
BEUTEL GOODMAN MANAGED FUNDS

Annual Management Report of Fund Performance
December 31, 2016

BEUTEL GOODMAN Money Market Fund

Beutel Goodman ■ Money Market Fund

This Annual Management Report of fund performance contains financial highlights but does not contain the complete annual or interim financial statements of the investment fund. You can get a copy of the annual or interim financial statements at your request at no cost (contact details on this page) or by visiting our website at www.beutelgoodman.com or SEDAR at www.sedar.com.

Security holders may also request the investment fund's prospectus, proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

BEUTEL GOODMAN Managed Funds

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Management Discussion of Fund Performance

Investment Objectives and Strategies

This Fund seeks to maintain a high level of liquidity by investing in high quality Canadian money market instruments such as treasury bills, short-term government and corporate securities and deposit receipts of Canadian chartered banks and trust companies having a term to maturity not exceeding one year.

The fundamental investment objective of the Fund cannot be changed without the approval of a majority of the investors who own units in the Fund.

Risk

The risks of investing in this Fund remain as discussed in the Prospectus.

This Fund continues to be suitable for investors seeking a high degree of liquidity and interest income, with a low tolerance for risk and a short-term investment horizon.

Results of Operations

Money market yields declined over the annual period. 91-day T-Bill yields started the period yielding 0.52% at December 31, 2015 and finished at 0.45% at year-end 2016.

It was a volatile year where interest rates pretty much ended the year where they had started, but in the interim there was a wild ride of sentiment swings and black swan events. The year started off in a state of pessimism with thoughts of recession, and contagion from a weakening Chinese economic outlook. Interest rates fell and credit spreads widened. Positive economic data and further central bank stimulus served to reverse the early year trends until the results of the British referendum on membership in the European Union caught markets completely off guard. Immediate market reaction to Brexit was visceral, with a massive flight to quality trade that sent stocks plummeting, bond yields spiraling down, gold up, oil down, the euro and pound freefalling and the U.S. dollar appreciating. Credit spreads were wider with the greatest impact on the financial sector. Some relative calm returned to the market as it became clear that it will be a long and winding path for Great Britain to exit the European Union. A great deal of market reaction to the referendum result reversed and attention then shifted to economic data releases, central bank think and the U.S. election.

Once again the polls and the markets got the results incorrect and the Donald Trump Presidential 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 U.S. economy out of economic malaise with strong growth and higher inflation. There was also hope that a Republican controlled Presidency and Congress would end the gridlock of the past several years. In a repeat of the taper tantrum of May 2013, bond yields increased rapidly in the days following the election from repressed and

oversold levels to levels more in line with fair value given the economic backdrop. Prior to the election, U.S. economic data was improving, but the market was more focused on the election uncertainty rather than the data so there was also some catch up being played during the bond market sell-off. Stock markets and the U.S. trade-weighted dollar were also strong post-election. Markets enter 2017 with visions of growth, inflation and rate hikes dancing in their heads.

The Beutel Goodman Money Market Fund saw its yield decrease over the annual period from 0.91% to 0.72% at December 31, 2016. The average term was increased from 53 days to 79 days at end of December, and is shorter than its benchmark, the 91-day T-Bill. The quality of the Fund has remained consistent and only contains securities rated R-1 (low) or higher as per the Dominion Bond rating Service.

Relative to its stated investment objectives and strategies, the Fund has maintained its quality and diversification standards.

Detailed performance is provided under the heading "Past Performance" in this report.

Recent Developments

On January 11, 2016, Derek Brown joined the firm as Senior Vice President, Fixed Income. He joins David Gregoris as co-lead manager of the Fund.

The portfolio manager remains cautious on the Canadian economy and has concerns over where growth and leadership will come from. The main engine of economic growth in Canada for the past several years has been related to the housing market, which could slow given new mortgage rules. With high levels of consumer debt, it is not clear how much the economy can rely on the consumer to drive economic growth especially with rising interest rates. Therefore economic leadership will likely have to come from a stronger U.S. economy, firmer commodity prices and/or infrastructure spending. As an additional concern, anti-trade and "Buy America" policies, as well as differences in carbon regulations, could also disadvantage Canadian industry versus that of the U.S. With that backdrop, Canada and the U.S. continue on diverging paths for monetary policy. The Federal Reserve has tightened twice, whereas the Bank of Canada is more likely to ease or at the very least keep the overnight rate at its current 0.50% level for a lengthy period of time. While the Federal Reserve has finally entered its tightening phase, the portfolio manager believes that this phase will be unlike any other in history. First, this tightening phase will likely be, as indicated by the Federal Reserve, gradual and data dependent. Second, the terminal rate will likely be lower than in previous tightening cycles mostly attributable to ageing demographics and reduced productivity.

