BEUTEL GOODMAN
Investment Counsel

Annual Management Report of Fund Performance

December 31, 2017

Beutel Goodman Balanced Fund

Beutel Goodman **Balanced Fund**

This Annual Management Report of fund performance contains financial highlights but does not contain the complete annual or interim financial statements of the investment fund. You can get a copy of the annual or interim financial statements at your request at no cost (contact details on this page) or by visiting our website at **www.beutelgoodman.com** or SEDAR at **www.sedar.com**.

Security holders may also request the investment fund's prospectus, proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

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Beutel Goodman **Balanced Fund**

Management Discussion of Fund Performance

Investment Objectives and Strategies

This Fund invests in cash and cash equivalents, fixed-income securities and Canadian, U.S. and international equity securities.

The asset mix process is based upon the observation that over longer time years equities have historically generated higher nominal and real rates of return than fixed income assets. The asset mix of the Fund will normally fall within a range of 60% equity and 40% fixed income.

The Fund's advisor uses a value based approach to select equity investments which means the advisor looks for stocks that are undervalued in relation to the asset value or earnings power of the issuer. The Fund's fixed income portfolio is invested in a diversified group of Canadian government and Canadian corporate bonds.

The Fund may invest in derivatives and/or underlying Funds from time to time. Please refer to the Simplified Prospectus for additional information.

The fundamental investment objective of the Fund cannot be changed without the approval of a majority of the investors who own units in the Fund.

Risk

The risks of investing in this Fund remain as discussed in the Prospectus.

This Fund continues to be suitable for investors who wish to preserve and enhance accumulated capital with less volatility than an all equity portfolio, and higher growth potential than an all bond portfolio. This Fund is appropriate for investors with a low to medium tolerance for risk and a medium-term investment horizon.

Results of Operations

The Beutel Goodman Balanced Fund achieved a positive return in the one year ending December 31, 2017, and outperformed its blended performance benchmark. Added value came from an underweight position in fixed income and overweight in equities, particularly the impact of an overweight in international equities. In addition, the Fund's Canadian, U.S. and international equity components outperformed their respective indices over the year.

As central banks tightened monetary policy and the U.S. Federal Reserve started to unwind its balance sheet, markets took their cue more from economic data than from central bank extraordinary stimulus. Global growth was buoyant, global PMIs trended higher, the Canadian and U.S. labour markets were robust, and consumer spending was resilient. The one piece of economic data that continued to disappoint was the lack of wage growth and inflation. While 2016 was all about headline risk (Brexit, Trump election), for the most part markets ignored the headlines in 2017. The concern that the euro zone would lay the seeds of its own destruction dissipated as the numerous European elections failed to deliver victories for the far right, euro skeptic parties. While failing to deliver a new health care bill, the Trump Administration was successful in getting its tax reform passed and threats of government sequestration and breaching the debt ceiling were kicked down the road into 2018. The U.S. Federal Reserve followed through on hiking the Federal Funds rate three times, in line with their projections, and commencing the unwind of their balance sheet. The Bank of Canada moved from being on hold, to increasing the overnight rate back to 1.0% and essentially removing the extraordinary monetary policy stimulus put in place in 2015 in response to the oil shock, to being on hold again and then embarking on a slow, data dependent hiking cycle. 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.

Oil prices rebounded during the year, most recently 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 over 12% for the year.

The Canadian equity component of the Fund outperformed the return of the S&P/TSX Composite Index for the year. Added value was attributable to positive sector weighting effects, specifically an underweight in the Energy sector. The portfolio manager remained cautious on the sector, as valuations reflected overly optimistic views of the oil price and oil fundamentals. Security selection overall detracted from performance, largely driven by selection effects in the Energy sector. The Telecommunication Services sector was the top contributor as a result of both positive security selection and positive allocation effects, while Consumer Staples was the biggest laggard due to both negative selection and weighting effects. Rogers Communications was the most significant contributor to performance for the year. Magna and Brookfield also significantly added value, while Cenovus, Molson Coors Canada and Cameco were the largest detractors to performance.

The portfolio's U.S. component outperformed primarily due to stock selection. Sector allocation effects were slightly negative, with negative effects from an overweight in Telecommunications and underweights in Consumer Discretionary and Information Technology outweighed by positive effects from underweight positions in Energy, Utilities and Real Estate. The largest contribution to stock selection came from the Industrials and Financials sectors. Parker Hannifin in Industrials was the largest contributor to performance over the period, with strong sales growth and corresponding margin improvement reflecting its highly efficient business model. Financials holdings contributed significantly, with Ameriprise and American Express as main contributors over the period. Ameriprise benefitted from net new money inflows, strong markets, and continued growth in its wealth management business. American Express gained significantly on improving sentiment and business fundamentals, as the Costco loss has now been annualized.

