MFA of B.C. Pooled Investment Results[1]

As of January 31, 2018

	1 Month Non-annualized %	3 Months Non-annualized %	Year-to-Date Non-annualized %	1 Year %	3 Years Annualized %	5 Years Annualized %	Since Inception Annualized %[2]
MFA Money Market Fund	**0.11**	**0.31**	**0.11**	**1.01**	**0.88**	**0.97**	**3.94**
Custom Benchmark[3]	*0.07*	*0.18*	*0.07*	*0.52*	*0.40*	*0.56*	*3.68*
MFA Intermediate Fund	**0.08**	**0.19**	**0.08**	**0.72**	**0.96**	**1.21**	**3.55**
FTSE TMX Canada 365-Day Treasury Bill Index	*0.09*	*0.08*	*0.09*	*0.07*	*0.22*	*0.58*	*3.16*
MFA Bond Fund	**-0.24**	**-0.52**	**-0.24**	**-0.21**	**0.70**	**1.74**	**5.98**
FTSE TMX Canada Short Term Overall Bond Index	*-0.24*	*-0.59*	*-0.24*	*-0.55*	*0.30*	*1.44*	*5.69*

[1]Portfolio and benchmark performance is net of total fees and expenses of 15 basis points per annum (Money Market Fund) and 20 basis points per annum (Intermediate & Bond Fund).
[2]Inception dates: Money Market Fund – May 1, 1989; Intermediate Fund – March 30, 1994; Bond Fund – May 1, 1989
[3]Represents custom benchmark: changed from FTSE TMX Canada 91-day T-Bill Index to FTSE TMX Canada 30-day T-Bill Index effective Jan. 1, 2013

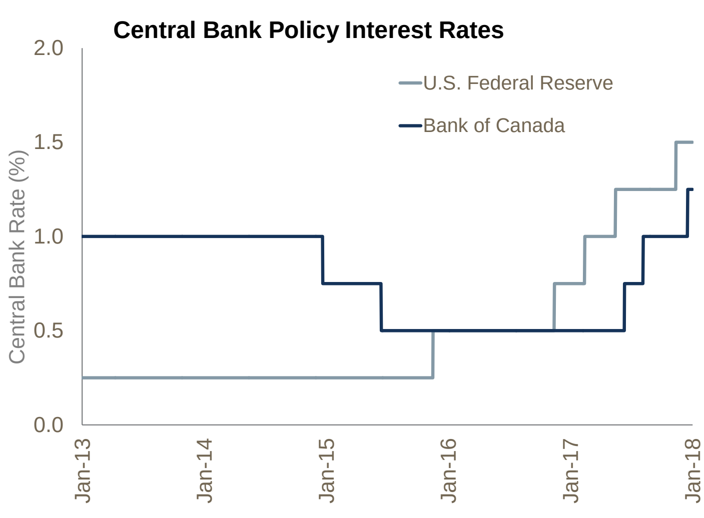
Market Developments

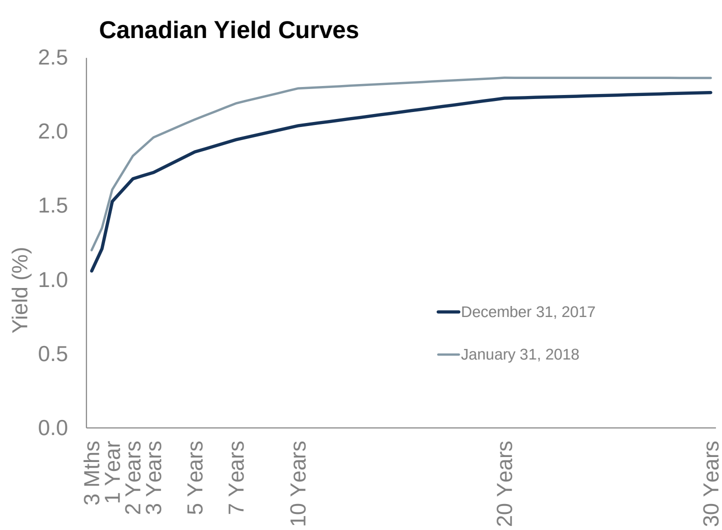
Market Interest Rates

	November 30, 2017	December 31, 2017	January 31, 2018
3 Month T-bills	0.88%	1.06%	1.20%
2 Year Gov't of Canada Bonds	1.43%	1.68%	1.84%
5 Year Gov't of Canada Bonds	1.63%	1.86%	2.08%
30 Year Gov't of Canada Bonds	2.23%	2.27%	2.36%

Policy developments in both Canada and the United States drove interest rates on both sides of the border higher during January, causing government bonds of most tenors to have negative absolute performance for the month. South of the border, the higher yields were a reflection of expectations of stronger economic growth, largely as a result of the newly passed tax legislation. In Canada, it was a similar story, with a policy rate increase by the Bank of Canada (BoC) pushing short-end rates higher, while continued above-potential economic growth and tighter labour market conditions helped mid- to long-term yields end the month modestly higher.

