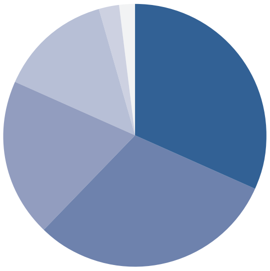
Beutel Goodman **Balanced Fund**

BEUTEL GOODMAN
Investment Counsel

Top 10 Equity Holdings (%)

TORONTO DOMINION BK	3.23
ROYAL BANK CDA	3.22
BANK OF NOVA SCOTIA	2.17
ROGERS COMMUNICATIONS	1.98
MAGNA INTL INC	1.70
BROOKFIELD ASSET MGT	1.56
CDN NATURAL RES	1.45
NUTRIEN LTD	1.44
METRO INC	1.41
CANADIAN TIRE CORP	1.17

Asset Mix Weightings (%)



Performance % (ANNUALIZED) to March 31, 2018

BG Balanced Fund	Current Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
Fixed Income	0.06	1.47	1.90	1.27	2.82	2.35	4.26
FTSE TMX Universe	0.10	1.36	1.43	1.21	3.40	2.89	4.37
Canada	-3.09	4.06	11.23	6.98	7.35	10.54	8.58
S&P/TSX	-4.52	1.71	9.84	4.07	4.78	6.93	4.47
United States	-2.90	2.67	15.81	10.52	15.23	19.25	13.69
S&P500 C$	2.12	10.27	15.19	11.37	15.62	18.83	12.00
International	2.38	14.77	17.31	8.76	7.75	10.75	5.13
EAFE C$	1.32	11.04	12.85	6.11	7.96	11.69	5.08
Cash / Cash Equivalents	0.27	0.99	0.66	0.62	0.74	0.78	0.83
Total Portfolio	-0.96	5.10	10.23	6.22	7.35	9.26	7.58
BG Balanced Benchmark	-0.83	3.87	7.13	4.16	5.95	7.18	5.54
Management Effect	**-0.13**	**1.23**	**3.10**	**2.06**	**1.40**	**2.08**	**2.04**

Performance % (ANNUAL) to March 31, 2018

BG Balanced Fund	2018	2017	2016	2015	2014
Total Portfolio	5.10	15.61	-1.36	10.79	17.25
BG Balanced Benchmark	3.87	10.50	-1.54	11.49	12.26
Management Effect	**1.23**	**5.10**	**0.18**	**-0.70**	**4.99**

Investment Strategy

The Fund seeks to enhance long-term capital value by investing in fixed income securities and Canadian, U.S. and international equity securities.

Investment Results

The Beutel Goodman balanced portfolio posted a negative return for the first quarter of 2018 and slightly underperformed the Beutel Goodman Balanced Benchmark. Underperformance was due to asset allocation, as an underweight in fixed income and overweight in equities detracted over the period. Canadian and international equities outperformed their respective indices, but these positive effects were slightly offset by negative effects from selection in U.S. equities.

Global growth may be showing initial signs of slowing, despite the International Monetary Fund (IMF) raising its global growth forecast for 2018 and 2019 to 3.9% (up from 3.7%) in January. Canada's Q4 2017 annualized GDP growth of 1.7% decelerated from that seen in the first half of 2017. Steady global GDP improvement throughout 2017 has moderated so far in 2018, as evidenced by recent preliminary PMIs for Europe and Japan. Euro-area economic sentiment, although at 3 year highs, has begun to fall due to tariff talk from the U.S., political issues in Germany, and Brexit concerns. In China, the official PMI fell from 51.3 in January to 50.3 in February. PMIs have come down from a peak in Q3 2017, most likely due to the country's focus on diminishing financial risk and pollution. China's growth target remains at about 6.5% for 2018 (the same as in 2017) even though in 2017 the economy grew by 6.9%, exceeding expectations.

The Bank of Canada hiked the overnight rate by 25 basis points to 1.25% in the first quarter. The Bank cited that recent economic data has been strong, inflation is close to target, and the economy is operating roughly at capacity. The major caveat is the uncertainty surrounding the future of NAFTA that is clouding the economic outlook. 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%. Increases in the administered rate by the Bank of Canada and the U.S. Federal Reserve affirmed that both central banks continue to tighten monetary policy, although at a gradual and data dependent pace. The march higher in interest rates and the flattening of the yield curve is reflective of central bank tightening cycles.