The international equity component outperformed significantly over the period. Sector allocation added value slightly, as positive effects from overweight positions in Materials and Information Technology outweighed negative effects from an overweight in Telecommunications. The majority of the added value over the period came from security selection, led by positive stock selection in Financials, Consumer Staples and Telecommunications. In Financials, DBS was a significant contributor over the period, as investors gained comfort that the oil and gas loan issues are behind them. Julius Baer added value on results that showed healthy asset growth and Deutsche Boerse performed well post the collapse of the deal to combine with LSE, aided further by more clarity on the company's stand-alone growth plans. Positive stock selection in Consumer Staples was due to strong performance from Kao, Carlsberg and Unilever over the period. In Telecommunications, Vodafone and Telefonica Deutschland outperformed following important consolidation in Germany, arguably their most important market, as well as strong operational results. KPN also outperformed as signs of easing competitive pressure emerged in its market.

Beutel Goodman **Balanced Fund**

For the one year period under review, the FTSE TMX Canada Bond Universe Index increased 2.52% on a total return basis. The Corporate, Provincial and Municipal sectors outperformed the Index while the Federal sector underperformed. The fixed income component had a positive return, but underperformed the Index for the one year period on a net of fees basis. Decisions that contributed to performance include: 1) government sector allocation, as both provincials and corporates significantly outperformed federal bonds; 2) the Fund's short duration positioning, as yields across the curve decreased by 24 basis points during the year; 3) corporate sector allocation, as corporates outperformed federal bonds; and 4) the Fund's foreign pay position, which was closed in the second quarter, but contributed positively to performance for the year, as the Fund benefitted from a depreciating currency at the time the position was in place. Decisions that detracted from performance include: 1) corporate security selection, as the portfolio manager's preferred high quality sectors underperformed versus other higher beta corporates; and 2) curve positioning, as the Fund was not positioned for the initial flattening of the yield curve following the Bank of Canada's about face in monetary policy messaging, but was positioned for the balance of the flattening move.

Beutel Goodman's buy/sell discipline has the effect of gradually moving the portfolio into those areas of the market offering the greatest potential for long-term return. During the period, the allocation to U.S. equities decreased slightly and was shifted to Canadian and international equities.

Detailed performance is provided under the heading "Past Performance" in this report.

Recent Developments

As per the updated Simplified Prospectus dated May 23, 2017, commencing on or about August 1, 2017, the Fund may use derivatives from time to time. See the information under "Using Derivatives" on page 15 of the Simplified Prospectus for additional information regarding how the Fund may use derivatives.

Global equity markets rallied strong 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.

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 opportunities to invest into those highly cash-generative businesses at unusually low valuations and always with the portfolio manager's required high hurdle rate of return. At the same time, the portfolio manager is applying a sharpened focus on downside risk mitigation to all portfolio investments. During the period, the portfolio manager's consistently applied valuation discipline and investment process prompted trims or exits in positions in the Fund as they reached their targets. These have been replaced with new names with high quality businesses at compelling valuations, enhancing the portfolio manager's confidence that the fund is well positioned for the long term.

From a fixed income perspective, both the Bank of Canada and the U.S. Federal Reserve are united in that they are both data dependent, monitoring how consumers and businesses react to higher interest rates and waiting to see if inflation will increase following the strong conditions in the labour markets and the underlying economies.

The outlook for U.S. growth remains bright, and even more so with the likely passage of U.S. tax reform. Financial conditions (low Treasury yields, narrower credit spreads, weaker U.S. Trade Weighted Dollar and higher equity markets) have eased and historically have foreshadowed faster growth. While Canadian growth is expected to moderate after a robust first half of 2017, it will still 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 the consumers' wallet. 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 increasing the overnight rate back to 1.0% and essentially removing the extraordinary monetary policy stimulus put in place in 2015 in response to the oil shock, the Bank of Canada is embarking on a tightening cycle. The Canadian bond market has priced in more than two rate hikes by the Bank through to the end of 2018. The portfolio manager's base case is for the continuation of trends of relatively strong growth, steadily increasing inflation and gradual central bank tightening.

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The fixed income component is short duration versus the benchmark. The portfolio manager believes 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 the portfolio manager's 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. Projected roll return versus that of the benchmark remains positive. The Fund is overweight corporate bonds and is maintaining its defensive and safe haven positioning. The Fund is underweight Government of Canada bonds and slightly underweight provincial bonds.

