Beutel Goodman **American Equity Fund**

Top 10 Holdings (%)

VERIZON COMMUNICATIONS	6.80
PARKER HANNIFIN CORP	6.20
AMERISOURCE-BERGEN	6.00
AUTOZONE INC	5.80
INGERSOLL-RAND PLC	5.60
ORACLE CORP	5.50
AMDOCS LTD	5.20
KELLOGG CO	5.10
LYONDELLBASELL	5.00
OMNICOM GROUP INC	4.90

Sector Weights vs Benchmark

SECTOR WEIGHTS (%)			UNDERWEIGHT/OVERWEIGHT %
Sector	**BG**	**S&P 500 C$**	
Telecom.	6.79	2.06	4.7
Industrial	13.52	10.26	3.3
Consumer S.	11.04	8.20	2.8
Materials	4.96	3.00	2.0
Consumer D.	13.71	12.20	1.5
Health Care	15.05	13.84	1.2
Financials	13.01	14.78	-1.8
Energy	4.07	6.07	-2.0
Real Estate	0.00	2.89	-2.9
Utilities	0.00	2.93	-2.9
Info. Tech.	14.41	23.76	-9.4
Cash	3.42		

Performance % (ANNUALIZED) to December 31, 2017

BG American Equity Fund	Current Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
Total Portfolio	5.63	13.89	14.84	15.41	18.03	22.39	13.31
S&P 500 Index C$	6.84	13.64	11.10	14.29	16.64	21.24	11.10
Management Effect	**-1.21**	**0.25**	**3.74**	**1.12**	**1.38**	**1.14**	**2.21**

Performance % (ANNUAL) to December 31, 2017

BG American Equity Fund	2017	2016	2015	2014	2013
Total Portfolio	13.89	15.80	16.55	26.25	41.49
S&P 500 Index C$	13.64	8.61	20.96	24.00	41.53
Management Effect	**0.25**	**7.19**	**-4.41**	**2.25**	**-0.04**

Investment Strategy

The Fund seeks long-term enhancement of capital primarily through investments in common stocks and other equity securities of American issuers. The number of stocks held is between 25-50.

Investment Results

The Beutel Goodman American equity portfolio underperformed the S&P500 C$ Index in the fourth quarter, but finished the year outperforming the benchmark. Continuing the prior quarter's momentum, the index completed the year at an all-time high, with Information Technology and Financials as key drivers.

During the fourth quarter, the U.S. Federal Reserve hiked the Federal Funds rate by 25 basis points to a target range of 1.25-1.5%. The Fed believes that the labour market has continued to strengthen and that economic activity has been rising at a solid rate. Inflation remains a thorn in the central bank's side, as the Fed noted that on a 12-month basis, both overall inflation and inflation ex-food and energy have declined and are running below 2%.

The Fund's underperformance for the quarter was primarily due to stock selection effects.

Information Technology, Consumer Staples and Consumer Discretionary provided areas of relative underperformance, the majority of which was due to stock selection. Main detractors for the quarter included Merck & Co. in Health Care, which was weak post management's comments on the timing of an important drug trial, possibly widening the opportunity for competition. Oracle in Information Technology was weak following disappointing results. Allegion was also a detractor over the period after posting lower organic growth for the third quarter.

The Financials, Health Care and Materials sectors were the leading contributors, predominantly due to stock selection effects. Major contributors for the quarter included AutoZone in Consumer Discretionary, outperforming as the perceived threat of online competition dissipated. Parker Hannifin in Industrials outperformed after reporting results that included posting strong organic growth. Financial holdings Ameriprise and American Express were also main contributors over the period.

Sector weighting effects were slightly positive for the quarter, with the largest sector benefit coming from a lack of exposure to Utilities, as the sector underperformed the index for the quarter. Our overweight in Consumer Staples added to performance while our overweight positioning in Telecommunications Services and underweight in Information Technology had a negative impact.

Portfolio Strategy & Activity

Two new positions were added to the portfolio during the quarter: **Campbell Soup** and **Harley-Davidson.** Contrary to the name, Campbell Soup owns many food brands other than soup, although soup drives about 1/3 of sales for the company. Harley-Davidson is focused on being the best motorcycle company in the world. The company sells about 260,000 bikes a year, with 4 manufacturing plants in the U.S. and several assembly plants overseas, and boasts a 50% market share in the U.S.

We also added to our positions in **AmerisourceBergen** and **Omnicom**, as these newer positions continue to offer very attractive return opportunities, despite ongoing negative investor sentiment. Our weight in **Halliburton** was also increased.

