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# BEUTEL GOODMAN MANAGED FUNDS

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Interim Management Report of Fund Performance  
June 30, 2016

BEUTEL GOODMAN Income Fund



## Beutel Goodman ■ Income Fund

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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](http://www.beutelgoodman.com) or SEDAR at [www.sedar.com](http://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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## Management Discussion of Fund Performance

### Investment Objectives and Strategies

This Fund invests primarily in fixed income securities of Canadian government and corporate issuers; investments in foreign fixed income securities are permitted however is not a key strategy for the Fund.

The Fund's advisors focus on creating a high-quality portfolio diversified across Government of Canada, Provincial and Corporate securities – average minimum quality of the fixed income portfolio will be A as rated by DBRS, and the minimum quality for any individual security shall be BBB. The aggregate of such positions shall not exceed 20% of the fixed income portfolio.

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 a steady stream of income, with a low tolerance for risk and a medium to long-term investment time horizon.

### Results of Operations

The Beutel Goodman Income Fund had a positive return over the six month period and outperformed its benchmark, the FTSE TMX Canada Universe Bond Index, on a relative basis.

The Bank of Canada kept the overnight rate unchanged at 0.50% over the past six months. The Bank's latest monetary policy release was fairly neutral, noting that the Canadian economy's structural adjustment to the oil price shock continues, but is proving to be uneven. The Bank cautions to look through second quarter growth which is expected to be weaker than previously forecasted due to the Alberta wildfires. The Bank believes that financial conditions remain accommodative; however ongoing geopolitical factors are contributing to fragile market sentiment. Business investment and intentions remain disappointing to the Bank. The Bank notes that the Canadian dollar has been fluctuating in response to shifting expectations of U.S. monetary policy and higher oil prices. Core inflation close to 2% remains in the Bank's estimation, influenced by the offsetting measures of past exchange rate depreciation and excess capacity. Household vulnerabilities have moved higher reflecting a housing market that displays regional divergences. The Bank contends that the risks to the Bank's inflation projection remain roughly balanced.

For the six months ending June 30, 2016, the U.S. Federal Reserve maintained the Federal Funds rate in the 0.25-0.5% target range. It was a roller coaster ride for rate hike expectations during the latter half of the period. After the dovish tone to both Chair Janet Yellen's speech in late March and the Federal Reserve release in April, markets had priced in a near zero chance of a rate hike at the June meeting. Then, following the release of the FOMC Minutes from the April meeting that indicated that June is a possibility for a rate hike, coupled with a myriad of hawkish speeches from voting and non-voting members of the Federal Reserve, the implied probability of a June rate hike increased to approximately 34%. Then there was the release of the dismal employment figures for May which led expectations for a hike in June back down to zero. A pause is exactly what the Federal Reserve

delivered in June, together with a fairly dovish press conference and lowered Fed Funds Rate projections.

For the six month period under review, the FTSE TMX Canada Bond Universe Index increased 4.05% on a total return basis. The Provincial and Municipal sectors both outperformed the Index during the period, returning 5.34% and 4.64%, respectively. The Corporate and Federal sectors underperformed the Index during the period, returning 4.00% and 2.82%, respectively. Yields across the Canadian curve decreased by 23 basis points on average whereas yields across the U.S. curve decreased, more dramatically, by 67 basis points on average. The flight to quality trade following the Brexit vote sent bond yields plummeting in both markets. Foreign transactions continue to influence the Canadian curve with buying of Canadian product from asset managers, insurance companies and sovereign wealth funds whose domestic interest rates are negative seeking any sort of positive yield.