Related Party Transactions

Beutel, Goodman & Company Ltd. is the Portfolio Advisor to this Fund. The Fund did not rely on any recommendation or approval of its Independent Review Committee to proceed with any transaction involving related parties because it did not conduct any related party transactions, except for certain inter-fund trades, as approved by the Independent Review Committee by standing instructions, and subject to regulatory requirements.

Fees and Expenses

The following table lists the fees and expenses that you may have to pay if you invest in the Beutel Goodman Managed Funds. You may have to pay some of these fees and expenses directly. The Funds pay the other fees and expenses. This will reduce the value of your investment in a Fund.

Management Fees: We are entitled to a management fee from each class of each Fund based on the average daily net asset value of the particular class. The fee is payable monthly, in arrears, and is calculated at the annualized rate specified for each class of each Fund below. Management fees for Class I units are negotiated and paid directly by the investor, not by the Fund, and, therefore, are not listed.

Fund	Class	Management Fees (%)[1]
Balanced Fund	B	1.75
Balanced Fund	D	1.00
Balanced Fund	F	0.85

(1) Excludes GST/HST where applicable.

We may reduce our management fee for certain large investors who have substantial holdings in units of a Fund. To accomplish this, we reduce the management fee we charge to the Fund and the Fund pays out the difference to these investors as a special distribution. This is called a management fee distribution. We calculate and accrue the reduction daily and distribute it quarterly. The distribution is reinvested on behalf of such unitholders in additional units of the same class of the Fund. Management fee reductions for a unitholder may be increased at any time, but may only be decreased after at least 60 days prior written notice has been given to such unitholder.

We may waive our management fee in certain circumstances.

The Fund paid the Manager management fees, inclusive of HST, of $2,977,878 for the year ending December 31, 2017. The management fee for each class of unit is calculated as a percentage of its net asset value, as of the close of business on each business day. The Fund's management fees were used by the Manager to pay costs for managing the investment portfolio, providing investment analysis and recommendations, making investment decisions, making brokerage arrangements for the purchase and sale of the investment portfolio and providing other services. The Manager also used the management fees to fund commission payments and other dealer compensation (collectively called "distribution-related costs") to registered dealers and brokers and financial consultants, for units of the Fund bought and held by investors, which amounted to 32.03% of total management fees paid by the Fund to the Manager in 2017.

Operating Expenses: The Manager pays certain operating expenses of the Fund. These expenses include audit and legal fees; custodian and transfer agent fees; costs attributable to the issue, redemption and change of units, including the cost of the security holder record-keeping system; expenses incurred in respect of preparing and distributing all regulatory reports; fund accounting and valuation costs; independent review committee fees and filing fees, including those incurred by us. In return, the Fund pays the Manager a fixed administration fee. The administration fee may vary by class of units and by Fund.

Please refer to the Financial Highlights section for the MERS of the classes of units.

Commissions

Commissions paid to brokers for portfolio transactions were as follows:

Fund	2017	2016
Balanced Fund	$2,038,628	$1,488,313

Beutel Goodman **Balanced Fund**

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past 5 years ended December 31. This information is derived from the Fund's audited annual financial statements and is provided for each class of units.

Financial Highlights for Class B Units

(for the years ended December 31)

$	2017	2016	2015	2014	2013
Net assets attributable to holders of redeemable units per unit, beginning of year (1)	12.12	11.50	11.66	11.39	10.32
Increase (decrease) in net assets attributable to holders of redeemable units:					
Total Interest Revenue	0.11	0.10	0.12	0.13	0.12
Total Dividend Revenue	0.22	0.25	0.22	0.23	0.19
Total revenue	0.33	0.35	0.34	0.36	0.31
Total expenses	(0.28)	(0.26)	(0.33)	(0.34)	(0.19)
Realized gains (losses) for the year	0.61	0.45	0.39	0.58	0.47
Unrealized gains (losses) for the year	0.40	0.44	(0.17)	0.13	1.16
Total increase (decrease) in net assets attributable to holders of redeemable units (2)	1.06	0.98	0.23	0.73	1.75
Distribution to holders of redeemable units per unit:					
Net interest income (excluding dividend)	0.03	0.03	0.07	0.10	0.13
Net dividend income	0.07	0.09	0.04	0.05	0.06
Net investment income	0.10	0.12	0.11	0.15	0.19
Realized gains on sale of investments	0.51	0.19	0.36	0.40	0.28
Total distribution to holders of redeemable units (3)	0.61	0.31	0.47	0.55	0.47
Net assets attributable to holders of redeemable units, end of year (4)	12.61	12.12	11.50	11.66	11.39

Financial Highlights for Class D Units

(for the years ended December 31)

