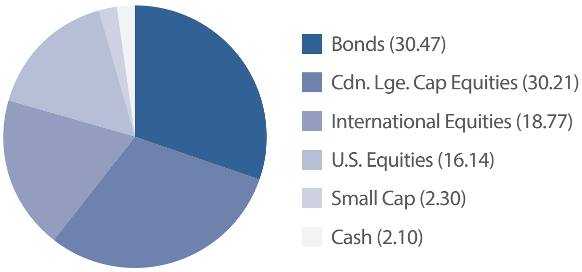
Beutel Goodman **Balanced Fund**

Top 10 Equity Holdings (%)

ROYAL BANK CDA	3.12
TORONTO DOMINION BK	3.08
BANK OF NOVA SCOTIA	2.09
ROGERS COMMUNICATIONS	1.72
CDN NATURAL RES	1.60
MAGNA INTL INC	1.60
BROOKFIELD ASSET MGT	1.56
VERIZON COMMUNICATIONS	1.14
CDN NATL RAILWAY	1.08
CANADIAN TIRE CORP	1.05

Asset Mix Weightings (%)



Performance % (ANNUALIZED) to December 31, 2017

BG Balanced Fund	Current Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
Fixed Income	2.12	2.83	2.59	2.40	3.35	2.40	4.68
FTSE TMX Universe	2.02	2.52	2.09	2.56	4.09	3.01	4.67
Canada	4.47	10.62	15.49	8.61	9.61	12.90	8.54
S&P/TSX	4.45	9.10	14.93	6.59	7.57	8.63	4.65
United States	5.88	14.74	15.32	15.95	18.63	23.30	13.90
S&P500 C$	6.84	13.64	11.10	14.29	16.64	21.24	11.10
International	5.41	23.02	12.90	12.72	8.26	10.55	4.62
EAFE C$	4.42	16.61	6.89	10.58	8.82	12.98	4.38
Cash / Cash Equivalents	0.22	0.84	0.58	0.60	0.73	0.76	0.91
Total Portfolio	4.12	11.16	10.82	8.67	8.84	10.55	7.69
BG Balanced Benchmark	3.56	7.57	7.69	6.36	7.27	8.15	5.53
Management Effect	**0.56**	**3.59**	**3.14**	**2.30**	**1.57**	**2.39**	**2.16**

Performance % (ANNUAL) to December 31, 2017

BG Balanced Fund	2017	2016	2015	2014	2013
Total Portfolio	11.16	10.49	4.47	9.37	17.63
BG Balanced Benchmark	7.57	7.80	3.77	10.06	11.74
Management Effect	**3.59**	**2.69**	**0.70**	**-0.69**	**5.89**

Investment Strategy

The Fund seeks to enhance long-term capital value by investing in fixed income securities and Canadian, U.S. and international equity securities.

Investment Results

The Beutel Goodman balanced portfolio posted a positive return for the fourth quarter of 2017 and outperformed the Beutel Goodman Balanced Benchmark. Added value was due to asset allocation over the period. An underweight in fixed income and overweight position in Canadian, U.S. and international equities added value over the period.

Global growth appears both robust and broad based. The latest Euro area manufacturing PMI was reported at the highest level it has been since inception, driven by stronger global demand. Although low, inflation in the region has shown signs of upward movement. Growth forecasts by the ECB for the area have been increased to 2.4% and 2.3% for 2017 and 2018 respectively. As well, the UK economy is showing solid expansion, despite Brexit concerns. Japan's economic outlook also continues to strengthen, with Q3 GDP expanding by 2.5%. During the quarter, Shinzo Abe was re-elected as Prime Minister of Japan with a supermajority, which propelled the Japanese market higher due to his favourable view on continued stimulus.

Canadian interest rates were virtually unchanged across the curve on average during the quarter, but there were significant and opposing movements in the short versus the long end of the curve. Yields in the 1 to 5 year area of the curve increased by 14 basis points, as a December speech and interview by Governor Poloz tilted the market to price in additional rate hikes in 2018. Conversely, yields in the long end of the curve decreased by approximately 20 basis points as inflation data continued to disappoint market expectations. After hiking the overnight rate twice during the third quarter and effectively removing the 50 basis points of emergency monetary policy stimulus, the Bank of Canada turned dovish during the fourth quarter and remained on hold. The Bank became cautious about the effect of the tightening on consumer debt and spending, uncertainty regarding NAFTA, and the appreciation of the Canadian dollar.

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 Canadian equity component slightly underperformed the S&P/TSX return of 4.5% due to negative stock selection effects. Sector allocation effects were slightly positive, as positive effects from an underweight in Energy outweighed negative effects from an underweight in Health Care. With respect to stock selection, the largest positive effect came from Energy. Canadian Natural Resources outperformed, as the company continues to report solid results. Suncor gained 3.1% and we took the opportunity to exit our small position in the stock. Our inability to find value in Enbridge benefitted relative performance, as the stock declined due to an earnings miss. These positive effects were offset by negative stock selection in Consumer Staples and Financials. The grocers continue to underperform due to weak sector sentiment including increasing labor cost and both Metro and Loblaw underperformed. In Financials, each of our bank holdings advanced during the quarter, with CIBC the top absolute performer, rising 13.4%. The banks in general have benefitted from the positive economic environment, combined with expectations of a gradual increase in interest rates by the Bank of Canada. The remaining holdings in Financials contributed to performance, with the exception of Great West Lifeco, Thomson Reuters and Onex.

