

# MFA of B.C. Pooled Investment Results<sup>1</sup>

## As of April 30, 2019

	1 Month Non-annualized %	3 Months Non-annualized %	Year-to-Date Non-annualized %	1 Year %	3 Years Annualized %	5 Years Annualized %	Since Inception Annualized % <sup>2</sup>
<b>MFA Money Market Fund</b>	<b>0.16</b>	<b>0.48</b>	<b>0.66</b>	<b>1.83</b>	<b>1.28</b>	<b>1.13</b>	<b>3.85</b>
Custom Benchmark <sup>3</sup>	0.13	0.37	0.49	1.33	0.78	0.67	3.58
<b>MFA Intermediate Fund</b>	<b>0.21</b>	<b>0.73</b>	<b>1.10</b>	<b>2.50</b>	<b>1.53</b>	<b>1.44</b>	<b>3.49</b>
FTSE Canada 365-Day Treasury Bill Index	0.12	0.52	0.74	1.85	0.88	0.80	3.10
<b>MFA Bond Fund</b>	<b>0.30</b>	<b>1.30</b>	<b>1.97</b>	<b>3.62</b>	<b>1.59</b>	<b>1.92</b>	<b>5.86</b>
FTSE Canada Short Term Overall Bond Index	0.24	1.28	1.94	3.59	1.37	1.66	5.59

<sup>1</sup>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).

<sup>2</sup>Inception dates: Money Market Fund – May 1, 1989; Intermediate Fund – March 30, 1994; Bond Fund – May 1, 1989

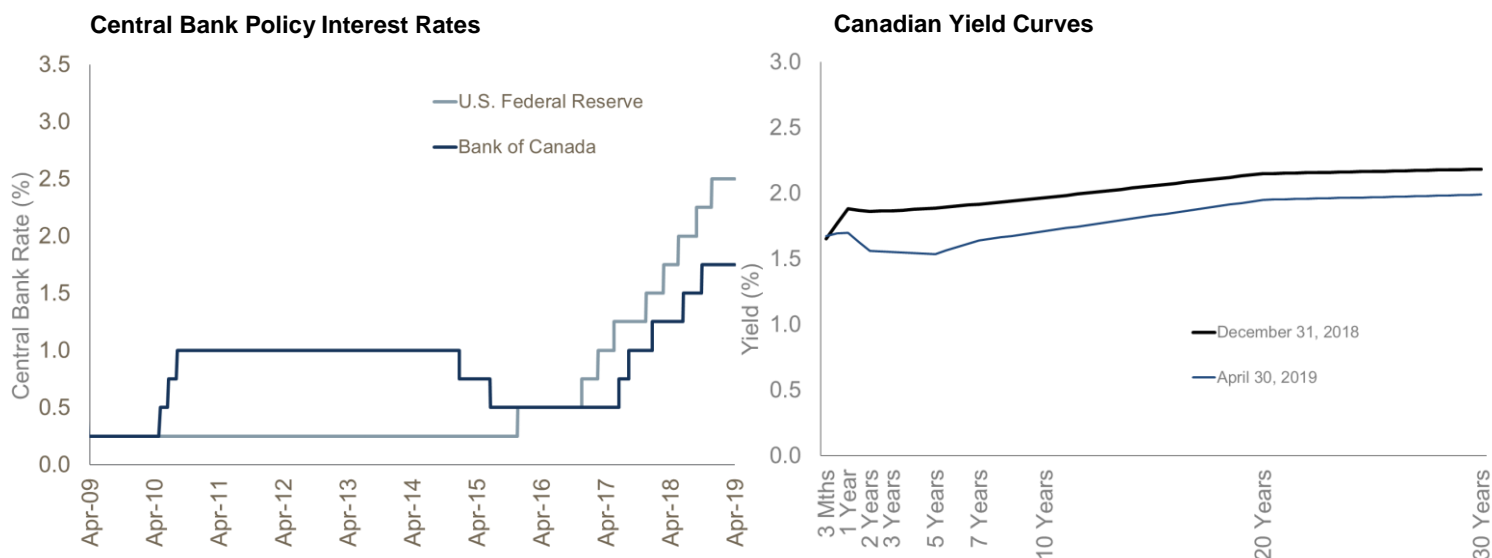
<sup>3</sup>Represents custom benchmark: changed from FTSE Canada 91-day T-Bill Index to FTSE Canada 30-day T-Bill Index effective Jan. 1, 2013

