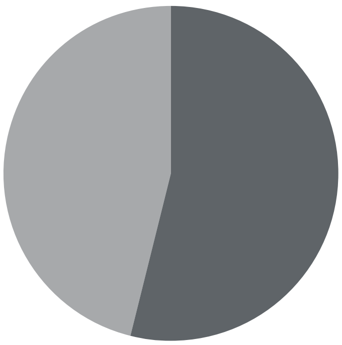
# Beutel Goodman Money Market Fund

## TOP 10 HOLDINGS (%)

| | | |
|---|---|---|
| CANADA GOVT T/B | 0.000 DEC 14 17 | 14.0 |
| BANK OF MONTREAL BDN | 0.000 OCT 13 17 | 9.9 |
| INTER PIPE (COR) | 0.000 NOV 01 17 | 9.8 |
| BANK OF NS | 0.000 OCT 16 17 | 8.9 |
| CIBC | 0.000 DEC 27 17 | 8.9 |
| ROY BK OF CDA | 0.000 NOV 15 17 | 7.4 |
| GAZ METRO INC | 0.000 NOV 06 17 | 7.4 |
| UNION GAS | 0.000 OCT 12 17 | 5.4 |
| GREATER TORONTO DCP | 0.000 OCT 12 17 | 4.9 |
| FORTIS BC | 0.000 OCT 30 17 | 4.9 |

## FUND QUALITY (%)




## PERFORMANCE % (ANNUALIZED) TO SEPTEMBER 30, 2017

| BG MONEY MARKET FUND | CURRENT QTR | 1 YEAR | 2 YEARS | 3 YEARS | 4 YEARS | 5 YEARS | 10 YEARS |
|---|---|---|---|---|---|---|---|
| TOTAL PORTFOLIO | 0.24 | 0.83 | 0.85 | 0.92 | 0.99 | 1.03 | 1.36 |
| 91 DAY T-BILLS | 0.13 | 0.47 | 0.46 | 0.57 | 0.66 | 0.74 | 1.09 |
| **MANAGEMENT EFFECT** | **0.10** | **0.36** | **0.39** | **0.35** | **0.34** | **0.30** | **0.27** |

## PERFORMANCE % (ANNUAL) TO SEPTEMBER 30TH

| BG MONEY MARKET FUND | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| TOTAL PORTFOLIO | 0.83 | 0.88 | 1.04 | 1.22 | 1.19 |
| 91 DAY T-BILLS | 0.47 | 0.45 | 0.77 | 0.93 | 1.05 |
| **MANAGEMENT EFFECT** | **0.36** | **0.43** | **0.27** | **0.29** | **0.14** |

## PORTFOLIO CHARACTERISTICS

| | BEUTEL GOODMAN MONEY MARKET FUND |
|---|---|
| AVERAGE TERM (with FRNs to next reset) | 43 DAYS |
| (AVERAGE TERM NOT TO EXCEED 180 DAYS) | |
| YIELD | 1.21 % |
| # OF SECURITIES HELD | 16 |

## INVESTMENT STRATEGY

**The Fund seeks to earn a competitive short-term rate of return while maintaining a high level of liquidity by investing in high quality Canadian money market instruments such as treasury bills, short-term government and corporate securities and deposit receipts of Canadian chartered banks and trust companies having a term to maturity not exceeding one year.**

## MARKET COMMENTS

Money Market yields increased in third quarter of 2017. 91-day T-Bill yields started the period yielding 0.72% and finished the quarter at 1.00%.

Canadian interest rates increased by approximately 31 basis points across the curve during the quarter. While it was a quarter that swung between risk off and risk on momentum, driven by geopolitical tensions and hurricanes, the main catalyst for the increase was the two rate hikes by the Bank of Canada. With evidence of synchronized global economic strength, Canada's second quarter GDP was a barn burner, coming in at 4.5% (quarterly annualized) versus market expectations of 3.7% and the Bank of Canada's forecast of 3.4%. Growth was led by strong business investment and personal consumption, as well as trade. Some of the strength was due to the reconstruction following the Alberta wildfires, but the majority can be attributed to consumer confidence, a strong job market and stability in the energy market. That strong backdrop allowed the Bank to effectively remove the 50 basis points of emergency monetary policy stimulus that was put in place in 2015. While the removal was in line with market expectations and was well telegraphed by Governor Poloz and Deputy Governor Wilkins, the speed of the removal was unexpected. The July hike was as anticipated, but most market participants expected the next hike to be in October, not September. The Bank stated in its most recent monetary policy release that recent economic data has been stronger than expected, supporting the Bank's view that growth in Canada is becoming more broadly-based and self-sustaining. However, the Bank continues to expect a moderation in the pace of growth in the second half of the year. The Bank believes that significant geopolitical risks and uncertainties around international trade and fiscal policies remain. Inflation continues to run below the Bank's 2% target, reflecting some excess capacity in the labour market and more subdued wage and price pressures.

During the third quarter, the U.S. Federal Reserve kept the Federal Funds rate unchanged at a target range of 1-1.25%. In line with market expectations, the Federal Reserve announced that its balance sheet normalization program will commence in October. The Fed believes that near-term risks to the economic outlook appear roughly balanced, but the Committee is monitoring inflation developments closely. The Fed mostly stuck to its cautious language concerning the pace of future rate hikes. The Committee expects that economic conditions will evolve in a manner that will warrant gradual increases in the Federal Funds rate and that the rate is likely to remain, for some time, below levels that are expected to prevail in the longer run.

## PORTFOLIO STRATEGY AND ACTIVITY

The Beutel Goodman Money Market Fund saw its yield increase from 0.74% at the end of last quarter to 1.21% at September 30, 2017. The Fund's average term was decreased from 56 days at the end of June to 43 days at the end of September.

The Fund's term to maturity is shorter than its benchmark, the 91-day T-Bill Index. The quality of the Fund has remained consistent and the Fund only contains securities rated R-1 (low) or higher as per the Dominion Bond Rating Service. We continue to have no exposure to ABCP.

## OUTLOOK

After removing the 50 basis points of monetary policy stimulus, the Bank of Canada is embarking on a tightening cycle. The Canadian bond market has completely priced in three rate hikes by the Bank through to the end of 2018. 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. There remains concern that anti-trade and "Buy America" policies, as well as differences in carbon regulations and corporate taxes, could also disadvantage Canadian industry versus that of the U.S. These uncertainties are holding back business investment in Canada. On the other hand, strong U.S. economic growth will have positive spillover effects in Canada and continued tightening by the Federal Reserve gives the Bank of Canada room for additional hiking as well. The Bank of Canada is unlikely to hike its overnight rate higher than that of the U.S. without risking a significant and unwanted appreciation of the Canadian dollar.

We believe that while we are in the late stages of the credit cycle, the economic backdrop should allow for some additional spread compression in 2017. We also believe that the corporate market is more vulnerable to beta events, as the market is not properly compensating for credit risk.

# 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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