Beutel Goodman Income Fund

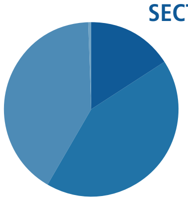
TOP 10 HOLDINGS (%)

ONTARIO PROV	2.600 JUN 02 25	4.0
ONTARIO PROV	3.500 JUN 02 24	3.9
CANADA GOVT	2.750 DEC 01 48	3.5
CANADA GOVT	0.500 MAR 01 22	3.4
ONTARIO PROV	2.850 JUN 02 23	2.8
TD BANK DPNT	2.563 JUN 24 20	2.6
BNK OF MONTREAL DPNT	2.100 OCT 06 20	2.5
ONTARIO PROV	4.000 JUN 02 21	2.3
ONTARIO PROV	6.200 JUN 02 31	2.3
ONTARIO PROV	2.800 JUN 02 48	2.2

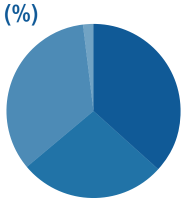
BG INCOME FUND

FTSE TMX CANADA BOND UNIVERSE

SECTOR WEIGHTS (%)

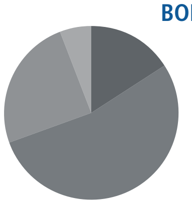


BG Income Fund:
- Gov't of Canada Bonds (16.0)
- Corporate Bonds (42.5)
- Provincial Bonds (41.1)
- Cash (0.4)

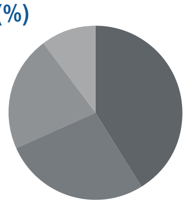


FTSE TMX Canada Bond Universe:
- Gov't of Canada Bonds (36.8)
- Corporate Bonds (27.3)
- Provincial Bonds (34.0)
- Municipal (1.9)

BOND QUALITY (%)



BG Income Fund:
- AAA (16.0)
- AA (53.7)
- A (24.5)
- BBB (5.8)



FTSE TMX Canada Bond Universe:
- AAA (41.1)
- AA (27.3)
- A (21.4)
- BBB (10.2)

PERFORMANCE % (ANNUALIZED) TO MARCH 31, 2017

BG INCOME FUND	CURRENT QTR	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	10 YEARS
TOTAL PORTFOLIO	1.39	2.24	1.06	3.18	2.48	2.60	4.82
FTSE TMX CANADA UNIVERSE BOND INDEX	1.24	1.51	1.14	4.09	3.27	3.52	4.82
MANAGEMENT EFFECT	**0.15**	**0.73**	**-0.08**	**-0.91**	**-0.79**	**-0.92**	**0.00**

PERFORMANCE % (ANNUAL) TO MARCH 31ST

BG INCOME FUND	2017	2016	2015	2014	2013
TOTAL PORTFOLIO	2.24	-0.10	7.56	0.42	3.08
FTSE TMX CANADA UNIVERSE BOND INDEX	1.51	0.78	10.26	0.84	4.54
MANAGEMENT EFFECT	**0.73**	**-0.88**	**-2.70**	**-0.42**	**-1.46**

PORTFOLIO CHARACTERISTICS

	BEUTEL GOODMAN INCOME FUND	FTSE TMX CANADA BOND UNIVERSE
AVERAGE TERM	9.39 YEARS	10.24 YEARS
AVERAGE DURATION	7.17 YEARS	7.36 YEARS
YIELD	2.15 %	2.06 %

INVESTMENT STRATEGY

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

INVESTMENT RESULTS

Markets have been in risk on mode all year following the theme of reflation and growth. Animal spirits have lifted soft data such as business and consumer confidence, stock markets have set new highs, and interest rates have continued their slow march upwards. We are late in the economic recovery and closer to the next recession than the recovery. Headwinds that we are monitoring include tapering of extraordinary monetary policy, a move from "Trump Euphoria" to "Trump Fail" sentiment, European elections, and how the Federal Reserve tightening is being absorbed by the markets.

The track record to date on the Trump Administration's first 100 days in office is not encouraging, with immigration policies being struck down by the courts and the Administration failing to get enough support for health care reform in a Republican controlled Congress. The next big items on the agenda, tax reform, fiscal stimulus, and regulatory reform, are arguably the ones the markets are counting on to deliver growth. The continuing resolution to fund the government expires at the end of April, so that is first on the legislative agenda. If divisions within the Republican Party persist then gridlock could result, thereby caging some of the animal spirits.

During the first quarter, the FTSE TMX Canada Universe Bond Index increased by 1.24% on a total return basis. The Corporate, Provincial, and Municipal sectors outperformed the Index during the quarter returning 1.83%, 1.38%, and 1.73% respectively. The Federal sector underperformed the Index during the quarter, returning 0.64%. Yields across the U.S. curve were relatively unchanged, decreasing by 1 basis point on average during the quarter. Canadian yields increased by 3 basis points across the curve, with the greatest move in the 10-year area of the curve, where yields increased by 9 basis points.

During the first quarter, corporate credit spreads tightened with the yield spread of the FTSE TMX Canada All Corporate Index versus the FTSE TMX Government of Canada Index decreasing by approximately 14 basis points from 134.8 basis points at December 31, 2016 to 121 basis points at quarter end. Sector performance was led by the Industrial, Infrastructure, Energy and Communication sectors.

During the first quarter, our portfolio outperformed the benchmark by 15 basis points. Decisions that contributed to performance include the following: (1) our corporate overweight versus the provincial and federal sectors as the corporate sector was the best performing sector during the quarter; (2) our government sector allocation as Government of Canada bonds, where we are underweight, underperformed versus provincials; and (3) our foreign pay position as the Canadian dollar depreciated versus the U.S. dollar since we initiated the position. Decisions that detracted from performance during the quarter include our corporate and provincial security selection.

PORTFOLIO STRATEGY AND ACTIVITY

We are short duration versus the FTSE TMX Canada Universe Bond Index. We are positioned in the short-end of the curve for the Bank of Canada to remain on hold or ease. Our projected roll return versus that of the Index remains positive. We are underweight Government of Canada bonds in all our portfolios and overweight corporates and provincials.

OUTLOOK

We continue to monitor the headwinds that we first highlighted in the fourth quarter – monetary policy tapering, Trump's first 100 days, European elections, and the Federal Reserve tightening cycle. The economic and inflation backdrop indicates that we should be in a rising interest rate environment, but we are cautious as to how much further and how quickly interest rates will rise, given some of the known unknowns in the market currently.

Growth in Canada in the fourth quarter and for January 2017 was strong, likely owing to a lag effect from the recent strength in the U.S. economy, as well as lesser impact from the decline in commodity prices. We still remain cautious on the Canadian economy and have concerns over anti-trade and "Buy America" policies, as well as differences in carbon regulations that could also disadvantage Canadian industry versus that of the U.S. With that backdrop, Canada and the U.S. continue on diverging paths for monetary policy. The Federal Reserve has tightened three times whereas the Bank of Canada is most likely to keep the overnight rate at its current 0.50% level for a lengthy period of time. While the Federal Reserve has finally entered its tightening phase, we believe that this phase will be unlike any other in history.

While we are in the late stages of the credit cycle, the economic backdrop should allow for some additional spread compression in 2017. As interest rates rise, corporates will not have access to ultra-low debt financing, and credit metrics could deteriorate. Additionally, as credit spreads have tightened there appears to be less differentiation between companies and sectors. This is likely symptomatic of ultra-low interest rates where the extent of some credit research is to sort for the highest yielding corporates irrespective of credit quality. We believe this makes the corporate market 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 does 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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