Beutel Goodman **Canadian Equity Fund**

BEUTEL GOODMAN Investment Counsel

Top 10 Holdings (%)

TORONTO DOMINION BK	9.20
ROYAL BANK CDA	9.20
BANK OF NOVA SCOTIA	6.20
ROGERS COMMUNICATIONS	5.60
MAGNA INTL INC	4.90
BROOKFIELD ASSET MGT	4.40
CDN NATURAL RES	4.10
NUTRIEN LTD	4.10
METRO INC	4.00
CANADIAN TIRE CORP	3.30

Sector Weights vs Benchmark

SECTOR WEIGHTS* (%)			UNDERWEIGHT/OVERWEIGHT %
Sector	**BG**	**S&P/TSX**	
Financials	41.62	34.79	6.8
Consumer D.	12.28	5.50	6.8
Consumer S.	7.71	3.60	4.1
Telecom	7.96	4.58	3.4
Industrials	10.48	9.71	0.8
Info. Tech.	2.66	3.79	-1.1
Health Care	0.07	1.20	-1.1
Real Estate	0.83	3.04	-2.2
Utilities	0.23	3.73	-3.5
Materials	6.42	11.52	-5.1
Energy	8.05	18.54	-10.5
Cash	1.69		

* BG weights are combined to include a 7.4% small cap component.

Performance % (ANNUALIZED) to March 31, 2018

BG Canadian Equity Fund	Current Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
Total Portfolio	-3.03	4.02	11.14	6.86	7.10	10.18	8.23
S&P/TSX Index	-4.52	1.71	9.84	4.07	4.78	6.93	4.47
Management Effect	**1.49**	**2.31**	**1.30**	**2.78**	**2.32**	**3.25**	**3.77**

Performance % (ANNUAL) to March 31, 2018

BG Canadian Equity Fund	2018	2017	2016	2015	2014
Total Portfolio	4.02	18.76	-1.23	7.85	23.41
S&P/TSX Index	1.71	18.62	-6.57	6.93	15.97
Management Effect	**2.31**	**0.14**	**5.34**	**0.92**	**7.44**

Investment Strategy

The Fund seeks long-term capital appreciation primarily through investments in common shares and other equity securities of established Canadian issuers. The number of securities held is between 20-45 issues, not including issues held in the small cap component.

Market Overview

After hitting all-time highs in January, following strong economic reports across the globe, the S&P/TSX Composite had a difficult first quarter, ending with a total return of -4.5%. A global 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 between the U.S. and China worried markets. In addition, weakness in the U.S. tech sector after Facebook's data privacy issue and possible regulations on social media firms weighed on markets. The S&P/TSX Composite continues to reflect concerns surrounding NAFTA negotiations, increased protectionism and weak Canadian oil prices. Canadian 10 year benchmark yields ended March marginally higher at 2.09%, below current inflation of 2.2% (headline CPI). Canadian GDP unexpectedly contracted 0.1% in January, signalling that the Bank of Canada may slow its future path of rate hikes.

The portfolio 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 for the quarter, gaining 3.9%. 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.

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 and our underweight in Energy were both positive. Cameco benefitted from the announcement that the U.S. Department of Energy will suspend the sale of excess uranium for the rest of the year. Cenovus and Canadian Natural Resources declined for the quarter due to wide heavy oil differentials. A lack of exposure to Enbridge also added to relative outperformance, as it declined over 16% over the period.

In Financials, stock selection was positive. Sun Life Financial was the top contributor in the sector, reporting strong quarterly results, benefitting from strength in the U.S. business. Onex and TD Bank also contributed following solid quarterly announcements. Brookfield Asset Management was the largest detractor, pressured by worries due to increasing interest rates.

The Telecommunications Services sector detracted, driven by stock selection effects. Despite a good Q4 and positive 2018 guidance, Rogers was weak in the quarter due to concerns over heightened competition from Shaw, lack of a dividend increase and general profit taking on the name.

Another source of relative underperformance was in the Materials sector. Agrium and Potash completed the merger of equals to create Nutrien, which began trading on January 2, 2018. Negative sentiment surrounding their ability to achieve targeted synergies of $500 million weighed on the stock.

The Fund's exposure to small cap stocks detracted relative to the large cap index for the quarter.

Portfolio Strategy and Activity

During the first quarter of 2018, 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. The company operates in Canada, the U.S., Argentina and Australia, producing, marketing and distributing a wide variety of cheeses, fluid milk, dairy products and dairy ingredients to retail, foodservice and industrial customers. Saputo has a very good track record of growing business value over time, primarily through acquisitions. Overall, 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.

With respect to existing positions, 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.

Outlook

The weak Canadian equity market narrative continues: performance significantly lags other major market returns around the world, primarily due to poor Energy sector returns. The implication is that the Bank of Canada will stay cautious, diverging from the Fed, which is on a path to raise rates as the economic outlook strengthens. Most central banks outside of North America remain accommodative although the Bank of England has suggested a possible rate hike in May.

Uncertainties surrounding NAFTA negotiations, tariff and protectionist measures, in addition to signs of slowing growth and weak Canadian oil prices, appear to be discounted and current Canadian valuations are attractive. In fact, multiple compression outweighed reasonably positive earnings revisions for the S&P/TSX Composite during the quarter, while the valuation discount versus the S&P500 is currently quite large. With the global macro-economic backdrop remaining supportive and robust earnings results from our holdings, we remain confident in our portfolio positioning.

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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