

Interim Management Report of Fund Performance

June 30, 2017

Beutel Goodman Fundamental Canadian Equity Fund

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This Interim 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.

Beutel Goodman Managed Funds

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Beutel Goodman Fundamental Canadian Equity Fund

Management Discussion of Fund Performance

Investment Objectives and Strategies

This Fund seeks long-term capital appreciation primarily through investments in common shares and other equity securities of Canadian issuers with medium to large capitalization.

The Fund's advisor attempts to buy the best economic value in the market regardless of what sector the issuer operates in. Research efforts will be directed to identifying stocks of medium and large capitalization issuers that are undervalued in relation to the asset value or earnings power of the issuer. If earnings fall short of expectations, the intrinsic value of the underlying assets of the issuer will provide important downside protection. The investment portfolio of the Fund will usually display a price-to-earnings ratio and price-to-book ratio that are well below market averages.

The Fund may hold significant cash balances from time to time. Investments by the Fund in non-Canadian securities will generally not exceed 49% of the Fund's assets taken at book value.

The Fund may invest in 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 seeking capital growth with a medium tolerance for risk and a long-term investment horizon.

Results of Operations

The Fund had a positive return, but underperformed the S&P/TSX Composite Index benchmark over the six month period under review.

For the first half of 2017, the S&P/TSX Composite Index had a return of 0.74%, a weak performer versus other developed markets. All sectors were positive, with the exception of two. The main drag on the Index was the Energy sector which fell 13.3%. The Materials sector was also negative, with returns of -0.7%. Consumer Discretionary led the Index, followed by Industrials and Utilities. At the end of the first half of the year, the Bank of Canada signaled 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.

Oil was weak, trading to seven month lows during June, but ended the period near \$46. Despite concerning developments in the Middle East, involving the cutting of diplomatic ties with Qatar over its involvement with Iran, the markets focused on supply data showing surging crude and gasoline inventories. The latest data showed U.S. crude inventories rising, while 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's underperformance over the period was attributable to stock selection. With respect to sector allocation, added value was attributable to underweights in the Energy and Materials sectors and overweights in the Consumer Discretionary, Telecommunications and Financials sectors.

One of the largest contributions to performance came from a significant advance in Rogers Communications in the Telecommunications sector. The stock gained on continued wireless strength from subscriber growth and increased data usage.

Across the rest of the portfolio, double-digit advances for holdings in Brookfield Asset Management, Canadian National Railway, Quebecor, Franco Nevada and Onex made positive contributions to performance. These positive effects, however, were offset by negative selection effects in the Energy, Industrials, the Consumer sectors and Materials.

The largest negative contribution to performance was from Cenovus in the Energy sector. Cenovus declined over 50% during the half, 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 CEO Brian Ferguson as well as the intent to divest additional non-core assets to improve the balance sheet and preserve an investment grade debt rating. The decline in oil prices, as well as a possible share overhang, also weighed on the stock.

Other notable detractors included Canadian Natural Resources, Agrium, Molson Coors, Cameco and Potash.

Over the first half of the year, the Fund added one new holding, Sun Life Financial, to the portfolio. Sun Life is a very well-managed, well-capitalized life insurance company with excellent earnings quality, an attractive mix of stable businesses and good long term growth prospects. The company provides a diverse range of protection and wealth products and services in Canada, the U.S., Asia and the UK. The valuation is supported by a superior risk/return profile and foreseeable organic growth in existing businesses. Should interest rates continue to rise, long term returns and growth will only be enhanced and create even greater upside. Downside is protected, given the company's stable businesses and lower than average exposure to rates and markets. The Fund also added to Cameco and Metro on valuation. Other transactions involved process driven sales of Canadian Tire and Rogers Communications. The portfolio received a small holding in Trisura, a stock dividend from Brookfield Asset Management, which was sold.

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

Recent Developments

There have been no changes to the Fund's Manager for the review period.

As economic conditions continue to improve, global central banks are signaling that accommodative monetary policy may soon be coming to an end. Indeed, the US Federal Reserve has raised rates and is indicating that it will begin tapering its balance sheet, albeit slowly. A tightening bias has emerged from the Bank of Canada, strengthening the Canadian dollar, sending bond yields higher and resulting in an interest rate hike in July. Continued positive economic data, including strong GDP and a solid job market support this view. The Bank has dismissed previous worries over trade policy and weak oil prices. On the other hand, inflation remains well below the 2% target set by the bank and wage growth remains muted – both risks to a possible tightening plan.

