

Interim Management Report of Fund Performance

June 30, 2018

Beutel Goodman Small Cap Fund

Beutel Goodman Small Cap Fund

This Interim 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 request the investment fund's prospectus, proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

Beutel Goodman Managed Funds

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Beutel Goodman Small Cap Fund

Management Discussion of Fund Performance

Investment Objectives and Strategies

The Fund seeks long-term capital appreciation primarily through investments in common shares and other equity securities of smaller capitalization Canadian issuers.

The Fund's advisor works to buy the best economic value in the market regardless of what sector the issuer operates in. The Fund's advisor focuses on purchasing companies at discounts to their business value, defined simply as the present value of sustainable free cash flow.

The Fund may invest in underlying Funds from time to time. Please refer to the Simplified Prospectus for additional information.

The fundamental investment objective of the Fund cannot be changed without the approval of a majority of the investors who own units in the Fund.

Risk

The risks of investing in this Fund remain as discussed in the Prospectus.

This Fund continues to be suitable for investors seeking capital growth with a medium to high tolerance for risk and a long-term investment horizon.

Results of Operations

The Fund posted a negative return and underperformed its S&P/TSX Small Cap Index benchmark over the six month period under review.

Canadian small cap stocks were weak in the first half of 2018, with the S&P/TSX Small Cap Index declining 1.7%. Telecommunication Services was by far the largest declining sector, down 30.21% for the first half of the year, attributable to the only stock in the sector, Trilog. Only three sectors posted positive returns during the period: Energy, Real Estate and Information Technology.

The Bank of Canada hiked the overnight rate by 25 basis points to 1.25% in the first quarter keeping the overnight rate unchanged at 1.25% in the second quarter. The Bank believes that economic data is supportive of the Bank's outlook for growth of 2% in the first half of 2018 and expects headline inflation to run a bit higher in the near term due to recent increases in gasoline prices, while core levels of inflation remain near 2%, consistent with an economy operating close to potential. Canadian 10 year benchmark yields ended the first half marginally higher at 2.17%.

Oil prices were volatile throughout the first half. WTI traded below \$60 amid inventory reports and over \$74 due to expectations of market undersupply resulting from production declines in Venezuela and the resumption of U.S. sanctions on Iran. An agreement by OPEC for modest output increases strengthened prices as the market tried to balance itself between growing production in the U.S. and core OPEC countries and declining production elsewhere in the world. Oil prices were further supported by the U.S.'s push for its allies to cut oil imports from Iran. At the end of the six month period, WTI was \$74.15.

The largest sources of outperformance for the portfolio were in the Real Estate, Utilities and Consumer Discretionary sectors. The largest single contribution in the first half of 2018 came from Colliers International, a commercial real estate services company. Colliers announced strong results as well as further acquisitions, including a strategic 75% ownership in Harrison Street Real Estate Capital LLC. Artizia and Quebecor also provided a significant source of added

value. Fashion retailer Artizia reported strong results. Quebecor outperformed after announcing good results and an agreement to purchase the remaining 18.5% stake in Quebecor Media.

Other notable contributors included Badger Daylighting, Nuvista Energy and CCL Industries.

In terms of detractors, the largest sources of underperformance were in the Energy, Financials and Industrials sectors. WestJet Airlines was the largest detractor for the six month period. The airline reported weaker than expected results, as increasing fuel costs hurt earnings. Uncertainty surrounding a labour dispute with pilots also weighed on the shares, although a strike was averted. This follows the news of the CEO's departure. Uni-Select declined after the company reported weak margins from its newly acquired U.K. auto parts operations and weak organic growth in the U.S. paint business. Linamar detracted despite announcing strong earnings, though modestly below expectations, and suffered from continuing NAFTA/trade tariff uncertainty.

Other detractors included Equitable Group, Paramount Resources and Industrial Alliance.