Related Party Transactions

Beutel, Goodman & Company Ltd. is the Portfolio Advisor to this Fund. The Fund did not rely on any recommendation or approval of its Independent Review Committee to proceed with any transaction involving related parties because it did not conduct any related party transactions, except for certain inter-fund trades, as approved by the Independent Review Committee by standing instructions, and subject to regulatory requirements.

Fees and Expenses

The following table lists the fees and expenses that you may have to pay if you invest in the Beutel Goodman Managed Funds. You may have to pay some of these fees and expenses directly. The Funds pay the other fees and expenses. This will reduce the value of your investment in a Fund.

Management Fees: We are entitled to a management fee from each class of each Fund based on the average daily net asset value of the particular class. The fee is payable monthly, in arrears, and is calculated at the annualized rate specified for each class of each Fund below. Management fees for Class I units are negotiated and paid directly by the investor, not by the Fund, and, therefore, are not listed.

Fund	Class	Management Fees (%)⁽¹⁾
Money Market Fund	D	up to 0.50
Money Market Fund	F	up to 0.40

(1) Excludes GST/HST where applicable.

We may reduce our management fee for certain large investors who have substantial holdings in units of a Fund. To accomplish this, we reduce the management fee we charge to the Fund and the Fund pays out the difference to these investors as a special distribution. This is called a management fee distribution. We calculate and accrue the reduction daily and distribute it quarterly. The distribution is reinvested on behalf of such unitholders in additional units of the same class of the Fund. Management fee reductions for a unitholder may be increased at any time, but may only be decreased after at least 60 days prior written notice has been given to such unitholder.

We may waive our management fee in certain circumstances.

The Fund paid the Manager management fees, inclusive of HST, of \$26,971 for the year ending December 31, 2016. The management fee for each class of unit is calculated as a percentage of its net asset value, as of the close of business on each business day. The Fund's management fees were used by the Manager to pay costs for managing the investment portfolio, providing investment analysis and recommendations, making investment decisions, making brokerage arrangements for the purchase and sale of the investment portfolio and providing other services. The Manager also used the management fees to fund commission payments and other dealer compensation (collectively called "distribution-related costs") to registered dealers and brokers and financial consultants, for units of the Fund bought and held by investors, which amounted to 32.65% of total management fees paid by the Fund to the Manager.

Operating Expenses: The Manager pays certain operating expenses of the Fund. These expenses include audit and legal fees; custodian and transfer agent fees; costs attributable to the issue, redemption and change of units, including the cost of the security holder record-keeping system; expenses incurred in respect of preparing and distributing all regulatory reports; fund accounting and valuation costs; independent review committee fees and filing fees, including those incurred by us. In return, the Fund pays the Manager a fixed administration fee. The administration fee may vary by class of units and by Fund.

Please refer to the Financial Highlights section for the MERs of the classes of units.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past 5 years ended December 31. This information is derived from the Fund's audited annual financial statements and is provided for each class of units.

Financial Highlights for Class D Units (for the years ended December 31)

\$	2016	2015	2014	2013	2012
Net assets attributable to holders of redeemable units per unit, beginning of year ⁽¹⁾	10.00	10.00	10.00	10.00	10.00
Increase (decrease) in net assets attributable to holders of redeemable units:					
Total Interest Revenue	0.08	0.09	0.12	0.11	0.12
Total expenses	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Total increase (decrease) in net assets attributable to holders of redeemable units ⁽²⁾	0.06	0.07	0.10	0.09	0.10
Distribution to holders of redeemable units per unit:					
Net investment income	0.06	0.07	0.10	0.10	0.10
Realized gains on sale of investments	—	—	—	—	—
Total distribution to holders of redeemable units ⁽³⁾	0.06	0.07	0.10	0.10	0.10
Net assets attributable to holders of redeemable units, end of year ⁽⁴⁾	10.00	10.00	10.00	10.00	10.00

Ratios and Supplemental Data for Class D Units (for the years ended December 31)

	2016	2015	2014	2013	2012
Total net assets attributable to holders of redeemable units (\$) (000's) ⁽⁵⁾	26,765	24,065	20,881	20,328	21,991
Number of outstanding redeemable units (000's) ⁽⁵⁾	2,676	2,406	2,088	2,033	2,199
Management expense ratio ⁽⁶⁾	0.22%	0.22%	0.22%	0.22%	0.23%
Management expense ratio before absorptions ⁽⁶⁾	N/A	N/A	N/A	N/A	N/A
Net assets attributable to holders of redeemable units, end of year ⁽⁷⁾	10.00	10.00	10.00	10.00	10.00

