



# Annual Management Report of Fund Performance

December 31, 2019

**Beutel Goodman Short Term Bond Fund**

# Beutel Goodman Short Term Bond 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 Short Term Bond Fund

## Management Discussion of Fund Performance

### Investment Objectives and Strategies

This Fund seeks to maximize portfolio returns through capital enhancement and investment income.

The Fund invests primarily in a well-diversified portfolio of short term fixed income securities of Canadian government and corporate issuers. The bonds have a credit rating of BBB or higher by a recognized rating agency. The average portfolio duration of the Fund is 2 to 4 years.

### 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

A looming recession and volatility stemming from significant geopolitical uncertainty were two of the underlying themes in the January 1 to December 31, 2019 period. The laundry list of distractions included – but was not limited to – further 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. Against this backdrop, the U.S. Federal Reserve (Fed) paused the rate-hiking cycle and in the second half of 2019, administered three consecutive “insurance” cuts to the federal funds rate in an effort to extend economic growth. The Bank of Canada (BoC), meanwhile, held the overnight rate steady throughout the reporting period, at 1.75%, amid a pickup in the economy in the second quarter and continued overall strength in jobs, a low unemployment rate, and inflation that generally held around the bank's target 2% level.

By far the most pressing concern as we headed into the second half of the year was the stress in the repo market. The stress originated in September, when demand for overnight cash surpassed supply of available loans, resulting in significant illiquidity and a spike of several hundred basis points in interest rates in money markets. The Fed responded quickly to liquidity needs in the market, and so far, repurchase operations appear to have been successful. Chair Powell noted the Fed stands “ready to adjust the details [...] as appropriate to keep the federal funds rate in the target range” – a sign the Fed will continue to use its balance sheet for liquidity going forward when necessary.

The other event of note also came to a quasi-close in the final quarter of the year. After several quarters of uncertainty, the U.S. and China shook hands on a Phase 1 trade agreement between the U.S. and China. While a fully fleshed-out Phase 2 trade deal is unlikely to follow anytime soon, the fact that both sides agreed to continue to talk and hammer out a real trade agreement appears to have calmed markets.

For the January 1 to December 31, 2019 period, the FTSE Canada Short Term Bond Index increased by 3.10% on a total-return basis. Beutel Goodman Short Term Bond Fund was in line with the benchmark. 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. Sector allocation was a contributor, as the portfolio was underweight federal bonds and overweight corporate bonds. Government security selection also added value, largely due to overweight positions in the provinces of Ontario and Quebec. Corporate security selection, however, detracted as higher-quality credits underperformed higher-beta credits amid continued strength in credit market sentiment. Duration also detracted from performance in the reporting period as the portfolio was generally short duration in a falling bond yield environment.

Central bank easing has reduced the risk of any near-term recession. This has prompted our shift to a slightly shorter duration. For now, our curve position remains bulleted. We remain slightly overweight credit, albeit with lower beta, more liquid corporate securities as we are cognizant that there could be a bubble building. As we believe the Canadian dollar could strengthen over the next several months, we remain long in Canada. From a provincial perspective, we are overweight the province of Ontario.

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

### Recent Developments

As we move into a new year, it appears the Fed's intervention may have bought the U.S. economy some time to recover. Both the Fed and the Bank of Canada are expected to remain on hold with respect to interest rates during 2020. However, as central banks have demonstrated recently, being data dependent means that they can change policy direction and tone very quickly in response to financial and economic conditions. In addition, given President Trump's unpredictability, we would be remiss not to note that unforeseen events can dramatically impact the best-laid plans for the global economy, as the January 3rd killing of Iranian General Soleimani by the U.S. has highlighted.

While central banks may have helped stave off recession in 2020, we are nonetheless concerned that the abundant liquidity could drive markets to riskier levels. Leverage is creeping up across all securities, even in A-rated credits. In fact, the spread of leverage between an “A” and a “BBB+” is currently very narrow. If central banks continue to provide liquidity, and markets maintain the belief that the global economy is ticking along, then credit spreads will likely continue to narrow, thereby masking cracks in credit quality as investors continue to reach for yield. Our concern with this situation is that central banks may be setting themselves up for a scenario where they've issued so much liquidity that they may be forced to issue it ad infinitum, creating unsustainable bubbles and possibly inflation.

Employment gains have been somewhat soft this last quarter, but as in the U.S., overall the Canadian job market remains strong, which supports consumer spending. In addition, inflation is on target, we could see a fiscal boost from possible tax cuts and other fiscal measures meted out by the federal government, and BoC policy is likely to remain unchanged in the months ahead, given Governor Poloz is stepping down in June. We note that the BoC remains sensitive to a strengthening Canadian dollar. Faced with a slowing economy and an appreciating currency that is in part being fueled by higher crude oil prices, the Bank may soften its recent hawkish commentary in an effort to weaken demand for the Canadian dollar.