Canadian equities have faced headwinds during the first half of 2017, the strongest being a low oil price environment. Bond yields have recently rebounded in light of the Bank of Canada's shift in tone. After outperforming

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other developed markets in 2016 with a return of 21.1%, the TSX Composite Index has underperformed other global indices year to date with 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. The portfolio manager remains positively inclined to equity markets and expects the stable economic growth backdrop to remain supportive of corporate earnings and equity valuations. The portfolio manager's analysis indicates that the upside in their current holdings in Financials, Telecommunications Services and the Consumer sectors remains attractive, while cautious on the fundamentals in Energy and Materials. The portfolio manager continues to execute their disciplined process of investing in excellent businesses at an adequate discount to generate alpha, preserve capital and mitigate risk. The Fund continues to have a strong "value" bias in terms of style.

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⁾
Fundamental Canadian Equity Fund	B	1.85
Fundamental Canadian Equity Fund	F	0.90

(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 \$3,341 for the period ending June 30, 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 0.00% of total management fees paid by the Fund to the Manager in 2016.

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	June 2017	2016	2015
Fundamental Canadian Equity Fund	\$117,332	\$159,358	\$60,163

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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 6 month period ended June 30 of the current year, for the past 2 years ended December 31 and from its inception date of June 23 to December 31, 2014. The December 31 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 period ended June 30, 2017 and years ended December 31)

\$	June 2017	2016	2015	2014*
Net assets attributable to holders of redeemable units per unit, beginning of period ⁽¹⁾	10.98	9.46	10.16	10.00
Increase (decrease) in net assets attributable to holders of redeemable units:				
Total Interest Revenue	–	–	–	–
Total Dividend Revenue	0.16	0.30	0.31	0.15
Total revenue	0.16	0.30	0.31	0.15
Total expenses	(0.12)	(0.24)	(0.41)	(0.43)
Realized gains (losses) for the period	0.13	0.08	(0.18)	–
Unrealized gains (losses) for the period	(0.44)	1.64	(0.38)	0.44
Total increase (decrease) in net assets attributable to holders of redeemable units ⁽²⁾	(0.27)	1.78	(0.66)	0.16
Distribution to holders of redeemable units per unit:				
Net interest income (excluding dividend)	–	–	–	–
Net dividend income	–	0.11	0.03	–
Net investment income	–	0.11	0.03	–
Realized gains on sale of investments	–	–	–	0.01
Total distribution to holders of redeemable units ⁽³⁾	–	0.11	0.03	0.01
Net assets attributable to holders of redeemable units, end of period ⁽⁴⁾	10.92	10.98	9.46	10.16

Ratios and Supplemental Data for Class B Units

(for the period ended June 30, 2017 and years ended December 31)

\$	June 2017	2016	2015	2014
Total net asset attributable to holders of redeemable units (\$) (000's) ⁽⁵⁾	232	80	5	14
Number of outstanding redeemable units (000's) ⁽⁵⁾	21	7	1	1
Management expense ratio ^(6a)	2.11%	2.20%	2.20%	2.15%
Management expense ratio before absorptions ^(6b)	N/A	N/A	N/A	N/A
Portfolio turnover rate ⁽⁷⁾	8%	10%	18%	4%
Trading expense ratio (%) ⁽⁸⁾	0.05%	0.06%	0.06%	0.10%
Net assets attributable to holders of redeemable units, end of period ⁽⁹⁾	10.92	10.98	9.46	10.16

* Fund launched in June 2014

Financial Highlights for Class F Units

(for the period ended June 30, 2017 and years ended December 31)

\$	June 2017	2016	2015	2014*
Net assets attributable to holders of redeemable units per unit, beginning of period ⁽¹⁾	11.07	9.49	10.19	10.00
Increase (decrease) in net assets attributable to holders of redeemable units:				
Total Interest Revenue	–	–	–	–
Total Dividend Revenue	0.16	0.49	0.31	0.15
Total revenue	0.16	0.49	0.31	0.15
Total expenses	(0.07)	(0.16)	(0.21)	(0.23)
Realized gains (losses) for the period	0.13	0.23	(0.19)	–
Unrealized gains (losses) for the period	(0.53)	1.80	(0.48)	0.29
Total increase (decrease) in net assets attributable to holders of redeemable units ⁽²⁾	(0.31)	2.36	(0.57)	0.21
Distribution to holders of redeemable units per unit:				
Net interest income (excluding dividend)	–	–	–	–
Net dividend income	–	0.17	0.13	0.02
Net investment income	–	0.17	0.13	0.02
Realized gains on sale of investments	–	0.01	–	0.01
Total distribution to holders of redeemable units ⁽³⁾	–	0.18	0.13	0.03
Net assets attributable to holders of redeemable units, end of period ⁽⁴⁾	11.07	11.07	9.49	10.19