$	2017	2016	2015	2014	2013
Net assets attributable to holders of redeemable units per unit, beginning of year (1)	20.22	19.15	19.38	18.89	16.97
Increase (decrease) in net assets attributable to holders of redeemable units:					
Total Interest Revenue	0.18	0.17	0.19	0.21	0.19
Total Dividend Revenue	0.38	0.42	0.38	0.39	0.32
Total revenue	0.56	0.59	0.57	0.60	0.51
Total expenses	(0.28)	(0.26)	(0.32)	(0.33)	(0.19)
Realized gains (losses) for the year	1.02	0.74	0.67	0.94	0.72
Unrealized gains (losses) for the year	0.69	0.67	(0.36)	0.20	1.83
Total increase (decrease) in net assets attributable to holders of redeemable units (2)	1.99	1.74	0.56	1.41	2.87
Distribution to holders of redeemable units per unit:					
Net interest income (excluding dividend)	0.09	0.08	0.20	0.24	0.23
Net dividend income	0.19	0.25	0.11	0.11	0.11
Net investment income	0.28	0.33	0.31	0.35	0.34
Realized gains on sale of investments	0.86	0.32	0.59	0.66	0.47
Total distribution to holders of redeemable units (3)	1.14	0.65	0.90	1.01	0.81
Net assets attributable to holders of redeemable units, end of year (4)	21.09	20.22	19.15	19.38	18.89

Ratios and Supplemental Data for Class B Units

(for the years ended December 31)

$	2017	2016	2015	2014	2013
Total net asset attributable to holders of redeemable units ($) (000's) (5)	60,575	28,230	21,294	14,244	6,147
Number of outstanding redeemable units (000's) (5)	4,803	2,329	1,852	1,222	540
Management expense ratio (6a)	2.02%	2.03%	2.03%	1.99%	2.01%
Management expense ratio before absorptions (6b)	N/A	N/A	N/A	N/A	N/A
Portfolio turnover rate (7)	105%	76%	61%	61%	51%
Trading expense ratio (%) (8)	0.05%	0.04%	0.06%	0.08%	0.09%
Net assets attributable to holders of redeemable units, end of year (9)	12.61	12.12	11.50	11.66	11.39

Ratios and Supplemental Data for Class D Units

(for the years ended December 31)

$	2017	2016	2015	2014	2013
Total net asset attributable to holders of redeemable units ($) (000's) (5)	203,151	166,136	143,296	112,436	65,963
Number of outstanding redeemable units (000's) (5)	9,631	8,216	7,482	5,801	3,492
Management expense ratio (6a)	1.20%	1.20%	1.20%	1.20%	1.21%
Management expense ratio before absorptions (6b)	N/A	N/A	N/A	N/A	N/A
Portfolio turnover rate (7)	105%	76%	61%	61%	51%
Trading expense ratio (%) (8)	0.05%	0.04%	0.06%	0.08%	0.09%
Net assets attributable to holders of redeemable units, end of year (9)	21.09	20.22	19.15	19.38	18.89

Beutel Goodman **Balanced Fund**

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past 5 years ended December 31. This information is derived from the Fund's audited annual financial statements and is provided for each class of units.

Financial Highlights for Class F Units

(for the years ended December 31)

$	2017	2016	2015	2014	2013
Net assets attributable to holders of redeemable units per unit, beginning of year (1)	12.30	11.67	11.83	11.54	10.39
Increase (decrease) in net assets attributable to holders of redeemable units:					
Total Interest Revenue	0.11	0.10	0.12	0.13	0.12
Total Dividend Revenue	0.23	0.25	0.23	0.24	0.18
Total revenue	0.34	0.35	0.35	0.37	0.30
Total expenses	(0.16)	(0.15)	(0.18)	(0.19)	(0.10)
Realized gains (losses) for the year	0.62	0.47	0.38	0.57	0.52
Unrealized gains (losses) for the year	0.33	0.45	(0.29)	0.04	1.32
Total increase (decrease) in net assets attributable to holders of redeemable units (2)	1.13	1.12	0.26	0.79	2.04
Distribution to holders of redeemable units per unit:					
Net interest income (excluding dividend)	0.07	0.06	0.14	0.17	0.16
Net dividend income	0.15	0.17	0.08	0.08	0.07
Net investment income	0.22	0.23	0.22	0.25	0.23
Realized gains on sale of investments	0.52	0.20	0.36	0.40	0.28
Total distribution to holders of redeemable units (3)	0.74	0.43	0.58	0.65	0.51
Net assets attributable to holders of redeemable units, end of year (4)	12.80	12.30	11.67	11.83	11.54

Financial Highlights for Class I Units

(for the years ended December 31)