Two new positions were added to the portfolio during the period: Pinnacle Renewable Holdings and Real Matters. Globally, Pinnacle is the third largest and growing, lowest-quartile cost producer of industrial wood pellets, selling principally to the UK, EU and Japan. Annual industrial wood pellet demand is expected to grow at double digits from 2016-2021 due to it being viewed favourably as a carbon-neutral form of renewable energy. Pinnacle operates six pellet plants in the B.C. interior and is building two new plants. The company sources waste fibre entirely from forestry operations in sustainably certified forests, in addition to sawmill waste products. Pinnacle owns one of only three North American terminals with the ability to load wood pellets into Panamax sized vessels, which is a significant competitive advantage. Further, due to Pinnacle's contracts, revenues and costs are expected to be highly predictable. Pinnacle represents a well-financed, stable cash flow generator, with some near term cash flow growth, as new capacity is brought to production in 2018. Real Matters is a network management services provider operating in the mortgage lending and insurance markets in the U.S. and Canada. Together with proprietary technology and network management capabilities with independent qualified field agents, Real Matters provides residential real estate appraisals and title and mortgage closing services. Potential opportunities include increasing market share in mortgage appraisals and becoming a significant player in the title and closing market.

During the period, the Fund added to several positions with attractive upside. In Materials, the weight of Intertape Polymer was increased along with Leon's Furniture and Uni-Select in Consumer Discretionary. Several Industrials holdings were increased: Badger Daylighting, Cervus Equipment, K-Bro Linen, Rocky Mountain Dealerships and WestJet Airlines. Weight was also added to Superior Plus by participating in the subscription receipts issue.

A process driven sale of Colliers International in the Real Estate sector was executed, and CCL Industries in Materials was trimmed.

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

Beutel Goodman Small Cap Fund

Recent Developments

There have been no changes to the Fund's Manager for the review period.

The current backdrop has been one of uncertainty due to heightened global trade tensions. In the potential event that a trade war escalates further and is sustained, 80 years of trade liberalization and efficiency gains could be lost, tariffs could increase considerably and trade could decline. Extreme protectionism would result in economic losses as global trade slows. To date, the situation is fluid with plenty of uncertainty, fueling fears in the market.

The Canadian small cap market has not shown much weakness in the face of current protectionist measures. In fact, the Canadian M&A market reached its highest level in the past six years in terms of the number of quarterly announced transactions. The current economic backdrop remains supportive of M&A activity, although risks such as rising interest rates, energy prices and trade worries are increasing.

Our bottom-up, stock-specific process identifies valuation opportunities in companies with resilient business models. Downside protection is ingrained in our process and mitigates risk, as stocks trading at a premium to business value are sold. When a tangible risk causes a material change in the fundamentals of a business, our process requires a full review of the position. Overall, the portfolio has retained its defensive stance, with our largest overweight relative to the S&P/TSX Small Cap Index in Consumer Discretionary followed by Industrials and Financials, while our largest underweights are in Materials and Energy.

Related Party Transactions

Beutel, Goodman & Company Ltd. is the Portfolio Advisor to this 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, as approved by the Independent Review Committee by standing instructions, and subject to regulatory requirements.

Fees and Expenses

The following table lists the fees and expenses that you may have to pay if you invest in the Beutel Goodman Managed Funds. You may have to pay some of these fees and expenses directly. The Funds pay the other fees and expenses. This will reduce the value of your investment in a Fund.

Management Fees: We are entitled to a management fee from each class of each 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 each Fund below. Management fees for Class I units are negotiated and paid directly by the investor, not by the Fund, and, therefore, are not listed.

| Fund | Class | Management Fees (%) ⁽¹⁾ |
|----------------|-------|------------------------------------|
| Small Cap Fund | B | 1.95 |
| Small Cap Fund | D | 1.25 |
| Small Cap Fund | F | 1.00 |

(1) Excludes GST/HST where applicable.

We may reduce our management fee for certain large investors who have substantial holdings in units of a Fund. To accomplish this, we reduce the management fee we charge to the Fund and the Fund pays out the difference to these investors as a special distribution. This is called a management fee distribution. We calculate and accrue the reduction daily and distribute it quarterly. The distribution is reinvested on behalf of such unitholders in additional units of the same class of the Fund. Management fee reductions for a unitholder may be increased at any time, but may only be decreased after at least 60 days prior written notice has been given to such unitholder.

We may waive our management fee in certain circumstances.

