

► TOP 10 HOLDINGS (%)

UNI SELECT INC	6.6
CCL INDUSTRIES INC	6.5
EQUITABLE GROUP INC	6.5
COLLIERS INTL	6.1
LINAMAR CORPORATION	5.3
IND ALLNCE & FNCL	4.9
WESTJET AIRLINES	4.6
ALAMOS GOLD IN	4.4
WINPAK LTD	4.3
PARAMOUNT RES LTD	4.1

► SECTOR WEIGHTS VS BENCHMARK

SECTOR WEIGHTS (%)	UNDERWEIGHT/OVERWEIGHT %		
Sector	BG	BMOSC	
Consumer D.	18.0	8.5	9.5
Financials	13.4	6.7	6.7
Industrials	11.4	9.3	2.1
Telecom	0.0	0.0	0.0
Utilities	3.1	4.1	-1.0
Health Care	2.2	3.7	-1.5
Consumer S.	2.7	4.7	-2.0
Materials	23.7	26.5	-2.8
Real Estate	9.4	12.9	-3.5
Energy	13.6	17.9	-4.3
Info. Tech.	0.6	5.8	-5.2
Cash	1.9		

► PERFORMANCE % (ANNUALIZED) TO MARCH 31, 2017

BG SMALL CAP FUND	CURRENT QTR	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	10 YEARS
TOTAL PORTFOLIO	6.60	29.83	11.37	10.76	13.49	11.76	9.98
BMO SMALL CAP INDEX	3.25	29.85	9.80	3.43	6.42	4.34	3.59
MANAGEMENT EFFECT	3.35	-0.02	1.57	7.33	7.07	7.42	6.39
S&P/TSX INDEX	2.41	18.62	5.27	5.82	8.27	7.84	4.70
MANAGEMENT EFFECT	4.19	11.21	6.10	4.94	5.22	3.92	5.28

► PERFORMANCE % (ANNUAL) TO MARCH 31ST

BG SMALL CAP FUND	2017	2016	2015	2014	2013
TOTAL PORTFOLIO	29.83	-4.44	9.54	22.13	5.08
BMO SMALL CAP INDEX	29.85	-7.16	-8.21	15.92	-3.59
MANAGEMENT EFFECT	-0.02	2.72	17.75	6.21	8.67
S&P/TSX INDEX	18.62	-6.57	6.93	15.97	6.11
MANAGEMENT EFFECT	11.21	2.13	2.61	6.16	-1.03

► INVESTMENT STRATEGY

The Fund seeks long-term capital appreciation primarily through investments in common shares and other equity securities of smaller capitalization Canadian issuers. The number of issues held is between 30-60.

► INVESTMENT RESULTS

The S&P/TSX Small Cap Index began 2017 with a modestly positive return of 1.47% in the first quarter, while the BMO Small Cap Index gained 3.25%. The Information Technology, Health Care and Materials sectors led the gains, all posting double digit increases.

Economic news in Canada continued to strengthen during the quarter, signalling that Canada's economy is gaining traction and causing the OECD to raise the GDP growth outlook to 2.4%, up from 2.1%. Employment statistics were very strong, exceeding expectations of a decline. CPI advanced to 2.1%, the highest in more than 2 years, as high gasoline prices and the new carbon tax created pricing pressure.

Oil traded lower during the quarter on concerns that the OPEC production cuts would not be enough to offset rising inventories and increasing U.S. production. U.S. stockpiles continued to build and rig counts continued to increase, rising for 10 straight weeks. China's lower growth target and concern over Russia's and other non-OPEC producers' compliance with production cuts also added to negative sentiment on oil. Supporting prices was the latest disruption of Libyan oil supplies and a possible extension to OPEC's production cut deal. Oil ended the quarter at just over \$50.

The portfolio had a return of 6.6%, considerably outperforming the S&P/TSX Small Cap Index with a return of 1.47% and the BMO Small Cap Index with a return of 3.25%. Stock selection effects were the primary driver of performance. Stock selection within Real Estate, Consumer Discretionary and Energy had the largest positive impact during the quarter. The main negative selection effects were in Materials, Industrials and Utilities.

The largest positive impact came from the Energy sector, with both positive sector weighting and stock selection effects. Our underweight positioning added value, as the sector had negative returns for the quarter due to oil price weakness. Denison Mines rose 16.9% after announcing a transaction to increase its ownership in Wheeler River, a high-grade uranium project in the Athabasca basin, just as uranium prices rallied on a surprise production cut by Kazakhstan, an important uranium producer. Enerflex also added value with a return of 11.6%.

Stock selection added significant value in Real Estate. Colliers International rose 27.1% during the first quarter, positively contributing to performance. FirstService gained 26.4% as it reported strong results and outlook and increased its dividend by 11%.

In the Financials sector, stock selection was also positive. Our holding in Equitable Group rose 15.1% after announcing strong results. Industrial Alliance advanced 8.6% on rising rates. Canadian Western Bank gave back some ground, falling 2.2% after gaining 20% last quarter. Selection effects were also positive in the Consumer Staples sector.

The largest negative impact was from stock selection in the Materials sector. Tahoe Resources fell 15.0% due to results that missed estimates, after a slow start of its Shahuindo Mine and increased capex plans in 2017. Wimpak gained 16.9% after it reported record quarterly results. CCL Industries announced record results, as well as a 5-for-1 stock split during the quarter, potentially increasing liquidity. Additionally, two European acquisitions were announced. The stock rose 10.1%. Other notable contributors included Alamos Gold and Lundin Mining, up 16.2% and 17.6% respectively.

Performance in the Industrials segment of the portfolio was somewhat challenging. Cervus Equipment fell 25.1%, as it announced that its transportation and commercial and industrial division may face continued challenges in 2017. Westjet Airlines and Ag Growth also detracted modestly after strong returns in 2016.

► PORTFOLIO STRATEGY AND ACTIVITY

During the quarter, we added to several positions with attractive upside.

In Energy, we added to our positions in **Nuvista Energy** and **Paramount Resources**.

Weightings of **Alamos Gold** and **Major Drilling** were increased in Materials, as well as **Aritzia** in Consumer Discretionary.

► OUTLOOK

Canadian small cap stocks have continued to perform well, advancing nearly 30% in the twelve months ending March, approximately 10% ahead of the large cap S&P/TSX Composite Index. The prime contributor to the outperformance has been the rebound in resource and cyclical stocks, which have rallied on a combination of higher commodity prices and improving economic fundamentals, in addition to expectations of infrastructure spending and tax relief in the U.S. Another positive factor for small cap stocks has been the surprising strength of the North American consumer sector. The result has been a strong risk-on trade, which has favoured the small cap segment of the market. Against this background, the U.S. Federal Reserve increased its key benchmark rate in March for the third time since December 2015, and signaled further increases to come.

The portfolio is well positioned for this environment. We continue to remain cautious in resource cyclicals, focusing on companies that can produce a meaningful return at current commodity prices. Valuations for our other holdings continue to offer attractive upside potential, based on a combination of free cash flow support, verifiable asset values and strong business models.

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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