The Fund had a positive return and outperformed the FTSE TMX Canada Bond Universe Index for the 6 month period. Decisions that contributed to performance include the following: (1) our corporate security selection of safe haven corporate issues, especially in the energy and infrastructure sectors, outperformed not only other corporate sectors, but also provincials; (2) our underweight position in federal securities which underperformed the other sectors during the period. Decisions that detracted from performance include the following: (1) our curve positioning as the yield curve flattened in the latter part of the period and the area of the curve where we are overweight (4-6 years) underperformed other areas of the curve; and (2) our duration positioning as the yield on the FTSE TMX Canada Bond Universe declined by approximately 24 basis points during the period to 1.77%. The negative performance was mitigated during the period as we trimmed some of the magnitude of our short position versus the Index early in the year, and ultimately closed the duration gap in the latter three months.

Relative to its stated investment objectives and strategies the Fund has maintained its quality and diversification standards.

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

### Recent Developments

On January 11, 2016, Derek Brown joined the firm as Senior Vice President, Fixed Income. He joins David Gregoris as co-lead manager of the Fund.

The markets have completely priced out any chance that the U.S. Federal Reserve hikes the Fed Funds rate in 2016. The strength in the U.S. trade-weighted dollar stemming from the declines in sterling and the euro will likely negatively affect the U.S. economy. The recent tightening of financial conditions will be of utmost concern to the Fed. While the Federal Reserve has finally entered its tightening phase, we believe that this phase will be unlike any other in history. First, this tightening phase will likely be, as indicated by the Federal Reserve, gradual and data dependent. The historical tightening model of recent experience under Chairs Greenspan and Bernanke whereby the Federal Reserve hiked 25 basis points each meeting until it reached its terminal rate is not a guide for Chair Yellen's Fed. As recent dovish actions and speeches have indicated, this will be a very cautious Federal Reserve tightening phase. Additionally, growth may be lower than we have experienced in the past due to secular trends such as demographics as well as global trade flows. This likely means that during this tightening phase, the administered rate will

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not likely increase as high as in previous recoveries and therefore duration and curve positioning will have to be adjusted accordingly. This will impact both the timing of future interest rate tightening as well as the magnitude.

The Fund's positioning was adjusted over the period. The duration of the FTSE TMX Canada Bond Universe extended in June and not only did we match the extension, but we also closed the duration gap to the Index. We are currently positioned with neutral duration to the FTSE TMX Canada Bond Universe. We believed that, considering the large degree of uncertainty associated with the British referendum and the potential grave effects on the market from a victory for the 'Leave' side, it was prudent to be neutral heading into the vote on June 23rd. We've lowered our Government of Canada weighting and increased our provincial weighting relative to the Index. We are constructive on corporate credit spreads and participated in some of the new issuance during the period to increase our corporate weighting. We've added four names to the Approved List – North West Redwater LP (NWRP), Bruce Power LP, Bell Canada and Rogers Communications. There were no subtractions to names on our Approved List during the period. We are concentrated and overweight pipelines, utilities, and bank deposit notes.

We are zero weight the cash maturity bucket and are positioned in the short-end of the curve as we believe that the Bank of Canada will keep an easing bias. Our projected roll return versus that of the Index is positive. We are underweight Government of Canada bonds and overweight corporates. We have moved to a market weight in provincial bonds. With respect to our corporate strategy, with interest rates at extremely low levels, it is tempting to reach for yield into lower quality credits to drive performance. We have resisted the urge to relax our disciplined credit standards to gain extra basis points. We are not enticed to chase yield at the expense of the proper evaluation of credit risk. We believe that credit spreads widening post Brexit will likely create opportunities.

The Fund continues to be subject to the portfolio managers' rigorous independent assessment of all corporate fixed income securities to ensure the holdings in the portfolio retain an overall credit quality rating of "A" as ranked by Dominion Bond Rating Service.

## 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 (%) <sup>(1)</sup>
Income Fund	B	up to 1.00
Income Fund	D	up to 0.70
Income Fund	F	up to 0.50

(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, of \$249,375 for the period ending June 30, 2016. 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 17.44% of total management fees paid by the Fund to the Manager in 2015.

