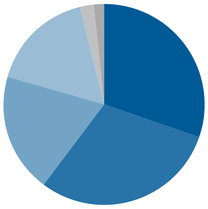
Beutel Goodman Balanced Fund

TOP 10 EQUITY HOLDINGS (%)

ROYAL BANK CDA	3.1
TORONTO DOMINION BK	3.0
BANK OF NOVA SCOTIA	2.2
ROGERS COMMUNICATION	1.8
BROOKFIELD ASSET MGT	1.6
MAGNA INTL INC	1.5
CDN NATURAL RES	1.3
CANADIAN IMPERIAL BK	1.2
CDN NATL RAILWAY	1.2
MERCK KGAA	1.2

ASSET MIX WEIGHTINGS (%)



PERFORMANCE % (ANNUALIZED) TO JUNE 30, 2017

BG BALANCED FUND	CURRENT QTR	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	10 YEARS
BONDS	0.98	0.49	2.68	3.11	3.32	2.59	5.12
FTSE TMX CANADA UNIVERSE BOND INDEX	1.11	0.02	2.58	3.79	4.18	3.29	5.11
COMMON STOCKS - CANADIAN	-1.92	14.55	8.31	5.85	11.65	13.16	7.45
S&P/TSX	-1.64	11.05	5.27	3.08	8.96	8.74	3.89
COMMON STOCKS - U.S.	-0.15	24.49	15.32	19.23	21.06	23.59	12.28
S&P 500 (CDN$)	0.45	17.64	12.95	16.99	19.31	20.31	9.34
COMMON STOCKS - INTERNATIONAL	4.99	28.51	9.26	8.28	11.56	12.15	3.07
MSCI EAFE (CDN$)	3.39	19.99	6.03	7.95	12.09	14.08	3.06
CASH/SHORT TERM	0.14	0.53	0.43	0.64	0.71	0.74	1.07
TOTAL PORTFOLIO	0.64	14.14	8.00	7.68	10.34	10.93	7.06
BG BALANCED BENCHMARK	0.48	7.98	5.30	5.77	8.44	8.34	5.12
MANAGEMENT EFFECT	**0.16**	**6.16**	**2.70**	**1.91**	**1.90**	**2.59**	**1.93**

PERFORMANCE % (ANNUAL) TO JUNE 30TH

BG BALANCED FUND	2017	2016	2015	2014	2013
TOTAL PORTFOLIO	14.14	2.18	7.05	18.70	13.35
BG BALANCED BENCHMARK	7.98	2.69	6.72	16.86	7.93
MANAGEMENT EFFECT	**6.16**	**-0.51**	**0.33**	**1.84**	**5.42**

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 second quarter of 2017 and outperformed the Beutel Goodman Balanced Benchmark. Added value was due to asset allocation. An underweight in fixed income detracted over the quarter, but this negative effect was more than offset by positive effects from an overweight position in international equities.

Oil was weak, trading to seven month lows during June, but ended the quarter near $46, down 9% for the quarter. Despite concerning developments in the Middle East involving the cutting of diplomatic ties with Qatar over its involvement with Iran, the markets focussed on supply data showing surging crude and gasoline inventories. The latest data showed U.S. crude inventories rising, but expectations were for a considerable decline. A further bearish indicator is gasoline consumption, which remains weak. OPEC-led production cuts have been offset by rising production in the U.S., Libya and Nigeria.

The Bank of Canada kept the overnight rate unchanged at 0.50% during the second quarter, in-line with market expectations. The Bank believes that the Canadian economy's adjustment to lower oil prices is largely complete and that recent economic data have been encouraging, including indicators of business investment, as well as strength in consumer spending and the housing sector. On the inflation front, all three measures of the Bank's indicators of core inflation remain below the 2% target and wage growth is still subdued. The Bank believes this is due to the ongoing excess capacity in the economy, as well as the temporary effect of declines in food prices due to intense retail competition. During June, Senior Deputy Governor Carolyn Wilkins delivered a hawkish assessment of the Canadian economy that started to pull forward market expectations for the first Bank of Canada rate increase.

During the second quarter, the U.S. Federal Reserve hiked the Federal Funds rate by 25 basis points to a target range of 1-1.25%. The Fed noted that the labour market has continued to strengthen and that economic activity has been rising moderately. While the Federal Reserve is maintaining its existing policy of reinvesting principal payments from its U.S. Treasury and MBS holdings, it currently expects to implement a balance sheet normalization program sometime this year, provided that the economy evolves broadly, as anticipated.