During the quarter, oil prices gained 7.5%, supported by the compliance of OPEC and Russia to curb output, in addition to escalating geopolitical concerns and supply disruptions in the Middle East and particularly Venezuela. At the end of the quarter, WTI was $64.94.

The Canadian equity component had a negative return in the first quarter, but outperformed the S&P/TSX Composite return of -4.5%. The excess was a result of both positive stock selection and allocation effects, specifically strong stock selection in Consumer Discretionary and Consumer Staples and an underweight position in the Energy sector. In terms of stock selection, the largest positive contribution came from the Consumer Discretionary sector. Canadian Tire was the top contributor to performance as it continued to outperform after a strong 2017, with all three retail banners posting good comparative same-store sales growth. Magna was also an important contributor. The company generated record cash in 2017 and returned $1.6 billion to shareholders through dividends and stock buybacks. Looking into 2018, Magna is operationally solid and the valuation remains very attractive. Our holdings in Consumer Staples also added value, led by Metro. Despite the current competitive environment, Metro is executing well, delivering positive sales growth, with incremental margin improvement. The company is in very good shape with respect to the acquisition of Jean Coutu, which we feel will build shareholder value over time. Stock selection in Information Technology was negative. The sector was the best performing area of the index, gaining over 10% due to a few strong advancing names that we did not hold.

The U.S. equity component'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 underweight 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.

The international equity component outperformed the EAFE Index, with positive stock selection offset slightly by negative sector selection, as the detraction from an overweight Telecommunications and zero-weight Utilities more than offset the small gains from overweights in Healthcare and Information Technology. In terms of stock selection, the strongest contribution came from the Consumer Staples sector, where all of our stocks outperformed the sector. Kao and Henkel were the clear lead contributors, while Carlsberg and Unilever also provided nice outperformance. The Information Technology sector was the second largest contributor to stock selection. Atea was a top contributor, as strong top and bottom line growth continued to propel the stock higher. Spectris also performed well in light of its dividend increase, share repurchase announcement, and strong operating results.

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The Financials sector was also a solid contributor to the period's outperformance, with Deutsche Boerse and DBS as strong contributors. DBS rallied on strong results and a special dividend announcement. In the Health Care sector, Smith & Nephew outperformed as it reversed some of the prior period underperformance. Telecommunications was a source of underperformance, with a very strong showing from NTT Docomo offset by weakness in our European holdings, KPN and Vodafone in particular. Industrials was another source of underperformance, with GEA and IMI both detracting with disappointing results, while Smiths Group outperformed on speculation that it could be targeted by an activist, given its atypical mix of businesses and low valuation. Consumer Discretionary was mixed but negative overall, as WPP's significant underperformance on sluggish growth numbers and negative sentiment more than offset the modest positive contributions from Michelin and Luxottica.

During the first quarter, the FTSE TMX Canada Universe Bond Index increased by 0.1% on a total return basis. The Federal and Corporate sectors both outperformed the Index during the quarter, returning 0.33% and 0.28% respectively. The Provincial and Municipal sectors both underperformed the Index during the quarter, returning -0.27% and -0.01% respectively.

The Fund's fixed income component underperformed slightly over the period. Decisions that detracted from performance included the following: (1) our government sector allocation, due to an underweight position in Government of Canada bonds, as the federal sector outperformed all other sectors during the quarter; (2) our corporate security selection, as even in a risk off scenario our higher quality credits underperformed more riskier and higher beta names, as investors continue to value yield over quality; and (3) our curve positioning due to our overweight in the mid-part of the curve, which underperformed during the quarter. The underperformance was partially offset by the following: (1) our government security selection, mainly attributable to our overweight position in the province of BC, which outperformed its provincial peers during the quarter. Although not completely immune, BC is not as reliant on exports to the U.S. as other provinces and therefore represents a hedge against NAFTA risk. The province also has the strongest fiscal position of all the Canadian provinces; and (2) our short duration positioning, as interest rates increased by an average of 5 basis points during the quarter.