The Fund paid the Manager management fees, inclusive of HST and net of absorptions, a total of \$640,512 for the period ending June 30, 2018. The management fee for each class of unit is calculated as a percentage of its net asset value, as of the close of business on each business day. The Fund's management fees were used by the Manager to pay costs for managing the investment portfolio, providing investment analysis and recommendations, making investment decisions, making brokerage arrangements for the purchase and sale of the investment portfolio and providing other services. The Manager also used the management fees to fund commission payments and other dealer compensation (collectively called "distribution-related costs") to registered dealers and brokers and financial consultants, for units of the Fund bought and held by investors, which amounted to 19.14% of total management fees paid by the Fund to the Manager in 2017.

Operating Expenses: The Manager pays 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. In return, the Fund pays the Manager a fixed administration fee. The administration fee may vary by class of units and by Fund.

Please refer to the Financial Highlights section for the MERs of the classes of units.

Commissions

Commissions paid to brokers for portfolio transactions were as follows:

| Fund | June 2018 | 2017 | 2016 |
|----------------|-----------|-----------|-----------|
| Small Cap Fund | \$206,264 | \$511,916 | \$738,293 |

Beutel Goodman Small Cap 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 6 month period ended June 30 of the current year and for the past 5 years ended December 31. The December 31 information is derived from the Fund's audited annual financial statements and is provided for each class of units.

Financial Highlights for Class B Units

(for the period ended June 30, 2018 and years ended December 31)

| \$ | June 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|-----------|--------|--------|--------|--------|--------|
| Net assets attributable to holders of redeemable units per unit, beginning of period ⁽¹⁾ | 14.57 | 13.62 | 11.38 | 11.66 | 10.68 | 9.17 |
| Increase (decrease) in net assets attributable to holders of redeemable units: | | | | | | |
| Total Interest Revenue | 0.01 | 0.01 | – | 0.05 | 0.02 | 0.02 |
| Total Dividend Revenue | 0.09 | 0.19 | 0.17 | 0.21 | 0.20 | 0.16 |
| Total revenue | 0.10 | 0.20 | 0.17 | 0.26 | 0.22 | 0.18 |
| Total expenses | (0.16) | (0.34) | (0.30) | (0.33) | (0.34) | (0.28) |
| Realized gains (losses) for the period | 0.86 | 0.55 | 0.65 | 0.33 | 0.52 | (0.19) |
| Realized gains (losses) for the period | (1.32) | 0.51 | 1.60 | (0.42) | 0.55 | 1.82 |
| Total increase (decrease) in net assets attributable to holders of redeemable units ⁽²⁾ | (0.52) | 0.92 | 2.12 | (0.16) | 0.95 | 1.53 |
| Distribution to holders of redeemable units per unit: | | | | | | |
| Net interest income (excluding dividend) | – | – | – | – | – | – |
| Net dividend income | – | – | – | – | – | – |
| Net investment income | – | – | – | – | – | – |
| Realized gains on sale of investments | – | 0.01 | – | 0.16 | – | – |
| Total distribution to holders of redeemable units ⁽³⁾ | – | 0.01 | – | 0.16 | – | – |
| Net assets attributable to holders of redeemable units, end of period ⁽⁴⁾ | 14.03 | 14.57 | 13.62 | 11.38 | 11.66 | 10.68 |

Ratios and Supplemental Data for Class B Units

(for the period ended June 30, 2018 and years ended December 31)

| \$ | June 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|-----------|-------|-------|-------|-------|-------|
| Total net asset attributable to holders of redeemable units (\$) (000's) ⁽⁵⁾ | 6,531 | 6,717 | 5,354 | 4,428 | 4,695 | 3,632 |
| Number of outstanding redeemable units (000's) ⁽⁵⁾ | 466 | 461 | 393 | 389 | 403 | 340 |
| Management expense ratio ^(6a) | 2.29% | 2.29% | 2.29% | 2.29% | 2.20% | 2.20% |
| Management expense ratio before absorptions ^(6b) | N/A | N/A | N/A | N/A | N/A | N/A |
| Portfolio turnover rate ⁽⁷⁾ | 7% | 16% | 23% | 23% | 19% | 19% |
| Trading expense ratio (%) ⁽⁸⁾ | 0.06% | 0.07% | 0.12% | 0.06% | 0.09% | 0.11% |
| Net assets attributable to holders of redeemable units, end of period ⁽⁹⁾ | 14.03 | 14.57 | 13.62 | 11.38 | 11.66 | 10.68 |

