Beutel Goodman **International Equity Fund**

BEUTEL GOODMAN Investment Counsel

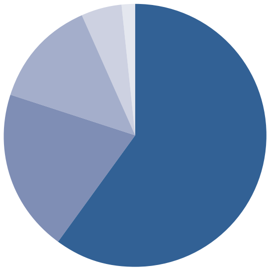
Top 10 Holdings (%)

MICHELIN(CGDE)	4.00
KAO CORP	4.00
CARLSBERG AS	3.80
MERCK KGAA	3.80
CALTEX AUSTRALIA	3.60
HENKEL AG&CO. KGAA	3.40
ROCHE HLDGS AG	3.30
GLAXOSMITHKLINE	3.30
GEA GROUP AG	3.30
SMITH & NEPHEW	3.20

Sector Weights vs Benchmark

SECTOR WEIGHTS (%)			UNDERWEIGHT/OVERWEIGHT %
Sector	**BG**	**MSCI EAFE C$**	
Telecom	11.50	3.83	7.7
Materials	11.99	8.01	4.0
Health Care	13.66	10.17	3.5
Consumer S.	13.19	11.06	2.1
Energy	6.69	5.31	1.4
Info. Tech.	7.88	6.57	1.3
Consumer D.	12.28	12.61	-0.3
Industrials	12.37	14.60	-2.2
Utilities	0.00	3.27	-3.3
Real Estate	0.00	3.53	-3.5
Financials	8.91	21.05	-12.1
Cash	1.53		

Regional Weights (%)



Europe excluding U.K. (60.14)
U.K. (19.97)
Japan (13.43)
Pacific Basin excluding Japan (4.93)
Emerging Markets (0.0)
Cash (1.53)

Performance % (ANNUALIZED) to March 31, 2018

BG International Equity Fund	Current Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
Total Portfolio	2.37	14.32	16.90	8.48	7.44	10.32	4.51
MSCI EAFE Index C$	1.32	11.04	12.85	6.11	7.96	11.69	5.08
Management Effect	**1.05**	**3.28**	**4.05**	**2.37**	**-0.52**	**-1.37**	**-0.57**

Performance % (ANNUAL) to March 31, 2018

BG International Equity Fund	2018	2017	2016	2015	2014
Total Portfolio	14.32	19.55	-6.58	4.38	22.64
MSCI EAFE Index C$	11.04	14.71	-6.19	13.68	27.94
Management Effect	**3.28**	**4.84**	**-0.39**	**-9.30**	**-5.30**

Investment Strategy

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

Investment Results

The Beutel Goodman international equity portfolio posted a positive result for the first quarter, slightly ahead of the MSCI EAFE C$ Index, which was also positive. Utilities was the best performing sector in the index followed by Information Technology and Consumer Discretionary. Telecommunications and Materials were the more notable laggards. From a regional perspective, Asia outperformed Europe, with Australia a strong exception, while Germany was the clear laggard within Europe.

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% in January, up from 3.7%. 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.

The international equity portfolio 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 Health Care and Information Technology.

In terms of stock selection, the strongest contribution came from the Consumer Staples sector, where all of our stocks outperformed. 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.

Energy was mixed, with TGS-Nopec outperforming on the back of good results, while Caltex lagged after disappointing the market by not giving specific timing on a potential break-up.

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.

Portfolio Strategy and Activity

In the first quarter of 2018, the international equity portfolio 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.

During the quarter we 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 positions 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**.

Outlook

After hitting record highs in 2017, global markets have seen a broad based correction in the first three months of 2018. The downturn didn't come as a huge surprise, as valuations were starting to look stretched in some of the more speculative areas of the market.

The economic data points were largely as expected in Q1. Strong employment and low inflation rates were the highlights across most major economies. In the meantime, the U.S. Federal Reserve is set on a path to raising short-term interest rates throughout 2018. With major central banks around the world echoing that message (though likely differing in execution), a picture of global monetary tightening has formed quickly. Fixed income markets have responded quickly. Equity markets have as well.

Our view is that the outlook for global economies hasn't really changed in the last three months. We are likely to see healthy global GDP growth rates, along with modest inflation and gradual tightening of monetary policy across all markets. The wild card is the escalating trade tensions between the U.S. and its large trading partners. However, at this point, we don't see the trade disputes becoming an overwhelmingly negative factor for global growth.

Our rigorous, value-driven approach leads us to invest in high-quality companies trading at inexpensive valuations, and we don't speculate on macro-economic trends or data points. Looking at our portfolio today, we are comfortable that it is comprised of a healthy mix of businesses that can do well, even in a tough macro-economic environment.

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.

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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