Transactions on the sell side for the quarter were highlighted by the complete sale of long term holding **CVS Health** following the announcement by the company to acquire managed care company Aetna. This will fundamentally change the make-up of the company and its business model to a state where determining its long-term business value is exceedingly difficult.

Also during the quarter, process driven one-third sales were completed in **American Express, Ameriprise Financial, United Technologies, JP Morgan** and **Teradyne.** All names continue to be held with the two Financials names, American Express and Ameriprise, remaining key holdings. **AutoZone** and **Parker Hannifin** were trimmed on strength during the quarter, as was **Johnson & Johnson.**

Outlook

Things could not be better for momentum investors. Q4 capped off a great year for markets, one of many since the market bottomed in 2009 and has steadily marched higher. On a macro level, we have improving growth and near full-employment with limited signals of inflation. We have deep corporate tax cuts coming that "are not expected" to be competed away or whittled down by higher pay packages to senior managements that were able to deliver improved earnings. We have the teardown of regulations, leading to increased potential that M&A will be accepted by regulators. Things could not look much better than they do now. Valuations appear to be less important or irrelevant to the market when there is so much runway ahead.

Given the relatively slow but steady economic recovery thus far, share price returns have run ahead of revenue and earnings growth, leaving the outperformance to be driven by significant margin expansion and/or valuation multiple expansion. Finding new opportunities that meet our high hurdle rate remains a challenge. While there are still large swathes of the market that we currently find too expensive relative to fundamental values, we are starting to see wider dispersions in share price performance that is leading to some potential opportunities for the fund down the road. Stocks that face near term headwinds have tended to deviate further from their intrinsic values, while richer multiple "can't miss" stocks have tended to garner even richer multiples. While sparse, there remains a growing pool of potential great franchises that meet our high and strict investment guidelines and return thresholds. Over the past year, we have added more stocks than subtracted.

Disclosure Notes

Investment returns are expressed in Canadian dollars unless otherwise noted, gross of investment management fees and net of operating expenses for Beutel Goodman funds. Returns are time weighted and annualized for periods greater than one year. Client returns may vary due to cash flow timing and client-specific constraints.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in unit values and reinvestment of all dividends or distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

The I class units of the Short Term Bond Fund were not offered under a prospectus for the period since performance inception to October 4, 2010 (the prospectus start date). The I class units of the Global Dividend Fund were not offered under a prospectus for the period since performance inception to September 14, 2010 (the prospectus start date). Please see the related product profiles for the inception dates of these funds. The I class units of the Global Equity Fund were not offered under a prospectus for the period since its 1995 performance inception to July 6, 2011 (the prospectus start date). Performance for each of these Funds is combined to include both of these periods. The expenses of these Funds would have been higher during these periods had these Funds been subject to additional regulatory requirements applicable to a fund whose units are offered under a prospectus.

Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

FTSE TMX Global Debt Capital Markets Inc ("FTDCM"), FTSE International Limited ("FTSE"), the London Stock Exchange Group companies (the "Exchange") or TSX INC. ("TSX" and together with FTDCM, FTSE and the Exchange, the "Licensor Parties"). The Licensor Parties make no warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the relevant Index and/or the figure at which the said Index stands at any particular time on any particular day or otherwise. The Index is compiled and calculated by FTSEDCM and all copyright in the Index values and constituent lists vests in FTDCM. The Licensor Parties shall not be liable (whether in negligence or otherwise) to any person for any error in the Index and the Licensor Parties shall not be under any obligation to advise any person of any error therein. "TMX" is a trade mark of TSX Inc. and is used under licence. "FTSE®" is a trade mark of the FTSE International Limited and is used by FTDCM under licence".

The index information contained in this document has been obtained from sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such.

This document does not constitute an offer to buy or sell any securities, products or services and should not be construed as specific investment advice. All opinions and estimates expressed in this document are as of the time of its publication and are subject to change. No use of the Beutel Goodman name or any information contained in this report may be copied or redistributed without the prior written approval of Beutel, Goodman & Company Ltd.

Pooled Asset Management for Institutional Clients

For more information on any of our pooled institutional products, please contact:

Nancy Chew | nchew@beutelgoodman.com
Bruce Shewfelt | bshewfelt@beutelgoodman.com

Head Office

Beutel, Goodman & Company Ltd.
20 Eglinton Avenue West, Suite 2000,
P.O. Box 2005, Toronto, Ontario, Canada M4R 1K8

Telephone: 416 485 1010 | Toll-free: 1 800 461 4551
www.beutelgoodman.com

BG BEUTEL GOODMAN
Investment Counsel