Beutel Goodman **American Equity Fund**

BEUTEL GOODMAN Investment Counsel

Top 10 Holdings (%)

VERIZON COMMUNICATIONS	6.60
PARKER HANNIFIN CORP	5.70
ORACLE CORP	5.70
AUTOZONE INC	5.70
AMERISOURCE-BERGEN	5.60
OMNICOM GROUP INC	5.20
KELLOGG CO	5.20
AMERICAN EXPRESS CO	5.00
ELI LILLY & CO	4.80
INGERSOLL-RAND PLC	4.60

Sector Weights vs Benchmark

SECTOR WEIGHTS (%)			UNDERWEIGHT/OVERWEIGHT %
Sector	**BG**	**S&P 500 C$**	
Telecom	6.55	1.92	4.6
Consumer S.	10.82	7.65	3.2
Consumer D.	15.13	12.67	2.5
Industrials	12.22	10.21	2.0
Materials	4.31	2.86	1.5
Health Care	14.12	13.71	0.4
Energy	4.19	5.74	-1.6
Financials	12.80	14.73	-1.9
Real Estate	0.00	2.78	-2.8
Utilities	0.00	2.86	-2.9
Info. Tech.	14.81	24.87	-10.1
Cash	5.05		

Performance % (ANNUALIZED) to March 31, 2018

BG American Equity Fund	Current Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
Total Portfolio	-2.84	2.59	15.23	10.19	14.74	18.50	13.12
S&P 500 Index C$	2.12	10.27	15.19	11.37	15.62	18.83	12.00
Management Effect	**-4.95**	**-7.68**	**0.04**	**-1.18**	**-0.88**	**-0.33**	**1.12**

Performance % (ANNUAL) to March 31, 2018

BG American Equity Fund	2018	2017	2016	2015	2014
Total Portfolio	2.59	29.44	0.75	29.54	34.85
S&P 500 Index C$	10.27	20.36	4.09	29.34	32.62
Management Effect	**-7.68**	**9.08**	**-3.34**	**0.20**	**2.23**

Investment Strategy

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

Investment Results

The Beutel Goodman American equity portfolio underperformed the S&P500 C$ Index in the first quarter of 2018. The index had a strong start to the quarter, hitting highs in January following strong economic reports across the globe. A selloff in February was the low point in the quarter, after interest rate and inflation fears drove profit taking in equities. The index recovered somewhat from its lows, but remained volatile in March as a potential trade war with China worried markets. In addition, weakness in technology shares after Facebook's data privacy issue and possible regulations on social media firms weighed on markets late in the quarter. The S&P500 (C$) had a positive return of 2.1% during the period, driven by the Information Technology and Consumer Discretionary sectors. Telecommunications, Consumer Staples and Energy were the largest laggards in the index.

During the first quarter, the U.S. Federal Reserve hiked the Federal Funds rate by 25 basis points, to a target range of 1.5-1.75%. This was new Fed Chair Jerome Powell's first meeting and it did not represent a significant change versus the Janet Yellen Federal Reserve. The Fed believes that the labour market has continued to strengthen and that economic activity has been rising at a moderate rate.

The Fund's underperformance for the quarter was primarily due to stock selection, with weak performance from Harley-Davidson and AutoZone in Consumer Discretionary as well as Consumer Staples holdings Campbell Soup and Procter & Gamble. Additional underperformance came from Symantec in Information Technology and Parker Hannifin in the Industrials sector. In Telecommunication Services, our high conviction weight in Verizon was also a negative contributor. Positive contribution came from positions in Halliburton (Energy) and LyondellBasell Industries (Materials). Both Teradyne and Amdocs in Information Technology were also positive contributors for the quarter, as was Omnicom in Consumer Discretionary, after underperforming in prior quarters.

Sector weighting effects were slightly negative for the quarter with the most notable detraction coming from our underweight in the strong performing Information Technology sector, where our process driven sell discipline has reduced our exposure over the past twelve months. Our underweights in Energy and Utilities provided a slight benefit to performance, but this was offset by overweight positions in Consumer Staples and Telecommunications Services, where sector performance was negative. In Consumer Discretionary, our overweight position provided a small positive contribution, but negative stock selection was greater for an overall negative attribution.

Portfolio Strategy and Activity

No new positions were added during the quarter, although we added to our positions in **Harley-Davidson** and **AmerisourceBergen,** as these newer positions continue to offer very attractive return opportunities. We also added to **American Express** and **Symantec** during the quarter due to attractive valuations. To fund these additions, we trimmed our holdings in **Baxter, Wells Fargo, LyondellBasell, Ingersoll-Rand** and **Amdocs**.

Outlook

The market dynamic that has been in place for years has changed. The "buy any dip" mentality, given ultra-low volatility, an improving economic backdrop globally, with high liquidity, given still very low interest rate levels, is not the main playbook anymore. Volatility has increased, and we have taken a few hits to the psyche in terms of the perfect economic backdrop (via trade war threats and challenges to "can't miss" business models for tech giants like Facebook and, very late in the quarter, Amazon). That said, the movie ending is still the same. Growth and momentum stocks continued to hold or gain their strength, while value stocks continued to trap investors. The gap between the S&P 500 or Nasdaq index performance for the last 12-months versus the Russell 1000 Value Index clearly shows that. Within this backdrop, our portfolio has underperformed the market.

As value investors that adhere to a strict and well defined process, all we can do in these times is stick to what we know will bring outstanding long-term investment success. Simply put, we continue to focus all of our time and all of your money on finding gems that we can own forever. To find a great franchise that generates high returns and sustainable free cash flows, trading at a deep discount to our view of long-term intrinsic value, we are typically recycling our overvalued momentum positions into well-undervalued negative momentum positions. This is not easy to do at the best of times. This is very difficult to do when we are underperforming. We will never waver from our view that great franchises that become cheaper are opportunities, not threats. We are therefore even more excited today versus the end of last quarter as to the potential for future outperformance.

All of our holdings in the portfolio continue to generate free cash flow, have strong balance sheets and capital allocation policies that we feel strike the right balance between corporate needs and shareholder returns. High quality business models and company-specific catalysts factor into attractive risk/reward profiles and, importantly, downside protection. The portfolio continues to incorporate a high concentration of companies with under-levered balance sheets and managements that are well aligned with shareholders, which we expect will continue to lead to positive corporate actions like share buy-backs, dividend increases and value-enhancing deals.

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 do 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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