

▶ TOP 10 HOLDINGS (%)

PARKER HANNIFIN CORP	6.5
VERIZON COMMUNICATION	6.2
SYMANTEC CORP	6.0
ORACLE CORP	5.9
AMERICAN EXPRESS CO	5.9
INGERSOLL-RAND PLC	5.9
ELI LILLY & CO	5.2
AMERISOURCE-BERGEN	4.8
AMDOCS LTD	4.7
AMERIPRISE FINANCIAL	4.6

▶ SECTOR WEIGHTS VS BENCHMARK

SECTOR WEIGHTS (%)		UNDERWEIGHT/OVERWEIGHT %	
Sector	BG	S&P 500 C\$	
Industrials	18.5	10.1	8.4
Telecom	6.2	2.4	3.8
Health Care	17.1	13.9	3.2
Financials	17.0	14.4	2.6
Consumer S.	9.7	9.3	0.4
Info. Tech.	21.8	22.1	-0.3
Materials	2.0	2.8	-0.8
Energy	4.0	6.6	-2.6
Real Estate	0.0	2.9	-2.9
Utilities	0.0	3.2	-3.2
Consumer D.	2.0	12.3	-10.4
Cash	1.8		

▶ PERFORMANCE % (ANNUALIZED) TO MARCH 31, 2017

BG AMERICAN EQUITY FUND	CURRENT QTR	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	10 YEARS
TOTAL PORTFOLIO	7.87	29.44	14.18	19.08	22.84	22.13	11.54
S&P 500 INDEX C\$	5.25	20.36	11.93	17.46	21.08	20.01	9.07
MANAGEMENT EFFECT	2.62	9.08	2.25	1.62	1.76	2.12	2.47

▶ PERFORMANCE % (ANNUAL) TO MARCH 31ST

BG AMERICAN EQUITY FUND	2017	2016	2015	2014	2013
TOTAL PORTFOLIO	29.44	0.75	29.54	34.85	19.33
S&P 500 INDEX C\$	20.36	4.09	29.34	32.62	15.85
MANAGEMENT EFFECT	9.08	-3.34	0.20	2.23	3.48

▶ INVESTMENT STRATEGY

The Fund seeks long-term enhancement of capital primarily through investments in common stocks and other equity securities of American issuers. The number of stocks held is between 25-50.

▶ INVESTMENT RESULTS

The Beutel Goodman American equity portfolio outperformed the S&P500 C\$ Index benchmark in the first quarter of 2017, as the markets began the year with a continuation of the positive sentiment that had rounded out 2016. While headlines during the quarter focused on the early forays of the new Trump administration, the economic backdrop for the U.S. continued to strengthen. Both the Philly Fed and Dallas Fed surveys rose strongly, although fourth quarter GDP disappointed at 1.9%. Jobless claims fell to a near 43 year low and nonfarm payrolls exceeded expectations. The Federal Reserve hiked rates during March, but mostly stuck to its cautious language concerning the pace of future rate hikes, and 10 year treasury yields finished lower, ending the quarter at 2.4%.

Market performance by sector during the quarter was widespread, with leadership driven by strong performance from the Information Technology sector. Improving consumer sentiment was also evident in market performance as the Consumer Discretionary sector outperformed the broader market, along with Health Care. Consumer Staples, Utilities, and Materials moved in line with the index, while Industrials and Financials posted positive returns but still lagged. The most significant sector outliers on the downside were Energy and Telecommunication Services, where absolute negative returns reflected a pullback in energy prices and ongoing competitive activity in Telecommunications.

The Fund's outperformance in the quarter was entirely a function of stock selection. Information Technology generated the greatest alpha, with names such as Teradyne, Symantec, and Cadence Design Systems performing very strongly. Health Care names Baxter and Eli Lilly also had significant returns in the quarter. Names that detracted from performance included our Energy and Telecommunication Services holdings Halliburton and Verizon, as well as regional bank BB&T.

Our relative sector exposure in the quarter was a minor detractor to performance. Overweight positions in Information Technology and Health Care were positive contributors to performance as was our underweight position in Energy. However, our underweight exposure in Consumer Discretionary detracted from performance, as did our overweight positions in Telecommunications Services, Financials, and Industrials.

▶ PORTFOLIO STRATEGY & ACTIVITY

In the first quarter of 2017, the portfolio initiated two new positions.

LyondellBasell is among the largest chemical producers, with production facilities in the U.S. and Europe. Avoiding cash-burning, value-destructive acquisitions tends to augment FCF generation, which has enabled a 30% share count reduction and a 65% dividend increase over the last four years.

Omnicom is a collection of franchises that offer a broad range of brand building services across advertising, customer relationship management (CRM), public relations and specialty communications. It is a well-run company with an exceptional business model in an attractive end-market.

The portfolio also added to its existing technology position in **Amdocs**.

During the quarter we trimmed our holdings in **Teradyne**, **Cadence Design Systems**, and **Baxter**, as all three moved through their respective targets. Also reduced in the quarter was regional bank **BB&T**, for the purpose of funding our new positions, as well as to reposition the weights in the portfolio to enhance its risk-adjusted return profile.

Our position in U.S. rail company **CSX** was sold in full during the quarter, as the shares moved through our target price in response to news of a pending management change.

▶ OUTLOOK

When you are out at sea for an extended time, it is easy to lose your bearings. Where are we? Is that the right question to ask? The market has done quite well for an extended period at sea. The prevailing view, which we have continuously heard or read in the last few quarters, is that the market is neither cheap nor expensive at its current multiple (approximately 21x P/E multiple on the S&P 500 Index). We look at value on a purely bottom up fundamental basis. We have no idea whether the market is cheap or expensive, nor are we willing to make a call on that because for us it does not matter. We care only about the fundamental valuation of each of our positions, not the market.

Where are we? Not the right question.

In looking forward, our outlook is not predicated on market factors. The clearest signals we have are from the downside protection remaining in our 27 gem assets, and in the upside that remains to our static target prices. Over the past quarter, we have had 4 of our 27 holdings reach our target price, and we have added 2 new positions. It is more challenging today for us to find new gems that meet our very high hurdle rates than last year, and definitely harder than two years ago. This is not necessarily an ominous sign that the market is about to crack, but, it does lead us to be more cautious in our outlook. Again, although we don't exactly know where we are, we remain confident that we will navigate well, even if we run into choppy waters.

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.

Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any

such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

FTSE TMX Global Debt Capital Markets Inc ("FTDCM"), FTSE International Limited ("FTSE"), the London Stock Exchange Group companies (the "Exchange") or TSX INC. ("TSX" and together with FTDCM, FTSE and the Exchange, the "Licensor Parties"). The Licensor Parties make no warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the relevant Index and/or the figure at which the said Index stands at any particular time on any particular day or otherwise. The Index is compiled and calculated by FTSEDCM and all copyright in the Index values and constituent lists vests in FTDCM. The Licensor Parties shall not be liable (whether in negligence or otherwise) to any person for any error in the Index and the Licensor Parties shall not be under any obligation to advise any person of any error therein. "TMX" is a trade mark of TSX Inc. and is used under licence. "FTSE®" is a trade mark of the FTSE International Limited and is used by FTDCM under licence".

The index information contained in this document has been obtained from sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such.

This document does not constitute an offer to buy or sell any securities, products or services and should not be construed as specific investment advice. All opinions and estimates expressed in this document are as of the time of its publication and are subject to change. No use of the Beutel Goodman name or any information contained in this report may be copied or redistributed without the prior written approval of Beutel, Goodman & Company Ltd.