**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; 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 Name	June 2016	2015	2014
Income Fund	\$ NIL	\$ NIL	\$ NIL

## 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, 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 6 month period ended June 30 and for the years ended December 31)

	June					
\$	2016	2015	2014	2013	2012	2011
<b>Net assets attributable to holders of redeemable units per unit, beginning of period <sup>(1)</sup></b>	9.62	9.74	9.47	9.92	9.99	9.73
<b>Increase (decrease) in net assets attributable to holders of redeemable units:</b>						
Total Interest Revenue	0.15	0.31	0.33	0.32	0.48	0.52
Total expenses	(0.06)	(0.12)	(0.12)	(0.12)	(0.12)	(0.12)
Realized gains (losses) for the period	0.10	0.08	(0.03)	(0.08)	0.07	0.13
Unrealized gains (losses) for the period	0.16	(0.18)	0.31	(0.40)	(0.15)	0.35
<b>Total increase (decrease) in net assets attributable to holders of redeemable units <sup>(2)</sup></b>	0.35	0.09	0.49	(0.28)	0.28	0.88
<b>Distribution to holders of redeemable units per unit:</b>						
Net investment income	0.10	0.19	0.19	0.20	0.26	0.32
Realized gains on sale of investments	—	—	—	—	—	0.05
<b>Total distribution to holders of redeemable units <sup>(3)</sup></b>	0.10	0.19	0.19	0.20	0.26	0.37
<b>Net assets attributable to holders of redeemable units, end of period <sup>(4)</sup></b>	9.87	9.62	9.74	9.47	9.91	9.99

### Ratios and Supplemental Data for Class B Units (for the 6 month period ended June 30 and for the years ended December 31)

	June					
	2016	2015	2014	2013	2012	2011
<b>Total net assets attributable to holders of redeemable units (\$) (000's) <sup>(5)</sup></b>	2,450	2,590	3,098	4,643	6,703	2,643
<b>Number of outstanding redeemable units (000's) <sup>(5)</sup></b>	248	269	318	491	676	264
<b>Management expense ratio <sup>(6)</sup></b>	1.19%	1.21%	1.19%	1.20%	1.24%	1.24%
<b>Management expense ratio before absorptions <sup>(6)</sup></b>	N/A	N/A	N/A	N/A	N/A	N/A
<b>Portfolio turnover rate <sup>(7)</sup></b>	133%	117%	114%	76%	99%	89%
<b>Trading expense ratio (%) <sup>(8)</sup></b>	—	—	—	—	—	—
<b>Net assets attributable to holders of redeemable units, end of period <sup>(9)</sup></b>	9.87	9.62	9.74	9.47	9.92	10.00

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## Financial Highlights for Class D Units

(for the 6 month period ended June 30 and for the years ended December 31)

	June					
\$	2016	2015	2014	2013	2012	2011
Net assets attributable to holders of redeemable units per unit, beginning of period <sup>(1)</sup>	12.03	12.18	11.85	12.42	12.48	12.08
<b>Increase (decrease) in net assets attributable to holders of redeemable units:</b>						
Total Interest Revenue	0.19	0.39	0.40	0.40	0.48	0.52
Total expenses	(0.05)	(0.09)	(0.09)	(0.09)	(0.10)	(0.10)
Realized gains (losses) for the period	0.12	0.10	(0.03)	(0.09)	0.07	0.13
Unrealized gains (losses) for the period	0.20	(0.23)	0.38	(0.50)	(0.15)	0.35
<b>Total increase (decrease) in net assets attributable to holders of redeemable units <sup>(2)</sup></b>	<b>0.46</b>	<b>0.17</b>	<b>0.66</b>	<b>(0.28)</b>	<b>0.30</b>	<b>0.90</b>
<b>Distribution to holders of redeemable units per unit:</b>						
Net investment income	0.15	0.29	0.30	0.30	0.36	0.37
Realized gains on sale of investments	—	—	—	—	—	0.06
<b>Total distribution to holders of redeemable units <sup>(3)</sup></b>	<b>0.15</b>	<b>0.29</b>	<b>0.30</b>	<b>0.30</b>	<b>0.36</b>	<b>0.43</b>
Net assets attributable to holders of redeemable units, end of period <sup>(4)</sup>	12.34	12.03	12.18	11.85	12.40	12.48

