



# Annual Management Report of Fund Performance

December 31, 2019

**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](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 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.

### 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

After a sharp correction late last year, international markets rebounded in the January 1 to December 31, 2019 period. Equities saw one of the best months in 30 years in January, and momentum continued through April amid rising oil prices, signs the U.S. economy and job market were continuing to expand solidly, and a perceived dovish U-turn in monetary policy by the U.S. Federal Reserve (the Fed). However, the mood turned somewhat risk-off in by May, amid some weakness in economic data and growing concern that a quick resolution to the U.S.-China trade war was unlikely. By the third quarter, volatility had become a main theme. In addition to central bank easing, the laundry list of distractions included – but was not limited to – another escalation of trade tensions, growing fears of a hard Brexit, unrest in Hong Kong, concern about a potential recession in Europe, an attack on Saudi Arabian oil fields and a whistleblower complaint that sparked an impeachment inquiry in the U.S. However, by the fourth quarter, the U.S. and China had shaken hands on a Phase I trade deal, the Fed had cut rates a third time and Britons handed Boris Johnson a Conservative majority and a green light to get Brexit done, calming much of the uncertainty in equity markets. As a result, the MSCI EAFE (C\$) Index rose 15.85%.

Against this backdrop, Beutel Goodman International Equity Fund outperformed the index. Unlike the benchmark, 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. This outperformance was due in large part to stock selection in the Energy, Financials and Consumer Discretionary sectors, and to a lesser extent, allocation effects from a relative overweight position in Information Technology and zero weightings in Real Estate and Utilities. Detractors included an overweight allocation to Communication Services and stock selection in Consumer Staples.

At the individual security level, Tokyo Electron, Carlsberg A/S and SMC Corp. were among the top contributors on an absolute-return basis. Despite an expected down cycle in the capital equipment market in the reporting period, Tokyo Electron continued to gain share in its core areas of focus while maintaining a leading position in the photoresist segment. The company is expanding margins, cash flows and ROEs; has returned significant cash to shareholders; and in October, revised its fiscal 2020 financial guidance upward. Carlsberg advanced in the reporting period on strong earnings and positive market sentiment, while SMC was up on a leadership change that was well received by the market, as well as earnings that were in line with company guidance in a fairly negative market mid-year.

Detractors for the reporting period on an absolute-return basis included Resona Holdings Inc., Henkel AG & Co KGaA and GEA Group AG. Resona's share price weakened considerably in the first half of the year on disappointing earnings results and continued its downward trend amid weakness in the international Financials sector – and banks specifically – due to unfavourable central bank policy trends. German chemical and consumer-goods company Henkel saw share price volatility in the year due to in part to some disappointing earnings, while GEA Group detracted early in the year and breached our downside target, leading to a review and ultimately a full sale of the stock. Despite the sale, we continue to monitor the business and progress of the new management team and ongoing restructuring efforts.

No new positions were initiated to the portfolio in the reporting period, although we added broadly to existing positions. We completed process-driven one-third sales for Carlsberg A/S, SMC Corp., Tokyo Electron, GlaxoSmithKline plc and Gjensidige Forsikring ASA (which we subsequent exited) – and two process-driven sales of Air Liquide SA – as all reached our respective target prices. Full sales of GEA Group AG and Resona Holdings Inc. were also conducted, as were trims of Smith & Nephew, and additional trims of Tokyo Electron and Air Liquide subsequent to initial trims.

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

# Beutel Goodman International Equity Fund

## Recent Developments

Over the past year, we have trimmed a number of positions as they've reached our target prices. However, as we have noted in previous commentaries, finding new opportunities to replace those has become somewhat more challenging. We believe this reflects the fact that stock values have been rising faster than fundamental earnings growth, leading to higher valuations, and in many swathes of the market, what we believe are stretched valuations. We are finding there are fewer quality companies trading at deep discounts. That said, we do not own the market – we own a basket of what we view as high-quality companies that generate sustainable free cash flows; have business models that allow for high returns; have strong balance sheets and capital allocation policies that we feel strike the right balance between corporate needs and shareholder returns; and trade at a discount. Despite the more challenging operating environment, we have not wavered from our disciplined and patient approach to investment management. As the market becomes more expensive, we believe increasing concentration in our holdings is a better approach than purchasing new marginal holdings.

Moving in to 2020, the portfolio is still trading at a discount to intrinsic value. As a result, while the market appears to be a more expensive than in previous years, we don't believe our outlook for the growth and profitability of the businesses we own is stretched. We maintain conviction that our holdings will continue to outperform in the years ahead and will continue to apply our disciplined investment process.

