

Beutel Goodman Canadian Dividend Fund

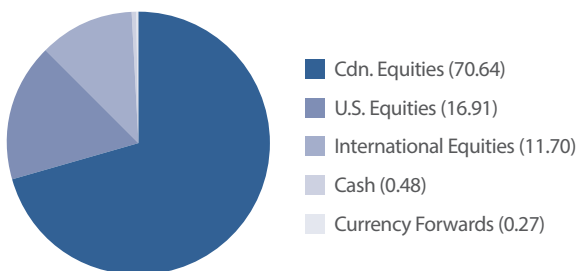
Top 10 Holdings (%)

TORONTO DOMINION BK	9.40
ROYAL BANK CDA	9.40
BANK OF NOVA SCOTIA	7.00
VERIZON COMMUNICATIONS	5.30
ROGERS COMMUNICATIONS	5.10
SUN LIFE FNCL INC	4.90
POWER FINANCIAL CORP	4.80
AIR LIQUIDE(L)	4.50
CDN NATURAL RES	4.40
MAGNA INTL INC	4.00

Sector Weights vs Benchmark

SECTOR WEIGHTS (%)	UNDERWEIGHT/OVERWEIGHT %		
Sector	BG	S&P/TSX	
Financials	41.05	34.59	6.5
Health Care	6.95	0.97	6.0
Consumer S.	9.59	3.66	5.9
Telecom	10.36	4.72	5.6
Consumer D.	9.38	5.44	3.9
Utilities	1.79	3.78	-2.0
Materials	8.98	11.50	-2.5
Real Estate	0.00	2.92	-2.9
Info. Tech.	0.00	3.23	-3.2
Industrials	5.21	9.54	-4.3
Energy	5.93	19.67	-13.7
Cash	0.48		
Currency Forwards	0.27		

Asset Mix



Performance % (ANNUALIZED) to December 31, 2017

BG Canadian Dividend Fund	Current Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
Total Portfolio	4.51	10.92	15.42	10.59	11.15	14.51	9.44
S&P/TSX Index	4.45	9.10	14.93	6.59	7.57	8.63	4.65
Management Effect	0.06	1.82	0.49	4.00	3.58	5.87	4.79

Performance % (ANNUAL) to December 31, 2017

BG Canadian Dividend Fund	2017	2016	2015	2014	2013
Total Portfolio	10.92	20.12	1.52	12.86	28.96
S&P/TSX Index	9.10	21.08	-8.32	10.55	12.99
Management Effect	1.82	-0.97	9.84	2.31	15.97

Investment Strategy

The Fund's objective is to achieve a balance between high dividend income and capital growth by investing mainly in a diversified portfolio of blue-chip Canadian common stocks and in high-yield preferred stocks and interest-bearing securities. The Fund may also invest in foreign issues.

Investment Results

The S&P/TSX Composite advanced during the fourth quarter of 2017, with a total return of 4.5%. Each of the eleven sectors posted positive returns for the quarter, led by Health Care, which was driven by a strong advance in cannabis stocks and a rise in Valeant Pharmaceuticals. The Consumer Staples and Real Estate sectors were also top performing sectors for the period. Although positive, Energy was the weakest sector.

After a slow start to the year, the Canadian equity market made solid gains in the second half of 2017, although still lagged most other global market benchmark performance. Subsequent to strong GDP growth of 4.1% in Q2, Canada's economic growth slowed to an annualized rate of 1.7% in Q3, but is expected to be 3.0% for the year, leading the G7 nations. The Bank of Canada held rates steady in December, although it is expected that it will resume its tightening in 2018, particularly after stronger than expected CPI and employment reports, in addition to stabilizing energy markets.

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.

The Fund slightly outperformed the S&P/TSX return of 4.5% for the fourth quarter, as sector weighting effects outweighed stock selection effects.

Energy added the most value during the quarter due to positive stock selection and weighting effects. Canadian Natural Resources gained 8.7% during the quarter. Suncor gained 3.1% and we took the opportunity to exit our small position in the stock. Cenovus declined by 7.2% during the quarter, mainly due to the widening heavy oil differential.

In the Industrials sector, selection effects were very strong. Both of our holdings, Finning and Parker Hannifin, rose 11.9% and 14.4% respectively during the fourth quarter. Finning announced strong results, including revenue growth across divisions and margin improvement in Canada and the UK. Parker Hannifin reported Q1 results and posted strong organic growth, in addition to expanding margins.

The Materials sector was another positive area for the portfolio, with stock selection effects driving most of the outperformance in the sector. Agrium, Potash and Air Liquide all rose 9.1%, 8.0% and 4.3% respectively during the quarter. Agrium and Potash completed the merger of equals to create Nutrien, which began trading on January 2, 2018.

The Financials sector was an area of relative underperformance, where negative selection effects outweighed positive allocation effects. 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 the expectation of a gradual increase in interest rates by the Bank of Canada. The remaining holdings in Financials contributed to performance, with the exception of Power Financial and Thomson Reuters.

Stock selection was negative in Utilities. Our only holding in the sector, Superior Plus, fell by 4.7% on seasonably weaker than expected Energy Distribution results.

The Consumer Staples sector detracted, driven by stock selection effects. The grocers continue to underperform due to weak sector sentiment including increasing labor costs. Metro declined by 5.8%. After announcing the acquisition of the Jean Coutu Group in Q4, Metro declared the sale of most of its stake in Alimentation Couche-Tard to help finance the purchase. Unilever decreased by 3.8% after announcing weaker than expected sales trends. Molson Coors Canada added 3.4% during the quarter. Kellogg gained 9.9%, surprising the market with an increase in sales after announcing Q3 results. The company also raised guidance.

Health Care was the largest source of underperformance, as negative stock selection outweighed positive allocation effects. Each of our three holdings within the sector, Eli Lilly, Roche and Merck KGaA, declined over the period. Eli Lilly announced results that disappointed, but reaffirmed expectations of at least 5% average annual revenue growth from 2015 to 2020. The stock decreased 0.9%. Roche ended the quarter -0.6%, after inline results. Merck KGaA posted good performance, though hidden behind currency moves, and fell 3.0%.

USD currency hedging slightly detracted from performance for the quarter.

At the end of the fourth quarter, the yield on the portfolio was 3.2% versus a yield for the S&P/TSX Composite of 2.8%.

Portfolio Strategy & Activity

During the fourth quarter, we added to our foreign positions Omnicom, Kellogg, Eli Lilly, Verizon, Air Liquide, Unilever, Merck KGaA and Roche. Our positions in Canadian Natural Resources (process driven sale) and TD Bank were trimmed. We eliminated our small position in Suncor. No new positions were initiated.

Outlook

We remain positively inclined to equity valuations, particularly in the Financial, Health Care and Consumer Staples sectors. We continue to concentrate on companies trading at a discount to intrinsic value, with balance sheet strength, superior cash flow, and a clear focus on shareholder returns, as these are the companies that should present the best upside potential.

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.

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