Financial Highlights for Class F Units (for the years ended December 31)

\$	2016	2015	2014	2013	2012
Net assets attributable to holders of redeemable units per unit, beginning of year ⁽¹⁾	10.00	10.00	10.00	10.00	10.00
Increase (decrease) in net assets attributable to holders of redeemable units:					
Total Interest Revenue	0.08	0.09	0.12	0.11	0.12
Total expenses	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Total increase (decrease) in net assets attributable to holders of redeemable units ⁽²⁾	0.06	0.07	0.10	0.09	0.10
Distribution to holders of redeemable units per unit:					
Net investment income	0.06	0.07	0.10	0.10	0.10
Realized gains on sale of investments	—	—	—	—	—
Total distribution to holders of redeemable units ⁽³⁾	0.06	0.07	0.10	0.10	0.10
Net assets attributable to holders of redeemable units, end of year ⁽⁴⁾	10.00	10.00	10.00	10.00	10.00

Ratios and Supplemental Data for Class F Units (for the years ended December 31)

	2016	2015	2014	2013	2012
Total net assets attributable to holders of redeemable units (\$) (000's) ⁽⁵⁾	97	114	135	82	5
Number of outstanding redeemable units (000's) ⁽⁵⁾	10	11	14	8	1
Management expense ratio ⁽⁶⁾	0.23%	0.23%	0.23%	0.23%	0.23%
Management expense ratio before absorptions ⁽⁶⁾	N/A	N/A	N/A	N/A	N/A
Net assets attributable to holders of redeemable units, end of year ⁽⁷⁾	10.00	10.00	10.00	10.00	10.00

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Financial Highlights for Class I Units (for the years ended December 31)

\$	2016	2015	2014	2013	2012
Net assets attributable to holders of redeemable units per unit, beginning of year ⁽¹⁾	10.00	10.00	10.00	10.00	10.00
Increase (decrease) in net assets attributable to holders of redeemable units:					
Total Interest Revenue	0.08	0.09	0.13	0.12	0.12
Total expenses	—	—	(0.01)	(0.01)	(0.01)
Total increase (decrease) in net assets attributable to holders of redeemable units ⁽²⁾	0.08	0.09	0.12	0.11	0.11
Distribution to holders of redeemable units per unit:					
Net investment income	0.08	0.09	0.12	0.11	0.11
Realized gains on sale of investments	—	—	—	—	—
Total distribution to holders of redeemable units ⁽³⁾	0.08	0.09	0.12	0.11	0.11
Net assets attributable to holders of redeemable units, end of year ⁽⁴⁾	10.00	10.00	10.00	10.00	10.00

Ratios and Supplemental Data for Class I Units (for the years ended December 31)

	2016	2015	2014	2013	2012
Total net assets attributable to holders of redeemable units (\$) (000's) ⁽⁵⁾	309,074	40,625	37,031	43,051	24,503
Number of outstanding redeemable units (000's) ⁽⁵⁾	30,907	4,062	3,703	4,305	2,450
Management expense ratio ⁽⁶⁾	0.02%	0.04%	0.06%	0.11%	0.11%
Management expense ratio before absorptions ⁽⁶⁾	N/A	N/A	N/A	N/A	N/A
Net assets attributable to holders of redeemable units, end of year ⁽⁷⁾	10.00	10.00	10.00	10.00	10.00

(1) The information for December 2016, December 2015, December 2014 and December 2013 is derived from the Fund's annual audited financial statements prepared in accordance with IFRS. The information for prior years is derived from the Fund's annual audited financial statements prepared based on Canadian GAAP.

(2) Net assets attributable to holders of redeemable units per unit and distributions to holders of redeemable units per unit are based on the actual number of redeemable units outstanding for the relevant class at the relevant time. The increase (decrease) in net assets attributable to holders of redeemable units per unit is based on the weighted average number of redeemable units outstanding for the relevant class over the year.

(3) Distributions were paid in cash or automatically reinvested in additional redeemable units of the Fund.

(4) This is not a reconciliation of the beginning and ending net assets per redeemable unit.

(5) This information is provided as at year end of the year shown.

(6) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated year and is expressed as an annualized percentage of daily net asset value during the year.

