Beutel Goodman Long Term Bond Fund

Q1 - MARCH 31, 2017

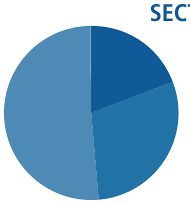
TOP 10 HOLDINGS (%)

CANADA GOVT	2.750 DEC 01 48	13.6
ONTARIO PROV	2.800 JUN 02 48	10.4
BC PROV	6.350 JUN 18 31	4.6
ONTARIO PROV	2.900 DEC 02 46	4.5
QUEBEC PROV	6.250 JUN 01 32	3.7
ONTARIO PROV	6.500 MAR 08 29	3.4
ONTARIO PROV	2.600 JUN 02 27	3.3
ONTARIO PROV	6.200 JUN 02 31	3.2
SASKATCHEWAN PROV	6.400 SEP 05 31	3.0
CANADA GOVT	1.000 JUN 01 27	2.9

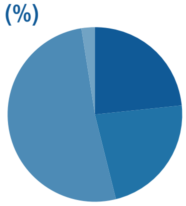
BG LONG TERM BOND FUND

FTSE TMX CANADA LONG TERM BOND

SECTOR WEIGHTS (%)

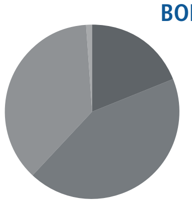


- Gov't of Canada Bonds (19.2)
- Corporate Bonds (29.5)
- Provincial Bonds (51.2)
- Cash (0.1)

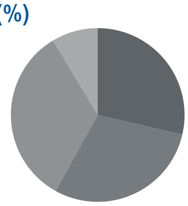


- Gov't of Canada Bonds (23.6)
- Corporate Bonds (22.6)
- Provincial Bonds (51.4)
- Municipal (2.4)

BOND QUALITY (%)



- AAA (19.1)
- AA (43.0)
- A (36.9)
- BBB (1.0)



- AAA (28.6)
- AA (29.7)
- A (33.4)
- BBB (8.3)

PERFORMANCE % (ANNUALIZED) TO MARCH 31, 2017

BG LONG TERM BOND FUND	CURRENT QTR	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	10 YEARS
TOTAL PORTFOLIO	1.96	2.54	0.06	5.33	3.75	3.99	6.15
FTSE TMX CANADA LONG TERM BOND INDEX	1.88	1.72	0.57	6.59	4.61	4.85	6.40
MANAGEMENT EFFECT	**0.08**	**0.82**	**-0.51**	**-1.26**	**-0.86**	**-0.86**	**-0.25**

PERFORMANCE % (ANNUAL) TO MARCH 31ST

BG LONG TERM BOND FUND	2017	2016	2015	2014	2013
TOTAL PORTFOLIO	2.54	-2.36	16.71	-0.85	4.97
FTSE TMX CANADA LONG TERM BOND INDEX	1.72	-0.56	19.72	-1.11	5.83
MANAGEMENT EFFECT	**0.82**	**-1.80**	**-3.01**	**0.26**	**-0.86**

PORTFOLIO CHARACTERISTICS

	BEUTEL GOODMAN LONG TERM BOND FUND	FTSE TMX CANADA LONG TERM BOND
AVERAGE TERM	21.28 YEARS	22.57 YEARS
AVERAGE DURATION	14.24 YEARS	14.40 YEARS
YIELD	3.03 %	3.12 %

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

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 Long Term Bond Index increased by 1.88% on a total return basis. The Corporate and Municipal sectors both outperformed the Index during the quarter, returning 3.06% and 2.39%, respectively. The Provincial and Federal sectors both under-performed the Index during the quarter, returning 1.74% and 0.96%, respectively. Yields across the U.S. curve were relatively unchanged, decreasing by 1 basis point on average. 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 Long Corporate Index versus the FTSE TMX Long Government of Canada Index decreasing by approximately 10 basis points from 188.5 basis points at December 31, 2016 to 178 basis points at quarter end. Sector performance was led by the Financial, Industrial and Communication sectors.

During the first quarter, our portfolio outperformed the benchmark by 8 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 un-derweight, underperformed versus provincials; (3) our foreign pay position as the Canadian dollar depreciated versus the U.S. dollar since we initiated the position; and (4) our curve positioning as interest rates declined in the 10-15 year area of the curve where we are overweight versus the Index. Decisions that detracted from performance during the quarter include the following: (1) our short duration position as interest rates in the long end of the curve decreased during the quarter; and (2) our provincial security selection as some of the western provinces underper-formed their eastern counterparts.

PORTFOLIO STRATEGY

We are short duration versus the FTSE TMX Canada Long Term Bond Index. Our projected roll return versus that of the Index remains positive. We are underweight Government of Canada bonds, overweight corporates, and index weight 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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