## Ratios and Supplemental Data for Class D Units

(for the 6 month period ended June 30 and for the years ended December 31)

	June					
	2016	2015	2014	2013	2012	2011
Total net assets attributable to holders of redeemable units (\$) (000's) <sup>(5)</sup>	66,783	68,740	86,972	110,455	189,205	193,039
Number of outstanding redeemable units (000's) <sup>(5)</sup>	5,411	5,713	7,139	9,322	15,238	15,451
Management expense ratio <sup>(6)</sup>	0.78%	0.78%	0.76%	0.77%	0.77%	0.80%
Management expense ratio before absorptions <sup>(6)</sup>	N/A	N/A	N/A	N/A	N/A	N/A
Portfolio turnover rate <sup>(7)</sup>	133%	117%	114%	76%	99%	89%
Trading expense ratio (%) <sup>(8)</sup>	—	—	—	—	—	—
Net assets attributable to holders of redeemable units, end of period <sup>(9)</sup>	12.34	12.03	12.18	11.85	12.42	12.49

## Financial Highlights for Class F Units

(for the 6 month period ended June 30 and for the years ended December 31)

	June					
\$	2016	2015	2014	2013	2012	2011
Net assets attributable to holders of redeemable units per unit, beginning of period <sup>(1)</sup>	9.68	9.79	9.53	9.99	10.04	9.74
<b>Increase (decrease) in net assets attributable to holders of redeemable units:</b>						
Total Interest Revenue	0.14	0.31	0.31	0.33	0.48	0.52
Total expenses	(0.03)	(0.07)	(0.06)	(0.07)	(0.07)	(0.07)
Realized gains (losses) for the period	0.10	0.08	0.01	(0.08)	0.07	0.13
Unrealized gains (losses) for the period	0.17	(0.02)	0.30	(0.39)	(0.15)	0.35
<b>Total increase (decrease) in net assets attributable to holders of redeemable units <sup>(2)</sup></b>	<b>0.38</b>	<b>0.30</b>	<b>0.56</b>	<b>(0.21)</b>	<b>0.33</b>	<b>0.93</b>
<b>Distribution to holders of redeemable units per unit:</b>						
Net investment income	0.13	0.23	0.27	0.26	0.30	0.34
Realized gains on sale of investments	—	—	—	—	—	0.05
<b>Total distribution to holders of redeemable units <sup>(3)</sup></b>	<b>0.13</b>	<b>0.23</b>	<b>0.27</b>	<b>0.26</b>	<b>0.30</b>	<b>0.39</b>
Net assets attributable to holders of redeemable units, end of period <sup>(4)</sup>	9.93	9.68	9.79	9.53	9.98	10.04

## Ratios and Supplemental Data for Class F Units

(for the 6 month period ended June 30 and for the years ended December 31)

	June					
	2016	2015	2014	2013	2012	2011
Total net assets attributable to holders of redeemable units (\$) (000's) <sup>(5)</sup>	4,746	4,547	14,819	5,468	9,071	8,069
Number of outstanding redeemable units (000's) <sup>(5)</sup>	478	470	1,514	574	908	802
Management expense ratio <sup>(6)</sup>	0.67%	0.67%	0.66%	0.66%	0.68%	0.68%
Management expense ratio before absorptions <sup>(6)</sup>	N/A	N/A	N/A	N/A	N/A	N/A
Portfolio turnover rate <sup>(7)</sup>	133%	117%	114%	76%	99%	89%
Trading expense ratio (%) <sup>(8)</sup>	—	—	—	—	—	—
Net assets attributable to holders of redeemable units, end of period <sup>(9)</sup>	9.93	9.68	9.79	9.53	9.99	10.06

