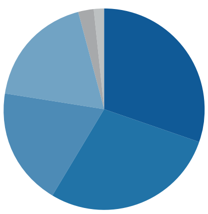
Beutel Goodman Balanced Fund

TOP 10 EQUITY HOLDINGS (%)

ROYAL BANK CDA	3.1
TORONTO DOMINION BK	2.9
ROGERS COMMUNICATION	2.3
BANK OF NOVA SCOTIA	2.1
CDN NATURAL RES	1.5
BROOKFIELD ASSET MGT	1.4
MAGNA INTL INC	1.3
CANADIAN IMPERIAL BK	1.3
MERCK KGAA	1.3
CENOVUS ENERGY	1.2

ASSET MIX WEIGHTINGS (%)



PERFORMANCE % (ANNUALIZED) TO MARCH 31, 2017

BG BALANCED FUND	CURRENT QTR	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	10 YEARS
BONDS	1.40	2.34	1.16	3.27	2.57	2.68	4.86
FTSE TMX CANADA UNIVERSE BOND INDEX	1.24	1.51	1.14	4.09	3.27	3.52	4.82
COMMON STOCKS - CANADIAN	3.01	18.89	8.46	8.46	12.21	12.44	8.05
S&P/TSX	2.41	18.62	5.27	5.82	8.27	7.84	4.70
COMMON STOCKS - U.S.	8.52	30.62	14.64	19.73	23.78	23.03	12.10
S&P 500 (CDN$)	5.25	20.36	11.93	17.46	21.08	20.01	9.07
COMMON STOCKS - INTERNATIONAL	9.75	19.91	5.86	5.50	9.76	9.62	2.20
MSCI EAFE (CDN$)	6.42	14.71	3.74	6.95	11.85	12.10	2.52
CASH/SHORT TERM	0.12	0.33	0.44	0.65	0.73	0.76	1.16
TOTAL PORTFOLIO	4.75	15.61	6.78	8.10	10.31	10.23	6.99
BG BALANCED BENCHMARK	2.71	10.50	4.31	6.65	8.02	7.90	5.16
MANAGEMENT EFFECT	**2.04**	**5.11**	**2.47**	**1.45**	**2.29**	**2.33**	**1.83**

PERFORMANCE % (ANNUAL) TO MARCH 31ST

BG BALANCED FUND	2017	2016	2015	2014	2013
TOTAL PORTFOLIO	15.61	-1.36	10.79	17.25	9.90
BG BALANCED BENCHMARK	10.50	-1.54	11.49	12.26	7.41
MANAGEMENT EFFECT	**5.10**	**0.18**	**-0.70**	**4.99**	**2.49**

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 first quarter of 2017 and outperformed the Beutel Goodman Balanced Benchmark. Added value was due to both asset allocation and security selection. An overweight in equities, particularly U.S. and international equities, and an underweight in fixed income added value. In addition, the fixed income, Canadian, U.S. and international equity components all outperformed their respective benchmarks.

Economic news in Canada continued to strengthen during the quarter signaling that Canada's economy is gaining traction and causing the OECD to raise the GDP growth outlook to 2.4% up from 2.1%. Employment statistics were very strong, exceeding expectations of a decline. CPI advanced to 2.1%, the highest in more than 2 years, as high gasoline prices and the new carbon tax created pricing pressure. The Bank of Canada, however, held rates steady.

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%, as consumer spending grew at a faster rate but state and local government spending and businesses equipment purchases weakened. Jobless claims fell to a near 43 year low and nonfarm payrolls exceeded expectations. The unemployment rate fell to 4.7%, complemented by steady wage growth. 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%. On the political front, markets were volatile as Trump's failed healthcare bill caused increasing skepticism that the promised tax cuts and fiscal stimulus would not materialize. Although markets hit record highs during the first quarter, they traded lower by quarter end.

Conditions in Europe also showed improvement, yet the ECB held rates steady and continued with its bond buying program. It is expected that the central bank will begin tapering its bond purchases in April. PMIs nearing 6 year highs suggest that manufacturing is picking up, although unemployment remains high at 9.5%. Inflation declined to 1.5%, short of the ECB's goal of just under 2%, further evidence that stimulus efforts will continue in the Eurozone. China has revised down its GDP growth expectations to 6.5% from a range of 6.5% - 7%, although manufacturing PMI was 51.6, the highest in 3 years. Inflation is rising, as producer prices rose at the fastest pace since 2008. With the economy showing signs of stabilizing, the Bank of China increased rates, following the Fed hike. Focus now will be on the country's excessive corporate and household debt and soaring home prices. The Bank of Japan held rates steady, as downside risks remain in the economy. Exports and industrial production are showing signs of positive momentum but inflation remains below the BoJ's target of 2%.