$	2017	2016	2015	2014	2013
Net assets attributable to holders of redeemable units per unit, beginning of year (1)	21.05	19.95	20.21	19.69	17.71
Increase (decrease) in net assets attributable to holders of redeemable units:					
Total Interest Revenue	0.19	0.17	0.20	0.22	0.20
Total Dividend Revenue	0.39	0.44	0.40	0.41	0.34
Total revenue	0.58	0.61	0.60	0.63	0.54
Total expenses	(0.05)	(0.05)	(0.04)	(0.06)	(0.03)
Realized gains (losses) for the year	1.06	0.76	0.73	0.99	0.72
Unrealized gains (losses) for the year	0.74	0.66	(0.35)	0.25	1.83
Total increase (decrease) in net assets attributable to holders of redeemable units (2)	2.33	1.98	0.94	1.81	3.06
Distribution to holders of redeemable units per unit:					
Net interest income (excluding dividend)	0.17	0.15	0.36	0.40	0.38
Net dividend income	0.37	0.43	0.20	0.19	0.18
Net investment income	0.54	0.58	0.56	0.59	0.56
Realized gains on sale of investments	0.90	0.34	0.62	0.69	0.49
Total distribution to holders of redeemable units (3)	1.44	0.92	1.18	1.28	1.05
Net assets attributable to holders of redeemable units, end of year (4)	21.95	21.05	19.95	20.21	19.69

Ratios and Supplemental Data for Class F Units

(for the years ended December 31)

$	2017	2016	2015	2014	2013
Total net asset attributable to holders of redeemable units ($) (000's) (5)	37,294	11,148	7,335	4,334	1,638
Number of outstanding redeemable units (000's) (5)	2,913	906	629	366	142
Management expense ratio (6a)	1.05%	1.06%	1.05%	1.04%	1.07%
Management expense ratio before absorptions (6b)	N/A	N/A	N/A	N/A	N/A
Portfolio turnover rate (7)	105%	76%	61%	61%	51%
Trading expense ratio (%) (8)	0.05%	0.04%	0.06%	0.08%	0.09%
Net assets attributable to holders of redeemable units, end of year (9)	12.80	12.30	11.67	11.83	11.54

Ratios and Supplemental Data for Class I Units

(for the years ended December 31)

$	2017	2016	2015	2014	2013
Total net asset attributable to holders of redeemable units ($) (000's) (5)	3,890,752	3,498,150	3,424,755	3,356,090	3,209,050
Number of outstanding redeemable units (000's) (5)	177,219	166,146	171,628	166,077	162,921
Management expense ratio (6a)	0.07%	0.07%	0.07%	0.07%	0.07%
Management expense ratio before absorptions (6b)	0.11%	N/A	N/A	N/A	N/A
Portfolio turnover rate (7)	105%	76%	61%	61%	51%
Trading expense ratio (%) (8)	0.05%	0.04%	0.06%	0.08%	0.09%
Net assets attributable to holders of redeemable units, end of year (9)	21.95	21.05	19.95	20.21	19.69

Beutel Goodman **Balanced Fund**

(1) The information for December 2017, December 2016, December 2015, December 2014 and December 2013 is derived from the Fund's annual audited financial statements prepared in accordance with IFRS.

(2) Net assets attributable to holders of redeemable units per unit and distributions to holders of redeemable units per unit are based on the actual number of redeemable units outstanding for the relevant class at the relevant time. The increase (decrease) in net assets attributable to holders of redeemable units per unit is based on the weighted average number of redeemable units outstanding for the relevant class over the fiscal year.

(3) Distributions were paid in cash or automatically reinvested in additional redeemable units of the Fund.

(4) This is not a reconciliation of the beginning and ending net assets per redeemable unit.

(5) This information is provided as at year end of the year shown.

(6a) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily net asset value during the year.

(6b) The Manager may have absorbed some of the fund expenses. If this had occurred, the management fee ratio before any such absorption is listed. The Manager may terminate the absorption at any time, at its discretion. It is not known when such absorptions will be terminated.

(7) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the fiscal year. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a higher turnover rate and the performance of a Fund. Portfolio turnover rate equals the lesser of purchases or sales divided by the average value of the portfolio securities of the Fund on a monthly basis, excluding short-term securities.

(8) The trading expense ratio represents total commissions and other portfolio transaction costs disclosed in the Statements of Comprehensive Income expressed as an annualized percentage of daily average net asset value of the Fund during the year.

(9) The information for December 2017, December 2016, December 2015, December 2014 and December 2013 is derived from the Fund's annual audited financial statements prepared in accordance with IFRS. For the years ended December 31, 2017, December 31, 2016, December 31, 2015, December 31, 2014 and December 31, 2013, the information provided for processing unitholder transactions is consistent with the information provided for reporting purposes.

