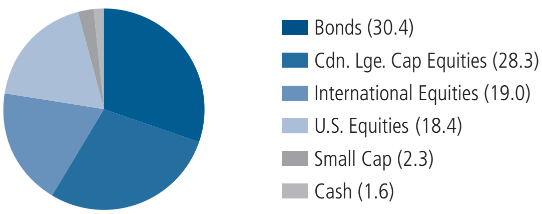
Beutel Goodman Balanced Fund

TOP 10 EQUITY HOLDINGS (%)

TORONTO DOMINION BK	2.8
ROYAL BANK CDA	2.8
ROGERS COMMUNICATIONS	2.0
BANK OF NOVA SCOTIA	1.9
CENOVUS ENERGY	1.5
CDN NATURAL RES	1.4
MAGNA INTL INC	1.3
BROOKFIELD ASSET MGT	1.3
VERIZON COMMUNICATIONS	1.3
MERCK KGAA	1.2

ASSET MIX WEIGHTINGS (%)



PERFORMANCE % (ANNUALIZED) TO DECEMBER 31, 2016

BG BALANCED FUND	CURRENT QTR	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	10 YEARS
BONDS	-3.21	2.36	2.19	3.53	2.29	2.47	4.83
FTSE TMX CANADA UNIVERSE BOND INDEX	-3.44	1.66	2.59	4.61	3.13	3.22	4.78
COMMON STOCKS - CANADIAN	6.24	20.58	7.62	9.28	13.47	13.38	8.15
S&P/TSX	4.54	21.08	5.36	7.06	8.52	8.25	4.72
COMMON STOCKS - U.S.	8.56	15.89	16.56	19.96	25.54	23.58	11.02
S&P 500 (CDN$)	6.28	8.61	14.62	17.66	23.22	21.21	8.47
COMMON STOCKS - INTERNATIONAL	1.58	3.61	7.90	3.74	7.63	10.60	1.10
MSCI EAFE (CDN$)	1.63	-2.02	7.68	6.34	12.09	12.62	2.19
CASH/SHORT TERM	0.13	0.32	0.49	0.69	0.74	0.78	1.25
TOTAL PORTFOLIO	2.77	10.49	7.44	8.08	10.39	10.56	6.64
BG BALANCED BENCHMARK	0.93	7.80	5.76	7.18	8.30	8.10	5.03
MANAGEMENT EFFECT	**1.84**	**2.69**	**1.67**	**0.90**	**2.09**	**2.46**	**1.60**

PERFORMANCE % (ANNUAL) TO DECEMBER 31ST

BG BALANCED FUND	2016	2015	2014	2013	2012
TOTAL PORTFOLIO	10.49	4.47	9.37	17.63	11.21
BG BALANCED BENCHMARK	7.80	3.77	10.06	11.74	7.29
MANAGEMENT EFFECT	**2.69**	**0.70**	**-0.69**	**5.89**	**3.92**

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 fourth quarter of 2016 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. equities, and an underweight in fixed income added value.

There were two major catalysts to the market's advance in the quarter. The first was the surprise election of Donald Trump as President of the United States. Rather than triggering a run to safety, as many had speculated prior to the election, investors focused on the pro-growth implications of his platform and shifted investments in favour of economically sensitive stocks, as well as the likely beneficiaries of a steepening yield curve and Trump's campaign promises of regulatory relief. The other major catalyst was an agreement by OPEC to cut production, which was largely responsible for gains in the Energy sector.

The Canadian equity component outperformed the S&P/TSX Composite return over the period. Both stock selection and sector exposure effects added value, the latter due to an overweight in Financials, an underweight in Materials and a lack exposure to the Health Care, Utilities and Real Estate sectors. With respect to stock selection, the majority of the added value came from Materials. In addition to a lack of exposure to gold stocks for most of the period, our holdings within the group added significant value. Our positions in Agrium and Potash outperformed, largely in response to investor approval of the merger between the two companies. Our smaller holding in Teck Resources continued to add value, gaining on strength in metallurgical coal prices and an improving outlook for Chinese growth. In the Financials sector, all but one of our holdings added value relative to the overall S&P/TSX Composite return of 4.5%, but several fell short of the sector's Index-leading 11.5% advance. In Consumer Staples, Molson Coors gave back some ground, declining on third quarter results that came up soft in terms of sales in Canada and Europe. In Telecom, Rogers Communications declined despite good financial news, which was clouded somewhat by the announcement that CEO Guy Laurence would be replaced by ex-Telus head Joe Natale.