The Canadian equity component outperformed the S&P/TSX Composite Index over the period. Negative stock selection effects were outweighed by positive sector weighting effects, primarily due to an underweight in Energy. Stock selection added value in the Financials sector. Brookfield Asset Management rose on good results and several accretive acquisitions. Royal Bank gained, as the company reported better than expected results. Great-West Lifeco gained on good results and reduced concerns over the company's exposure to the U.K. economy and potential Brexit issues. Selection was also positive in Telecommunications. Rogers advanced and was the top contributor, as continued optimism on the company's strong Q4 results and confidence in the wireless market going forward boosted the stock. Selection effects in the Energy sector detracted. Our two largest holdings in the group, Cenovus and Canadian Natural Resources (CNQ), each announced

Asset Class	Performance Benchmark Return	BG Balanced Fund Return	Performance Benchmark Weight	Closing Weight 1Q 2017	Closing Weight 4Q 2016
Cash & Cash Equivalents	0.1%	0.1%	5.0%	1.1%	1.6%
Fixed Income	1.2%	1.4%	40.0%	30.6%	30.4%
Equity	4.0%	6.4%	55.0%	68.3%	68.1%
- Canada	2.4%	3.0%	30.0%	32.3%	30.7%
- U.S.	5.3%	8.5%	12.0%	16.3%	18.4%
- EAFE	6.4%	9.8%	13.0%	19.7%	19.0%
Total Returns	2.7%	4.8%			
Total Added Value		2.0%			

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

major acquisitions in the month. CNQ advanced after it announced the acquisition of oil sands assets from Shell, including a 70% interest in Athabasca Oil Sands Project (AOSP). Cenovus, on the other hand, fell significantly after it announced the purchase of oil sands assets from its partner ConocoPhillips. The Fund's exposure to small cap stocks added significant value relative to the large cap index.

The U.S. equity component's outperformance was entirely a function of stock selection over the period. Information Technology generated the greatest alpha, with names such as Teradyne, Symantec, and Cadence Designs Systems performing very strongly. Health Care names Baxter and Eli Lilly also had significant returns in the quarter. Our highest conviction Industrial holding, Parker Hannifin, continued its strong fourth quarter performance into the first quarter. Names that detracted from performance included our Energy and Telecommunication Services holdings Halliburton and Verizon, as well as regional bank BB&T.

The international equity component outperformed the MSCI EAFE Index (C$), with strong stock selection and a slight positive contribution from sector selection, as the benefit from our underweight in Energy more than offset weakness from our overweight in Telecommunications. In terms of stock selection, the strongest contribution came from the Materials sector. Akzo Nobel jumped on news that PPG had submitted a proposal to acquire the company and then climbed further following a second bid. Norsk Hydro was also a strong contributor as it followed the price of aluminum higher. The Information Technology sector was the second largest contributor to stock selection. Atea responded positively to its third consecutive strong earnings report and climbed further still after several broker upgrades. The Energy sector was the only detractor with respect to stock selection. Our only holding, TGS-Nopec, the asset-light geoscience company, lagged its sector.

During the first quarter, the FTSE TMX Canada Universe Bond Index increased by 1.24% on a total return basis. The Corporate, Provincial, and Municipal sectors outperformed the Index during the quarter returning 1.83%, 1.38%, and 1.73% respectively. The Federal sector underperformed the Index during the quarter, returning 0.64%. Yields across the U.S. curve were relatively unchanged, decreasing by 1 basis point on average during the quarter. Canadian yields increased by 3 basis points across the curve, with the greatest move in the 10-year area of the curve, where yields increased by 9 basis points. During the first quarter, corporate credit spreads tightened with the yield spread of the FTSE TMX Canada All Corporate Index versus the FTSE TMX Government of Canada Index decreasing by approximately 14 basis points from 134.8 basis points at December 31, 2016 to 121 basis points at quarter end. Sector performance was led by the Industrial, Infrastructure, Energy and Communication sectors.

The fixed income portfolio outperformed its benchmark in the first quarter. Decisions that contributed to performance include the following: (1) our corporate overweight versus the provincial and federal sectors, as the corporate sector was the best performing sector during the quarter; (2) our government sector allocation, as Government of Canada bonds, where we are underweight, underperformed versus provincials and (3) our U.S. pay position, as the U.S. dollar appreciated relative to the Canadian dollar since we initiated the position.

