Beutel Goodman Canadian Dividend Fund

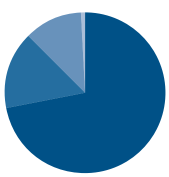
TOP 10 HOLDINGS (%)

TORONTO DOMINION BK	9.8
ROYAL BANK CDA	9.6
BANK OF NOVA SCOTIA	7.6
ROGERS COMMUNICATIONS	6.3
CENOVUS ENERGY	4.6
KELLOGG CO	4.2
CANADIAN IMPERIAL BK	4.0
CDN NATURAL RES	3.9
AIR LIQUIDE	3.9
ATEA ASA	3.7

SECTOR WEIGHTS VS BENCHMARK

SECTOR WEIGHTS (%)			UNDERWEIGHT/OVERWEIGHT %
Sector	**BG**	**S&P/TSX**	
Financials	41.2	35.0	6.2
Telecom	10.9	4.8	6.1
Health Care	6.1	0.6	5.5
Consumer S.	8.6	3.8	4.8
Info. Tech.	5.2	2.7	2.4
Consumer D.	5.6	5.0	0.6
Utilities	0.0	2.8	-2.8
Real Estate	0.0	3.0	-3.0
Materials	8.5	11.8	-3.3
Industrials	4.8	8.9	-4.0
Energy	8.5	21.4	-12.9
Cash	0.6		

ASSET MIX (%)



PERFORMANCE % (ANNUALIZED) TO DECEMBER 31, 2016

BG CANADIAN DIVIDEND FUND	CURRENT QTR	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	10 YEARS
TOTAL PORTFOLIO	6.05	20.12	10.43	11.23	15.42	14.85	8.92
S&P/TSX INDEX	4.54	21.08	5.36	7.06	8.52	8.25	4.72
MANAGEMENT EFFECT	**1.52**	**-0.97**	**5.07**	**4.17**	**6.91**	**6.60**	**4.20**

PERFORMANCE % (ANNUAL) TO DECEMBER 31ST

BG CANADIAN DIVIDEND FUND	2016	2015	2014	2013	2012
TOTAL PORTFOLIO	20.12	1.52	12.86	28.96	12.58
S&P/TSX INDEX	21.08	-8.32	10.55	12.99	7.19
MANAGEMENT EFFECT	**-0.96**	**9.84**	**2.31**	**15.97**	**5.39**

INVESTMENT STRATEGY

The Fund's objective is to achieve a balance between high dividend income and capital growth by investing mainly in a diversified portfolio of blue-chip Canadian common stocks and in high-yield preferred stocks and interest-bearing securities. The Fund may also invest in foreign issues.

INVESTMENT RESULTS

The S&P/TSX Composite gained 4.5% in the fourth quarter, taking its return for the year up to 21.1%, the best of any developed market in 2016. There were two major catalysts to the 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 the 7.0% gain for the Energy sector.

In addition to the U.S. election, investor sentiment was also bolstered by a steady stream of positive data on the U.S. economy. Manufacturing, which had briefly slipped into contraction in the summer, moved back into expansion. Employment also strengthened, with job creation numbers ahead of expectations and weekly jobless claims consistently below the key 300,000 level. The only real negative was a sharp increase in the trade deficit, suggesting the strong U.S. dollar could be a headwind for the U.S. economy in 2017. Economic data outside the U.S. was generally encouraging. Economic news from the Eurozone was mixed, with some positive signs of growth and inflation offset by weakness in German trade numbers and year-end upheaval in the Italian banking industry.

The Canadian Dividend Fund returned 6.1% in the fourth quarter, 1.6% ahead of the S&P/TSX Composite return of 4.5%. Added value was attributable to sector weighting effects, primarily due to an overweight in Financials, an underweight in Materials and a lack of exposure to the Information Technology, Utilities and Real Estate sectors. Stock selection was neutral on a net basis, with the positive impact of our Canadian holdings offset by a negative effect in the foreign portion of the Fund.

In the Canadian segment of the Fund, the largest positive contribution came from the Materials sector. In addition to a lack of exposure to gold stocks, our holdings significantly outperformed the 6.2% decline for the group. Selection also added value in the Consumer Discretionary and Financials sectors, where a number of our holdings made positive contributions.

Across the rest of the Canadian segment of the portfolio, selection effects were mixed. In the Industrials sector, an 8.5% return for Finning International added value. In Energy, a 7.9% advance for Cenovus was outweighed by a more modest 2.7% return for Canadian Natural Resources. In Consumer Staples, Molson Coors gave back some ground, declining 9.6% on third quarter results that came up soft in terms of sales in Canada and Europe.

Selection in the foreign segment of the Fund was negative. The general rotation from defensive to economically-sensitive stocks in the quarter benefitted our Industrials holding Parker Hannifin and Materials company Air Liquide, which returned 14.5% and 9.9%, respectively, but these positive contributions were more than offset by weakness in our Health Care and Consumer positions.

At quarter-end, the yield on the portfolio was 3.2% compared to a yield of 2.7% for the S&P/TSX Composite Index.

PORTFOLIO STRATEGY AND ACTIVITY

During the quarter, we added a new position in **Air Liquide**, the largest global producer of industrial gases. The company has a 30% market share, holding the top position in every geographic region. As management delivers on their commitment to restore the return on capital to historical norms, we expect full business value to be realized.

In other transactions, we took advantage of weakness to add to our holding in pharmaceutical firm **Eli Lilly**. On the sale side, we reduced our position in **Symantec** and exited our holding in medical supplier **Baxter** on valuation.

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.

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. 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.

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 had good performance 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.

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.