Beutel Goodman Canadian Equity Fund

TOP 10 HOLDINGS (%)

TORONTO DOMINION BK	9.0
ROYAL BANK CDA	8.9
ROGERS COMMUNICATIONS	6.4
BANK OF NOVA SCOTIA	6.2
CENOVUS ENERGY	4.8
CDN NATURAL RES	4.5
MAGNA INTL INC	4.2
BROOKFIELD ASSET MGT	4.1
CANADIAN IMPERIAL BK	3.8
GREAT-WEST LIFECO	3.2

SECTOR WEIGHTS VS BENCHMARK

SECTOR WEIGHTS* (%)			UNDERWEIGHT/OVERWEIGHT %
Sector	**BG**	**S&P/TSX**	
Financials	41.5	35.0	6.5
Consumer D.	10.6	5.0	5.6
Telecom	9.2	4.8	4.3
Industrials	9.8	8.9	0.9
Consumer S.	4.1	3.8	0.3
Info. Tech.	2.6	2.7	-0.2
Health Care	0.1	0.6	-0.5
Real Estate	0.6	3.0	-2.4
Utilities	0.2	2.8	-2.6
Materials	7.0	11.8	-4.8
Energy	12.1	21.4	-9.3
Cash	2.0		

* BG weights are combined to include a 7.2% Small Cap component.

PERFORMANCE % (ANNUALIZED) TO DECEMBER 31, 2016

BG CANADIAN EQUITY FUND	CURRENT QTR	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	10 YEARS
TOTAL PORTFOLIO	6.15	20.20	7.48	8.90	12.96	12.83	7.79
S&P/TSX INDEX	4.54	21.08	5.36	7.06	8.52	8.25	4.72
MANAGEMENT EFFECT	**1.61**	**-0.88**	**2.11**	**1.83**	**4.44**	**4.58**	**3.07**

PERFORMANCE % (ANNUAL) TO DECEMBER 31ST

BG CANADIAN EQUITY FUND	2016	2015	2014	2013	2012
TOTAL PORTFOLIO	20.20	-3.90	11.80	26.07	12.30
S&P/TSX INDEX	21.08	-8.32	10.55	12.99	7.19
MANAGEMENT EFFECT	**-0.88**	**4.42**	**1.25**	**13.08**	**5.11**

INVESTMENT STRATEGY

The Fund seeks long-term capital appreciation primarily through investments in common shares and other equity securities of established Canadian issuers. The number of securities held is between 20-45 issues, not including issues held in the small cap component.

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. Based on benchmark WTI prices, oil began the quarter at just below $50, fell under $44 in November on signs of dissension among OPEC members and then rose after the agreement was announced on November 30th, to end the year just below $54.

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.

The portfolio returned 6.2% in the fourth quarter, 1.7% ahead of the S&P/TSX Composite's return of 4.5%. 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 Heath Care, Utilities and Real Estate sectors.

With respect to stock selection, the largest positive contribution came from the Materials sector. In addition to a lack of exposure to gold stocks for most of the period, our holdings significantly outperformed the 6.2% decline for the group. Our positions in Agrium and Potash returned 14.7% and 14.5%, respectively, 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. Selection also added value in the Energy, Consumer Discretionary, Industrials and Financials sectors, where several of our positions made positive contributions.

Across the rest of the portfolio, selection effects were negative on a net basis. In Consumer Staples, Molson Coors gave back some ground, declining 9.5% on third quarter results that came up soft in terms of sales in Canada and Europe. In Telecom, Rogers Communications declined 6.1% despite third quarter results that included 114,000 new postpaid wireless subscribers and 3% gains in both revenues and operating profits. The company's good financial news was clouded somewhat by the announcement that CEO Guy Laurence would be replaced by ex-Telus head Joe Natale. We do not view the change as a long-term negative and remain confident in the substantial value of the stock.

PORTFOLIO STRATEGY AND ACTIVITY

In the quarter, 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. Also in the Materials sector, we exited our position in **Teck Resources** 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.

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.

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. Gold and precious metal prices fell on the ensuing rapid rise in the U.S. dollar.

Valuations for our holdings in the Industrial, Consumer, Financial, Information Technology and Telecom sectors are not stretched and continue to offer attractive upside potential. 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.

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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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