## Market Risk 2020

The impact of the coronavirus ("COVID-19") outbreak on the financial performance of the Fund's investments will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions. These developments and the impact of COVID-19 on the financial markets and the overall economy are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, the Fund's future investment results may be materially adversely affected.

## 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	53	47
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 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)

\$	2019	2018	2017	2016	2015
<b>Net assets, beginning of year</b>	12.89	14.28	12.06	12.01	11.00
<b>Increase (decrease) from operations</b>					
Total revenue	0.51	0.44	0.37	0.41	0.31
Total expenses	(0.40)	(0.39)	(0.42)	(0.32)	(0.48)
Realized gains (losses) for the year	0.34	0.39	1.08	0.09	0.08
Unrealized gains (losses) for the year	1.60	(2.12)	0.19	(0.65)	0.09
<b>Total increase (decrease) from operations <sup>(1)</sup></b>	2.05	(1.68)	1.22	(0.47)	–
<b>Distributions to unitholders per unit:</b>					
From net investment income (excluding dividends)	–	–	–	–	–
From dividends	0.11	0.04	0.18	–	0.12
From capital gains	–	–	–	–	–
From return of capital	–	–	–	–	–
<b>Total annual distributions <sup>(2)</sup></b>	0.11	0.04	0.18	–	0.12
<b>Net assets, end of year <sup>(3)</sup></b>	14.94	12.89	14.28	12.06	12.01

### Ratios and Supplemental Data

#### Class B Units

(for the years ended December 31)

	2019	2018	2017	2016	2015
<b>Total net asset value (\$) (000's) <sup>(4)</sup></b>	2,044	1,060	750	66	153
<b>Number of outstanding units (000's) <sup>(4)</sup></b>	137	82	53	5	13
<b>Management expense ratio <sup>(5)</sup></b>	2.27%	2.26%	2.30%	2.31%	2.32%
<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>	23%	28%	44%	40%	44%
<b>Trading expense ratio (%) <sup>(8)</sup></b>	0.12%	0.15%	0.21%	0.16%	0.21%
<b>Net asset value per unit, end of year</b>	14.94	12.89	14.28	12.06	12.01

### Financial Highlights per unit

#### Class D Units

(for the years ended December 31)

\$	2019	2018	2017	2016	2015
<b>Net assets, beginning of year</b>	5.31	5.90	4.90	4.93	4.49
<b>Increase (decrease) from operations</b>					
Total revenue	0.21	0.18	0.15	0.16	0.14
Total expenses	(0.08)	(0.08)	(0.07)	(0.08)	(0.10)
Realized gains (losses) for the year	0.13	0.18	0.40	0.09	0.13
Unrealized gains (losses) for the year	0.72	(0.94)	0.62	–	0.52
<b>Total increase (decrease) from operations <sup>(1)</sup></b>	0.98	(0.66)	1.10	0.17	0.69
<b>Distributions to unitholders per unit:</b>					
From net investment income (excluding dividends)	–	–	–	–	–
From dividends	0.08	0.08	0.02	0.09	0.06
From capital gains	–	–	–	–	–
From return of capital	–	–	–	–	–
<b>Total annual distributions <sup>(2)</sup></b>	0.08	0.08	0.02	0.09	0.06
<b>Net assets, end of year <sup>(3)</sup></b>	6.17	5.31	5.90	4.90	4.93

### Ratios and Supplemental Data

#### Class D Units

(for the years ended December 31)

	2019	2018	2017	2016	2015
<b>Total net asset value (\$) (000's) <sup>(4)</sup></b>	4,953	4,536	3,563	4,037	3,068
<b>Number of outstanding units (000's) <sup>(4)</sup></b>	803	854	603	824	622
<b>Management expense ratio <sup>(5)</sup></b>	1.51%	1.51%	1.50%	1.51%	1.51%
<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>	23%	28%	44%	40%	44%
<b>Trading expense ratio (%) <sup>(8)</sup></b>	0.12%	0.15%	0.21%	0.16%	0.21%
<b>Net asset value per unit, end of year</b>	6.17	5.31	5.90	4.90	4.93

# 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)

\$	2019	2018	2017	2016	2015
<b>Net assets, beginning of year</b>	5.32	5.92	4.96	4.98	4.55
<b>Increase (decrease) from operations</b>					
Total revenue	0.20	0.20	0.15	0.17	0.15
Total expenses	(0.11)	(0.11)	(0.11)	(0.09)	(0.12)
Realized gains (losses) for the year	0.14	0.19	0.41	0.12	0.10
Unrealized gains (losses) for the year	0.73	(0.83)	(0.25)	0.08	0.33
<b>Total increase (decrease) from operations <sup>(1)</sup></b>	0.96	(0.55)	0.20	0.28	0.46
<b>Distributions to unitholders per unit:</b>					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	0.10	0.09	0.09	0.10	0.08
From capital gains	—	—	—	—	—
From return of capital	—	—	—	—	—
<b>Total annual distributions <sup>(2)</sup></b>	0.10	0.09	0.09	0.10	0.08
<b>Net assets, end of year <sup>(3)</sup></b>	6.17	5.32	5.92	4.96	4.98