Past Performance

The past performance of each class of units of a Fund, if the class has been in continuous existence and offered to the public for at least 12 months (at the date of this document), is explained under the Year-by-Year Returns, and Annual Compound Returns headings found on the next page. In years where the class of a Fund has less than 12 months of performance data, the annual rate has been annualized.

The performance returns in all cases:

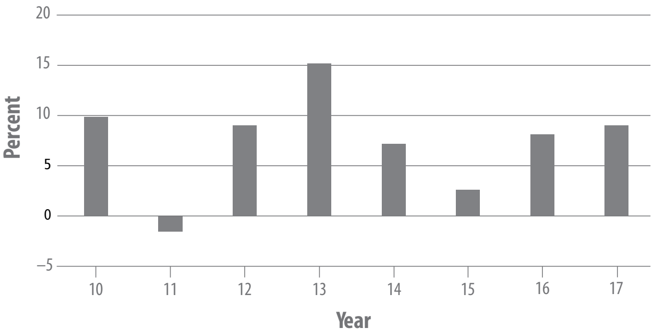
- are calculated as of **December 31** in each year;
- assume **all distributions** made by the Fund **are reinvested** to purchase additional redeemable units; and
- show the returns of the particular class of the Fund after any applicable management fees and operating expenses have been deducted, **but are not reduced by any redemption charges, optional charges or income taxes payable by you.**

Please remember that the past performance of the Fund is not an accurate prediction of future returns.

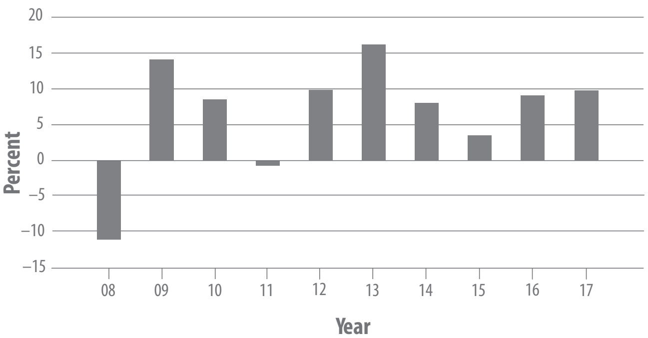
Beutel Goodman **Balanced Fund**

Year-by-Year Returns

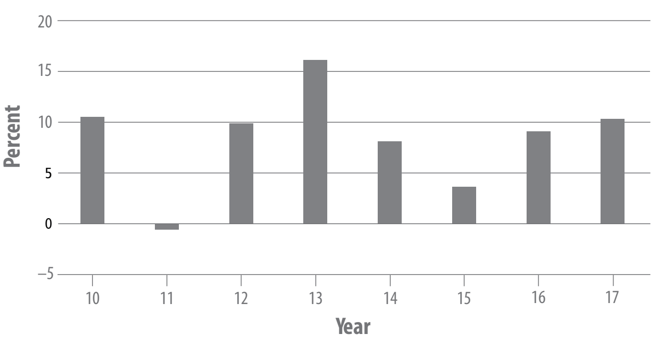
Class B



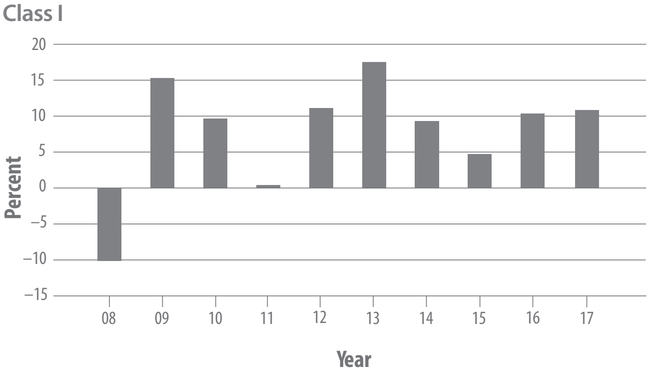
Class D



Class F



Class I



Annual Compound Returns

The following table shows the Fund's historical annual compound total returns, as compared to the performance of both the Balanced Fund Benchmark [comprised of FTSE TMX Canada Universe Bond Index (40%), MSCI EAFE (C$) Index (13%), S&P 500 (C$) Index (12%), S&P/TSX Composite Index (30%) and FTSE TMX Canada 91Day T-Bill Index (5%)] and respective indices.*

Class B	Since Inception	Past 5 Years	Past 3 Years	Past Year
Beutel Goodman Balanced Fund - Class B	7.31%	8.38%	6.58%	9.07%
Balanced Fund Benchmark	7.19%	8.15%	6.36%	7.57%
FTSE TMX Canada Universe Bond Index	3.78%	3.01%	2.56%	2.52%
MSCI EAFE (C$) Index	9.68%	12.98%	10.58%	16.61%
S&P 500 (C$) Index	18.00%	21.24%	14.29%	13.64%
S&P/TSX Composite Index	6.88%	8.63%	6.59%	9.10%
FTSE TMX Canada 91Day T-Bill Index	0.81%	0.72%	0.57%	0.56%

For Class B units of the Fund, a return calculated since its inception of September 27, 2010 and ended December 31, 2017, for the past five, three and one year periods ended December 31, 2017 has been provided.