(7) The information for December 2016, December 2015, December 2014 and December 2013 is derived from the Fund's annual audited financial statements prepared in accordance with IFRS. The information for prior years is derived from the Fund's annual audited financial statements prepared based on Canadian GAAP. Prior to January 1, 2013, for the purpose of processing unitholder transactions, net assets were calculated based on the closing market price, while for financial statement purposes net assets were calculated based on bid/ask price. For the year ended December 31, 2016, December 31, 2015, December 31, 2014 and December 31, 2013, the information provided for processing unitholder transactions is consistent with the information provided for reporting purposes.

Past Performance

The past performance of each class of units of a Fund, if the class has been in continuous existence and offered to the public for at least 12 months (at the date of this document), is explained under the Year-by-Year Returns and Annual Compound Returns headings found below. In years where the class of a Fund has less than 12 months of performance data, the annual rate of return has been annualized.

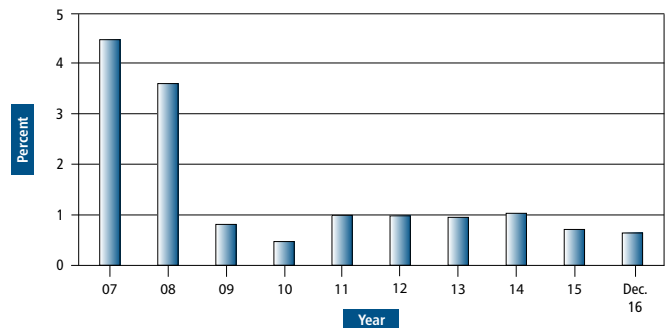
The performance returns in all cases:

- are calculated as of **December 31** in each year;
- assume **all distributions** made by the Fund are reinvested to purchase additional redeemable units; and
- show the returns of the particular class of the Fund after any applicable management fees and operating expenses have been deducted, **but are not reduced by any redemption charges, optional charges or income taxes payable by you.**

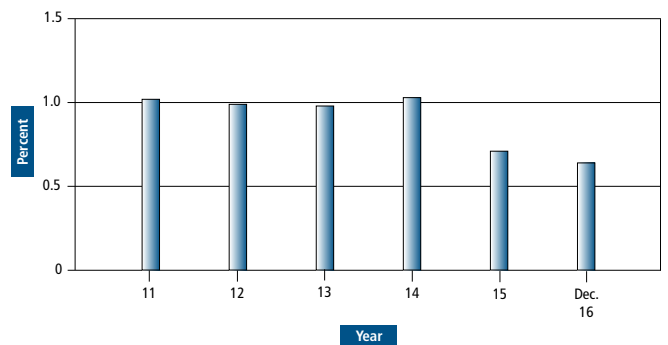
Please remember that the past performance of the Fund is not an accurate prediction of future returns.

Year-by-Year Returns

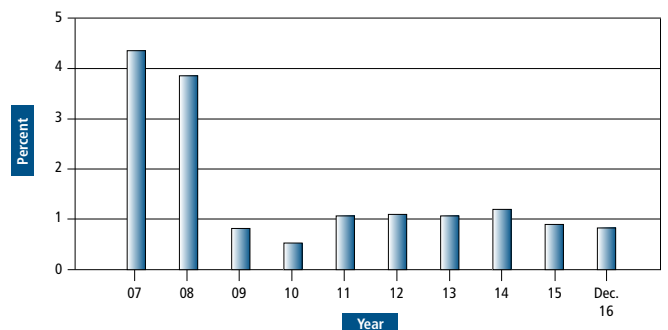
Class D



Class F



Class I



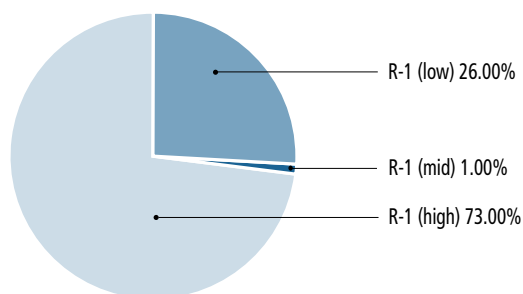
Summary of Investment Portfolio

The following information may change due to the ongoing portfolio transactions of the Fund. More current information regarding the holdings of the Fund may be obtained on our website at www.beutelgoodman.com.