### Ratios and Supplemental Data

#### Class F Units

(for the years ended December 31)

	2019	2018	2017	2016	2015
<b>Total net asset value (\$) (000's) <sup>(4)</sup></b>	1,471	1,175	1,064	129	74
<b>Number of outstanding units (000's) <sup>(4)</sup></b>	238	221	180	26	15
<b>Management expense ratio <sup>(5)</sup></b>	1.29%	1.30%	1.30%	1.29%	1.30%
<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>	23%	28%	44%	40%	44%
<b>Trading expense ratio (%) <sup>(8)</sup></b>	0.12%	0.15%	0.21%	0.16%	0.21%
<b>Net asset value per unit, end of year</b>	6.17	5.32	5.92	4.96	4.98

### Financial Highlights per unit

#### Class I Units

(for the years ended December 31)

\$	2019	2018	2017	2016	2015
<b>Net assets, beginning of year</b>	5.70	6.34	5.29	5.30	4.84
<b>Increase (decrease) from operations</b>					
Total revenue	0.22	0.21	0.17	0.17	0.16
Total expenses	(0.05)	(0.04)	(0.04)	(0.03)	(0.03)
Realized gains (losses) for the year	0.15	0.22	0.42	0.09	0.13
Unrealized gains (losses) for the year	0.76	(0.89)	0.58	(0.10)	0.39
<b>Total increase (decrease) from operations <sup>(1)</sup></b>	1.08	(0.50)	1.13	0.13	0.65
<b>Distributions to unitholders per unit:</b>					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	0.18	0.17	0.14	0.15	0.14
From capital gains	—	—	—	—	—
From return of capital	—	—	—	—	—
<b>Total annual distributions <sup>(2)</sup></b>	0.18	0.17	0.14	0.15	0.14
<b>Net assets, end of year <sup>(3)</sup></b>	6.62	5.70	6.34	5.29	5.30

### Ratios and Supplemental Data

#### Class I Units

(for the years ended December 31)

	2019	2018	2017	2016	2015
<b>Total net asset value (\$) (000's) <sup>(4)</sup></b>	226,626	175,782	177,509	129,882	132,552
<b>Number of outstanding units (000's) <sup>(4)</sup></b>	34,238	30,851	27,986	24,559	24,993
<b>Management expense ratio <sup>(5)</sup></b>	0.11%	0.11%	0.11%	0.11%	0.11%
<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>	23%	28%	44%	40%	44%
<b>Trading expense ratio (%) <sup>(8)</sup></b>	0.12%	0.15%	0.21%	0.16%	0.21%
<b>Net asset value per unit, end of year</b>	6.62	5.70	6.34	5.29	5.30

# 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 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.**

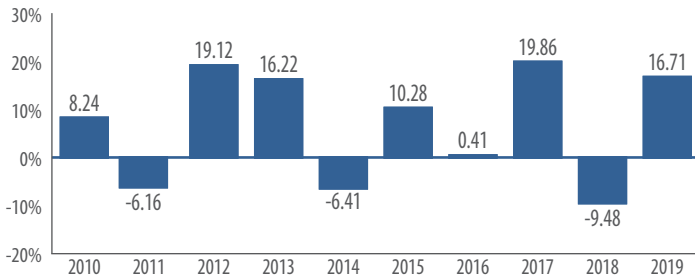
**Please remember that the past performance of the Fund is not an accurate prediction of future returns.**

# Beutel Goodman International Equity Fund

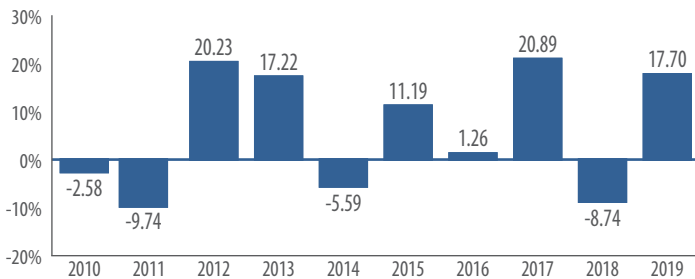
## Year-by-Year Returns

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.