Class D	Past 10 Years	Past 5 Years	Past 3 Years	Past Year
Beutel Goodman Balanced Fund - Class D	6.71%	9.26%	7.46%	9.95%
Balanced Fund Benchmark	5.53%	8.15%	6.36%	7.57%
FTSE TMX Canada Universe Bond Index	4.67%	3.01%	2.56%	2.52%
MSCI EAFE (C$) Index	4.38%	12.98%	10.58%	16.61%
S&P 500 (C$) Index	11.10%	21.24%	14.29%	13.64%
S&P/TSX Composite Index	4.65%	8.63%	6.59%	9.10%
FTSE TMX Canada 91Day T-Bill Index	1.01%	0.72%	0.57%	0.56%

For Class D units of the Fund, a return calculated for the past ten, five, three and one year periods ended December 31, 2017 has been provided.

Class F	Since Inception	Past 5 Years	Past 3 Years	Past Year
Beutel Goodman Balanced Fund - Class F	8.37%	9.42%	7.62%	10.12%
Balanced Fund Benchmark	7.19%	8.15%	6.36%	7.57%
FTSE TMX Canada Universe Bond Index	3.78%	3.01%	2.56%	2.52%
MSCI EAFE (C$) Index	9.68%	12.98%	10.58%	16.61%
S&P 500 (C$) Index	18.00%	21.24%	14.29%	13.64%
S&P/TSX Composite Index	6.88%	8.63%	6.59%	9.10%
FTSE TMX Canada 91Day T-Bill Index	0.81%	0.72%	0.57%	0.56%

For Class F units of the Fund, a return calculated since its inception of September 27, 2010 and ended December 31, 2017, for the past five, three and one year periods ended December 31, 2017 has been provided.

Class I	Past 10 Years	Past 5 Years	Past 3 Years	Past Year
Beutel Goodman Balanced Fund - Class I	7.64%	10.51%	8.69%	11.20%
Balanced Fund Benchmark	5.53%	8.15%	6.36%	7.57%
FTSE TMX Canada Universe Bond Index	4.67%	3.01%	2.56%	2.52%
MSCI EAFE (C$) Index	4.38%	12.98%	10.58%	16.61%
S&P 500 (C$) Index	11.10%	21.24%	14.29%	13.64%
S&P/TSX Composite Index	4.65%	8.63%	6.59%	9.10%
FTSE TMX Canada 91Day T-Bill Index	1.01%	0.72%	0.57%	0.56%

For Class I units of the Fund, a return calculated for the past ten, five, three and one year periods ended December 31, 2017 has been provided.

* The Balanced Fund Benchmark is a benchmark prepared by the Manager and is designed to reflect the average asset mix of a universe of balanced fund managers, which consists of:

The S&P/TSX Composite Index is designed to represent the Canadian mid-large cap equity market (30%)

The S&P 500 (C$) Index is designed to represent the U.S. equity market (12%)

The MSCI EAFE (C$) Index is designed to reflect non-North American stock markets (13%)

The FTSE TMX Canada Universe Bond Index is designed to reflect the Canadian bond market (40%)

The FTSE TMX Canada 91Day T-Bill Index is designed to reflect short term securities (5%)

Beutel Goodman **Balanced Fund**

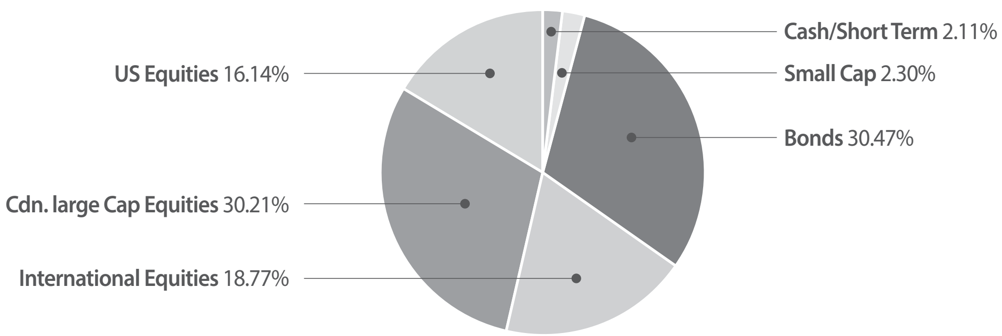
Summary of Investment Portfolio

The following information may change due to the ongoing portfolio transactions of the Fund. More current information regarding the holdings of the Fund may be obtained on our website at www.beutelgoodman.com.

