.42
MSCI World (C\$) Index	%	10.86	9.91	5.82	-0.49

\* The MSCI World (C\$) Index is designed to represent the global equity market.

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



# Beutel Goodman World Focus Equity Fund

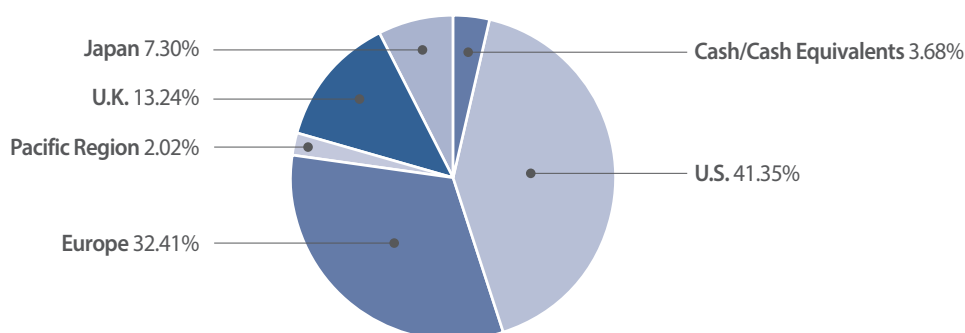
## Summary of Investment Portfolio

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. Verizon Communications Inc.	5.39	14. Oracle Corp.			3.09
2. Omnicom Group Inc.	4.91	15. Cie Générale des Établissements Michelin			3.07
3. Merck KGaA	4.39	16. Kimberly-Clark Corp.			3.07
4. Smith & Nephew PLC	4.39	17. Koninklijke KPN NV			2.99
5. Carlsberg A/S	4.17	18. IMI PLC			2.98
6. Roche Holding AG	4.08	19. Software AG			2.78
7. Kellogg Co.	3.83	20. Harley-Davidson Inc.			2.64
8. AmerisourceBergen Corp.	3.68	21. American Express Co.			2.46
9. Comcast Corp.	3.54	22. Konecranes OYJ			2.44
10. Campbell Soup Co.	3.53	23. Vodafone Group PLC			2.44
11. Hakuholdo DY Holdings Inc.	3.48	24. Government of Canada	1.642	21-Mar-19	2.38
12. Smiths Group PLC	3.37	25. Julius Baer Group Ltd.			2.31
13. Amdocs Ltd.	3.24				

### Regional Mix





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