Beutel Goodman Fundamental Canadian Equity Fund

Q2 - JUNE 30, 2017

TOP 10 HOLDINGS (%)

ROYAL BANK CDA	9.9
TORONTO DOMINION BK	9.2
BANK OF NOVA SCOTIA	6.7
ROGERS COMMUNICATION	6.0
MAGNA INTL INC	5.1
BROOKFIELD ASSET MGT	5.0
CDN NATURAL RES	4.5
CDN NATL RAILWAY	3.9
CANADIAN IMPERIAL BK	3.8
CANADIAN TIRE CORP	3.5

SECTOR WEIGHTS VS BENCHMARK

SECTOR WEIGHTS (%)			UNDERWEIGHT/OVERWEIGHT %
Sector	**BG**	**S&P/TSX**	
Financials	43.8	34.5	9.4
Consumer D.	11.3	5.4	5.8
Telecom	9.3	4.9	4.4
Industrials	10.5	9.6	0.9
Consumer S.	4.5	3.9	0.7
Info. Tech.	2.8	3.3	-0.5
Health Care	0.0	0.7	-0.7
Real Estate	0.0	3.0	-3.0
Utilities	0.0	3.3	-3.3
Materials	5.4	11.5	-6.2
Energy	9.0	20.0	-10.9
Cash	3.4		

PERFORMANCE % (ANNUALIZED) TO JUNE 30, 2017

BG FUNDAMENTAL CDN EQUITY FUND	CURRENT QTR	1 YEAR	2 YEARS	3 YEARS	SINCE INCEPTION*
TOTAL PORTFOLIO	-2.15	13.64	8.02	5.55	5.55
S&P/TSX INDEX	-1.64	11.05	5.27	3.08	3.08
MANAGEMENT EFFECT	**-0.51**	**2.59**	**2.75**	**2.47**	**2.47**

* Inception Date = July 1, 2014

PERFORMANCE % (ANNUAL) TO JUNE 30TH

BG CANADIAN EQUITY FUND	2017	2016	2015
TOTAL PORTFOLIO	13.64	2.72	0.77
S&P/TSX INDEX	11.05	-0.20	-1.16
MANAGEMENT EFFECT	**2.59**	**2.92**	**1.93**

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

The S&P/TSX Composite lost 1.64% during the second quarter of 2017. Health Care, Industrials and Consumer Discretionary were the strongest performing sectors. Health Care, the smallest sector in the Index by weight, continues to be driven by movements in Valeant Pharmaceuticals, which rose 53.4% in the quarter. Energy and Materials were the worst performing sectors, declining during the quarter due to weakness in oil and gold prices. The Financials sector was also negative, as issues surrounding the housing market and a Moody's downgrade of the Canadian bank credit ratings were a concern. Bank stocks strengthened in June after Berkshire Hathaway's offer of a credit line and agreement to invest in Home Capital. At the end of the quarter, the Bank of Canada signalled that it may be ready to raise rates as the economy strengthens, emerging from the worst of the oil shock. This sent bond yields higher, benefitting Financials, and strengthened the Canadian dollar, as the market adjusted to the news. Year-to-date the Canadian Index is among the worst performing stock markets in the world. The Energy sector has had a large negative effect on Index performance, declining 13.3% since the start of 2017, mainly due to oil price weakness.

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 portfolio underperformed the S&P/TSX Composite Index for the quarter. Negative stock selection effects outweighed positive allocation effects over the period.

The Telecommunications Services sector was a positive area of the portfolio, where both allocation and selection effects added value. Rogers was the top contributor to performance for the quarter, while Telus rose as well, both gaining on continued wireless strength from subscriber growth and increased data usage.

Our underweight and positive stock selection in the Materials sector also generated alpha for the quarter.

The Financials sector added value, with our overweight positioning and selection effects both positive. Brookfield Asset Management, BNS and Thomson Reuters were the top performing financials in the portfolio, all reporting earnings that beat expectations. Our holdings in the major banks decreased, as housing market concerns in addition to Moody's credit downgrade of the 6 largest banks weighed on the sector.

Consumer Discretionary was a slightly negative area for the portfolio, as negative selection effects offset positive weighting effects. Magna increased after reporting strong earnings and increasing guidance. Quebecor also rose, adding value.

Stock selection in Information Technology was negative. Open Text declined, after reporting disappointing earnings, mainly due to higher costs associated with the integration of a recent acquisition and possibly feeling the effects of the tech sell-off in the U.S.

In Consumer Staples, negative selection effects offset positive allocation effects. Molson Coors declined after providing guidance that did not meet expectations. Loblaw also fell during the quarter. Food retailers came under pressure after the announced purchase of Whole Foods by Amazon, although Metro increased over the period.

In Energy, negative stock selection effects outweighed positive allocation effects. A source of weakness in the portfolio was 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.

PORTFOLIO STRATEGY AND ACTIVITY

During the second quarter, 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.

OUTLOOK

Canadian equities have faced headwinds during the first half of 2017 including a low oil price and declining long term bond yields, which have recently rebounded in light of the Bank of Canada's shift in tone. After outperforming other developed markets in 2016 with a return of 21.1%, the TSX Composite Index has underperformed other global indices year to date with a return of just 0.74%. The main drag on the Index has been Energy, which has fallen 13.3%. On the positive side, Canada is expected to post the strongest growth in the G7 this year, yet the market appears to be focused on risks in the housing market and international trade negotiations. We remain positively inclined to equity markets and expect the stable economic growth backdrop to remain supportive of corporate earnings and equity valuations. Our analysis indicates that the upside in our current holdings in Financials, Telecommunication Services and the Consumer sectors remain attractive, while we are cautious on the fundamentals in Energy and Materials. We continue to execute our disciplined process of investing in excellent businesses at an adequate discount to generate alpha, preserve capital and mitigate risk.

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 does 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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