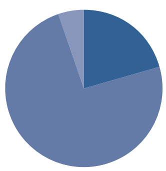
Beutel Goodman **Short Term Bond Fund**

Top 10 Holdings (%)

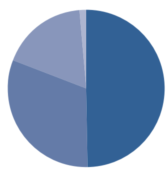
CIBC DPNT	1.900 APR 26 21	8.20
CPPIB CAPITAL INC	1.100 JUN 10 19	7.10
CANADA GOVT	1.250 NOV 01 19	5.90
ALTALINK LP	2.978 NOV 28 22	5.90
ROYAL BANK CDA DPNT	2.030 MAR 15 21	5.70
BNK OF MONTREAL DPNT	1.610 OCT 28 21	5.60
LOWER MATTAGAMI ENRG	4.331 MAY 18 21	4.90
WESTCOAST ENERGY	8.500 SEP 04 18	4.50
TD BANK DPNT 2.045 MAR 08 21	2.045 MAR 08 21	3.80
BNK NOVA SCOTIA DPNT	FLTG OCT 12 18	3.70

BG Short Term Bond Fund | FTSE TMX Canada Short Term Bond

Sector Weights (%)

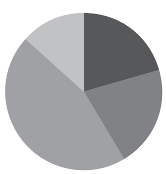


- Gov't of Canada Bonds (20.70)
- Corporate Bonds (74.13)
- Provincial Bonds (5.17)
- Cash (0.0)

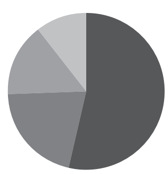


- Gov't of Canada Bonds (49.74)
- Corporate Bonds (31.37)
- Provincial Bonds (17.72)
- Municipal Bonds (1.17)

Bond Quality (%)



- AAA (20.63)
- AA (45.96)
- A (26.90)
- BBB (6.51)



- AAA (53.77)
- AA (20.74)
- A (15.12)
- BBB (10.37)

Performance % (ANNUALIZED) to December 31, 2017

BG Short Term Bond Fund	Current Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
Total Portfolio	0.36	0.60	1.07	1.58	1.89	1.91	3.55
FTSE TMX Canada Short Term Bond Index	0.28	0.08	0.54	1.23	1.68	1.70	3.16
Management Effect	**0.08**	**0.52**	**0.52**	**0.36**	**0.20**	**0.22**	**0.39**

Performance % (ANNUAL) to December 31, 2017

BG Short Term Bond Fund	2017	2016	2015	2014	2013
Total Portfolio	0.60	1.54	2.62	2.80	2.03
FTSE TMX Canada Short Term Bond Index	0.08	1.01	2.61	3.06	1.74
Management Effect	**0.52**	**0.53**	**0.01**	**-0.27**	**0.29**

Portfolio Characteristics

	Beutel Goodman Short Term Bond Fund	FTSE TMX Canada Short Term Bond
Average Term	2.83 YEARS	2.92 YEARS
Average Duration	2.64 YEARS	2.78 YEARS
Yield	2.16 %	2.05 %

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.

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 Short Term Bond Index increased by 0.28% on a total return basis. The Corporate, Municipal, and Provincial sectors all outperformed the index during the quarter, returning 0.49%, 0.41%, and 0.36% respectively. The Federal sector underperformed the index during the quarter, returning 0.12%.

During the fourth quarter, our portfolio outperformed the benchmark by 8 basis points. Decisions that contributed to performance included the following: (1) our corporate sector allocation, as during the quarter short corporates, where we are strongly overweight, outperformed short provincials; and (2) our government sector allocation as short provincials (market weight) outperformed short federal bonds (underweight). Our curve and duration positioning added slightly to performance during the quarter. Decisions that detracted from performance during the quarter include: (1) corporate security selection, as our higher quality short credits (primarily bank deposit notes) underperformed other riskier short credits during the quarter; and (2) our government security selection due to our mix of provincial ownership.

Portfolio Strategy

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 three 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

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.

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Pooled Asset Management for Institutional Clients

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