## Financial Highlights for Class I Units (for the 6 month period ended June 30 and for the years ended December 31)

\$	June					
	2016	2015	2014	2013	2012	2011
<b>Net assets attributable to holders of redeemable units per unit, beginning of period <sup>(1)</sup></b>	12.34	12.50	12.16	12.76	12.83	12.42
<b>Increase (decrease) in net assets attributable to holders of redeemable units:</b>						
Total Interest Revenue	0.18	0.40	0.40	0.42	0.48	0.52
Total expenses	—	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Realized gains (losses) for the period	0.13	0.14	(0.02)	(0.11)	0.07	0.13
Unrealized gains (losses) for the period	0.20	(0.20)	0.37	(0.49)	(0.15)	0.35
<b>Total increase (decrease) in net assets attributable to holders of redeemable units <sup>(2)</sup></b>	0.51	0.33	0.74	(0.19)	0.39	0.99
<b>Distribution to holders of redeemable units per unit:</b>						
Net investment income	0.20	0.40	0.41	0.41	0.46	0.49
Realized gains on sale of investments	—	—	—	—	—	0.06
<b>Total distribution to holders of redeemable units <sup>(3)</sup></b>	0.20	0.40	0.41	0.41	0.46	0.55
<b>Net assets attributable to holders of redeemable units, end of period <sup>(4)</sup></b>	12.66	12.34	12.50	12.16	12.75	12.83

## Ratios and Supplemental Data for Class I Units (for the 6 month period ended June 30 and for the years ended December 31)

	June					
	2016	2015	2014	2013	2012	2011
<b>Total net assets attributable to holders of redeemable units (\$) (000's) <sup>(5)</sup></b>	808,673	876,317	2,014,281	2,097,822	1,993,881	1,682,709
<b>Number of outstanding redeemable units (000's) <sup>(5)</sup></b>	63,868	70,989	161,090	172,438	156,253	131,025
<b>Management expense ratio <sup>(6)</sup></b>	0.04%	0.04%	0.04%	0.04%	0.11%	0.09%
<b>Management expense ratio before absorptions <sup>(6)</sup></b>	N/A	N/A	N/A	N/A	N/A	N/A
<b>Portfolio turnover rate <sup>(7)</sup></b>	133%	117%	114%	76%	99%	89%
<b>Trading expense ratio (%) <sup>(8)</sup></b>	—	—	—	—	—	—
<b>Net assets attributable to holders of redeemable units, end of period <sup>(9)</sup></b>	12.66	12.34	12.50	12.16	12.76	12.84

- (1) The information for June 2016, December 2015, December 2014 and December 2013 is derived from the Fund's financial statements prepared in accordance with IFRS. The information for prior years is derived from the Fund's annual audited financial statements prepared based on Canadian GAAP.
- (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.
- (6) 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.
- (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) The information for June 2016, December 2015, December 2014 and December 2013 is derived from the Fund's financial statements prepared in accordance with IFRS. Prior to January 1, 2013, for the purpose of processing unitholder transactions, net assets were calculated based on the closing market price, while for financial statement purposes net assets were calculated based on bid/ask price. For the period ending June 30, 2016 and for the years ended December 31, 2015, December 31, 2014 and December 31, 2013, the information provided for processing unitholder transactions is consistent with the information provided for reporting purposes.

## 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 and Annual Compound Returns headings found below. In years where the class of a Fund has less than 12 months of performance data, the annual rate of return has been annualized.

The performance returns in all cases:

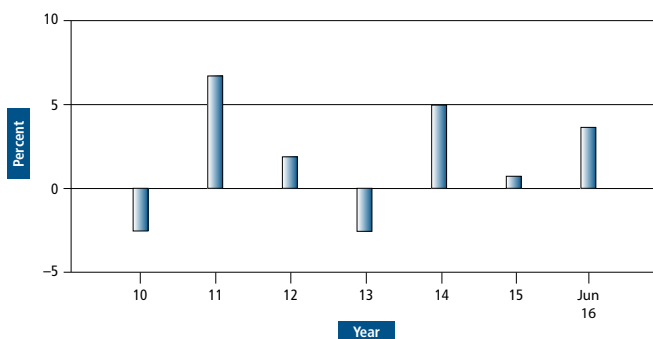
- are calculated as of **December 31** in each year and for the first 6 months of the current year;
- assume **all distributions** made by the Fund are reinvested to purchase additional redeemable units; and
- show the returns of the particular class of the Fund after any applicable management fees and 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.**

