

Beutel Goodman Canadian Equity Fund

Top 10 Holdings (%)

ROYAL BANK CDA	9.30
TORONTO DOMINION BK	9.20
BANK OF NOVA SCOTIA	6.30
ROGERS COMMUNICATIONS	5.20
CDN NATURAL RES	4.80
MAGNA INTL INC	4.80
BROOKFIELD ASSET MGT	4.70
CDN NATL RAILWAY	3.20
CANADIAN TIRE CORP	3.10
AGRIUM INC	3.10

Sector Weights vs Benchmark

SECTOR WEIGHTS* (%)	UNDERWEIGHT/OVERWEIGHT %		
Sector	BG	S&P/TSX	
Financials	42.35	34.59	7.8
Consumer D.	11.92	5.44	6.5
Telecom	8.03	4.72	3.3
Consumer S.	6.09	3.66	2.4
Industrials	10.60	9.54	1.1
Info. Tech.	2.59	3.23	-0.6
Health Care	0.06	0.97	-0.9
Real Estate	0.69	2.92	-2.2
Utilities	0.22	3.78	-3.6
Materials	6.82	11.50	-4.7
Energy	8.79	19.67	-10.9
Cash	1.83		

* BG weights are combined to include a 7.6% Small Cap component.

Performance % (ANNUALIZED) to December 31, 2017

BG Canadian Equity Fund	Current Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
Total Portfolio	4.39	10.51	15.25	8.48	9.30	12.46	8.20
S&P/TSX Index	4.45	9.10	14.93	6.59	7.57	8.63	4.65
Management Effect	-0.06	1.41	0.32	1.89	1.73	3.83	3.55

Performance % (ANNUAL) to December 31, 2017

BG Canadian Equity Fund	2017	2016	2015	2014	2013
Total Portfolio	10.51	20.20	-3.90	11.80	26.07
S&P/TSX Index	9.10	21.08	-8.32	10.55	12.99
Management Effect	1.41	-0.88	4.42	1.25	13.08

Investment Strategy

The Fund seeks long-term capital appreciation primarily through investments in common shares and other equity securities of established Canadian issuers. The number of securities held is between 20-45 issues, not including issues held in the small cap component.

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 as well as 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 performing 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.

Oil prices rebounded during the quarter due to social unrest in Iran and the possibility of supply disruptions, along with OPEC's promised production cuts. WTI ended the period above \$60, a gain of 15%.

The Fund slightly underperformed the S&P/TSX return of 4.5% for the fourth quarter. Stock selection effects were negative on a net basis.

Energy added the most value during the quarter due to positive stock selection and weighting effects. Canadian Natural Resources gained 8.6% during the quarter. The company continues to report solid results. Suncor gained 3.1% and we took the opportunity to exit our small position in the stock. Cenovus declined by 7.9% during the quarter, mainly due to the widening heavy oil differential. The company announced assets sales and continues to focus on deleveraging the balance sheet, which is positive. New management is pragmatic, an additional benefit. Cameco also declined after reporting disappointing results due to weak realizations on pricing, influenced by the removal of the high-priced TEPCO contract and clients deferring deliveries of their highest priced contracts.

Superior stock selection effects were a source of outperformance in the Information Technology sector, where our single holding, Open Text, advanced 11.5%. The company reported results with no major market reaction, although at the end of December the stock was added to the S&P/TSX 60 Index. The stock's valuation remains attractive.

The Materials sector was another positive area of the portfolio, with stock selection effects driving most of the outperformance in the sector. Agrium, Potash and Franco-Nevada all rose 8.9%, 7.8% and 4.2% respectively during the quarter. Agrium and Potash completed the merger of equals to create Nutrien which began trading on January 2, 2018.

Consumer Discretionary added value during the quarter due to stock selection. Magna gained 7.5% as the company continues to deliver good operating performance and generate strong cash flow. Canadian Tire announced strong Q3 results and increased the dividend. The stock rose 5.9% during the period. Quebecor gained 1.2%, underperforming due to heightened levels of competition in the industry.

In the Industrials sector, selection effects were positive. Finning rose 11.9% during the fourth quarter, a top contributor to relative outperformance for the period. CP Railway also increased 9.9% during the quarter, as the company announced good operating performance and a positive outlook. The remaining holdings, SNC-Lavalin and CN Railway, were modestly positive for the period.

Telecommunications Services was an area of relative underperformance in the portfolio, primarily due to stock selection effects. Our holding in Rogers was flat and Telus gained 7.2% during the period. Both Rogers and Telus outperformed the market for the full year, but have given back some gains lately due to concerns of heightened levels of competition, mainly stemming from Shaw's recent aggressive data plan offering.

The Consumer Staples sector detracted, driven by selection effects. The grocers continue to underperform due to weak sector sentiment including increasing labor costs. Both Metro and Loblaw underperformed, returning -5.8% and 0.6% respectively. 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. Molson Coors Canada added 3.5% during the quarter.

The Fund's exposure to small cap stocks detracted relative to the large cap index for the quarter.

Portfolio Strategy & Activity

During the fourth quarter, 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.

Outlook

We remain positively inclined to equity valuations, particularly in the Financial, Consumer Discretionary and Telecommunications 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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