Asset Class	Performance Benchmark Return	BG Fully-Discretionary Balanced Mandate Return	Performance Benchmark Weight	Closing Weight 1Q 2018	Closing Weight 4Q 2017
Cash & Cash Equivalents	0.30%	0.27%	5.0%	1.8%	2.1%
Fixed Income	0.10%	0.06%	40.0%	30.6%	30.5%
Equity	-1.67%	-1.45%	55.0%	67.6%	67.4%
- Canada	-4.52%	-3.09%	30.0%	34.4%	32.5%
- U.S.	2.12%	-2.90%	12.0%	13.7%	16.1%
- EAFE	1.32%	2.38%	13.0%	19.5%	18.8%
Total Returns	-0.83%	-0.96%			
Total Added Value		-0.13%			

Benchmark: Cash=91-day T-Bills / Fixed Income=FTSE/TMX Canada Universe Bond Index / Canadian Equity=S&P/TSX Composite Index / U.S. Equity=C$ S&P500 Index / International Equity=C$ MSCI EAFE Index. Returns are gross of fees & expenses.

Portfolio Strategy and Activity

Beutel Goodman's buy/sell discipline has the effect of gradually moving the portfolio into those areas of the market offering the greatest potential for long-term return. During the quarter, the allocation to U.S. equities decreased slightly and was shifted to Canadian equities.

In the Canadian equity component, we initiated a new position in **Saputo Group**. Saputo is one of the top ten dairy processors globally, with a diverse geographic, product and customer mix. Saputo is a well-run company with excellent financial attributes: a diverse and resilient business model, low cost operations, consistent free cash flow generation, a solid balance sheet and sound capital allocation. We added to **Rogers Communications, Metro, Molson Coors** and **Onex** due to attractive valuations. Within the Telecommunications sector, our holding in **Telus** was reduced, as Rogers offered a more attractive risk/return profile. We continued our process driven trim of **Canadian Natural Resources**, in addition to trims in **Magna, Bank of Nova Scotia, Royal Bank** and **TD Bank.** Other partial sales were executed to fund anticipated purchases.

With respect to the U.S. equity component, 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**.

The international equity component initiated two new positions. **Hakuhodo** is a dominant player in the Japanese ad agency market, with a proven record of growing market share and expanding its margins. The company's cash-rich balance sheet and growing stream of dividends enhance its attractive valuation. **GlaxoSmithKline** is one of the world's largest pharmaceutical companies, with strong positions in respiratory, HIV, vaccines, and consumer health. The company recently increased its exposure to consumer health by buying out Novartis' stake in a joint venture which will further buttress its cash flow profile for dividends and reinvestments into its core business. We also added to several positions, including **NTT Docomo, Resona, WPP, Caltex, Konecranes, IMI,** and **Roche**. To fund our new positions and the aforementioned additions, we sold the balance of our position in **FamilyMart** and **Deutsche Boerse,** both of which had recently hit their targets and offered less attractive risk-reward than the bulk of the portfolio. We also performed a trim on both **Kao** and **Julius Baer** to recalibrate their position sizes after each separately posted very strong performance. Additional funds were created from a process-driven trim in **Atea**.

In fixed income, we are short duration versus the FTSE TMX Canada Overall Bond Universe. We believe that as central banks have adjusted their biases to removing monetary policy stimulus, both through hiking interest rates and tapering QE and balance sheets, interest rates will likely increase in accordance. The Canadian bond market has fully priced in a full tightening cycle by the Bank of Canada, in line with our expectations, so there are no opportunities for rates to increase significantly in the short-end of the curve. We are positioned for the yield curve to continue to flatten, as is reflective of tightening cycles. Our relative yield advantage versus that of the benchmark remains positive. We are overweight corporate bonds and are maintaining our defensive and safe haven positioning. We are underweight Government of Canada bonds and are slightly underweight provincial bonds.

Outlook

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 can bring outstanding long-term investment success. 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 the last quarter as to the potential for future outperformance.

Our fixed income base case is for the continuation of trends of relatively strong growth, steadily increasing inflation and gradual central bank tightening. Our base case also assumes that a deal to maintain NAFTA is cobbled together before the deadline and an all-out global trade war is averted. While our base case provides a constructive backdrop for credit spreads, we are mindful of the overall tightness of spreads currently, as credit metrics are deteriorating and leverage is creeping up. Threats to our base case scenario include: (1) a global trade war; (2) a messy unwind of global quantitative easing; (3) a swift abrogation of NAFTA; (4) a destruction of value of the crypto currencies; (5) a banking crisis in China; (6) political unrest in Venezuela and the Middle East; (7) a Trump implosion; (8) a credit event; and (9) a shift in the European political landscape.

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.

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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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