## Market Developments

### Market Interest Rates

	February 28, 2019	March 31, 2019	April 30, 2019
3 Month T-bills	1.67%	1.66%	1.67%
2 Year Gov't of Canada Bonds	1.78%	1.55%	1.56%
5 Year Gov't of Canada Bonds	1.82%	1.52%	1.54%
30 Year Gov't of Canada Bonds	2.19%	1.89%	1.99%

Government of Canada bond yields ended April slightly higher in the longer maturities after falling materially during March. Interest rates were initially driven higher by broad based risk-on sentiment across the capital markets fuelled by an increase in the price of oil and positive global economic data. Yields reached a peak before a dovish statement from the Bank of Canada accompanying its policy rate decision caused markets to change course. This late month decline was supported by increased uncertainty surrounding global trade tensions and resulted in yield levels ending the month only slightly higher than where they started.



## Market Outlook

The Bank of Canada (BoC) met in April and kept its policy rate unchanged at 1.75%. This decision was widely expected by market participants as uncertainty related to international trade has continued to weigh on global growth expectations. The BoC credits this uncertainty, along with weaker than expected domestic housing and consumption spending, as the main reasons for the recent slowdown in Canadian GDP growth. These factors are viewed as temporary; however, they have resulted in a downgrade to near-term growth expectations with the BoC now forecasting GDP growth of 1.2% in 2019 and 2.0% in both 2020 and 2021. With this in mind, market expectations for future changes in the policy rate remain low. Barring an unexpected change in economic momentum, we continue to believe that the short end of the Canadian yield curve will remain close to current levels for the rest of the year.

The U.S. Federal Reserve (Fed) met at the end of April and maintained its policy rate at the current 2.25% to 2.50% level. Given the progressively more dovish tone the Fed has taken in recent months, this decision came as no surprise to market participants. The accompanying statement, released on May 1st, was little changed from the prior meeting. While acknowledging that economic activity is growing at a solid rate and unemployment remains low, the Fed also pointed to a decline in both core and headline inflation below the 2% target. This was initially interpreted by market participants as the Fed taking a more dovish stance, but shifted to neutral after Chairman Powell clarified that the Fed views the lower inflation as being temporary in nature with a rebound expected. As such, market expectations for future changes in the policy rate remain split between no change and a rate cut by the end of the year. That said, the Fed did not release updated projections, which still point towards no change in rates as the most probable outcome. Taking all of this into account, we expect short term U.S. interest rates to remain close to present levels for some time absent any material changes to the current economic environment.

## Current Strategy

The Money Market Fund remains focused on building a high quality yield advantage. As such, the Money Market Fund remains fully invested in high-quality corporate money market instruments given their 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 also both favour high quality yield enhancement strategies. The Intermediate Fund maintains a maximum allocation to corporate securities, with the government allocation invested entirely in provincial securities given their attractive yield advantage relative to federal government securities. Similarly, while the Bond Fund continues to have a more defensive risk budget, it maintains a bias towards government agency and corporate credit, rather than federal bonds. The incremental yield gained from these holdings should provide a helpful tailwind to performance.

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	42.3%	11.7%	< 180	5.3%	-6.0%	< 1.0	10.8%	-4.9%
31 - 60	20.1%	-6.8%	181 - 365	35.5%	-6.2%	1.0 - 2.5	36.3%	0.8%
61 - 90	16.1%	-2.9%	366 +	59.2%	12.2%	2.5 - 4.0	25.2%	0.0%
91 - 120	6.8%	-2.0%				4.0 - 5.5	26.7%	4.3%
121 +	14.7%	0.1%				5.5 - 7.0	1.1%	-0.1%
Government	0.0%	0.0%	Government	30.1%	0.0%	Government	47.26%	4.5%
Corporate	100.0%	0.0%	Corporate	69.9%	0.0%	Corporate	44.15%	2.4%
						Mortgages/MBS	7.63%	0.7%
						Net Cash	0.97%	-7.6%
Average term	56 days	-4 days	Average term	1.0 yrs	+0.0 yrs	Average term	2.8 yrs	+0.2 yrs
Average yield*	1.90%	-0.06%	Average yield*	1.74%	0.01%	Average yield*	1.79%	-0.01%
Total size	\$1,122.8 mil	\$79.5 mil	Total size	\$218.4 mil	\$0.6 mil	Total size	\$523.7 mil	-\$20.9 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).