

## ► TOP 10 HOLDINGS (%)

ROYAL BANK CDA	9.7
TORONTO DOMINION BK	9.5
BANK OF NOVA SCOTIA	6.6
ROGERS COMMUNICATIONS	6.1
CDN NATURAL RES	5.9
MAGNA INTL INC	5.4
BROOKFIELD ASSET MGT	4.8
CDN NATL RAILWAY	3.7
CANADIAN TIRE CORP	3.5
AGRIUM INC	3.3

## ► SECTOR WEIGHTS VS BENCHMARK

SECTOR WEIGHTS (%)		UNDERWEIGHT/OVERWEIGHT %	
Sector	BG	S&P/TSX	
Financials	43.0	34.4	8.6
Consumer D.	11.7	5.4	6.3
Telecom	9.2	4.8	4.4
Consumer S.	6.3	3.6	2.7
Industrials	10.3	9.5	0.9
Health Care	0.0	0.6	-0.6
Info. Tech.	2.6	3.3	-0.6
Real Estate	0.0	2.8	-2.8
Utilities	0.0	3.8	-3.8
Materials	5.7	11.5	-5.7
Energy	9.8	20.4	-10.5
Cash	1.3		

## ► PERFORMANCE % (ANNUALIZED) TO SEPTEMBER 30, 2017

BG FUNDAMENTAL CDN EQUITY FUND	CURRENT QTR	1 YEAR	2 YEARS	3 YEARS	SINCE INCEPTION*
TOTAL PORTFOLIO	5.16	12.16	13.48	6.97	6.74
S&P/TSX INDEX	3.68	9.18	11.67	4.54	3.99
MANAGEMENT EFFECT	1.47	2.98	1.81	2.43	2.75

\* Inception Date = July 1, 2014

## ► PERFORMANCE % (ANNUAL) TO SEPTEMBER 30TH

BG FUNDAMENTAL CDN EQUITY FUND	2017	2016	2015
TOTAL PORTFOLIO	12.16	14.82	-4.96
S&P/TSX INDEX	9.18	14.21	-8.38
MANAGEMENT EFFECT	2.98	0.61	3.42

## ► INVESTMENT STRATEGY

The Fund seeks long-term capital appreciation primarily through investments in common shares and other equity securities of established Canadian issuers with a market capitalization of at least \$1.5 billion at the time of purchase. The number of securities held is generally in the range of 20-45 issues.

## ► INVESTMENT RESULTS

For the third quarter of 2017, the S&P/TSX Composite increased, with a return of 3.7%. Energy led the gains, as WTI rose over 12% during the quarter. The Integrated Oil & Gas subsector had the strongest performance within the Energy sector, increasing 16.4%. The Consumer Discretionary and Financials sectors also outperformed the broader Index for the period. The Health Care sector was the worst performer, declining for the quarter.

The oil price strengthened during the quarter due to bullish sentiment following the International Energy Agency's upward revision of global demand expectations for 2017, in addition to OPEC's adherence to and possible extension of the current production cut agreement. An unexpected decline in inventory levels, as reported by the Energy Information Administration, also provided support.

Canadian interest rates increased by approximately 31 basis points across the curve during the quarter. While it was a quarter that swung between risk off and risk on momentum, driven by geopolitical tensions and hurricanes, the main catalyst for the increase was the two rate hikes by the Bank of Canada. With evidence of synchronized global economic strength, Canada's second quarter GDP was a barn burner, coming in at 4.5% (quarterly annualized) versus market expectations of 3.7% and the Bank of Canada's forecast of 3.4%. The Bank stated in its most recent monetary policy release that recent economic data has been stronger than expected, supporting the Bank's view that growth in Canada is becoming more broadly-based and self-sustaining. However, the Bank continues to expect a moderation in the pace of growth in the second half of the year and believes that significant geopolitical risks and uncertainties around international trade and fiscal policies remain.

In the third quarter, the Fund outperformed the S&P/TSX Composite return of 3.7%. Strong stock selection outweighed negative allocation effects.

Consumer Discretionary added the most value during the quarter due to stock selection. Magna gained 11.4% and was one of the top relative contributors to performance for the quarter. Quebecor and Canadian Tire both were contributors to performance, increasing by 9.4% and 5.8% respectively.

In Energy, positive selection effects outweighed negative allocation effects. The Energy underweight in the portfolio hurt performance due to the rally in the oil price during the period.

Cenovus Energy rose 26.5% during the quarter, as the company announced asset sales. Cenovus sold its Pelican Lake heavy oil operations to Canadian Natural Resources, as well as its Suffield crude oil and natural gas operations to International Petroleum Corp. The proceeds are to be used to reduce the debt that Cenovus incurred after the acquisition from ConocoPhillips earlier this year, and has reassured the market on the company's ability to de-lever its balance sheet.

Telecommunication Services was another area of relative outperformance in the portfolio, primarily due to stock selection effects. Our holding in Rogers rose 5.8% and Telus gained 1.3% during the period.

Selection effects in Information Technology were negative. Open Text declined by 1.2% and underperformed as the market awaits progress on its recently completed acquisitions.

The Consumer Staples sector detracted, driven by both allocation and selection effects. Molson Coors fell 8.8% due to ongoing concerns regarding challenging volume trends and negative market sentiment in Staples generally. For the grocers, the industry is facing higher labour costs due to an increasing minimum wage, as well as the "Amazon" threat, after the company announced that it will be offering Prime Now, its grocery delivery service, in Canada. Loblaw declined 4.9%, although Metro rose 1.2% for the period. At the end of September, Metro announced the acquisition of the Jean Coutu Group in a cash and stock deal valued at about \$4.5 billion. Jean Coutu is the leading pharmacy in Quebec. It also operates stores in New Brunswick and Ontario.

## ► PORTFOLIO STRATEGY AND ACTIVITY

During the third quarter, our positions in **Canadian Natural Resources, Loblaw, Metro, Onex and Sun Life** were increased and our positions in **Cenovus, CIBC and Thomson Reuters** were trimmed.

## ► OUTLOOK

Although continuing to trail other indices globally, the Canadian market exhibited some positive momentum in the third quarter, driven by strength in Energy and Consumer Discretionary. The oil price rebounded to a six month high, leading the Energy sector's outperformance for the quarter. Year-to-date, Canada's GDP growth has exceeded market expectations. However, growth in the month of July has moderated and is tracking to expand by 3% for the year. Inflation remains stubbornly below the 2% target, wage growth remains muted and concerns regarding household debt persist. Together, these factors may indicate that the Bank of Canada will slow its pace of tightening going forward after raising rates in July and September.

With steady growth, low inflation and attractive valuations, our outlook is positive for equity markets. We continue to find good value opportunities in the Financials, Consumer Discretionary, Telecommunications, Consumer Staples and Industrials sectors, while we are cautious on the fundamentals of the Energy and Materials sectors. We remain fully invested as we continue to implement our disciplined process of investing in strong businesses at a sufficient discount to business value.

## 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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