# Beutel Goodman Short Term Bond Fund

We have been cautioning for some time now that we appear to be getting close to the end of the cycle, and it's not yet clear whether central banks have the firepower to navigate the exogenous risks ahead. However, as long as hiring continues and people have jobs, they will spend money and the economy will expand. As a result, while caution is warranted, we will seek out opportunities to capitalize on.

## 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.

	As a Percentage of Management Fees		
	Maximum Annual Management Fee Rate %	Dealer Compensation %	General Administration, Investment Advice and Profit %
Class B	1.00	37	63
Class F	0.50	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 Short Term Bond 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>	9.27	9.25	9.43	9.54	9.56
<b>Increase (decrease) from operations</b>					
Total revenue	0.27	0.25	0.24	0.26	0.33
Total expenses	(0.06)	(0.05)	(0.06)	(0.12)	(0.12)
Realized gains (losses) for the year	0.01	(0.28)	(0.10)	(0.04)	(0.08)
Unrealized gains (losses) for the year	0.07	0.18	(0.11)	(0.10)	0.03
<b>Total increase (decrease) from operations <sup>(1)</sup></b>	0.29	0.10	(0.03)	–	0.16
<b>Distributions to unitholders per unit:</b>					
From net investment income (excluding dividends)	0.05	0.04	0.12	0.14	0.14
From dividends	–	–	–	–	–
From capital gains	–	–	–	–	–
From return of capital	–	–	–	–	–
<b>Total annual distributions <sup>(2)</sup></b>	0.05	0.04	0.12	0.14	0.14
<b>Net assets, end of year <sup>(3)</sup></b>	9.44	9.27	9.25	9.43	9.54

### 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>	180	270	352	113	69
<b>Number of outstanding units (000's) <sup>(4)</sup></b>	19	29	38	12	7
<b>Management expense ratio <sup>(5)</sup></b>	1.24%	1.24%	1.24%	1.24%	1.24%
<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>	120%	194%	126%	275%	258%
<b>Trading expense ratio (%) <sup>(8)</sup></b>	–	–	–	–	–
<b>Net asset value per unit, end of year</b>	9.44	9.27	9.25	9.43	9.54

### 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>	9.20	9.28	9.46	9.57	9.60
<b>Increase (decrease) from operations</b>					
Total revenue	0.26	0.25	0.24	0.25	0.33
Total expenses	(0.06)	(0.06)	(0.06)	(0.06)	(0.07)
Realized gains (losses) for the year	0.01	(0.27)	(0.12)	(0.03)	(0.10)
Unrealized gains (losses) for the year	0.06	0.19	(0.04)	(0.08)	(0.03)
<b>Total increase (decrease) from operations <sup>(1)</sup></b>	0.27	0.11	0.02	0.08	0.13
<b>Distributions to unitholders per unit:</b>					
From net investment income (excluding dividends)	0.20	0.18	0.17	0.20	0.21
From dividends	–	–	–	–	–
From capital gains	–	–	–	–	–
From return of capital	–	–	–	–	–
<b>Total annual distributions <sup>(2)</sup></b>	0.20	0.18	0.17	0.20	0.21
<b>Net assets, end of year <sup>(3)</sup></b>	9.28	9.20	9.28	9.46	9.57

### 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>	2,713	2,488	1,938	2,787	2,150
<b>Number of outstanding units (000's) <sup>(4)</sup></b>	292	270	209	295	225
<b>Management expense ratio <sup>(5)</sup></b>	0.65%	0.66%	0.67%	0.66%	0.68%
<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>	120%	194%	126%	275%	258%
<b>Trading expense ratio (%) <sup>(8)</sup></b>	–	–	–	–	–
<b>Net asset value per unit, end of year</b>	9.28	9.20	9.28	9.46	9.57

# Beutel Goodman Short Term Bond 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 I Units

(for the years ended December 31)