The U.S. equity component's outperformance was primarily driven by sector allocation, with additional contribution from stock selection. Overall sector leadership was split between Financials and Industrials, as the positive impact of our overweight positions in these sectors combined with positive security selection from several individual holdings. Our Energy position was also a positive contributor to performance, despite being underweight the sector, due to the very strong performance from our single holding in the space, Halliburton. Our overweight position in Health Care detracted, as this was the worst performing sector next to Real Estate. On an individual security basis, JPMorgan was the single largest contributor to performance, leading our group of Financials, with other notable contributions from American Express, BB&T, Wells Fargo and Ameriprise. Halliburton was also very strong and more than offset our underweight exposure to the sector. It was a challenging environment for Health Care and our portfolio was not immune, as most of our names were down for the period, most notably Baxter and Eli Lilly. In Consumer Staples, slightly negative attribution from our overweight position was amplified by weak performance from CVS Health.

The international equity component performed in line with the MSCI EAFE Index (C$) with strong stock selection offset by weak sector selection, as our underweights in Financials and Energy detracted, as did our overweights in both Telecom and Consumer Staples. In terms of stock selection, the strongest contribution came from the Health Care sector. Bayer pared back some of the underperformance related to its proposed acquisition of Monsanto. Merck KGaA outperformed a difficult

Asset Class	Performance Benchmark Return	BG Balanced Fund Return	Performance Benchmark Weight	Closing Weight 4Q 2016	Closing Weight 3Q 2016
Cash & Cash Equivalents	0.1%	0.1%	5.0%	1.4%	2.2%
Fixed Income	-3.4%	-3.2%	40.0%	30.7%	30.1%
Equity	4.3%	5.6%	55.0%	67.8%	67.7%
- Canada	4.5%	6.2%	30.0%	31.0%	30.8%
- U.S.	6.3%	8.6%	12.0%	18.4%	18.4%
- EAFE	1.6%	1.6%	13.0%	18.4%	18.5%
Total Returns	0.9%	2.8%			
Total Added Value		1.8%			

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

sector, likely related to the company posting another strong quarter after its acquisition of Sigma-Aldrich. The Consumer Discretionary sector was the second largest contributor to stock selection. Sky PLC jumped on the bid from 21st Century Fox Inc. for the sixty-one per cent it didn't already own, with a bid premium of 36% on the previous closing price. The Industrials sector was the largest detractor with respect to stock selection. GEA drove the majority of the weakness when it surprised the market with a significant profit warning, as well as a further delay in a decision to deploy the company's excess capital.

During the fourth quarter, the FTSE TMX Canada Universe Bond Index decreased by 3.44% on a total return basis. The Corporate and Federal sectors both outperformed the Index during the quarter returning -1.82% and -3.27%, respectively. The Municipal and Provincial sectors both underperformed the Index during the quarter, returning -3.85% and -4.85%, respectively. In the wake of the U.S. election, interest rates in North America soared. Yields across the U.S. curve increased by 71 basis points on average during the quarter. Canadian yields were swept up along with U.S. yields, increasing by 72 basis points across the curve, with the greatest move in the 10-year area of the curve where yields increased by 84 basis points. During the fourth quarter, corporate credit spreads tightened, with the yield spread of the FTSE TMX Canada All Corporate Index versus the FTSE TMX Canada All Government Bond Index decreasing by approximately 13 basis points from 147.8 basis points at September 30, 2016 to 134.8 basis points at quarter end. Sector performance was led by the Securitization, Financial, Real Estate and Communication sectors.

The fixed income allocation outperformed its benchmark in the fourth 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 on a duration weighted basis, Government of Canada bonds, where we are underweight, underperformed versus provincials and (3) our curve positioning, as long rates, where we are underweight, increased the most during the quarter. Decisions that detracted from performance included our corporate and provincial security selection.

PORTFOLIO STRATEGY AND ACTIVITY

In the Canadian equity component of the portfolio, we added a new position in gold investment company **Franco Nevada** in the Materials sector. Franco Nevada has a unique business model based on generating royalty and other income streams, primarily through investments in gold projects. Its financings are structured in a way that gives the company good upside participation in production increases and gold prices, without the downside risks associated with direct production. Also in the Materials sector, we exited our position in **Teck Resources** on valuation. Our position in the stock gained 446% this year on higher metallurgical coal, base metals and oil prices. Our analysis indicated that the stock price reflected full business value. Recent strength also created an opportunity to sell a very small position in **Brookfield Business Partners**, which the portfolio received as a spinout from Brookfield Asset Management in the second quarter. In other transactions, we trimmed holdings in **Canadian Natural Resources, CNR** and **Thomson Reuters** on price. On the buy side, we took advantage of recent weakness to add to a number of positions with attractive upside potential. These were **Cenovus Energy, Agrium, SNC-Lavalin, Canadian Tire, Magna, Brookfield Asset Management** and **Great-West Lifeco**. We also participated in an equity issue by **Open Text** related to the firm's recent acquisition of **Dell EMC's** Enterprise Content Division.

