Beutel Goodman International Equity Fund

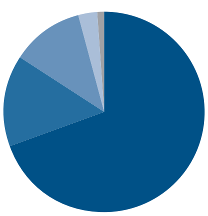
TOP 10 HOLDINGS (%)

MERCK KGAA	6.5
ATEA ASA	4.3
KAO CORP	4.2
BAYER AG	4.2
KONECRANES OYJ	4.2
BASF SE	4.0
SKY PLC	3.8
GEA GROUP AG	3.5
MICHELIN(CGDE)	3.5
CARLSBERG AS	3.5

SECTOR WEIGHTS VS BENCHMARK

SECTOR WEIGHTS (%)			UNDERWEIGHT/OVERWEIGHT %
Sector	**BG**	**MSCI EAFE C$**	
Materials	15.9	7.9	8.0
Telecom	12.1	4.5	7.6
Consumer S.	16.0	11.2	4.9
Info. Tech.	7.2	5.5	1.8
Health Care	10.6	10.7	0.0
Industrials	12.5	14.0	-1.5
Consumer D.	9.5	12.5	-3.0
Utilities	0.0	3.4	-3.4
Real Estate	0.0	3.7	-3.7
Energy	1.4	5.5	-4.1
Financials	13.7	21.2	-7.5
Cash	0.9		

REGIONAL WEIGHTS (%)



Europe ex U.K. (69.7)
U.K. (14.7)
Japan (11.6)
Pacific Basin ex Japan (3.1)
Cash (0.9)
Emerging Markets (0.0)

PERFORMANCE % (ANNUALIZED) TO DECEMBER 31, 2016

BG INTERNATIONAL EQUITY FUND	CURRENT QTR	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	10 YEARS
TOTAL PORTFOLIO	1.58	3.45	7.59	3.53	7.24	10.03	0.67
MSCI EAFE INDEX C$	1.63	-2.02	7.68	6.34	12.09	12.62	2.19
MANAGEMENT EFFECT	**-0.05**	**5.47**	**-0.09**	**-2.81**	**-4.85**	**-2.59**	**-1.52**

PERFORMANCE % (ANNUAL) TO DECEMBER 31ST

BG INTERNATIONAL EQUITY FUND	2016	2015	2014	2013	2012
TOTAL PORTFOLIO	3.45	11.89	-4.11	19.17	21.94
MSCI EAFE INDEX C$	-2.02	18.34	3.73	31.26	14.77
MANAGEMENT EFFECT	**5.47**	**-6.45**	**-7.84**	**-12.09**	**7.17**

INVESTMENT STRATEGY

The Fund seeks long-term enhancement of capital primarily through investments in common stocks and other equity securities of non-North American issuers. The number of stocks held is between 25-50.

INVESTMENT RESULTS

The Beutel Goodman international equity portfolio posted a positive result for the fourth quarter, in line with the return of the MSCI EAFE C$ Index. Energy was the best performing sector in the Index, followed by a strong showing from the Financials sector. Defensive and yield oriented groups such as Consumer Staples, Health Care, Telecommunications, Utilities and Real Estate were the weakest sectors, with negative returns for the period.

Two major catalysts affected markets over the period. 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 13% 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.

Economic data outside the U.S. was generally encouraging. In China, both the official and unofficial manufacturing surveys moved further into growth territory and housing sales continued to recover, rising to a level 50% higher than the previous year. 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 international equity portfolio performed in line with the EAFE Index 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, the German diversified life sciences business, pared back some of the underperformance related to its proposed acquisition of Monsanto. Merck KGaA, the German healthcare and specialty chemical company, outperformed a difficult 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. Richemont edged higher on the comment that October sales were positive after a long string of negative comps, as well as a management shuffle which entailed the removal of a CEO role.

The Industrials sector was the largest detractor with respect to stock selection. GEA, the industrial food and beverage equipment provider, 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. Although Vesuvius and Konecranes were both significant contributors, they were not enough to offset weakness from GEA.

PORTFOLIO STRATEGY & ACTIVITY

In the fourth quarter of 2016, the international equity portfolio initiated no new positions. 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.

OUTLOOK

The Fed's interest rate decision in December finally put it back on the path to rate normalization, which is potentially slow and data dependent. Outside of the U.S., the ECB and BOJ are still on the easing phase of their monetary policy cycles and are unlikely to tighten in the near term. Real interest rates will remain negative in most developed countries, as inflation stays at a low level. Fiscal expansion has emerged as a key diver, especially after the U.S. presidential election. Beyond the developed nations, emerging markets are likely to improve as well in 2017, thanks to a less-negative environment in some large emerging markets such as Russia and Brazil. In that sense, the backdrop for global economic growth still looks supportive. This is consistent with the outlook from economists who see global GDP growth of 2.7% for 2017, a slight pick-up from the 2.6% in 2016.

Our portfolio of holdings, while not heavily driven by any specific macro factors, will benefit from stronger global economic growth. They are excellent businesses with deep competitive advantages, therefore, hard to displace in any kind of trade war. While the fund has had strong performance relative to its benchmark in 2016, our holdings continue to trade at a reasonable level of valuation relative to future growth and improvement prospects. Our focus on investing in high quality businesses at a deep discount to their intrinsic value will continue to pay off in the current environment.

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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