Summary of Top 25 Holdings

Issuer Name	Coupon Rate (%)	Maturity Date	% of Net Assets	Issuer Name	Coupon Rate (%)	Maturity Date	% of Net Assets
1. Government of Canada	0.459%	23-Mar-17	31.05	14. Gaz Métro Inc.	0.811%	24-Jan-17	2.97
2. Government of Canada	0.483%	9-Mar-17	7.36	15. Royal Bank of Canada	0.830%	27-Mar-17	2.97
3. Enbridge Pipelines Inc.	0.862%	6-Jan-17	5.70	16. Canadian Imperial Bank of Commerce	0.831%	11-Apr-17	2.97
4. Hydro One Inc.	0.899%	7-Feb-17	5.35	17. Firstbank	0.838%	11-Apr-17	2.97
5. Inter Pipeline Corridor Inc.	0.900%	30-Jan-17	4.46	18. Canadian Imperial Bank of Commerce	1.170%	3-Feb-17	2.84
6. Bank of Nova Scotia	0.838%	11-Apr-17	4.45	19. Canadian Imperial Bank of Commerce	0.839%	28-Apr-17	2.54
7. Firstbank	0.871%	29-Jun-17	4.07	20. Toronto Dominion Bank	1.001%	9-May-17	2.14
8. Bank of Nova Scotia	0.900%	5-Apr-17	3.49	21. Royal Bank of Canada	1.020%	23-Nov-17	2.06
9. The Toronto-Dominion Bank	0.831%	30-Mar-17	3.42	22. Toronto Dominion Bank	1.000%	10-May-17	1.51
10. TransCanada PipeLines Limited	0.872%	2-Mar-17	3.38	23. FortisBC Energy Inc.	0.760%	27-Feb-17	1.49
11. Royal Bank of Canada	0.869%	14-Feb-17	3.29	24. Firstbank	0.839%	30-Mar-17	1.49
12. Government of Canada	0.448%	6-Apr-17	3.03	25. Inter Pipeline Corridor Inc.	0.891%	2-Feb-17	1.28
13. Gaz Métro Inc.	0.841%	10-Mar-17	2.97				

Quality Mix



Other Material Information

Classes of Units: Each of the Funds in the Beutel Goodman family of Funds issues Class B, Class D (formerly Class A), Class F and Class I units, with the exception of the Beutel Goodman Fundamental Canadian Equity Fund, Beutel Goodman Global Dividend Fund and Beutel Goodman Short Term Bond Fund, which issue only Class B, Class F and Class I units. Expenses of each class are tracked separately and a separate net asset is calculated for each class.

The Beutel Goodman Money Market Fund is available in 3 classes of units: Class D (formerly Class A), Class F and Class I.

Each Fund may issue an unlimited number of classes of units and may issue an unlimited number of units of each class. The different classes of units of a Fund represent an interest in the same portfolio investments of the Fund.

Class D* Units: for retail investors investing a minimum of \$5,000 in a Fund;

Class F Units: for investors investing a minimum of \$5,000 in a Fund, who are enrolled in a dealer-sponsored fee-for-service or wrap program (where various mutual funds are bundled together) who are subject to a periodic asset-based fee, rather than commissions on each transaction and whose dealer has signed a Class F agreement, or any other investors for whom we do not incur distribution costs, such as our employees (or affiliated corporations);

Class I Units: for investors who have invested a minimum of \$500,000 in a Fund and who have entered into an investment management agreement with us. At our discretion, we may waive the investment minimum.

*Class A units distributed under prior simplified prospectuses have been renamed "Class D" units as of August 13, 2010.

Additional Information

Independent Review Committee

Beutel Goodman Managed Funds Inc., the former Manager of the Beutel Goodman Managed Funds, appointed an Independent Review Committee ("IRC") on May 1, 2007, for each of its public mutual Funds in accordance with the Canadian Securities Administrators' National Instrument 81-107. This Instrument has been designed to promote investor protection in mutual funds. Effective January 1, 2013, as the result of the amalgamation between Beutel Goodman Managed Funds Inc. and Beutel, Goodman & Company Ltd., Beutel, Goodman & Company Ltd. is the Manager of the Beutel Goodman Managed Funds. The IRC actively assumed its role and responsibilities on November 1, 2007. The IRC oversees conflict of interest matters that may arise out of the management of each of the Funds by providing its recommendations or approvals, as required, to the Manager on how these conflicts may be fairly resolved. The IRC for each of the Beutel Goodman Managed Funds consists of three industry professionals, none of whom have an interest in the Funds or Beutel, Goodman & Company Ltd. outside of their roles as members of the IRC. The IRC 2016 Report to Unitholders is available on the Beutel Goodman Managed Funds' website at www.beutelgoodman.com or at the unitholder's request, at no cost, by contacting Beutel, Goodman & Co. Ltd. at mutualfunds@beutelgoodman.com.

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