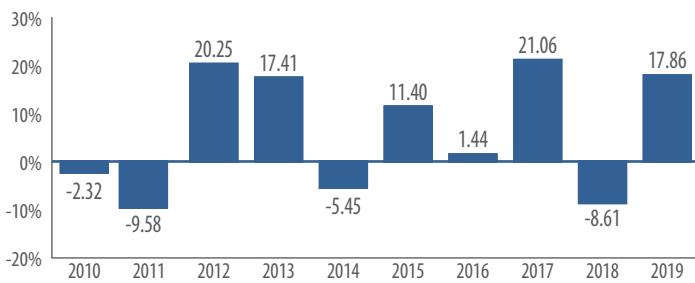
### Class B



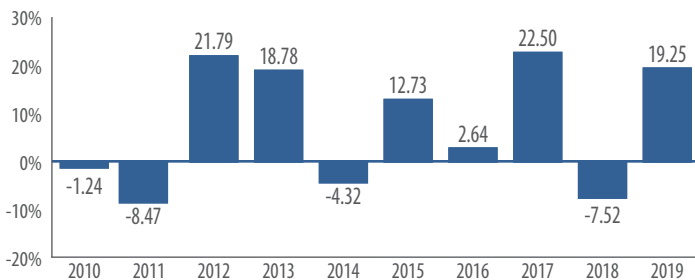
### Class D



### 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, 2019, as compared to the performance of the MSCI EAFE (CS) Index.\*

### Class B

		Since Inception	10 Years	5 Years	3 Years	Past Year
Beutel Goodman International Equity Fund	%	5.63	–	6.99	8.19	16.71
MSCI EAFE (CS) Index	%	8.50	–	8.04	8.28	15.85

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	%	5.51	7.89	9.10	17.70
MSCI EAFE (CS) Index	%	7.78	8.04	8.28	15.85

### Class F

		10 Years	5 Years	3 Years	Past Year
Beutel Goodman International Equity Fund	%	5.68	8.06	9.25	17.86
MSCI EAFE (CS) Index	%	7.78	8.04	8.28	15.85

### Class I

		10 Years	5 Years	3 Years	Past Year
Beutel Goodman International Equity Fund	%	6.94	9.35	10.55	19.25
MSCI EAFE (CS) Index	%	7.78	8.04	8.28	15.85

\* The MSCI EAFE (CS) 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

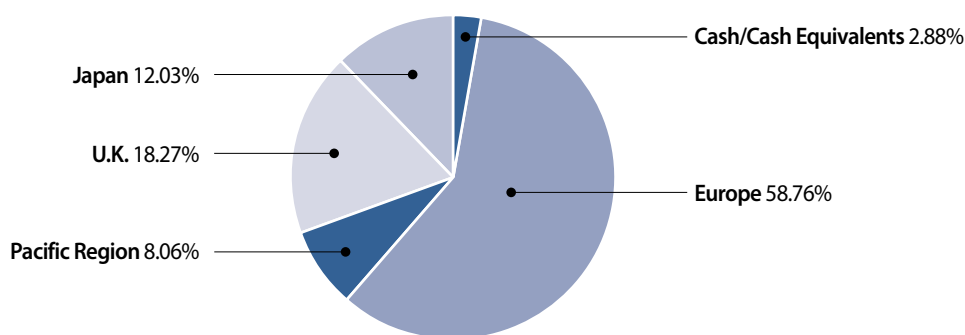
## Summary of Investment Portfolio

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](http://www.beutelgoodman.com).

### Summary of Top 25 Holdings

Issuer Name	% of Net Assets	Issuer Name	Coupon Rate (%)	Maturity Date	% of Net Assets
1. Caltex Australia Ltd.	4.55	14. Konecranes OYJ			3.67
2. Roche Holding AG	4.53	15. Cie Générale des Établissements Michelin			3.67
3. Smith & Nephew PLC	4.38	16. Henkel AG & Co KGaA			3.67
4. Merck KGaA	4.37	17. Carlsberg A/S			3.51
5. TGS Nopec Geophysical Co ASA	4.23	18. DBS Group Holdings Ltd.			3.50
6. NTT DOCOMO Inc.	4.12	19. Essilor Luxottica			3.47
7. IMI PLC	3.99	20. HeidelbergCement AG			3.28
8. Hakuholdo DY Holdings Inc.	3.98	21. Vodafone Group PLC			3.23
9. Smiths Group PLC	3.96	22. Koninklijke KPN NV			3.17
10. Julius Baer Group Ltd.	3.93	23. BASF SE			3.04
11. Software AG	3.92	24. GlaxoSmithKline PLC			2.68
12. Atea ASA	3.78	25. Government of Canada	1.656	19-Mar-20	2.14
13. Akzo Nobel NV	3.77				

### Regional Mix





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