Financial Highlights for Class D Units

(for the period ended June 30, 2018 and years ended December 31)

| \$ | June 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|-----------|--------|--------|--------|--------|--------|
| Net assets attributable to holders of redeemable units per unit, beginning of period ⁽¹⁾ | 30.19 | 28.03 | 23.22 | 23.76 | 21.67 | 18.51 |
| Increase (decrease) in net assets attributable to holders of redeemable units: | | | | | | |
| Total Interest Revenue | 0.02 | 0.02 | – | 0.10 | 0.04 | 0.04 |
| Total Dividend Revenue | 0.19 | 0.39 | 0.36 | 0.42 | 0.40 | 0.32 |
| Total revenue | 0.21 | 0.41 | 0.36 | 0.52 | 0.44 | 0.36 |
| Total expenses | (0.22) | (0.45) | (0.40) | (0.43) | (0.44) | (0.37) |
| Realized gains (losses) for the period | 1.77 | 1.17 | 1.29 | 0.75 | 1.01 | (0.31) |
| Realized gains (losses) for the period | (2.85) | 1.06 | 3.51 | (0.81) | 1.36 | 3.49 |
| Total increase (decrease) in net assets attributable to holders of redeemable units ⁽²⁾ | (1.09) | 2.19 | 4.76 | 0.03 | 2.37 | 3.17 |
| Distribution to holders of redeemable units per unit: | | | | | | |
| Net interest income (excluding dividend) | – | – | – | 0.01 | – | – |
| Net dividend income | – | 0.03 | – | 0.14 | 0.08 | 0.07 |
| Net investment income | – | 0.03 | – | 0.15 | 0.08 | 0.07 |
| Realized gains on sale of investments | – | 0.01 | – | 0.34 | – | – |
| Total distribution to holders of redeemable units ⁽³⁾ | – | 0.04 | – | 0.49 | 0.08 | 0.07 |
| Net assets attributable to holders of redeemable units, end of period ⁽⁴⁾ | 29.17 | 30.19 | 28.03 | 23.22 | 23.76 | 21.67 |

Ratios and Supplemental Data for Class D Units

(for the period ended June 30, 2018 and years ended December 31)

| \$ | June 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|-----------|--------|--------|--------|--------|--------|
| Total net asset attributable to holders of redeemable units (\$) (000's) ⁽⁵⁾ | 66,997 | 76,395 | 72,046 | 64,117 | 72,063 | 81,962 |
| Number of outstanding redeemable units (000's) ⁽⁵⁾ | 2,297 | 2,531 | 2,570 | 2,761 | 3,033 | 3,782 |
| Management expense ratio ^(6a) | 1.50% | 1.50% | 1.49% | 1.49% | 1.47% | 1.48% |
| Management expense ratio before absorptions ^(6b) | N/A | N/A | N/A | N/A | N/A | N/A |
| Portfolio turnover rate ⁽⁷⁾ | 7% | 16% | 23% | 23% | 19% | 19% |
| Trading expense ratio (%) ⁽⁸⁾ | 0.06% | 0.07% | 0.12% | 0.06% | 0.09% | 0.11% |
| Net assets attributable to holders of redeemable units, end of period ⁽⁹⁾ | 29.17 | 30.19 | 28.03 | 23.22 | 23.76 | 21.67 |

Beutel Goodman Small Cap 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 6 month period ended June 30 of the current year and for the past 5 years ended December 31. The December 31 information is derived from the Fund's audited annual financial statements and is provided for each class of units.

Financial Highlights for Class F Units

(for the period ended June 30, 2018 and years ended December 31)