In Europe, the risk of a move to far right, anti-euro sentiment has lessened. The markets were relieved that the populist, euro-skeptic parties did not win enough votes to make a difference in the Dutch and French elections. The snap British election did not deliver a stronger majority for Prime Minister Theresa May and may lead to a softer Brexit. German elections are in the fall and early polls show that Chancellor Angela Merkel is leading. The largest election risk likely lies with Italy where elections could be triggered this year and the anti-euro party has significant support. The European political backdrop has also been strengthened by economic growth and financial institution stability.

The Canadian equity component underperformed the S&P/TSX Composite Index for the quarter. Negative stock selection effects outweighed positive allocation effects over the period. Sector allocation added value primarily due to an underweight position in Energy, with additional positive effects from an underweight in Materials and overweights in Consumer Discretionary and Telecommunications. The primary detractor over the period was selection in Energy, largely due to Cenovus, which declined significantly during the quarter, primarily as a result of the purchase of oil sands and deep basin assets from its partner ConocoPhillips. Subsequently, the company announced the retirement of the CEO and their intention to divest additional non-core assets to improve the balance sheet and preserve an investment grade debt rating. The decline in oil and a possible share

Asset Class	Performance Benchmark Return	BG Balanced Fund Return	Performance Benchmark Weight	Closing Weight 2Q 2017	Closing Weight 1Q 2017
Cash & Cash Equivalents	0.1%	0.1%	5.0%	1.5%	1.1%
Fixed Income	1.1%	1.0%	40.0%	30.5%	30.6%
Equity	0.0%	0.5%	55.0%	68.0%	68.3%
- Canada	-1.6%	-1.9%	30.0%	32.3%	32.3%
- U.S.	0.5%	-0.2%	12.0%	16.5%	16.3%
- EAFE	3.4%	5.0%	13.0%	19.2%	19.7%
Total Returns	0.5%	0.6%			
Total Added Value		0.2%			

Equity=S&P/TSX Composite Index / US Equity=C$ S&P500 Index / International Equity=C$ MSCI EAFE Index. Returns are gross of fees & expenses.

overhang also weighed on the stock. Cameco was also weak. The Telecommunications Services sector was a positive area of the portfolio with Rogers as the top contributor to performance, while Telus rose as well, both gaining on continued wireless strength from subscriber growth and increased data usage.

The U.S. equity component's underperformance for the quarter was a function of stock selection, with the exception of our overweight position in Telecommunications, where sector weakness was a notable detractor for the quarter. Our Industrial names, Ingersoll-Rand and Caterpillar, provided significant alpha, while our large weight in Oracle was a positive contributor in the Information Technology space. In Health Care and Financials, high conviction positions Baxter and American Express continued prior period strength with very positive returns once again this quarter. Names that detracted from performance included our Energy and Telecommunication Services holdings Halliburton and Verizon, as well as Eli Lilly in Health Care. Our large position in Parker Hannifin was also a notable detractor of value in the quarter as this name recorded a negative return. Our relative sector exposure was positive for the quarter and did provide some offset from stock selection, with our overweight positions in Health Care and Industrials and underweight position in Energy producing the largest benefit. The only significant detractor of value from sector exposure was due to an overweight position in Telecommunication Services, as the group continues to face heightened competitive activity.

The international equity component outperformed due to strong stock selection. Sector allocation was neutral, as the benefit from our underweight in Energy was offset by weakness from our overweight in Materials. In terms of stock selection, the strongest contribution came from Financials. 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. Gjensidige's strong showing in the quarter largely reversed weak first quarter performance. The Telecommunications sector was a strong contributor. KPN reversed some of the weakness from Q1, as signs of easing competitive pressure emerged in its market. Vodafone also outperformed following important consolidation in Germany, arguably its most important market, as well as a strong set of operational results. In Information Technology, Atea climbed higher on another solid quarter of profit growth and cash generation, while Software AG added to the positive sentiment from its buyback with strong growth in license revenue. The portfolio benefited from strong selection within the Consumer sectors. Michelin ran higher on good results owing to improved customer sentiment in some of its more depressed markets like mining. Carlsberg outperformed, although this is in light of unspectacular performance over the past twelve months, as investors are likely positioning for a significant hike in the dividend, as well as an improvement in operational results.

During the second quarter, the FTSE TMX Canada Universe Bond Index increased by 1.11% on a total return basis. The Provincial and Municipal sectors both outperformed the Index during the quarter returning 2.12% and 1.86%, respectively. The Corporate and Federal sectors both underperformed the Index during the quarter, returning 1.02%, and 0.20%, respectively. In the first part of the quarter interest rates declined, as the bond markets priced out any sort of growth and inflationary pressures from the Trump Administration's policies. Later in the quarter, in the wake of hawkish central bank comments, global interest rates increased and yield curves flattened. Yields across the Canadian curve increased by 10 basis points on average during the quarter, with the front end of the curve increasing the most as it priced in imminent Bank of Canada rate increases. The long-end of the curve decreased, likely attributable in part to the lack of inflation.

