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

As of June 30, 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	**0.13**	**0.39**	**0.74**	**1.28**	**0.96**	**1.00**	**3.90**
Custom Benchmark[3]	*0.10*	*0.27*	*0.49*	*0.79*	*0.48*	*0.58*	*3.64*
MFA Intermediate Fund	**0.11**	**0.40**	**0.75**	**1.22**	**1.07**	**1.26**	**3.52**
FTSE TMX Canada 365-Day Treasury Bill Index	*0.14*	*0.35*	*0.74*	*0.84*	*0.42*	*0.65*	*3.14*
MFA Bond Fund	**0.24**	**0.33**	**0.55**	**0.41**	**0.94**	**1.84**	**5.92**
FTSE TMX Canada Short Term Overall Bond Index	*0.21*	*0.26*	*0.43*	*0.16*	*0.50*	*1.54*	*5.63*

[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

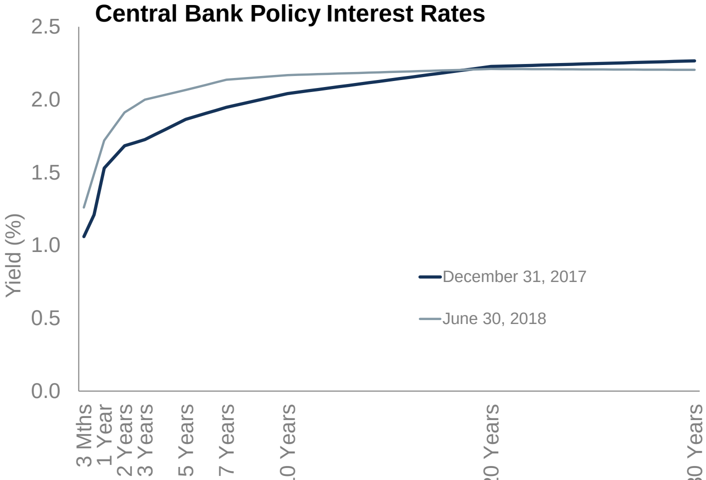
Market Developments

Market Interest Rates

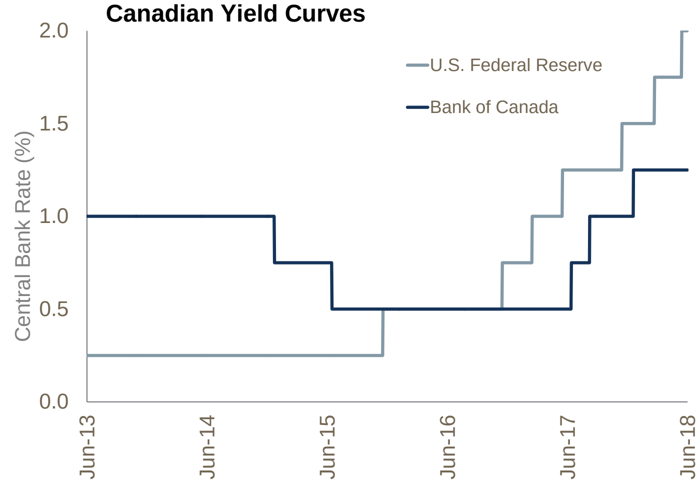
	April 30, 2018	May 31, 2018	June 30, 2018
3 Month T-bills	1.19%	1.29%	1.26%
2 Year Gov't of Canada Bonds	1.89%	1.91%	1.91%
5 Year Gov't of Canada Bonds	2.12%	2.10%	2.07%
30 Year Gov't of Canada Bonds	2.40%	2.26%	2.20%

Government of Canada bond yields were volatile throughout the month. Bond yields started the month of June on an upward trend thanks to a strong employment report in the U.S. and subsequently peaked mid-month after the Federal Reserve hiked its overnight interest rate by 25 basis points. The positive upward yield momentum later reversed course as the risk of a global trade war escalated after the Trump administration threatened to retaliate against the tariffs that Canada, Mexico, and the European Union announced after their exemptions from U.S. steel and aluminum tariffs expired on June 1. Consequently, market sentiment shifted towards a risk-off tone and yields started their trend downwards on account of a press conference from the Bank of Canada (BoC) that signalled a notably less cautious tone, renewing the prospect of a July rate hike. Overall, the Government of Canada yield curve flattened over the month as the front end of the curve remained relatively unchanged while yields in the long end of the curve fell by approximately five basis points.

Central Bank Policy Interest Rates



Canadian Yield Curves



Market Outlook

Although the Bank of Canada (BoC) did not meet in June, anticipation of future BoC activity moved around materially over the course of the month. Heading into June, market participants fully expected the BoC to increase the policy rate at its next meeting in July. Weaker-than-expected economic data mid-month, however, resulted in some uncertainty related to this timing. That said, expectations were reinvigorated in the last week of June on the back of a speech and press conference by Governor Poloz as well as a surprisingly optimistic tone in the most recent Business Outlook Survey. All said, market expectations for a July rate hike remain in place, with another not anticipated until the new year. As such, the short-end of the Canadian yield curve is likely to continue to trend higher as the BoC moves toward its neutral policy rate range.

The U.S. Federal Reserve (Fed) met in June and, as was foreshadowed at the May meeting, increased the federal funds rate by 0.25% to a 1.75% to 2.0% range. In its statement and corresponding press conference, the Fed signalled its desire to continue tightening monetary policy and move back to a more normal monetary policy regime. Looking forward, market participants expect the Fed to maintain its current quarterly pace for rate hikes, meaning two more through the end of the year. Correspondingly, we expect short-term U.S. interest rates to trend higher as the Fed continues along the path to its long-term median policy rate projection range of 2.75% to 3.0%.

Current Strategy

The Money Market Fund remains focused on building a high quality yield advantage, a strategy which has historically proven to be a reliable way to outperform the benchmark. With this in mind, the Money Market Fund continues to be 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	31.8%	-0.6%	< 180	17.8%	6.3%	< 1.0	14.8%	-4.8%
31 - 60	21.4%	-0.9%	181 - 365	56.1%	5.5%	1.0 - 2.5	31.2%	5.3%
61 - 90	25.3%	10.0%	366 +	26.1%	-11.9%	2.5 - 4.0	31.7%	-4.7%
91- 120	11.1%	-3.3%				4.0 - 5.5	20.4%	4.4%
121 +	10.4%	-5.2%				5.5 - 7.0	1.9%	-0.2%
Government	0.0%	0.0%	Government	30.1%	-0.4%	Government	48.7%	1.1%
Corporate	100.0%	0.0%	Corporate	69.9%	0.4%	Corporate	38.0%	1.3%
						Mortgages/MBS	6.8%	0.1%
						Net Cash	6.5%	-2.4%
Average term	57 days	-8 days	Average term	0.9 yrs	-0.0 yrs	Average term	2.8 yrs	+0.1 yrs
Average yield*	1.59%	0.01%	Average yield*	1.83%	0.00%	Average yield*	2.06%	0.02%
Total size	$999.5 mil	-$33.5 mil	Total size	$296.0 mil	$11.8 mil	Total size	$571.4 mil	-$56.4 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).