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, the allocation to U.S. equities decreased slightly and was shifted to Canadian and international equities.

In the Canadian equity component, we added a new position to the portfolio in the quarter, **Sun Life Financial**. 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 U.K. In the Energy sector, we added to our position in uranium producer **Cameco**. Cameco has an attractive global portfolio of low cost uranium assets and a strong balance sheet, but a low uranium price has weighed on the stock. We have a general view that uranium pricing has bottomed, based on production cuts by major producers and expected re-starts of Japanese nuclear reactors. We believe that a higher uranium pricing environment will allow Cameco to achieve our required return and view it as a core holding in the portfolio. The purchases were funded by cash and a reduction in **Manulife Financial** on valuation.

The U.S. equity component initiated two new positions over the period. **LyondellBasell** is among the largest chemical producers. LYB exhibits superior profitability due to its sustainably advantaged feedstock position, leading production process efficiency, and balanced primary/intermediate chemicals. 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. This 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** and trimmed 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.

The international equity portfolio initiated three new positions. Based in Italy, **Luxottica** is a global leader in eyewear. It is a behemoth without compare. With sales of€9B and 93M frames sourced from designing and retailing many of the top eyewear brands, Luxottica has no close seconds in either retail or wholesale channels. **Software AG** is a leading developer of middleware tools designed to connect disparate applications/databases/and external partners into a unified IT platform. The company is undergoing a major transition from its highly cash generative mainframe/database business unit to middleware. **Gjensidige** is the leading non-life insurance group in Norway with strong positions across all major lines of business. The company operates in highly concentrated markets, with rational pricing behaviour. In addition, we added to **TGS-Nopec, Carlsberg, KPN, Akzo Nobel, Michelin** and **GEA**. To fund our new positions and the aforementioned additions, we sold the majority of our position in **Sky**, given the limited upside due to the bid for the company from Fox, as well as a portion of our position in **Bayer**, given its bid for Monsanto, which we do not view favourably. Additional funds were created from process-driven trims in **Unilever, Atea,** and **Vesuvius**. No stocks were exited in the quarter.

In fixed income, we are short duration versus the FTSE TMX Canada Universe Bond Index. We are positioned in the short-end of the curve for the Bank of Canada to remain on hold or ease. Our projected roll return versus that of the Index remains positive. We are underweight Government of Canada bonds and overweight corporates and provincials.

OUTLOOK

While expectations of pro-business measures from the Trump administration have gotten much of the credit for moves up in equity markets this year, the more probable catalyst is the steady improvement in both corporate earnings and global fundamentals. Earnings for the S&P 500 are on pace for 12% growth this year after a weak 2016. Economic data in North America has consistently exceeded expectations for several months now, and conditions in Europe are better than they have been in years.

Against this background, the U.S. Federal Reserve increased its key benchmark rate in March for the third time since December 2015 and signaled further increases to come. And while rising interest rates are normally a negative for stocks, it is not unusual for equity markets to rally into the early stages of a tightening cycle, as investors interpret the rate hikes as confirmation of improving business conditions. At some point rates do become a challenge to valuations, but given the unusually low starting point for this cycle, we do not expect them to become a material issue for equity markets for some time to come. In addition, higher rates provide a positive tailwind for banks and insurers. The equity portion of this portfolio is well positioned for this environment. As for some time now, the better value opportunities have been found in areas of the market held back by undue growth concerns and the abnormally low yield backdrop.

With respect to the fixed income portfolio, we continue to monitor the headwinds that we first highlighted in the fourth quarter and discussed in more detail earlier in this report – monetary policy tapering, Trump's first 100 days, European elections, and the Federal Reserve tightening cycle. The economic and inflation backdrop indicates that we should be in a rising interest rate environment, but we are cautious as to how much further and how quickly interest rates will rise, given some of the known unknowns in the market currently. We believe that while we are in the late stages of the credit cycle, the economic backdrop should allow for some additional spread compression in 2017. As interest rates rise, corporates will not have access to ultra-low debt financing, and credit metrics could deteriorate. Additionally, as credit spreads have tightened there appears to be less differentiation between companies and sectors. This is likely symptomatic of ultra-low interest rates where the extent of some credit research is to sort for the highest yielding corporates irrespective of credit quality. We believe this makes the corporate market more vulnerable to beta events, as the market is not properly compensating for credit 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.

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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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