Overall, the Canadian yield curve continued to flatten with short maturity yields ending almost 20 basis points higher, while longer-term yields ended the month just under 10 basis points higher.





Market Outlook

The BoC met in January and raised its policy rate a further 0.25% to 1.25%. In the accompanying statement, the BoC took a more cautious tone about future policy decisions, citing several concerns including uncertainty surrounding the future of NAFTA. The BoC stated that, while the Canadian economy will likely support higher interest rates in the future, it believes that some degree of continued monetary policy accommodation is required to keep the economy and inflation on track. That said, market participants continue to expect another two to three interest rate hikes before the end of the year. Overall, we anticipate short-term Canadian interest rates to trend higher as the BoC pursues a more “normal” monetary policy stance over the medium term.

The U.S. Federal Reserve (Fed) also met in January, but unlike the BoC, it maintained its policy rate at the current level of 1.25% to 1.5%. While the Fed highlighted strong economic activity, it also acknowledged that inflation continues to run below its target. That said, the Fed expects inflation to move higher this year as the U.S. economy continues to operate at or above full capacity. Looking forward, market expectations are for the Fed to follow a similar pattern in 2018 as we saw in 2017, with three policy rate increases over the year. We anticipate that short-term U.S. yields will move higher in tandem with expectations for future rate hikes by the Fed.

Current Strategy

The Money Market Fund remains focused on building a high quality yield advantage as this has historically proven to be a reliable way to add value. To this end, the Money Market Fund continues to be fully invested in high-quality corporate money market instruments, as these securities continue to provide an attractive risk-adjusted incremental yield over similar-term government securities. Similarly, the Money Market Fund also maintains an allocation to longer-dated corporate money market securities, which results in a longer-than-benchmark average maturity profile.

The Intermediate and Bond Funds both also favour high quality yield enhancement strategies. The Intermediate Fund maintains a maximum allocation to corporate securities, while the government allocation is primarily invested in provincial securities given their attractive yield advantage relative to federal government securities. Similarly, while the Bond Fund has reduced its overall risk over the past few quarters, it maintains a bias towards government agency and corporate credit, rather than federal bonds.

Structure – As a Percentage of Total Portfolio								
Money Market Fund			Intermediate Fund			Bond Fund		
Term (Days)	Position	Change	Term (Days)	Position	Change	Term (Years)	Position	Change
< 30	23.1%	0.4%	< 180	5.7%	5.0%	< 1.0	9.4%	0.5%
31 - 60	14.7%	-19.5%	181 - 365	63.4%	-21.0%	1.0 - 2.5	37.3%	-3.6%
61 - 90	28.0%	13.7%	366 +	30.8%	16.0%	2.5 - 4.0	27.6%	0.4%
91- 120	13.7%	1.8%				4.0 - 5.5	22.3%	2.5%
121 +	20.5%	3.7%				5.5 - 7.0	3.4%	0.2%
Government	0.0%	0.0%	Government	30.1%	0.1%	Government	56.7%	-2.3%
Corporate	100.0%	0.0%	Corporate	69.8%	-0.1%	Corporate	35.1%	1.9%
						Mortgages/MBS	6.5%	0.0%
						Net Cash	1.7%	0.3%
Average term	76 days	+13 days	Average term	0.9 yrs	+0.0 yrs	Average term	2.9 yrs	+0.1 yrs
Average yield*	1.44%	0.14%	Average yield*	1.64%	0.12%	Average yield*	2.00%	0.18%
Total size	$1,107.7 mil	-$92.6 mil	Total size	$314.7 mil	-$25.8 mil	Total size	$741.2 mil	-$31.8 mil

*Average yield information is referenced net of total fees and expenses of 15 basis points per annum (Money Market Fund) and 20 basis points per annum (Intermediate & Bond Fund).