| \$ | June 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|-----------|--------|--------|--------|--------|--------|
| Net assets attributable to holders of redeemable units per unit, beginning of period ⁽¹⁾ | 30.75 | 28.61 | 23.67 | 24.28 | 22.21 | 18.95 |
| Increase (decrease) in net assets attributable to holders of redeemable units: | | | | | | |
| Total Interest Revenue | 0.02 | 0.02 | – | 0.11 | 0.04 | 0.04 |
| Total Dividend Revenue | 0.20 | 0.41 | 0.36 | 0.44 | 0.42 | 0.33 |
| Total revenue | 0.22 | 0.43 | 0.36 | 0.55 | 0.46 | 0.37 |
| Total expenses | (0.19) | (0.38) | (0.35) | (0.36) | (0.39) | (0.31) |
| Realized gains (losses) for the period | 1.80 | 1.18 | 1.55 | 0.48 | 0.99 | (0.22) |
| Realized gains (losses) for the period | (2.83) | 0.91 | 3.26 | (1.04) | 0.99 | 3.23 |
| Total increase (decrease) in net assets attributable to holders of redeemable units ⁽²⁾ | (1.00) | 2.14 | 4.82 | (0.37) | 2.05 | 3.07 |
| Distribution to holders of redeemable units per unit: | | | | | | |
| Net interest income (excluding dividend) | – | – | – | 0.02 | – | – |
| Net dividend income | – | 0.18 | 0.05 | 0.25 | 0.21 | 0.09 |
| Net investment income | – | 0.18 | 0.05 | 0.27 | 0.21 | 0.09 |
| Realized gains on sale of investments | – | 0.01 | – | 0.34 | – | – |
| Total distribution to holders of redeemable units ⁽³⁾ | – | 0.19 | 0.05 | 0.61 | 0.21 | 0.09 |
| Net assets attributable to holders of redeemable units, end of period ⁽⁴⁾ | 29.76 | 30.75 | 28.61 | 23.67 | 24.28 | 22.21 |

Ratios and Supplemental Data for Class F Units

(for the period ended June 30, 2018 and years ended December 31)

| \$ | June 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|-----------|--------|--------|-------|-------|-------|
| Total net asset attributable to holders of redeemable units (\$) (000's) ⁽⁵⁾ | 18,540 | 21,092 | 12,595 | 8,322 | 6,164 | 4,891 |
| Number of outstanding redeemable units (000's) ⁽⁵⁾ | 623 | 686 | 440 | 352 | 254 | 220 |
| Management expense ratio ^(6a) | 1.21% | 1.19% | 1.20% | 1.21% | 1.19% | 1.19% |
| Management expense ratio before absorptions ^(6b) | N/A | N/A | N/A | N/A | N/A | N/A |
| Portfolio turnover rate ⁽⁷⁾ | 7% | 16% | 23% | 23% | 19% | 19% |
| Trading expense ratio (%) ⁽⁸⁾ | 0.06% | 0.07% | 0.12% | 0.06% | 0.09% | 0.11% |
| Net assets attributable to holders of redeemable units, end of period ⁽⁹⁾ | 29.76 | 30.75 | 28.61 | 23.67 | 24.28 | 22.21 |

Financial Highlights for Class I Units

(for the period ended June 30, 2018 and years ended December 31)

| \$ | June 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|-----------|--------|--------|--------|--------|--------|
| Net assets attributable to holders of redeemable units per unit, beginning of period ⁽¹⁾ | 32.43 | 30.12 | 24.87 | 25.50 | 23.31 | 19.91 |
| Increase (decrease) in net assets attributable to holders of redeemable units: | | | | | | |
| Total Interest Revenue | 0.02 | 0.03 | – | 0.11 | 0.04 | 0.04 |
| Total Dividend Revenue | 0.21 | 0.42 | 0.38 | 0.45 | 0.44 | 0.36 |
| Total revenue | 0.23 | 0.45 | 0.38 | 0.56 | 0.48 | 0.40 |
| Total expenses | (0.02) | (0.05) | (0.06) | (0.03) | (0.04) | (0.03) |
| Realized gains (losses) for the period | 1.91 | 1.26 | 1.39 | 0.78 | 1.12 | (0.36) |
| Realized gains (losses) for the period | (3.03) | 1.16 | 3.74 | (0.92) | 1.18 | 3.74 |
| Total increase (decrease) in net assets attributable to holders of redeemable units ⁽²⁾ | (0.91) | 2.82 | 5.45 | 0.39 | 2.74 | 3.75 |
| Distribution to holders of redeemable units per unit: | | | | | | |
| Net interest income (excluding dividend) | – | – | – | 0.03 | – | – |
| Net dividend income | – | 0.49 | 0.31 | 0.51 | 0.46 | 0.36 |
| Net investment income | – | 0.49 | 0.31 | 0.54 | 0.46 | 0.36 |
| Realized gains on sale of investments | – | 0.01 | – | 0.37 | – | – |
| Total distribution to holders of redeemable units ⁽³⁾ | – | 0.50 | 0.31 | 0.91 | 0.46 | 0.36 |
| Net assets attributable to holders of redeemable units, end of period ⁽⁴⁾ | 31.56 | 32.43 | 30.12 | 24.87 | 25.50 | 23.31 |

