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

As of May 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	**0.13**	**0.39**	**0.61**	**1.22**	**0.94**	**0.99**	**3.91**
Custom Benchmark[3]	*0.09*	*0.25*	*0.40*	*0.72*	*0.47*	*0.57*	*3.65*
MFA Intermediate Fund	**0.14**	**0.40**	**0.65**	**0.94**	**1.07**	**1.24**	**3.53**
FTSE TMX Canada 365-Day Treasury Bill Index	*0.09*	*0.37*	*0.60*	*0.46*	*0.40*	*0.62*	*3.14*
MFA Bond Fund	**0.18**	**0.27**	**0.31**	**-0.69**	**0.92**	**1.68**	**5.93**
FTSE TMX Canada Short Term Overall Bond Index	*0.14*	*0.20*	*0.22*	*-1.04*	*0.51*	*1.38*	*5.64*

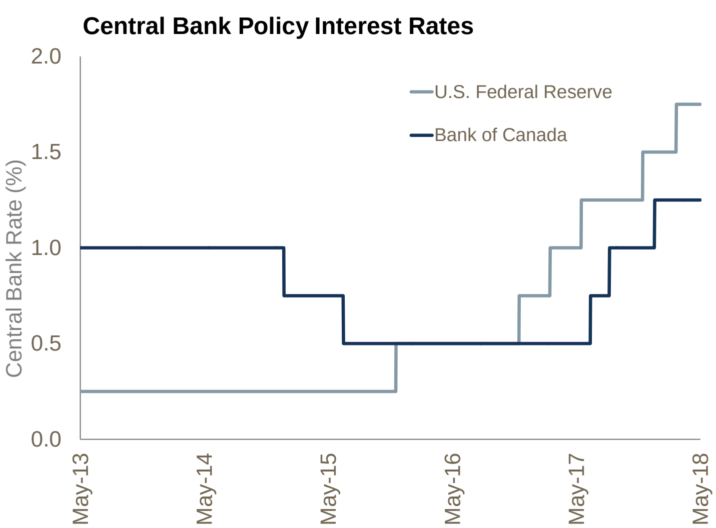
[1]Portfolio and benchmark performance is net of total fees and expenses of 15 basis points per annum (Money Market Fund) and 20 basis points per annum (Intermediate & Bond Fund).
[2]Inception dates: Money Market Fund – May 1, 1989; Intermediate Fund – March 30, 1994; Bond Fund – May 1, 1989
[3]Represents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

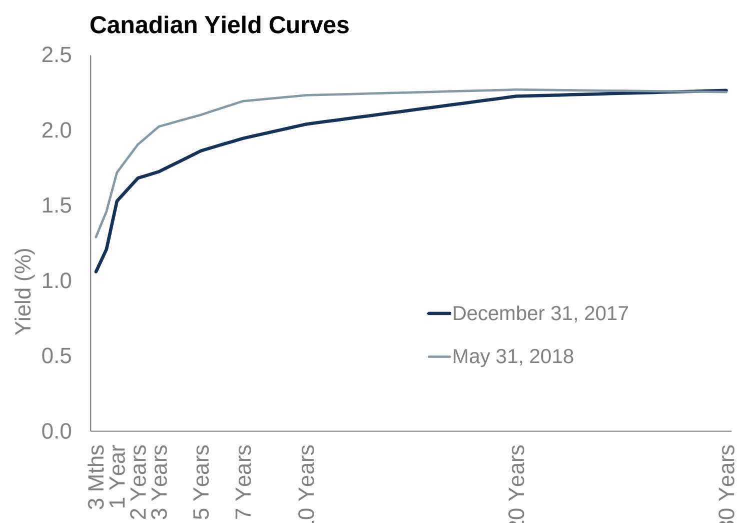
Market Developments

Market Interest Rates

	March 31, 2018	April 30, 2018	May 31, 2018
3 Month T-bills	1.10%	1.19%	1.29%
2 Year Gov't of Canada Bonds	1.77%	1.89%	1.91%
5 Year Gov't of Canada Bonds	1.97%	2.12%	2.10%
30 Year Gov't of Canada Bonds	2.23%	2.40%	2.26%

Continuing their trend from April, yields in both Canada and the United States moved higher through the first half of May supported by continued strong economic data. Headlines out of Italy about the failure of the Five-Star/Northern League alliance to form a coalition government stoked global fears that another election could turn into a referendum on whether or not to leave the Eurozone. A flight-to-safety ensued, with U.S. Treasury yields dropping sharply. Canadian yields, and in particular longer maturities, followed suit, retracing the move higher during the first half of the month. Concurrently, the Bank of Canada's (BoC) policy announcement setup for a July policy rate hike. The net result was a noticeably flatter yield curve in Canada, with the short-end ending as much as 10 bps higher, while longer maturities ended the month as much as 15 bps lower.





Market Outlook

The Bank of Canada (BoC) met at the end of the month, holding the overnight rate steady at the current 1.25% level. While the BoC did not increase its policy rate, it set the stage for a potential increase at its next meeting. The statement that accompanied the May meeting had a noticeably less cautious tone; language around the need for "some monetary policy accommodation" to keep things on track, included in the last several statements, was dropped, and further, it stated that it will take a "gradual" approach to future policy rate adjustments rather than its previous "cautious" approach. That said, policy decisions by the BoC are likely to remain data dependent. Overall, market participants continue to anticipate one to two rate hikes through to the end of 2018, with the next increase expected at July's meeting. Correspondingly, the short-end of the Canadian yield curve is likely to continue to move higher as the BoC transitions its policy rate towards the lower end of its neutral policy rate range.

The U.S. Federal Reserve (Fed) met at the beginning of May, and as was largely expected, held its policy rate steady at the current 1.5% to 1.75% range. In its statement, the Fed foreshadowed a rate hike at its June meeting given increased confidence in the economic outlook. Looking forward, market expectations are for the Fed to maintain its current once-per-quarter rate hike pace through to the end of the year. As such, we expect that short-term interest U.S. 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 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 primarily 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	32.4%	-6.1%	< 180	11.5%	6.0%	< 1.0	19.6%	5.4%
31 - 60	22.3%	2.9%	181 - 365	50.5%	-10.8%	1.0 - 2.5	25.9%	-5.1%
61 - 90	15.3%	-0.9%	366 +	38.0%	4.8%	2.5 - 4.0	36.3%	-1.0%
91- 120	14.3%	3.6%				4.0 - 5.5	16.0%	0.9%
121 +	15.7%	0.6%				5.5 - 7.0	2.1%	-0.1%
Government	0.0%	0.0%	Government	30.5%	0.3%	Government	47.7%	-6.3%
Corporate	100.0%	0.0%	Corporate	69.5%	-0.3%	Corporate	36.7%	2.5%
						Mortgages/MBS	6.7%	0.6%
						Net Cash	8.9%	3.2%
Average term	65 days	+5 days	Average term	0.9 yrs	+0.0 yrs	Average term	2.6 yrs	-0.1 yrs
Average yield*	1.58%	0.03%	Average yield*	1.83%	0.10%	Average yield*	2.04%	-0.02%
Total size	$1,032.9 mil	-$9.0 mil	Total size	$284.1 mil	-$5.0 mil	Total size	$627.7 mil	-$22.3 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).