The U.S. equity component's underperformance for the quarter was primarily due to stock selection. Information Technology and Consumer Staples were the largest detractors with respect to stock selection. In Information Technology, Oracle was weak following disappointing results and Symantec declined after reporting results and lowering forward guidance. In Consumer Staples, CVS Health announced they would acquire managed care company Aetna, an enormous deal which 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. We exited the position during the quarter. Major contributors for the quarter included AutoZone in Consumer Discretionary,

Asset Class	Performance Benchmark Return	BG Fully-Discretionary Balanced Mandate Return	Performance Benchmark Weight	Closing Weight 4Q 2017	Closing Weight 3Q 2017
Cash & Cash Equivalents	0.2%	0.2%	5.0%	2.1%	0.4%
Fixed Income	2.0%	2.1%	40.0%	30.5%	30.3%
Equity	5.0%	5.1%	55.0%	67.4%	69.3%
- Canada	4.5%	4.5%	30.0%	32.5%	33.3%
- U.S.	6.8%	5.9%	12.0%	16.1%	16.6%
- EAFE	4.4%	5.4%	13.0%	18.8%	19.4%
Total Returns	3.6%	4.1%			
Total Added Value		0.6%			

Benchmark: Cash=91-day T-Bills / Fixed Income=FTSE/TMX Canada Universe Bond Index / Canadian Equity=S&P/TSX Composite Index / U.S. Equity=C$ S&P500 Index / International Equity=C$ MSCI EAFE Index. Returns are gross of fees & expenses.

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outperforming as the perceived threat of online competition dissipated. Parker Hannifin in Industrials outperformed after reporting results that included posting strong organic growth, in addition to expanding margins. Financial holdings Ameriprise and American Express were also main contributors over the period. In Health Care, AmerisourceBergen was a positive contributor, after rebounding from the previous quarter with stabilizing industry pricing trends. Further outperformance came from our Materials holding LyondellBasell. Sector weighting effects were slightly positive for the quarter, due to a lack of exposure to Utilities and an overweight in Consumer Staples. Our overweight positioning in Telecommunications Services and underweight in Information Technology offset these positive effects.

The international equity component outperformed, with positive stock selection aided slightly by positive sector allocation, as the benefit from our overweight in Materials and zero-weight in Utilities more than offset weakness from our overweight in Telecommunications. In terms of stock selection, the strongest contribution came from the Financials sector. While all of our holdings outperformed in the period, DBS, and to a lesser extent, Resona, drove the majority of the outperformance. The Consumer Staples sector was also a positive contributor to stock selection. Our Japanese holdings, FamilyMart and Kao, posted very strong returns while Carlsberg also contributed nicely. Materials was a source of underperformance, as Norsk Hydro's good showing was not enough to offset the weakness from Akzo Nobel and Air Liquide, which lagged the strong mining rally.

During the fourth quarter, the FTSE TMX Canada Universe Bond Index increased by 2.02% on a total return basis. The Provincial and Municipal sectors both outperformed the index during the quarter, returning 3.38% and 2.99% respectively. The Corporate and Federal sectors both underperformed the index during the quarter, returning 1.87% and 0.87% respectively.

The fixed income portfolio outperformed its benchmark in the fourth quarter. Sector allocation added value, as the portfolio was underweight federal bonds and overweight corporate bonds. Government security selection added value, but corporate security selection detracted, as higher quality credits underperformed riskier names more recently.

Portfolio Strategy and Activity

In the Canadian equity component, our positions in **Metro** and **Molson Coors Canada** were increased due to attractive valuation opportunities. Our positions in **Canadian Natural Resources** (process driven sale) and **CIBC** were trimmed. We eliminated our small position in **Suncor.** No new positions were initiated.

With respect to the U.S. equity component, two new positions were added to the portfolio during the quarter: **Campbell Soup** and **Harley-Davidson.** Campbell Soup owns many food brands other than soup, although soup drives about 1/3 of sales for the company. We believe Campbell Soup has the ability to successfully navigate weak sentiment on the packaged food sector and create shareholder value through good execution. Harley-Davidson is focused on being the best motorcycle company in the world. Management is focused on ROIC and free cash flow generation and is committed to returning excess cash to shareholders through dividend increases as well as share buybacks. We also added to our positions in **AmerisourceBergen, Omnicom,** and **Halliburton.** With respect to sales, we sold our position in **CVS Health** following an announced acquisition which will fundamentally change 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, JPMorgan** 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.**

In the fourth quarter of 2017, the international equity component initiated a new position in **WPP,** the world's leading advertising agency. We also continued to build our positions in our three new holdings from last quarter: **Roche, Caltex,** and **Smiths Group.** We also added to **Smith & Nephew, Luxottica, Merck KGAa,** and **Akzo Nobel.** The quarter was very busy for process-driven trims, which saw reductions in **Resona, DBS, NTT Docomo,** and **Norsk Hydro.** We sold the balance of our holdings in **Richemont** and **Norsk Hydro,** both of which we felt offered less upside than warranted to continue to hold the positions.