\$	2019	2018	2017	2016	2015
<b>Net assets, beginning of year</b>	9.26	9.34	9.52	9.63	9.66
<b>Increase (decrease) from operations</b>					
Total revenue	0.26	0.24	0.24	0.25	0.30
Total expenses	–	–	–	–	–
Realized gains (losses) for the year	0.01	(0.35)	(0.14)	(0.03)	(0.09)
Unrealized gains (losses) for the year	0.05	0.22	(0.04)	(0.06)	(0.01)
<b>Total increase (decrease) from operations <sup>(1)</sup></b>	0.32	0.11	0.06	0.16	0.20
<b>Distributions to unitholders per unit:</b>					
From net investment income (excluding dividends)	0.26	0.24	0.23	0.26	0.27
From dividends	–	–	–	–	–
From capital gains	–	–	–	–	–
From return of capital	–	–	–	–	–
<b>Total annual distributions <sup>(2)</sup></b>	0.26	0.24	0.23	0.26	0.27
<b>Net assets, end of year <sup>(3)</sup></b>	9.33	9.26	9.34	9.52	9.63

### 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>	86,232	63,600	176,697	208,811	240,059
<b>Number of outstanding units (000's) <sup>(4)</sup></b>	9,239	6,870	18,928	21,940	24,920
<b>Management expense ratio <sup>(5)</sup></b>	0.04%	0.04%	0.04%	0.05%	0.04%
<b>Management expense ratio before waivers or absorptions <sup>(6)</sup></b>	0.11%	0.11%	0.11%	N/A	N/A
<b>Portfolio turnover rate <sup>(7)</sup></b>	120%	194%	126%	275%	258%
<b>Trading expense ratio (%) <sup>(8)</sup></b>	–	–	–	–	–
<b>Net asset value per unit, end of year</b>	9.33	9.26	9.34	9.52	9.63

# Beutel Goodman Short Term Bond 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.**

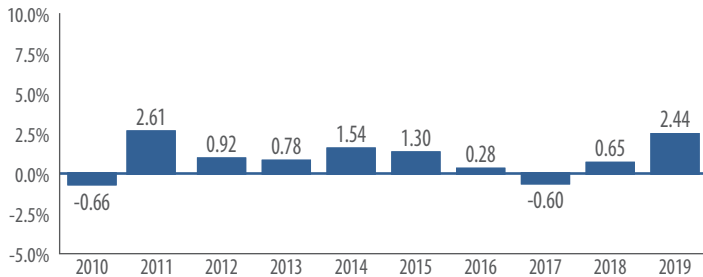
**Please remember that the past performance of the Fund is not an accurate prediction of future returns.**

# Beutel Goodman Short Term Bond Fund

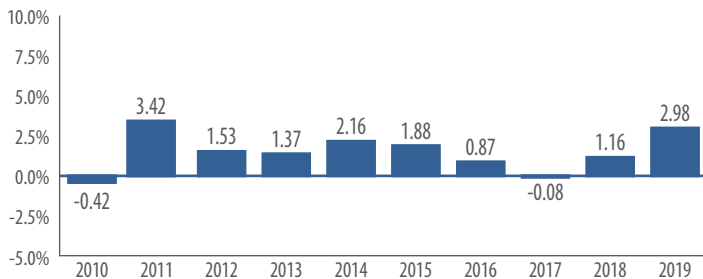
## Year-by-Year Returns

The bar chart indicates the Fund's annual performance for each of the year's shown and illustrates how the Fund's performance has changed from year to year. The bar chart shows in percentage terms how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.

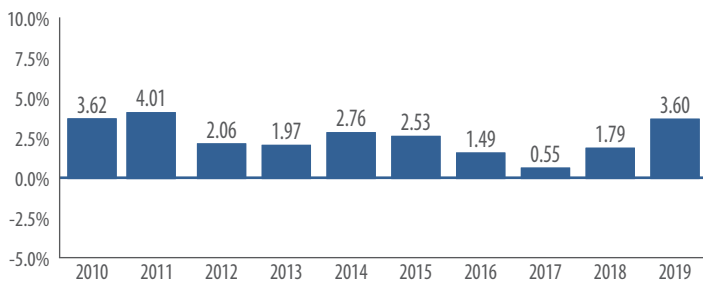
### Class B



### Class F



### Class I



## Annual Compound Returns

The following table shows the Fund's historical annual compound total returns for each of the periods indicated ended on December 31, 2019, as compared to the performance of the FTSE Canada Short Term Bond Index.\*

### Class B

		Since Inception	10 Years	5 Years	3 Years	Past Year
Beutel Goodman Short Term Bond Fund	%	0.99	–	0.81	0.82	2.44
FTSE Canada Short Term Bond Index	%	2.14	–	1.74	1.69	3.10

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

### Class F

		Since Inception	10 Years	5 Years	3 Years	Past Year
Beutel Goodman Short Term Bond Fund	%	1.59	–	1.36	1.35	2.98
FTSE Canada Short Term Bond Index	%	2.14	–	1.74	1.69	3.10

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 Short Term Bond Fund	%		2.43	1.99	1.97	3.60
FTSE Canada Short Term Bond Index	%		2.37	1.74	1.69	3.10

The Fund was not a reporting issuer for the period since its inception to August 13, 2010. The expenses of the Fund would have been higher during such period had the Fund been subject to the additional regulatory requirements applicable to a reporting issuer. The financial statements of the Fund for such period are available to Class I investors upon request.