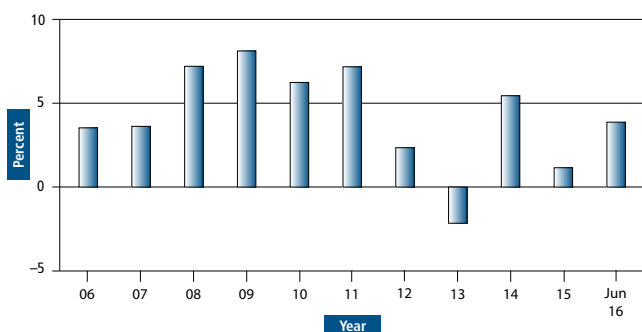


## Year-by-Year Returns

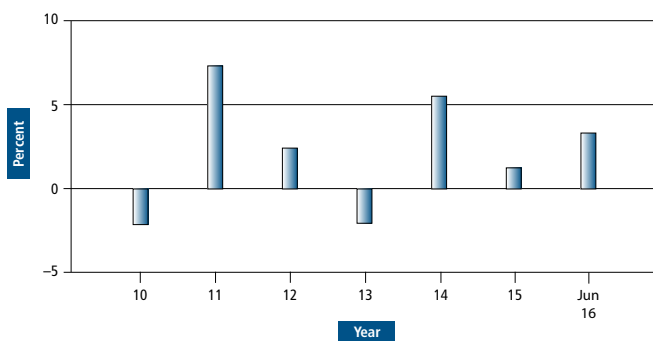
### Class B



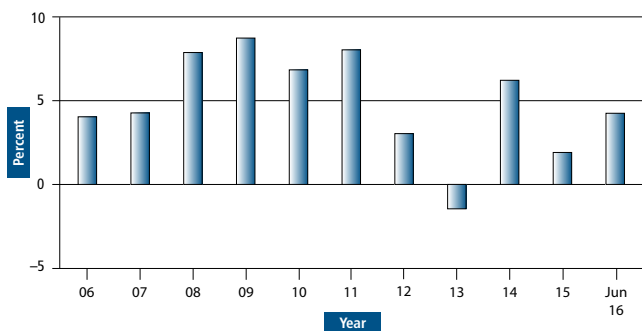
### Class D



### Class F



### Class I



## Annual Compound Returns

The following table shows the historical annual compound total returns, as compared to the performance of the FTSE TMX Canada Universe Bond Index.

Class B	Since Inception	Past 5 Years	Past 3 Years	Past Year
Beutel Goodman Income Fund – Class B	2.60%	2.73%	2.32%	3.60%
FTSE TMX Canada Universe Bond Index	4.75%	5.18%	5.60%	5.22%

For Class B units, a return calculated since its inception of September 27, 2010 and ended June 30, 2016, and for the past five, three and one year periods ended June 30, 2016 has been provided.

Class D	Past 10 Years	Past 5 Years	Past 3 Years	Past Year
Beutel Goodman Income Fund – Class D	4.56%	3.19%	3.39%	4.05%
FTSE TMX Canada Universe Bond Index	5.60%	5.18%	5.60%	5.22%

For Class D units, a return calculated for the past ten, five, three and one year periods ended on June 30, 2016 has been provided.

Class F	Since Inception	Past 5 Years	Past 3 Years	Past Year
Beutel Goodman Income Fund – Class F	3.11%	3.19%	2.70%	3.59%
FTSE TMX Canada Universe Bond Index	4.75%	5.18%	5.60%	5.22%

For Class F units, a return calculated since its inception of September 27, 2010 and ended June 30, 2016, and for the past five, three and one year periods ended June 30, 2016 has been provided.