In fixed income, we are short duration versus the FTSE TMX Canada Universe Bond Index. We believe that as central banks have adjusted their biases to removing monetary policy stimulus, both through hiking interest rates and tapering QE and balance sheets, interest rates will likely increase in accordance. The Canadian bond market has fully priced in a full tightening cycle by the Bank of Canada, in line with our expectations, so there are no opportunities for rates to increase significantly in the short-end of the curve. We are positioned for the yield curve to continue to flatten as is reflective of tightening cycles. Our projected roll return versus that of the benchmark remains positive. We are overweight corporate bonds and are maintaining our defensive and safe haven positioning. We are underweight Government of Canada bonds and are slightly underweight provincial bonds.

Outlook

Global equity markets rallied strongly in the year of 2017 and reached multi-year highs across many countries. The surprisingly synchronized global economic growth was the key reason behind the strong market movements. While no major economies are expected to grow at a particularly fast speed, all of them continue to show positive signs of improving growth momentum. In the U.S., the much anticipated tax reform seems within reach and may further strengthen business and investment confidence. In Europe, domestic consumption and construction show strong potential to catch up, after the EU political environment improved through the last two years. In Japan, inflation has finally showed up as a result of the record high employment and rekindled hope of triggering a new business investment cycle. China looks poised to return to the growth path the government charted out after its recent policy meetings. Even the Brexit-troubled UK has maintained a decent GDP growth outlook. Overall, global growth is likely to be robust and broad-based in 2018.

On the other hand, monetary policy and financial conditions are expected to get tighter, as central banks in developed countries are turning away from their quantitative easing programs and entering a tapering phase. It's unpredictable whether the tapering process will have a visible impact on the real economy or the equity markets in the near term, however, the long term impact is even less clear.

Given the relatively slow but steady economic recovery thus far, share price returns have run ahead of corporate revenue and earnings growth, leaving the record-breaking market performance to be driven by significant margin expansion and/or valuation multiple expansion. 2017 certainly saw market enthusiasm in some new technology areas, such as artificial intelligence, self-driving/electric vehicles, and cryptocurrencies, to name a few. The frenzy in those areas also led to a market rotation out of some strong, well-established (but "boring") businesses, offering us opportunities to invest into those highly cash-generative businesses at unusually low valuations and always with our required high hurdle rate of return. At the same time, we are applying a sharpened focus on downside risk mitigation to all portfolio investments. During the period our consistently applied valuation discipline and investment process prompted us to trim or exit positions in the fund as they reached their targets. We have replaced these with new names with high quality businesses at compelling valuations, enhancing our confidence that the fund is well positioned for the long term.

With respect to fixed income, the outlook for U.S. growth remains bright, especially with the passage of U.S. tax reform. Financial conditions (low Treasury yields, narrower credit spreads, a weaker U.S. Trade Weighted Dollar and higher equity markets) have eased and have historically foreshadowed faster growth. While Canadian growth is expected to moderate after a robust first half of 2017, it will likely be held up by a strong U.S. economy and the recent strength in crude oil prices. While there is no doubt that the Canadian economy is strong and that the slack in the economy is being used up, there are a few areas of concern for the economic forecast. A significant amount of the strong growth has been led by the services sector and not by manufacturing nor by the export sectors that the Bank of Canada had expected to benefit from a lower Canadian dollar. As the Bank of Canada has repeatedly warned, consumer indebtedness is at very high levels. While a slowdown in the housing market will likely not lead to a rash of foreclosures in Canada as it did in the U.S., it will likely constrain consumer spending as mortgage payments take up a greater share of consumers' wallets. There remains concern that anti-trade and "Buy America" policies, as well as differences in carbon regulations and corporate taxes, could also disadvantage Canadian industry versus that of the U.S. These uncertainties are holding back business investment in Canada. After removing the 50 basis points of monetary policy stimulus, the Bank of Canada is embarking on a tightening cycle. The Canadian bond market has completely priced in more than two rate hikes by the Bank through to the end of 2018.

Our base case is for the continuation of trends of relatively strong growth, steadily increasing inflation and gradual central bank tightening. Our base case also assumes that a deal to maintain NAFTA is cobbled together before the deadline. While this provides a constructive backdrop for credit spreads, we are mindful of the overall tightness of spreads currently as credit metrics are deteriorating and leverage is creeping up. There are a number of things that pose a risk to our base case, including (in no particular order): (1) a messy unwind of quantitative easing; (2) a swift abrogation of NAFTA; (3) a destruction of value of the crypto currencies; (4) a North Korea missile strike; (5) a banking crisis in China; (6) political unrest in Venezuela and the Middle East; (7) a Trump implosion; (8) a trade war; (9) a credit event; and (10) a shift in the European political landscape.

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.

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Pooled Asset Management for Institutional Clients

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