In the fourth quarter, the U.S. equity component of the portfolio added one new position. **AmerisourceBergen** is the largest drug wholesaler in the U.S., in a consolidated industry where the top three players control 85% of the market. AmerisourceBergen is a well-managed company with a strong franchise in an attractive industry. In addition, the portfolio added to existing health care holdings **CVS Health** and **Eli Lilly**. **Ameriprise Financial** was increased in the quarter, as its valuation continued to be inconsistent with its longer term value. We sold one-third of our position in U.S. rail company **CSX** as well as two of our financial holdings, **BB&T** and **JP Morgan**, as all three attained their respective target prices. Other names trimmed in the quarter included **Symantec, Caterpillar, Teradyne, Merck** and **Halliburton**.

The international equity component of the portfolio initiated no new positions in the quarter. We continued to build newer positions, **Air Liquide** in Materials and **Kao** in Consumer Staples, to their target weights. We took advantage of opportunities to improve the risk reward profile of the portfolio by adding to Materials company **Akzo Nobel**, Consumer Staples companies **FamilyMart** and **Carlsberg**, Telecom company **Vodafone**, Industrial company **IMI** and Consumer Discretionary company **Sky PLC**. To fund these additions, we trimmed **Richemont, HeidelbergCement, TGS-Nopec, Norsk Hydro, Konecranes** and **Michelin**. No stocks were exited in the quarter.

In fixed income, we made some minor changes to the portfolio. From a duration perspective, we started the quarter slightly short versus the Index, as we believed that interest rates would increase moderately into year-end. We covered that short and went neutral ahead of the U.S. election due to the significant uncertainty surrounding the outcome and concern over another Brexit type market reaction. Similar to other market participants, we had not anticipated the rapid increase in yields post the U.S. election and did not necessarily share in the belief that everything that the Trump administration does will be golden for the U.S. and Canadian economies. We matched the index extensions during December and are looking for opportunities to get shorter, as we believe that interest rates will continue to increase in 2017, but at a more moderate pace. We increased our relative roll return versus the relevant benchmarks during the quarter. From a curve perspective, we increased our overweight in the 4-6 year maturity bucket and slightly decreased our weightings in the 20+ year bucket. While we remain constructive on corporate credit spreads, we decreased our corporate weighting during the quarter and continued to reduce the duration of those corporates.

OUTLOOK

Well before the U.S. election, financial markets had already begun pricing in improvements in the U.S. economy and expectations for tighter monetary policy. Equity prices and bond yields had steadily moved higher through the summer and fall, as economic data consistently came in stronger than expected. Several commodities had already begun to reflect improving fundamentals, and OPEC's initiative to cut production was already well underway before November 8th. Even without the election of Donald Trump, the U.S. Federal Reserve would probably still have raised rates in December.

What the U.S. election result did was amplify these developments, accelerating rotation from defensive and safe-haven investments to those offering greater economic sensitivity. A relatively hawkish projection of three rate hikes in 2017 from the Fed's December meeting added to the sentiment and helped trigger the largest sell-off in the U.S. Treasury market since 2009, in turn leading to a global rise in bond yields. Gold and precious metal prices fell on the ensuing rapid rise in the U.S. dollar.

Valuations for our domestic and foreign holdings in the Industrial, Consumer, Health Care, Financial, Information Technology and Telecom sectors are not stretched and continue to offer attractive upside potential. While many have performed well as of late, from a valuation perspective, most are just catching up to the improved business conditions after having lagged in 2016 on an excess of caution. As always, we will continue to execute our investment process, selling holdings that reach their full business value and reinvesting proceeds into stocks that meet our strict quality and return criteria.

With respect to the fixed income portfolio, we remain cautious on the Canadian economy and have concerns over where growth and leadership will come from. The main engine of economic growth in Canada for the past several years has been related to the housing market, which could slow given new mortgage rules. With high levels of consumer debt, it is not clear how much the economy can rely on the consumer to drive economic growth especially with rising interest rates. Therefore economic leadership will likely have to come from a stronger U.S. economy, firmer commodity prices and/or infrastructure spending. As an additional concern, anti-trade and "Buy America" policies, as well as differences in carbon regulations, could also disadvantage Canadian industry versus that of the U.S. With that backdrop, Canada and the U.S. continue on diverging paths for monetary policy. The Federal Reserve has tightened twice, whereas the Bank of Canada is more likely to ease or at the very least keep the overnight rate at its current 0.50% level for a lengthy period of time. While the Federal Reserve has finally entered its tightening phase, we believe that this phase will be unlike any other in history. First, this tightening phase will likely be, as indicated by the Federal Reserve, gradual and data dependent. Second, we believe that the terminal rate will likely be lower than in previous tightening cycles mostly attributable to ageing demographics and reduced productivity. We believe that the outlook for credit is not as rosy as it used to be, given that credit spreads have tightened significantly in 2016 and that we are in the late stages of the credit cycle. 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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