\* The FTSE Canada Short Term Bond Index is designed to reflect the Canadian short term bond market, where the effective term for all issues is between 1 to 5 years.

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



# Beutel Goodman Short Term Bond Fund

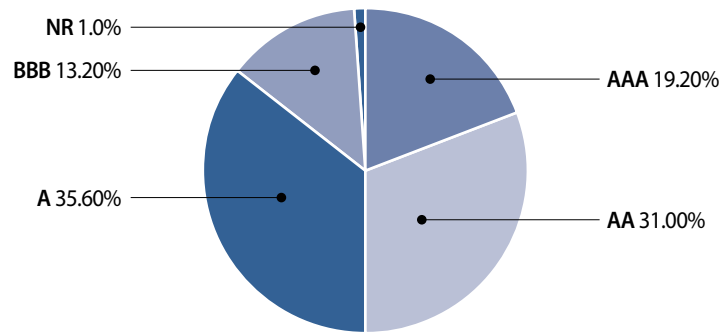
## Summary of Investment Portfolio

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).

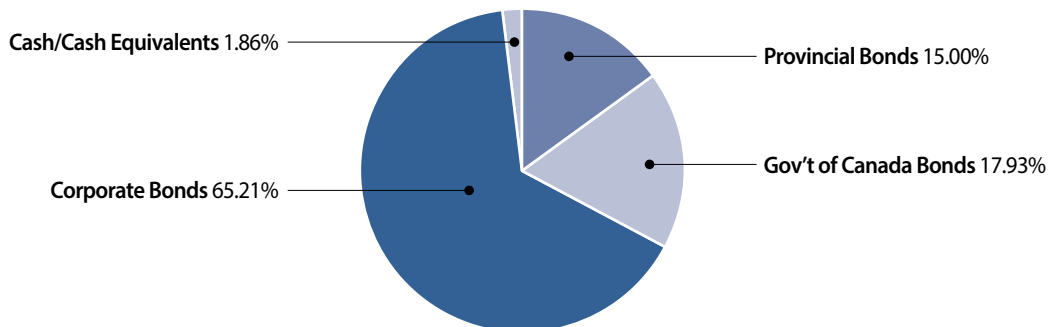
### Summary of Top 25 Holdings

Issuer Name	Coupon Rate (%)	Maturity Date	% of Net Assets	Issuer Name	Coupon Rate (%)	Maturity Date	% of Net Assets
1. Lower Mattagami Energy LP	4.331	18-May-21	8.80	14. Government of Canada	1.664	19-Mar-20	2.90
2. Province of Ontario	2.600	2-Jun-25	8.00	15. TransCanada PipeLines Ltd.	3.690	19-Jul-23	2.43
3. Canadian Mortgage Pools	1.840	1-Dec-22	5.49	16. Royal Bank of Canada	3.310	20-Jan-26	2.28
4. Canadian Imperial Bank of Commerce	2.040	21-Mar-22	5.31	17. Bank of Montreal	2.850	6-Mar-24	2.06
5. Canadian Government Bond	1.500	1-Sep-24	5.07	18. Bell Canada Inc.	3.000	3-Oct-22	2.01
6. Union Gas Ltd.	4.850	25-Apr-22	5.01	19. The Toronto-Dominion Bank	2.850	8-Mar-24	1.94
7. Royal Bank of Canada	3.296	26-Sep-23	4.79	20. AltaGas Ltd.	3.720	28-Sep-21	1.92
8. The Toronto-Dominion Bank	2.045	8-Mar-21	4.29	21. Canadian Imperial Bank of Commerce	2.950	19-Jun-29	1.87
9. Bank of Montreal	2.270	11-Jul-22	3.87	22. Bank of Nova Scotia	2.380	1-May-23	1.81
10. Province of Quebec	4.500	1-Dec-20	3.66	23. Bank of Nova Scotia	2.836	3-Jul-29	1.71
11. Canadian Government Bond	0.750	1-Sep-21	3.63	24. The Toronto-Dominion Bank	3.589	14-Sep-28	1.62
12. Province of Ontario	2.600	8-Sep-23	3.28	25. PSP Capital Inc.	2.090	22-Nov-23	1.57
13. Bank of Montreal	1.610	28-Oct-21	3.10				

### Bond Quality



### Asset Mix





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