Ratios and Supplemental Data for Class I Units

(for the period ended June 30, 2018 and years ended December 31)

| \$ | June 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|-----------|---------|---------|---------|---------|---------|
| Total net asset attributable to holders of redeemable units (\$) (000's) ⁽⁵⁾ | 540,091 | 584,215 | 558,265 | 493,636 | 527,137 | 507,259 |
| Number of outstanding redeemable units (000's) ⁽⁵⁾ | 17,112 | 18,017 | 18,536 | 19,850 | 20,673 | 21,760 |
| Management expense ratio ^(6a) | 0.07% | 0.07% | 0.11% | 0.11% | 0.11% | 0.11% |
| Management expense ratio before absorptions ^(6b) | 0.11% | 0.11% | N/A | N/A | N/A | N/A |
| Portfolio turnover rate ⁽⁷⁾ | 7% | 16% | 23% | 23% | 19% | 19% |
| Trading expense ratio (%) ⁽⁸⁾ | 0.06% | 0.07% | 0.12% | 0.06% | 0.09% | 0.11% |
| Net assets attributable to holders of redeemable units, end of period ⁽⁹⁾ | 31.56 | 32.43 | 30.12 | 24.87 | 25.50 | 23.31 |

Beutel Goodman Small Cap Fund

- (1) The information for each December 2017, 2016, 2015, 2014 and 2013 is derived from the Fund's annual audited financial statements prepared in accordance with IFRS. The information for June 2018 is derived from the Fund's unaudited statements prepared in accordance with IFRS.
- (2) Net assets attributable to holders of redeemable units per unit and distributions to holders of redeemable units per unit are based on the actual number of redeemable units outstanding for the relevant class at the relevant time. The increase (decrease) in net assets attributable to holders of redeemable units per unit is based on the weighted average number of redeemable units outstanding for the relevant class over the fiscal period.
- (3) Distributions were paid in cash or automatically reinvested in additional redeemable units of the Fund.
- (4) This is not a reconciliation of the beginning and ending net assets per redeemable unit.
- (5) This information is provided as at period end of the period shown.
- (6a) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily net asset value during the period.
- (6b) The Manager may have absorbed some of the fund expenses. If this had occurred, the management fee ratio before any such absorption is listed. The Manager may terminate the absorption at any time, at its discretion. It is not known when such 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 purchases or sales divided by the average value of the portfolio securities of the fund 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 period.
- (9) For the period ended June 2018 and for the years ended December 31, 2017, 2016, 2015, 2014 and 2013, the information provided for processing unitholder transactions is consistent with the information provided for reporting purposes. The information for December 31, 2017, 2016, 2015, 2014 and 2013 is derived from the Fund's annual audited financial statements in accordance with IFRS. The information for June 2018 is derived from the Fund's unaudited financial statements in accordance with IFRS.

Past Performance

The past performance of each class of units of a Fund, if the class has been in continuous existence and offered to the public for at least 12 months (at the date of this document), is explained under the Year-by-Year Returns heading found on the next page.

The performance returns in all cases:

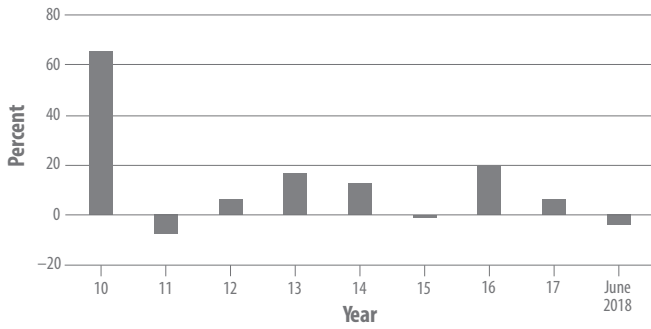
- are calculated as of **December 31** in each year and for the **first 6 months** of the current year;
- assume **all distributions** made by the Fund are **reinvested** to purchase additional redeemable units; and
- show the returns of the particular class of the Fund after any applicable management fees and operating expenses have been deducted, **but are not reduced by any redemption charges, optional charges or income taxes payable by you.**

