Beutel Goodman **Corporate/Provincial Active Bond Fund**

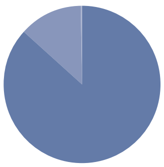
Top 10 Holdings (%)

ROGERS COMMUNICATIONS	4.700 SEP 29 20	6.10
BNK OF MONTREAL DPNT	1.610 OCT 28 21	5.90
BNK NOVA SCOTIA DPNT	2.130 JUN 15 20	5.50
TD BANK DPNT	2.045 MAR 08 21	5.40
CIBC DPNT	1.900 APR 26 21	5.30
ONTARIO PROV	2.900 DEC 02 46	4.70
TRANSCANADA PIPELINE	7.900 APR 15 27	4.20
WESTCOAST ENERGY	7.150 MAR 20 31	3.70
BNK OF MONTREAL DPNT	2.270 JUL 11 22	3.10
ONTARIO PROV	4.650 JUN 02 41	3.00

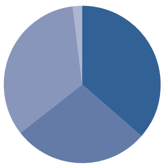
BG Corp/Prov Active Bond Fund

FTSE TMX Canada Universe Bond

Sector Weights (%)

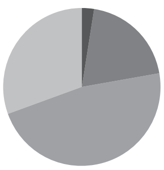


- Gov't of Canada Bonds (0.23)
- Corporate Bonds (86.54)
- Provincial Bonds (12.97)
- Cash (0.25)

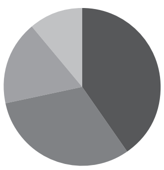


- Gov't of Canada Bonds (36.50)
- Corporate Bonds (28.11)
- Provincial Bonds (33.50)
- Municipal Bonds (1.90)

Bond Quality (%)



- AAA (2.68)
- AA (19.56)
- A (47.29)
- BBB (30.47)



- AAA (40.42)
- AA (31.40)
- A (17.20)
- BBB (10.99)

Performance % (ANNUALIZED) to March 31, 2018

BG Corp/Prov Bond Fund	Current Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
Total Portfolio	0.15	1.99	3.13	1.95	3.37	2.88	4.76
FTSE TMX Canada Universe Bond Index	0.10	1.36	1.43	1.21	3.40	2.89	4.37
Management Effect	**0.05**	**0.63**	**1.69**	**0.73**	**-0.03**	**-0.01**	**0.39**

Performance % (ANNUAL) to March 31, 2018

BG Corporate/Provincial Bond Fund	2018	2017	2016	2015	2014
Total Portfolio	1.99	4.27	-0.38	7.77	0.94
FTSE TMX Canada Universe Bond Index	1.36	1.51	0.78	10.26	0.84
Management Effect	**0.63**	**2.76**	**-1.16**	**-2.49**	**0.10**

Portfolio Characteristics

	Beutel Goodman Corp/Prov Bond Fund	FTSE TMX Canada Bond Universe
Average Term	9.96 YEARS	10.27 YEARS
Average Duration	7.10 YEARS	7.41 YEARS
Yield	2.94 %	2.57 %

Investment Strategy

The Fund seeks long-term capital appreciation and a high rate of income by actively managing a portfolio primarily consisting of instruments of Canadian corporate and Government bond issuers.

Investment Results

Canadian interest rates rose by five basis points on average during the quarter, but there were significant and opposing movements in the short versus the long end, as the yield curve flattened. Yields in the 1 to 5 year area of the curve increased by 11 basis points as the market absorbed the January rate hike by the Bank of Canada and priced in further tightening. Conversely, yields in the long end of the curve decreased by approximately 4 basis points, as inflation data, although moving up, continued to disappoint market expectations.

The quarter was characterized by volatility in the stock markets, led in part by privacy concerns in the technology sector, concerns over a global trade war and mixed economic data. 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 uncertainty surrounding the future of NAFTA, which 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%. 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.

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.

During the first quarter, our portfolio outperformed the benchmark by 5 basis points. Decisions that contributed to performance included the following: (1) government security selection mainly attributable to our overweight position in the province of BC; (2) our corporate sector allocation as corporates, where we are strongly overweight, outperformed provincials, where we are underweight; (3) our short duration positioning as interest rates increased by an average of 5 basis points during the quarter. The outperformance was slightly offset by a negative contribution from the following: (1) curve positioning due to our overweight in the mid-part of the curve which underperformed during the quarter.; (2) government sector allocation due to underweight position in Government of Canada bonds as the federal sector outperformed all other sectors during the quarter; and (3) 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.

Portfolio Strategy and Activity

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 decidedly underweight Government of Canada bonds and are significantly underweight provincial bonds.

Outlook

The path of interest rates in the near term will likely be determined by the pace and magnitude of the withdrawal of monetary policy stimulus by the major central banks. This withdrawal will likely reprice yield curves and lead global interest rates higher. Additionally, central bank tightening flattens the yield curve, as moves in the administered rates are felt more in the short-end of the curve. Both the Bank of Canada and the U.S. Federal Reserve are united in that they are both data dependent, monitoring how consumers and businesses react to higher interest rates and waiting to see if inflation will increase following the strong conditions in the labour markets and the underlying economies.

Our 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.

BG BEUTEL GOODMAN Investment Counsel

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.

Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

FTSE TMX Global Debt Capital Markets Inc ("FTDCM"), FTSE International Limited ("FTSE"), the London Stock Exchange Group companies (the "Exchange") or TSX INC. ("TSX" and together with FTDCM, FTSE and the Exchange, the "Licensor Parties"). The Licensor Parties make no warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the relevant Index and/or the figure at which the said Index stands at any particular time on any particular day or otherwise. The Index is compiled and calculated by FTSEDCM and all copyright in the Index values and constituent lists vests in FTDCM. The Licensor Parties shall not be liable (whether in negligence or otherwise) to any person for any error in the Index and the Licensor Parties shall not be under any obligation to advise any person of any error therein. "TMX" is a trade mark of TSX Inc. and is used under licence. "FTSE®" is a trade mark of the FTSE International Limited and is used by FTDCM under licence".

The index information contained in this document has been obtained from sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such.

This document does not constitute an offer to buy or sell any securities, products or services and should not be construed as specific investment advice. All opinions and estimates expressed in this document are as of the time of its publication and are subject to change. No use of the Beutel Goodman name or any information contained in this report may be copied or redistributed without the prior written approval of Beutel, Goodman & Company Ltd.

Pooled Asset Management for Institutional Clients

For more information on any of our
pooled institutional products, please contact:

Nancy Chew | nchew@beutelgoodman.com
Craig Auwaerter | cauwaerter@beutelgoodman.com

Head Office

Beutel, Goodman & Company Ltd.
20 Eglinton Avenue West, Suite 2000,
P.O. Box 2005, Toronto, Ontario, Canada M4R 1K8

Telephone: 416 485 1010 | Toll-free: 1 800 461 4551

www.beutelgoodman.com

BG BEUTEL GOODMAN
Investment Counsel