

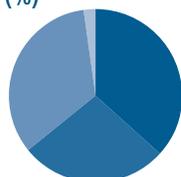
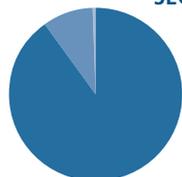
## ▶ TOP 10 HOLDINGS (%)

BNK OF MONTREAL DPNT	1.610 OCT 28 21	6.4
ROYAL BANK CDA DPNT	2.770 DEC 11 18	4.8
TRANSCANADA PIPELINE	7.900 APR 15 27	4.7
TD BANK DPNT	2.045 MAR 08 21	4.6
WESTCOAST ENERGY	7.150 MAR 20 31	4.1
ONTARIO PROV	2.900 DEC 02 46	3.5
BNK NOVA SCOTIA DPNT	2.130 JUN 15 20	3.3
TD BANK DPNT	2.621 DEC 22 21	3.0
CIBC DPNT	1.850 JUL 14 20	2.8
WESTCOAST ENERGY	8.850 JUL 21 25	2.8

## ▶ BG CORP/PROV ACTIVE BOND FUND

## ▶ FTSE TMX CANADA UNIVERSE BOND

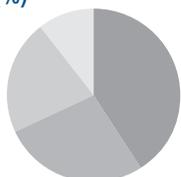
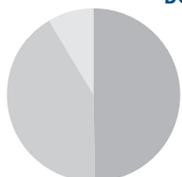
SECTOR WEIGHTS (%)



- Gov't of Canada Bonds (0.0)
- Corporate Bonds (90.2)
- Provincial Bonds (9.4)
- Cash (0.4)

- Gov't of Canada Bonds (36.7)
- Corporate Bonds (27.6)
- Provincial Bonds (33.8)
- Municipal (1.9)

BOND QUALITY (%)



- AAA (0.0)
- AA (49.9)
- A (41.7)
- BBB (8.4)

- AAA (41.1)
- AA (27.2)
- A (21.3)
- BBB (10.4)

## ▶ PERFORMANCE % (ANNUALIZED) TO DECEMBER 31, 2016

BG CORPORATE/PROVINCIAL BOND FUND	CURRENT QTR	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	10 YEARS
TOTAL PORTFOLIO	-2.64	3.91	2.63	4.07	2.75	2.98	5.13
FTSE TMX CANADA UNIVERSE BOND INDEX	-3.44	1.66	2.59	4.61	3.13	3.22	4.78
MANAGEMENT EFFECT	0.79	2.25	0.04	-0.55	-0.38	-0.25	0.34

## ▶ PERFORMANCE % (ANNUAL) TO DECEMBER 31ST

BG CORPORATE/PROVINCIAL BOND FUND	2016	2015	2014	2013	2012
TOTAL PORTFOLIO	3.91	1.36	7.01	-1.11	3.91
FTSE TMX CANADA UNIVERSE BOND INDEX	1.66	3.52	8.79	-1.19	3.60
MANAGEMENT EFFECT	2.25	-2.16	-1.78	0.08	0.31

## ▶ PORTFOLIO CHARACTERISTICS

	BEUTEL GOODMAN CORPORATE/PROVINCIAL BOND FUND	FTSE TMX CANADA BOND UNIVERSE
AVERAGE TERM	10.47 YEARS	10.29 YEARS
AVERAGE DURATION	7.39 YEARS	7.39 YEARS
YIELD	2.74 %	2.14 %

## ▶ INVESTMENT STRATEGY

The Fund seeks long-term capital appreciation and a high rate of income by actively managing a portfolio primarily consisting of instruments of Canadian corporate and Government bond issuers.

## ▶ INVESTMENT RESULTS

The major event of the fourth quarter was the U.S. presidential election. Once again, the polls and markets got the results incorrect and the Donald Trump election victory was mostly a shock. The first reaction in the early hours after it looked like Trump would win was the risk off, safe haven flow that most had predicted, reflecting the uncertainty of a Trump presidency. Sentiment quickly shifted as the markets embraced Trump's promises of massive debt-financed infrastructure spending and tax cuts, believing that the campaign promises would be enacted as laid out, thereby leading the U.S. economy out of economic malaise with strong growth and higher inflation.

Some of the proposed Trump policies may be good for Canada and some may be detrimental. On the positive side, a strong boost to the U.S. economy will also likely be a boost for Canadian exports to the U.S. On the negative side, changes to NAFTA, the implementation of "America First" type policies, and climate change regulations going in opposite directions could be harmful to the Canadian economy. Lower corporate taxes and looser regulations will likely make the U.S. a more competitive business environment versus Canada and could lure capital spending away from Canada to the U.S. Trade protectionism, particularly abrogating NAFTA, would be detrimental for Canada as well. The EDC estimates that a repeal of NAFTA and the addition of 10% average tariffs would shave 3.9% off Canadian GDP. Canadian companies could also find themselves disadvantaged on the carbon tax side. Some provincial and federal climate change regulations have already come into effect and more are planned that will likely increase the carbon cost to Canadian companies at a time when the U.S. is moving in the complete opposite direction.

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. 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.

During the fourth quarter, our portfolio outperformed the benchmark by 79 basis points. 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; and (2) our government sector allocation as on a duration weighted basis, Government of Canada bonds, where we are absent, underperformed versus provincials. Decisions that detracted from performance during the quarter included our corporate and provincial security selection. The energy and infrastructure sectors lagged other sectors during the quarter.

## ▶ PORTFOLIO STRATEGY AND ACTIVITY

We are neutral duration versus the benchmark, but are looking for opportunities to shorten duration. 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 positioned overweight corporates and underweight provincials.

## ▶ OUTLOOK

The U.S. election and the improvement in global economic data, especially the re-emergence of inflation, was a game changer for the markets towards the end of 2016. We see three major themes developing in 2017. The first theme is what the Trump Administration's first 100 days in office look like. The second theme is whether we have finally reached the point of quantitative exhaustion. As we enter a reflationary period, will extraordinary monetary policy stimulus start to be withdrawn, which could reprice sovereign yield curves and lead global interest rates higher? Third, be wary of black swan events as Brexit and the U.S. election sideswiped markets in 2016. There remain some significant market moving events with the three largest countries in the euro zone heading to the polls in 2017. Any election wins by the anti-establishment, euro-skeptic parties could have severe effects on the future of the euro zone. 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 can rise given some of the known unknowns in the market currently.

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.

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.

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