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

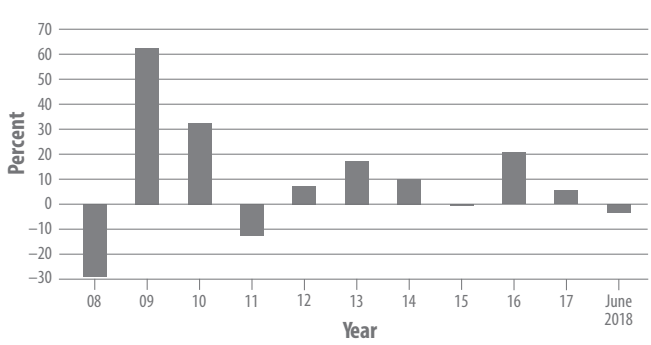
Beutel Goodman Small Cap Fund

Year-by-Year Returns

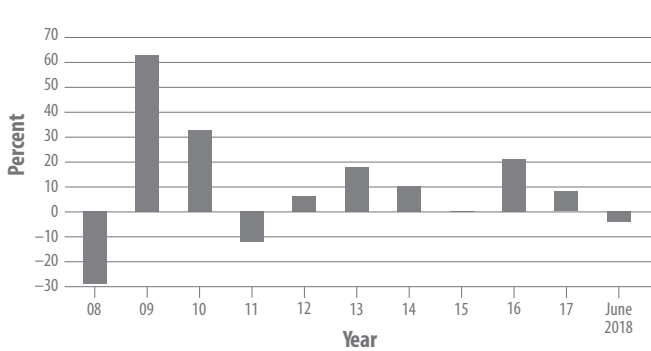
Class B



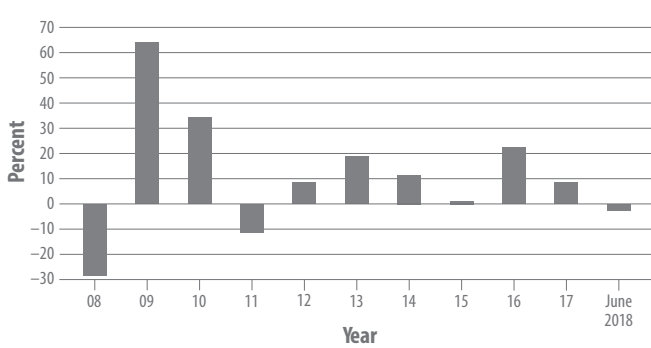
Class D



Class F



Class I



Beutel Goodman Small Cap Fund

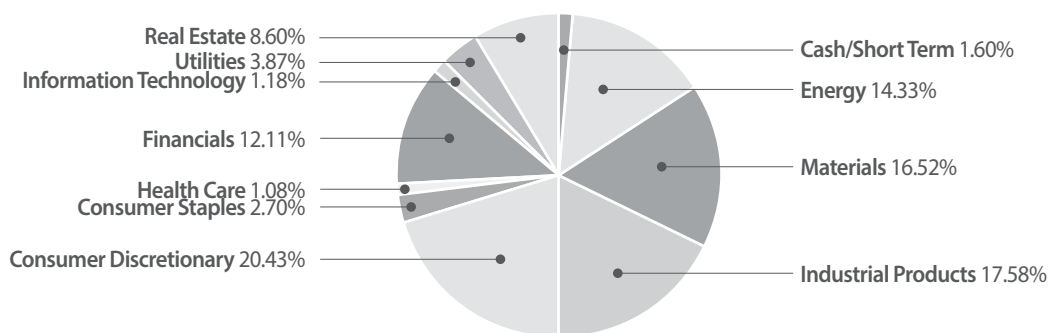
Summary of Investment Portfolio

The following information may change due to the ongoing portfolio transactions of the Fund. More current information regarding the holdings of the Fund may be obtained on our website at www.beutelgoodman.com.