The fixed income portfolio underperformed its benchmark in the second quarter. Government sector allocation added value, as Government of Canada Bonds, where we are underweight, underperformed during the quarter. This positive effect was outweighed by negative effects from government security selection, due to our mix of Provincial bonds, and corporate security selection, as the Energy sector underperformed versus other corporate sectors over the period. Curve positioning detracted, as the yield curve flattened in the second quarter and we were positioned for the curve to steepen. The unexpected change in stance by the Bank of Canada served to flatten the curve.

PORTFOLIO STRATEGY AND ACTIVITY

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 quarter, we did not make any material asset class shifts.

In the Canadian equity component, our positions in **Metro** and **Sun Life** were increased and our positions in **Rogers** and **Canadian Tire** were trimmed. The portfolio received a small position in **Trisura Group** as a stock dividend from **Brookfield Asset Management**, which was sold.

The U.S. equity component initiated one new position over the period. **Autozone** is the largest retailer of automotive replacement parts and accessories in the U.S. The company benefits from an extremely strong brand driven by its nationwide presence, high customer service standards, technically competent staff, and comprehensive inventory. The portfolio also continued to build positions in newer names **Omnicom** and **LyondellBasell**, as well as add to **Kellogg, AmerisourceBergen,** and **Amdocs**. Also during the quarter, process driven one-third sales in **Johnson & Johnson, Teradyne,** and **Symantec** reduced the weights in these names, which continue to be held, while **Caterpillar** was sold in its entirety having attained its target with additional upside lacking sufficient return. Full sales were also completed on regional bank holding **BB&T** and software company **Cadence Design Systems** for the purpose of funding our new position in Autozone, as well as to reposition the weights in the portfolio to enhance its risk-adjusted return profile.

The international equity portfolio initiated one new position. Based in the United Kingdom, **Smith & Nephew** is a diversified medical technology company with leading positions in orthopaedics reconstruction, advanced wound management, sports medicine, and trauma. We did add to Energy company **TGS-Nopec**, Nordic P&C insurer **Gjensidige**, Consumer Staples company **Henkel**, Materials company **HeidelbergCement**, Netherlands-based Telecom **KPN**, and Japanese convenience store operator **FamilyMart**. To fund our new position and the aforementioned additions, we sold the balance of our position in **Sky**, given the limited upside due to the bid for the company from Fox, as well as the remaining small positions in **BNP Paribas** and **Vesuvius**. Additional funds were created from process-driven trims in **Deutsche Boerse** and **Akzo Nobel**.

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 increase in accordance. The Canadian bond market has fully priced in two interest rate hikes 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

The strengthening pace of the developed market economic growth in the first half of 2017 is likely to be further driven by both industrial production and fixed asset investments, which have been lacking in previous years. Europe in particular stands out as delivering positive surprises - reflected in the strength of both the equity markets and currencies in the first half of the year – and looks set to continue to grow above its recent sub-historical trend line for the rest of the year. Inflation in Europe has also been steadily picking up, given the strength of private consumption across the Eurozone. In Japan too, a clear growth improvement was evident in the first half of the year, although tepid consumer spending might keep GDP growth momentum range-bound. Given the emerging broad economic activity strength in the last few quarters, most central banks in developed countries, including Canada, are sounding more hawkish in tone in their outlooks. But despite this, GDP in most major countries remains stubbornly anchored to the lowly 2% level, meaning that with the exception of Canada and the U.S., we are not expecting any of the major international central banks - ECB and BOJ in particular - to tighten monetary policy any time soon.

With respect to the fixed income portfolio, the path of interest rates in the near term will likely be determined by whether or not the central banks make good on their warnings to markets that they are planning to withdraw monetary policy stimulus. The withdrawal of such stimulus will likely reprice yield curves and lead global interest rates higher. The change in central bank rhetoric has served to flatten the yield curve significantly. Central bank tightening flattens the yield curve, as moves in the administered rates are felt more in the short-end of the curve. Another major factor that is keeping the yield curve flat is the lack of inflation. We are wary of the dangers of the unwind, as many years of extraordinary monetary policy has led to distortions in bond markets, with investors reaching for yield. As rates continue to increase, it may temper certain parts of the economy, for example corporations will no longer have access to easy money and consumers may no longer rely on low mortgage rates. Also, the flow of funds that have flooded into bond markets with positive yields may dissipate and even reverse, thereby lifting the downward pressure on Canadian and U.S. interest rates. Further, the positive backdrop to credit spreads that occurred when the ECB announced that it was extending its QE program to corporates may also reverse if the ECB starts to taper.

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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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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