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

As of August 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	**0.15**	**0.41**	**1.03**	**1.41**	**1.01**	**1.02**	**3.89**
Custom Benchmark[3]	*0.11*	*0.27*	*0.67*	*0.89*	*0.52*	*0.58*	*3.63*
MFA Intermediate Fund	**0.20**	**0.41**	**1.06**	**1.42**	**1.10**	**1.26**	**3.51**
FTSE TMX Canada 365-Day Treasury Bill Index	*0.11*	*0.25*	*0.85*	*0.98*	*0.38*	*0.63*	*3.12*
MFA Bond Fund	**0.33**	**0.44**	**0.75**	**0.60**	**0.92**	**1.83**	**5.89**
FTSE TMX Canada Short Term Overall Bond Index	*0.33*	*0.39*	*0.61*	*0.37*	*0.51*	*1.52*	*5.61*

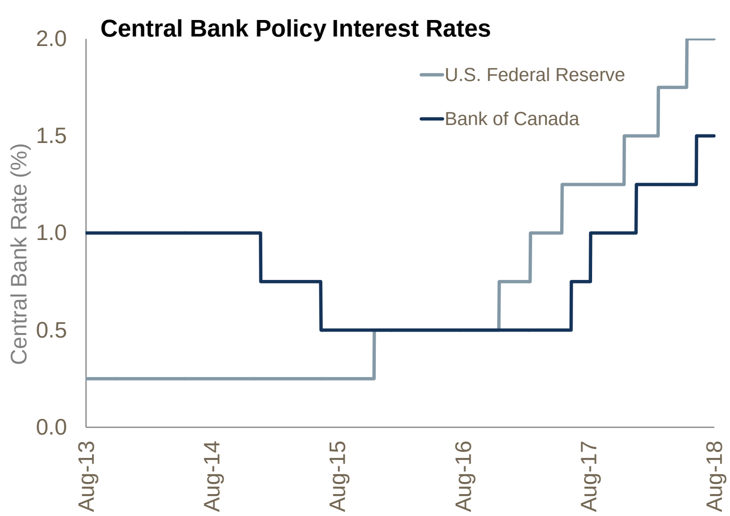
[1]Portfolio and benchmark performance is net of total fees and expenses of 15 basis points per annum (Money Market Fund) and 20 basis points per annum (Intermediate & Bond Fund).
[2]Inception dates: Money Market Fund – May 1, 1989; Intermediate Fund – March 30, 1994; Bond Fund – May 1, 1989
[3]Represents 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

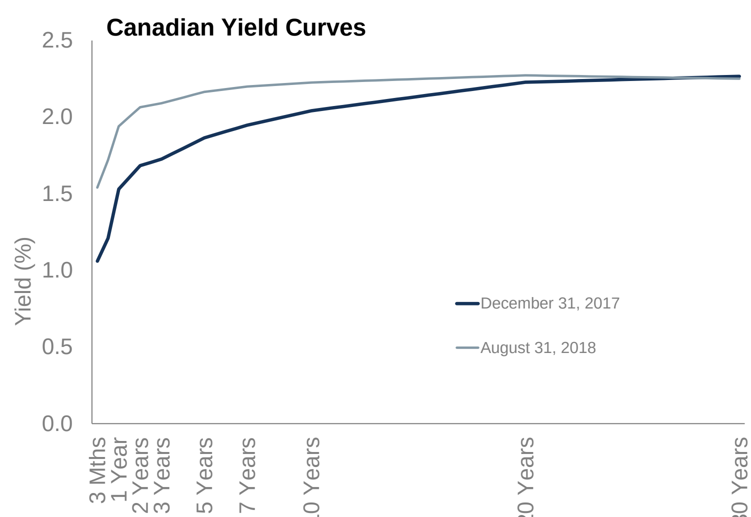
Market Developments

Market Interest Rates

	June 30, 2018	July 31, 2018	August 31, 2018
3 Month T-bills	1.26%	1.45%	1.54%
2 Year Gov't of Canada Bonds	1.91%	2.07%	2.06%
5 Year Gov't of Canada Bonds	2.07%	2.22%	2.16%
30 Year Gov't of Canada Bonds	2.20%	2.33%	2.25%

Government of Canada bond yields peaked early in the month, slumping mid-month on the release of the Canadian Consumer Price Index (CPI) report. Headline inflation came in at an impressive 3.0% year over year, with the three core measures averaging exactly 2.0%, which represents the fastest pace of inflation since September 2011. The Bank of Canada (BoC) Governor Poloz reiterated that a gradual, data-dependent approach will be taken when determining future monetary policy actions, citing the increased uncertainties surrounding trade, elevated housing and household debt, and sluggish wage growth as key reasons for caution. In the final few days of the month, news surrounding the U.S. and Mexico reaching an agreement on a separate trade deal brought upon significant concern that Canada would be excluded from a new North American Free Trade Agreement (NAFTA), causing bond yields to fall sharply. Overall, Canada yields decreased by roughly 8bps across the mid- to long-end of the curve, while credit spreads were largely unchanged.





Market Outlook

The BoC did not meet in August. Uncertainty stemming from NAFTA negotiations, including the potential for Canada to be excluded from a bilateral trade agreement between the U.S. and Mexico, helped to cool expectations for a September BoC rate hike. This was further supported by mixed economic data during the month, including GDP growth that underperformed expectations. Inflation measures were also mixed with headline inflation hitting 3% on a year-over-year basis, although the three core measures tracked by the BoC averaged exactly 2% year-over-year. In the end, expectations point toward a BoC rate hike in October, with the next not occurring until early 2019. As such, we expect the short-end of the yield curve to continue to move higher in line with expectations for future moves by the BoC.

The U.S. Federal Reserve (Fed) met over the July-August month-end period and held the federal funds rate steady at 1.75% to 2.0%. Expectations remain entrenched for the Fed to raise its policy rate at the next meeting near the end of September. This marks an important inflection point in monetary policy as it would move the federal funds rate above core inflation for the first time since March 2008. Overall, we expect short-term U.S. interest rates to trend higher as the Fed continues along the path to its long-term neutral policy rate.

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	36.1%	0.9%	< 180	3.6%	-1.0%	< 1.0	10.0%	-1.0%
31 - 60	20.8%	-4.6%	181 - 365	48.2%	-3.9%	1.0 - 2.5	34.4%	0.7%
61 - 90	22.7%	4.1%	366 +	48.3%	4.9%	2.5 - 4.0	29.4%	-2.4%
91- 120	7.2%	-1.1%				4.0 - 5.5	23.7%	2.2%
121 +	13.2%	0.7%				5.5 - 7.0	2.5%	0.6%
Government	0.0%	0.0%	Government	30.0%	-0.1%	Government	49.32%	1.6%
Corporate	100.0%	0.0%	Corporate	70.0%	0.1%	Corporate	40.50%	-0.5%
						Mortgages/MBS	7.01%	-0.1%
						Net Cash	3.18%	-1.0%
Average term	55 days	+0 days	Average term	1.0 yrs	-0.0 yrs	Average term	2.8 yrs	+0.0 yrs
Average yield*	1.72%	0.05%	Average yield*	2.09%	0.05%	Average yield*	2.25%	-0.01%
Total size	$1,185.1 mil	$70.8 mil	Total size	$328.1 mil	$9.6 mil	Total size	$560.6 mil	$0.7 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).