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

As of July 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	**0.14**	**0.40**	**0.88**	**1.35**	**0.98**	**1.01**	**3.90**
Custom Benchmark[3]	*0.07*	*0.26*	*0.57*	*0.82*	*0.49*	*0.58*	*3.63*
MFA Intermediate Fund	**0.10**	**0.34**	**0.85**	**1.35**	**1.04**	**1.25**	**3.51**
FTSE TMX Canada 365-Day Treasury Bill Index	*0.00*	*0.23*	*0.75*	*0.94*	*0.35*	*0.63*	*3.12*
MFA Bond Fund	**-0.13**	**0.28**	**0.42**	**0.69**	**0.76**	**1.74**	**5.90**
FTSE TMX Canada Short Term Overall Bond Index	*-0.15*	*0.20*	*0.28*	*0.45*	*0.33*	*1.43*	*5.61*

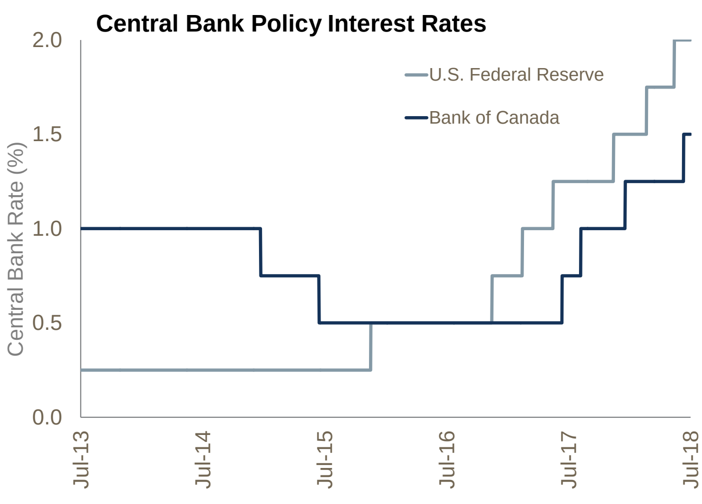
[1]Portfolio and benchmark performance is net of total fees and expenses of 15 basis points per annum (Money Market Fund) and 20 basis points per annum (Intermediate & Bond Fund).
[2]Inception dates: Money Market Fund – May 1, 1989; Intermediate Fund – March 30, 1994; Bond Fund – May 1, 1989
[3]Represents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

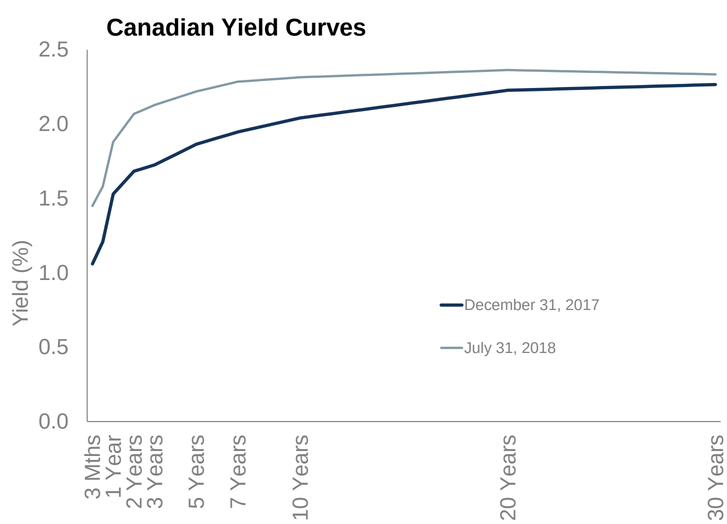
Market Developments

Market Interest Rates

	May 31, 2018	June 30, 2018	July 31, 2018
3 Month T-bills	1.29%	1.26%	1.45%
2 Year Gov't of Canada Bonds	1.91%	1.91%	2.07%
5 Year Gov't of Canada Bonds	2.10%	2.07%	2.22%
30 Year Gov't of Canada Bonds	2.26%	2.20%	2.33%

Government of Canada bond yields drifted downwards for the first two-thirds of the month despite the Bank of Canada (BoC) having raised its overnight rate by 25 basis points to 1.5% on July 11, which was widely expected by the market. The drop in yields was driven by the BoC's apparent patience towards further monetary policy tightening on account of concerns surrounding uncertain trade agreements; elevated housing and household debt; and slow wage growth. However, towards the end of the month, market sentiment shifted and yields began to rise with the release of favourable economic reports, including the announcement of strong retail sales, coupled with a CPI reading of 2.0% year over year for the month of May. Also, on the last day of July, the gross domestic product report for May posted strong growth of 0.5%, leaving yields at levels close to their highs of the month. Overall, Government of Canada yields increased a net 13 to 15 basis points along the curve in the month of July.





Market Outlook

The BoC met in mid-July and, as was largely expected, increased its policy rate by 0.25% to 1.5%. Despite a bias to further monetary policy tightening, the BoC does not appear to be in a hurry to hike again. This sentiment is reflective of the uncertainties surrounding trade, lingering concerns over the Canadian housing market and household debt levels, and sluggish wage growth that suggests there is more economic slack than originally thought. All-in-all, market expectations have moved forward slightly, with one more increase expected through the end of the year, followed by another later in the first quarter of 2019. As such, the short-end of the Canadian yield curve should continue to trend higher as the BoC moves toward its neutral policy rate range.

The U.S. Federal Reserve (Fed) met over the month-end period, holding the federal funds rate steady at the current 1.75% to 2.0% level. Coupled with continued strength in economic data, Chairman Powell's semi-annual congressional testimony supported the likelihood anticipation for another policy rate hike in September. As such, expectations remain steadfast for the Fed to continue with its quarterly hiking pace, though as we near the Fed's neutral rate, it increases the possibility of a change in the present pace. Overall, 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	35.2%	3.4%	< 180	4.6%	-13.2%	< 1.0	11.0%	-3.8%
31 - 60	25.4%	4.0%	181 - 365	52.1%	-4.0%	1.0 - 2.5	33.8%	2.6%
61 - 90	18.5%	-6.8%	366 +	43.4%	17.2%	2.5 - 4.0	31.8%	0.2%
91- 120	8.3%	-2.7%				4.0 - 5.5	21.5%	1.1%
121 +	12.5%	2.1%				5.5 - 7.0	1.9%	0.0%
Government	0.0%	0.0%	Government	30.2%	0.1%	Government	47.76%	-1.0%
Corporate	100.0%	0.0%	Corporate	69.8%	-0.1%	Corporate	41.01%	3.0%
						Mortgages/MBS	7.10%	0.3%
						Net Cash	4.14%	-2.4%
Average term	55 days	-2 days	Average term	1.0 yrs	+0.1 yrs	Average term	2.8 yrs	+0.0 yrs
Average yield*	1.68%	0.09%	Average yield*	2.04%	0.21%	Average yield*	2.26%	0.20%
Total size	$1,114.3 mil	$114.8 mil	Total size	$318.5 mil	$22.5 mil	Total size	$559.9 mil	-$11.4 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).