Beutel Goodman **Short Term Bond Fund**

BEUTEL GOODMAN
Investment Counsel

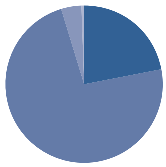
Top 10 Holdings (%)

CIBC DPNT	1.900 APR 26 21	6.90
TD BANK DPNT	2.045 MAR 08 21	6.80
CANADA GOVT	1.250 FEB 01 20	6.50
CPPIB CAPITAL INC	1.400 JUN 04 20	6.50
BNK OF MONTREAL DPNT	1.610 OCT 28 21	6.00
TRANSCANADA PIPELINE	3.690 JUL 19 23	5.90
BNK NOVA SCOTIA DPNT	2.270 JAN 13 20	4.90
LOWER MATTAGAMI ENRG	4.331 MAY 18 21	4.80
BNK NOVA SCOTIA DPNT	2.130 JUN 15 20	4.80
ROYAL BANK CDA NVCC	3.040 JUL 17 24/19	4.00

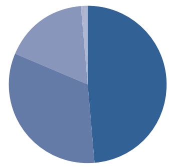
BG Short Term Bond Fund

FTSE TMX Canada Short Term Bond

Sector Weights (%)

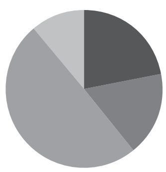


- Gov't of Canada Bonds (22.16)
- Corporate Bonds (73.29)
- Provincial Bonds (4.21)
- Cash (0.34)

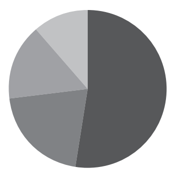


- Gov't of Canada Bonds (48.84)
- Corporate Bonds (32.57)
- Provincial Bonds (17.46)
- Municipal Bonds (1.13)

Bond Quality (%)



- AAA (22.16)
- AA (17.20)
- A (49.67)
- BBB (10.97)



- AAA (52.58)
- AA (20.71)
- A (15.53)
- BBB (11.18)

Performance % (ANNUALIZED) to March 31, 2018

BG Short Term Bond Fund	Current Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
Total Portfolio	0.24	-0.07	0.90	1.04	1.72	1.78	3.20
FTSE TMX Canada Short Term Bond Index	0.22	-0.37	0.45	0.67	1.47	1.56	2.85
Management Effect	**0.02**	**0.30**	**0.45**	**0.37**	**0.24**	**0.21**	**0.36**

Performance % (ANNUAL) to March 31, 2018

BG Short Term Bond Fund	2018	2017	2016	2015	2014
Total Portfolio	-0.07	1.86	1.33	3.77	2.02
FTSE TMX Canada Short Term Bond Index	-0.37	1.27	1.12	3.92	1.92
Management Effect	**0.30**	**0.59**	**0.21**	**-0.15**	**0.10**

Portfolio Characteristics

	Beutel Goodman Short Term Bond Fund	FTSE TMX Canada Short Term Bond
Average Term	2.82 YEARS	2.83 YEARS
Average Duration	2.63 YEARS	2.70 YEARS
Yield	2.38 %	2.18 %

Investment Strategy

The Fund aims to earn a high rate of income by investing primarily in short-term fixed income securities of Canadian government and corporate 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 Short Term Bond Index increased by 0.22% on a total return basis. The short Corporate and Federal sectors both outperformed the Index during the quarter, returning 0.25% and 0.23% respectively. The short Provincial and Municipal sectors both underperformed the Index during the quarter, returning 0.15% and 0.19% respectively.

During the first quarter, our portfolio outperformed the benchmark by 2 basis points. Decisions that contributed to performance included the following: (1) our short duration positioning as interest rates in the 1-5 year area of the curve increased by an average of 11 basis points during the quarter; (2) our government sector allocation and security selection as we are underweight provincial bonds that underperformed versus the federal sector; and (3) our corporate sector allocation as corporates, where we are overweight, outperformed provincials, where we are underweight. The outperformance was slightly offset by a negative contribution from corporate security selection mainly attributable to our overweight position in Canadian bank deposit notes and NVCC whose performance lagged during the quarter under the weight of new issuance as well as the relative outperformance of riskier corporates. Our duration positioning was neutral to performance during the quarter.

Portfolio Strategy and Activity

We are slightly short duration versus the FTSE TMX Canada Short Term Bond Index. The short-end of the Canadian yield curve is fully pricing in two further hikes by the Bank of Canada before the end of 2018, in-line with our expectations. 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 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.

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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