Summary of Top 25 Holdings

	Issuer Name	Coupon Rate	Maturity Date	% of Net Assets
1.	Royal Bank of Canada			3.12
2.	The Toronto-Dominion Bank			3.08
3.	Bank of Nova Scotia			2.09
4.	Province of Ontario	4.650%	2-Jun-41	1.81
5.	Rogers Communications Inc., Class B			1.73
6.	Canadian Natural Resources Ltd.			1.60
7.	Magna International Inc.			1.59
8.	Brookfield Asset Management Inc.			1.56
9.	Canadian Government Bond	1.000%	1-Jun-27	1.47
10.	Canadian Government Bond	2.750%	1-Dec-48	1.17
11.	Verizon Communications Inc.			1.13
12.	Canadian National Railway Co.			1.08
13.	Agrium Inc.			1.04
14.	Canadian Tire Corp Ltd., Class A			1.04
15.	Parker-Hannifin Corp.			1.04
16.	Metro Inc., Class A			1.03
17.	AmerisourceBergen Corp.			1.01
18.	Great-West Lifeco Inc.			0.97
19.	AutoZone Inc.			0.97
20.	Province of Quebec	5.000%	1-Dec-41	0.96
21.	Canadian Imperial Bank of Commerce			0.96
22.	TELUS Corp.			0.96
23.	Ingersoll-Rand PLC			0.94
24.	Oracle Corp.			0.92
25.	Quebecor Inc., Class B			0.90

Asset Mix



Beutel Goodman **Balanced Fund**

Other Material Information

Classes of Units: Each of the Funds in the Beutel Goodman family of Funds issues Class B, Class D (formerly Class A), Class F and Class I units, with the exception of the Beutel Goodman Fundamental Canadian Equity Fund, Beutel Goodman Global Dividend Fund and Beutel Goodman Short Term Bond Fund, which issue only Class B, Class F and Class I units. Expenses of each class are tracked separately and a separate net asset is calculated for each class.

The Beutel Goodman Balanced Fund is available in 4 classes of units: Class B, Class D (formerly Class A), Class F and Class I.

Each Fund may issue an unlimited number of classes of units and may issue an unlimited number of units of each class. The different classes of units of a Fund represent an interest in the same portfolio investments of the Fund.

Class B Units: for retail investors investing a minimum of $5,000 in a Fund through authorized third-party dealers;

Class D* Units: for retail investors investing a minimum of $5,000 in a Fund;

Class F Units: for investors investing a minimum of $5,000 in a Fund, who are enrolled in a dealer-sponsored fee-for-service or wrap program (where various mutual funds are bundled together) who are subject to a periodic asset-based fee, rather than commissions on each transaction and whose dealer has signed a Class F agreement, or any other investors for whom we do not incur distribution costs, such as our employees (or affiliated corporations);

Class I Units: for investors who have invested a minimum of $500,000 in a Fund and who have entered into an investment management agreement with us. At our discretion, we may waive the investment minimum.

* Class A units distributed under prior simplified prospectuses have been renamed "Class D" units as of August 13, 2010.

Additional Information

Independent Review Committee

Beutel Goodman Managed Funds Inc., the former Manager of the Beutel Goodman Managed Funds, appointed an Independent Review Committee ("IRC") on May 1, 2007, for each of its public mutual Funds in accordance with the Canadian Securities Administrators' National Instrument 81-107. This Instrument has been designed to promote investor protection in mutual funds. Effective January 1, 2013, as the result of the amalgamation between Beutel Goodman Managed Funds Inc. and Beutel, Goodman & Company Ltd., Beutel, Goodman & Company Ltd. is the Manager of the Beutel Goodman Managed Funds. The IRC actively assumed its role and responsibilities on November 1, 2007. The IRC oversees conflict of interest matters that may arise out of the management of each of the Funds by providing its recommendations or approvals, as required, to the Manager on how these conflicts may be fairly resolved. The IRC for each of the Beutel Goodman Managed Funds consists of three industry professionals, none of whom have an interest in the Funds or Beutel, Goodman & Company Ltd. outside of their roles as members of the IRC. The IRC 2017 Report to Unitholders is available on the Beutel Goodman Managed Funds' website at www.beutelgoodman.com or at the unitholder's request, at no cost, by contacting Beutel, Goodman & Company Ltd. at mutualfunds@beutelgoodman.com.

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