Ratios and Supplemental Data for Class F Units

(for the period ended June 30, 2017 and years ended December 31)

\$	June 2017	2016	2015	2014
Total net asset attributable to holders of redeemable units (\$) (000's) ⁽⁵⁾	438	170	5	5
Number of outstanding redeemable units (000's) ⁽⁵⁾	40	15	1	1
Management expense ratio ^(6a)	1.13%	1.13%	1.12%	1.12%
Management expense ratio before absorptions ^(6b)	N/A	N/A	N/A	N/A
Portfolio turnover rate ⁽⁷⁾	8%	10%	18%	4%
Trading expense ratio (%) ⁽⁸⁾	0.05%	0.06%	0.06%	0.10%
Net assets attributable to holders of redeemable units, end of period ⁽⁹⁾	11.07	11.07	9.49	10.19

* Fund launched in June 2014

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Financial Highlights for Class I Units

(for the period ended June 30, 2017 and years ended December 31)

\$	June 2017	2016	2015	2014*
Net assets attributable to holders of redeemable units per unit, beginning of period⁽¹⁾	11.19	9.49	10.20	10.00
Increase (decrease) in net assets attributable to holders of redeemable units:				
Total Interest Revenue	–	–	–	–
Total Dividend Revenue	0.16	0.31	0.32	0.14
Total revenue	0.16	0.31	0.32	0.14
Total expenses	(0.01)	(0.01)	(0.01)	(0.01)
Realized gains (losses) for the period	0.14	0.08	(0.21)	–
Unrealized gains (losses) for the period	(0.27)	1.75	(0.63)	0.14
Total increase (decrease) in net assets attributable to holders of redeemable units⁽²⁾	0.02	2.13	(0.53)	0.27
Distribution to holders of redeemable units per unit:				
Net interest income (excluding dividend)	–	–	–	–
Net dividend income	–	0.17	0.24	0.06
Net investment income	–	0.17	0.24	0.06
Realized gains on sale of investments	–	0.01	–	0.01
Total distribution to holders of redeemable units⁽³⁾	–	0.18	0.24	0.07
Net assets attributable to holders of redeemable units, end of period⁽⁴⁾	11.25	11.19	9.49	10.20

Ratios and Supplemental Data for Class I Units

(for the period ended June 30, 2017 and years ended December 31)

\$	June 2017	2016	2015	2014
Total net asset attributable to holders of redeemable units (\$) (000's)⁽⁵⁾	559,549	488,250	119,287	74,887
Number of outstanding redeemable units (000's)⁽⁵⁾	49,758	43,645	12,573	7,345
Management expense ratio^(6a)	0.07%	0.07%	0.07%	0.07%
Management expense ratio before absorptions^(6b)	0.11%	N/A	N/A	N/A
Portfolio turnover rate⁽⁷⁾	8%	10%	18%	4%
Trading expense ratio (%)⁽⁸⁾	0.05%	0.06%	0.06%	0.10%
Net assets attributable to holders of redeemable units, end of period⁽⁹⁾	11.25	11.19	9.49	10.20

* Fund launched in June 2014

Beutel Goodman Fundamental Canadian Equity Fund

- (1) The information for June 2017, December 2016, December 2015 and December 2014 is derived from the Fund's 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 period.
- (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 period end of the period 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 period.
- (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 period.
- (9) The information for June 2017, December 2016, December 2015 and December 2014 is derived from the Fund's financial statements prepared in accordance with IFRS.

Beutel Goodman Fundamental Canadian Equity Fund

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 heading.

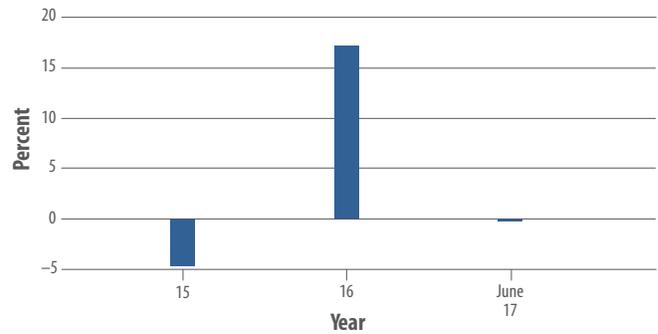
The performance returns in all cases:

