Beutel Goodman **Long Term Bond Fund**

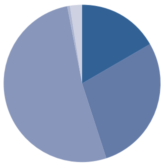
Top 10 Holdings (%)

ONTARIO PROV	4.700 JUN 02 37	10.30
ONTARIO PROV	4.650 JUN 02 41	9.80
CANADA GOVT	2.750 DEC 01 48	8.40
QUEBEC PROV	5.000 DEC 01 41	7.80
CANADA GOVT	5.000 JUN 01 37	5.30
QUEBEC PROV	3.500 DEC 01 48	3.90
ONTARIO PROV	2.900 DEC 02 46	3.40
ONTARIO PROV	2.800 JUN 02 48	3.30
TRANSCANADA PIPELINE	8.200 AUG 15 31-0	2.90
ALBERTA PROV	3.050 DEC 01 48	2.30

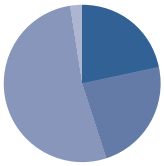
BG Long Term Bond Fund

FTSE TMX Canada Long Term Bond

Sector Weights (%)

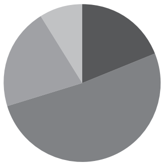


- Gov't of Canada Bonds (16.67)
- Corporate Bonds (28.46)
- Provincial Bonds (52.08)
- Cash (0.42)
- Municipal Bonds (2.37)

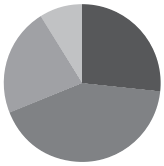


- Gov't of Canada Bonds (21.85)
- Corporate Bonds (23.20)
- Provincial Bonds (52.50)
- Municipal Bonds (2.45)

Bond Quality (%)



- AAA (16.70)
- AA (40.66)
- A (38.81)
- BBB (3.83)



- AAA (26.68)
- AA (42.48)
- A (22.08)
- BBB (8.76)

Performance % (ANNUALIZED) to December 31, 2017

BG Long Term Bond Fund	Current Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
Total Portfolio	5.45	7.13	5.18	3.91	6.47	3.95	6.34
FTSE TMX Canada Long Term Bond Index	5.22	7.03	4.73	4.42	7.54	4.65	6.63
Management Effect	**0.23**	**0.10**	**0.45**	**-0.51**	**-1.07**	**-0.70**	**-0.30**

Performance % (ANNUAL) to December 31, 2017

BG Long Term Bond Fund	2017	2016	2015	2014	2013
Total Portfolio	7.13	3.26	1.42	14.51	-5.53
FTSE TMX Canada Long Term Bond Index	7.03	2.47	3.80	17.48	-6.16
Management Effect	**0.10**	**0.79**	**-2.37**	**-2.97**	**0.63**

Portfolio Characteristics

	Beutel Goodman Long Term Bond Fund	FTSE TMX Canada Long Term Bond
Average Term	22.12 YEARS	23.09 YEARS
Average Duration	14.82 YEARS	14.96 YEARS
Yield	2.98 %	3.00 %

Investment Strategy

The Fund seeks to earn a high rate of income by investing primarily in long-term fixed income securities of Canadian government and corporate issuers.

Market Overview

Canadian interest rates were virtually unchanged across the curve on average during the quarter, but there were significant and opposing movements in the short versus the long end of the curve. Yields in the 1 to 5 year area of the curve increased by 14 basis points, as a December speech and interview by Governor Poloz tilted the market to price in additional rate hikes in 2018. Conversely, yields in the long end of the curve decreased by approximately 20 basis points as inflation data continued to disappoint market expectations.

During the fourth quarter, the U.S. Federal Reserve hiked the Federal Funds rate by 25 basis points to a target range of 1.25-1.5%. The Fed believes that the labour market has continued to strengthen and that economic activity has been rising at a solid rate. Inflation remains a thorn in the central bank's side, as the Fed noted that on a 12-month basis, both overall inflation and inflation ex-food and energy have declined and are running below 2%.

During the fourth quarter, the FTSE TMX Canada Long Term Bond Index increased by 5.22% on a total return basis. The Provincial and Municipal sectors both outperformed the index during the quarter, returning 6% and 5.83% respectively. The Corporate and Federal sectors both underperformed the index during the quarter, returning 4.95%, and 3.56% respectively.

During the fourth quarter, our portfolio outperformed the benchmark by 23 basis points. Decisions that contributed to performance included the following: (1) our government sector allocation, as both long provincials (market weight) and long corporates (overweight) significantly outperformed long federal bonds (significantly underweight); (2) our government security selection due to our mix of provincial ownership; and (3) our curve positioning, as our underweight in the 10 year area of the curve contributed positively as we are underweight that sector of the curve. The main detractor from performance was our short duration position as yields in the long end of the curve decreased by approximately 20 basis points as inflation data continued to disappoint market expectations.

Portfolio Strategy

We are short duration versus the FTSE TMX Canada Long Term Bond Index. 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. We are positioned for the yield curve to continue to flatten, as is reflective of tightening cycles. Our projected roll return 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

With respect to fixed income, the outlook for U.S. growth remains bright, especially with the passage of U.S. tax reform. Financial conditions have eased and historically have foreshadowed faster growth. While Canadian growth is expected to moderate after a robust first half of 2017, it will likely be held up by a strong U.S. economy and the recent strength in crude oil prices. While there is no doubt that the Canadian economy is strong and that the slack in the economy is being used up, there are a few areas of concern for the economic forecast. A significant amount of the strong growth has been led by the services sector and not by manufacturing nor by the export sectors that the Bank of Canada had expected to benefit from a lower Canadian dollar. As the Bank of Canada has repeatedly warned, consumer indebtedness is at very high levels. While a slowdown in the housing market will likely not lead to a rash of foreclosures in Canada as it did in the U.S., it will likely constrain consumer spending as mortgage payments take up a greater share of consumers' wallets.

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. While this 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. There are a number of things that pose a risk to our base case, including (in no particular order): (1) a messy unwind of quantitative easing; (2) a swift abrogation of NAFTA; (3) a destruction of value of the crypto currencies; (4) a North Korea missile strike; (5) a banking crisis in China; (6) political unrest in Venezuela and the Middle East; (7) a Trump implosion; (8) a trade war; (9) a credit event; and (10) 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.

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
Bruce Shewfelt | bshewfelt@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

BEUTEL GOODMAN
Investment Counsel