Summary of Top 25 Holdings

| Issuer Name | % of Net Assets | Issuer Name | % of Net Assets |
|--|-----------------|---|-----------------|
| 1. Colliers International Group Inc. | 6.62 | 14. Intertape Polymer Group Inc. | 2.81 |
| 2. Equitable Group Inc. | 5.48 | 15. Major Drilling Group International Inc. | 2.77 |
| 3. Quebecor Inc., Class B | 5.19 | 16. Maple Leaf Foods Inc. | 2.70 |
| 4. Linamar Corp. | 5.05 | 17. Winpak Ltd. | 2.41 |
| 5. Aritzia Inc. | 4.79 | 18. Lundin Mining Corp. | 2.37 |
| 6. WestJet Airlines Ltd. | 4.31 | 19. Canadian Western Bank | 2.36 |
| 7. Industrial Alliance Insurance & Financial Services Inc. | 4.24 | 20. Wajax Corp. | 2.27 |
| 8. Alamos Gold Inc. | 4.11 | 21. Pinnacle Renewable Holdings Inc. | 2.05 |
| 9. Badger Daylighting Ltd. | 4.07 | 22. CCL Industries Inc. | 2.03 |
| 10. Uni-Select Inc. | 4.07 | 23. Birchcliff Energy Ltd. | 1.99 |
| 11. Superior Plus Corp. | 3.87 | 24. FirstService Corp. | 1.97 |
| 12. NuVista Energy Ltd. | 3.72 | 25. AG Growth International Inc. | 1.66 |
| 13. Paramount Resources Ltd., Class A | 3.53 | | |

Asset Mix



Beutel Goodman Small Cap Fund

Other Material Information

Classes of Units: Each of the Funds in the Beutel Goodman family of Funds issues Class B, Class D (formerly Class A), Class F and Class I units, with the exception of the Beutel Goodman Fundamental Canadian Equity Fund, Beutel Goodman Global Dividend Fund and Beutel Goodman Short Term Bond Fund, which issue only Class B, Class F and Class I units. Expenses of each class are tracked separately and a separate net asset is calculated for each class.

The Beutel Goodman Small Cap Fund is available in 4 classes of units: Class B, Class D (formerly Class A), Class F and Class I.

Each Fund may issue an unlimited number of classes of units and may issue an unlimited number of units of each class. The different classes of units of a Fund represent an interest in the same portfolio investments of the Fund.

Class B Units: for retail investors investing a minimum of \$5,000 in a Fund through authorized third-party dealers;

Class D* Units: for retail investors investing a minimum of \$5,000 in a Fund;

Class F Units: for investors investing a minimum of \$5,000 in a Fund, who are enrolled in a dealer-sponsored fee-for-service or wrap program (where various mutual funds are bundled together) who are subject to a periodic asset-based fee, rather than commissions on each transaction, or any other investors for whom we do not incur distribution costs; and

Class I Units: for investors who have invested a minimum of \$500,000 in a Fund and who have entered into an investment management agreement with us, and for our employees (or employees of our affiliates). At our discretion, we may waive the investment minimum.

* Class A units distributed under prior simplified prospectuses have been renamed "Class D" units as of August 13, 2010.

Additional Information

Independent Review Committee

Beutel Goodman Managed Funds Inc., the former Manager of the Beutel Goodman Managed Funds, appointed an Independent Review Committee ("IRC") on May 1, 2007, for each of its public mutual Funds in accordance with the Canadian Securities Administrators' National Instrument 81-107. This Instrument has been designed to promote investor protection in mutual funds. Effective January 1, 2013, as the result of the amalgamation between Beutel Goodman Managed Funds Inc. and Beutel, Goodman & Company Ltd., Beutel, Goodman & Company Ltd. is the Manager of the Beutel Goodman Managed Funds. The IRC actively assumed its role and responsibilities on November 1, 2007. The IRC oversees conflict of interest matters that may arise out of the management of each of the Funds by providing its recommendations or approvals, as required, to the Manager on how these conflicts may be fairly resolved. The IRC for each of the Beutel Goodman Managed Funds consists of three industry professionals, none of whom have an interest in the Funds or Beutel, Goodman & Company Ltd. outside of their roles as members of the IRC. The IRC 2017 Report to Unitholders is available on the Beutel Goodman Managed Funds' website at www.beutelgoodman.com or at the unitholder's request, at no cost, by contacting Beutel, Goodman & Company Ltd. at mutualfunds@beutelgoodman.com.



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