Class I	Past 10 Years	Past 5 Years	Past 3 Years	Past Year
Beutel Goodman Income Fund – Class I	5.43%	3.93%	4.15%	4.82%
FTSE TMX Canada Universe Bond Index	5.60%	5.18%	5.60%	5.22%

For Class I units, a return calculated for the past ten, five, three and one year periods ended June 30, 2016 has been provided.

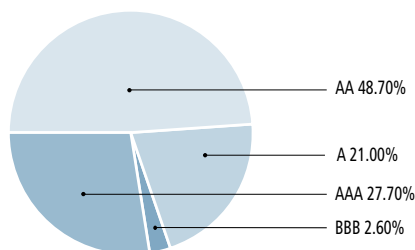
## Summary of Investment Portfolio

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).

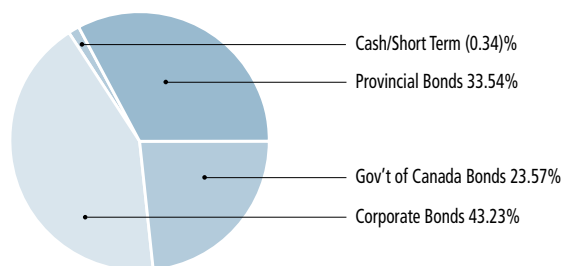
### Summary of Top 25 Holdings

Issuer Name	Coupon Rate (%)	Maturity Date	% of Net Assets	Issuer Name	Coupon Rate (%)	Maturity Date	% of Net Assets
1. Canada Government	3.500%	1-Dec-45	4.63	14. Royal Bank of Canada	2.770%	11-Dec-18	2.06
2. Province of Ontario	2.600%	2-Jun-25	3.44	15. Canada Government	0.250%	1-May-18	2.05
3. Canada Housing Trust No. 1	1.950%	15-Jun-19	3.35	16. Royal Bank of Canada	1.400%	26-Apr-19	1.89
4. Province of Ontario	2.900%	2-Dec-46	3.32	17. Province of Ontario	4.000%	2-Jun-21	1.87
5. Province of Ontario	2.850%	2-Jun-23	3.23	18. Canadian Imperial Bank of Commerce	1.700%	9-Oct-18	1.68
6. Canada Government	0.750%	1-Mar-21	3.19	19. Royal Bank of Canada	1.920%	17-Jul-20	1.64
7. Canada Government	1.500%	1-Jun-26	2.79	20. Province of Ontario	2.400%	2-Jun-26	1.47
8. Province of Ontario	3.500%	2-Jun-24	2.74	21. The Toronto-Dominion Bank	2.045%	8-Mar-21	1.47
9. Canada Housing Trust No. 1	4.100%	15-Dec-18	2.55	22. Province of Ontario	2.100%	8-Sep-18	1.41
10. Province of Ontario	3.150%	2-Jun-22	2.42	23. Royal Bank of Canada	2.030%	15-Mar-21	1.37
11. Canada Housing Trust No. 1	1.250%	15-Jun-21	2.38	24. The Toronto-Dominion Bank	2.621%	22-Dec-21	1.19
12. Province of Ontario	4.200%	2-Jun-20	2.26	25. TransCanada PipeLines Ltd.	8.290%	5-Feb-26	1.16
13. Canada Housing Trust No. 1	1.250%	15-Dec-20	2.22				

### Bond Quality



### Asset Mix



## *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 Income 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 and whose dealer has signed a Class F agreement, or any other investors for whom we do not incur distribution costs, such as our employees (or affiliated corporations);

**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. 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 2015 Report to Unitholders is available on the Beutel Goodman Managed Funds' website at [www.beutelgoodman.com](http://www.beutelgoodman.com) or at the unitholder's request, at no cost, by contacting Beutel, Goodman & Co. Ltd. at [mutualfunds@beutelgoodman.com](mailto:mutualfunds@beutelgoodman.com).

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