- are calculated as of **December 31** in each year and for the **first 6 months** of the current 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.**

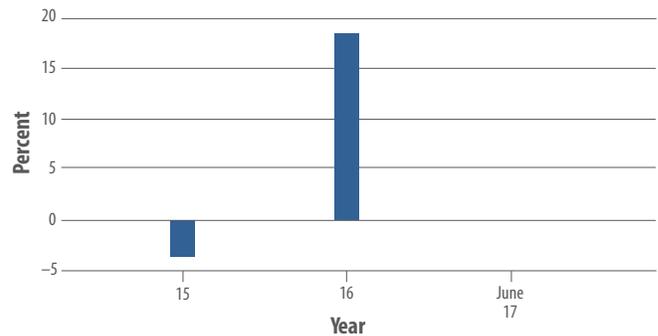
Please remember that the past performance of the Fund is not an accurate prediction of future returns.

Year-by-Year Returns

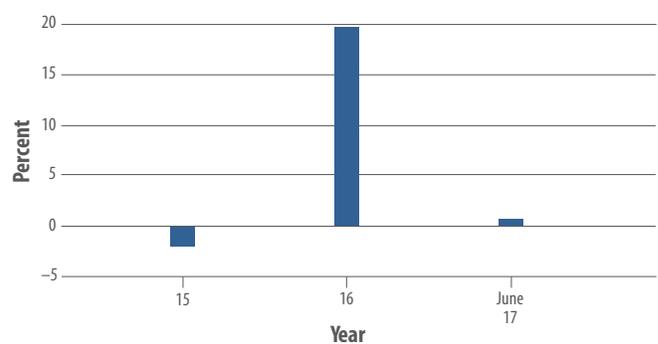
Class B



Class F



Class I



Beutel Goodman Fundamental Canadian Equity Fund

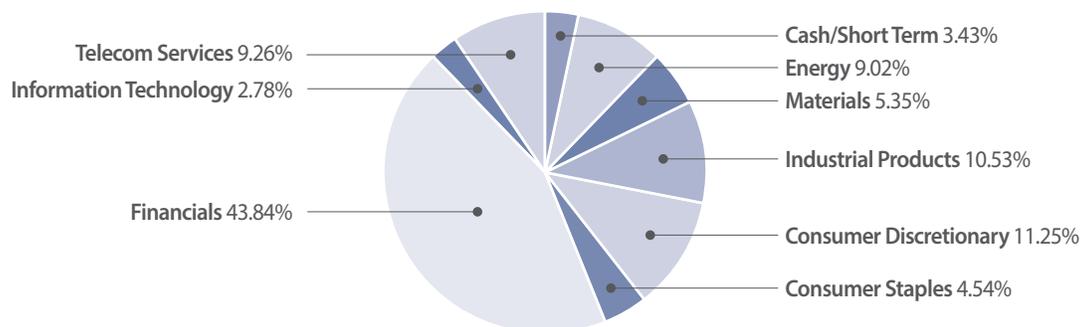
Summary of Investment Portfolio

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	% of Net Assets	Issuer Name	Coupon Rate (%)	Maturity Date	% of Net Assets
1. Royal Bank of Canada	9.84	14. Open Text Corp.			2.77
2. The Toronto-Dominion Bank	9.18	15. Quebecor Inc., Class B			2.66
3. Bank of Nova Scotia	6.64	16. Government of Canada	0.697%	21-Sep-17	2.60
4. Rogers Communications Inc., Class B	6.01	17. Cenovus Energy Inc.			2.57
5. Magna International Inc.	5.05	18. SNC-Lavalin Group Inc.			2.38
6. Brookfield Asset Management Inc.	4.97	19. Molson Coors Canada Inc., Class B			2.33
7. Canadian Natural Resources Ltd.	4.46	20. Sun Life Financial Inc.			2.25
8. Canadian National Railway Co.	3.93	21. Finning International Inc.			2.13
9. Canadian Imperial Bank of Commerce	3.77	22. Canadian Pacific Railway Ltd.			2.05
10. Canadian Tire Corp Ltd., Class A	3.50	23. Cameco Corp.			1.77
11. Great-West Lifeco Inc.	3.29	24. Thomson Reuters Corp.			1.62
12. TELUS Corp.	3.22	25. Metro Inc., Class A			1.35
13. Agrium Inc.	3.05				

Asset Mix



Beutel Goodman Fundamental Canadian Equity 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 Fundamental Canadian Equity Fund is available in 3 classes of units: Class B, 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 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.

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 2016 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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