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

As of October 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**	**0.44**	**1.33**	**1.53**	**1.07**	**1.04**	**3.88**
Custom Benchmark[3]	*0.11*	*0.32*	*0.89*	*1.00*	*0.58*	*0.60*	*3.61*
MFA Intermediate Fund	**0.10**	**0.40**	**1.25**	**1.37**	**1.14**	**1.23**	**3.49**
FTSE TMX Canada 365-Day Treasury Bill Index	*0.07*	*0.24*	*0.98*	*0.98*	*0.44*	*0.61*	*3.10*
MFA Bond Fund	**-0.11**	**0.01**	**0.43**	**0.14**	**0.86**	**1.56**	**5.85**
FTSE TMX Canada Short Term Overall Bond Index	*-0.12*	*-0.01*	*0.27*	*-0.08*	*0.47*	*1.26*	*5.56*

[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

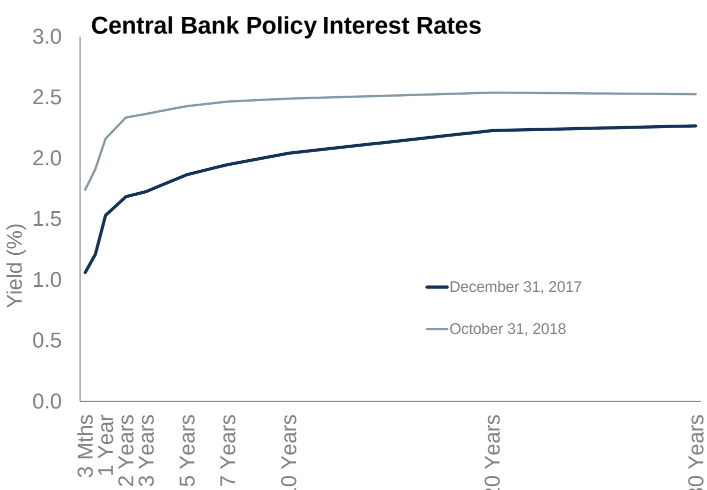
Market Developments

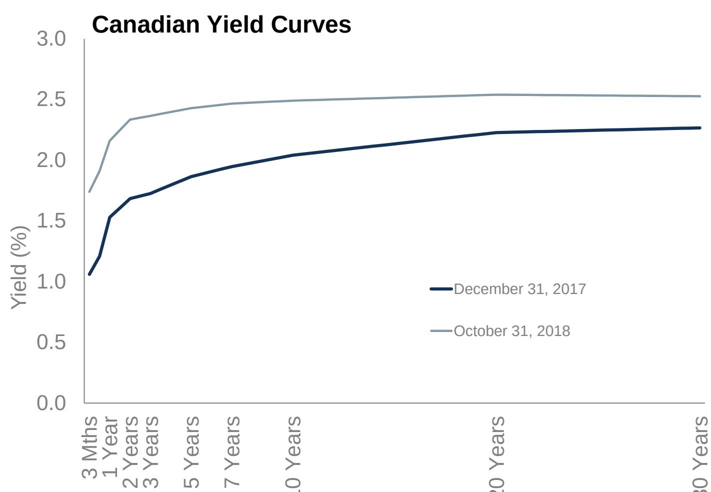
Market Interest Rates

	August 31, 2018	September 30, 2018	October 31, 2018
3 Month T-bills	1.54%	1.58%	1.74%
2 Year Gov't of Canada Bonds	2.06%	2.21%	2.33%
5 Year Gov't of Canada Bonds	2.16%	2.34%	2.43%
30 Year Gov't of Canada Bonds	2.25%	2.42%	2.53%

Government of Canada bond yields peaked during the first week of the month on the back of the September 30 announcement of the United States-Mexico Canada Agreement (USMCA). Bond yields subsequently began to reverse course as a result of the growing risk-off sentiment from equity market weakness and an increase in volatility. The Bank of Canada (BoC) also reinforced its intention to attain a neutral policy rate of at least 2.5% in order to achieve its inflation target. The BoC reinforced its data dependence, and the message that it will base the pace of future rate increases on factors such as how the economy adjusts to higher interest rates given the elevated level of household debt. In addition, close attention will continue to be paid to developments in global trade policies and their implications on inflation outlook.

Overall, Canada yields increased by 7 to 11 basis points across various maturities, while credit spreads widened on the back of mounting negative sentiment in global capital markets.





Market Outlook

The Bank of Canada (BoC) met in October and, as was widely expected, increased the overnight rate by 0.25% to 1.75%. In the accompanying statement, the BoC reiterated its intention to continue to move the policy rate toward a neutral level over time. The BoC also dropped the reference to rate hikes being gradual to avoid the perception of a predetermined path to a higher policy rate, given the data-dependent nature of future decisions. As such, market participants have interpreted these comments as leaning towards a slightly faster, rather than slower, pace to policy rate hikes going forward. Accordingly, we expect the short-end of the Canadian yield curve to continue marching higher in line with market expectations as the BoC moves back to a neutral policy rate.

The U.S. Federal Reserve (Fed) did not meet in October. With solid U.S. economic data over the last month, expectations remain for the Fed to continue hiking at a quarterly pace until its policy rate band hits the median projection for a neutral level of 3.0%. Commencing in 2019, each meeting will be accompanied by a press conference, meaning the exact timing of rate hikes could be less predictable. That said, we continue to 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	43.1%	12.9%	< 180	3.9%	1.8%	< 1.0	15.1%	6.3%
31 - 60	19.4%	-8.7%	181 - 365	32.3%	-11.6%	1.0 - 2.5	32.1%	1.3%
61 - 90	21.5%	4.1%	366 +	63.7%	9.8%	2.5 - 4.0	27.6%	-1.6%
91- 120	6.3%	-7.7%				4.0 - 5.5	22.3%	-6.3%
121 +	9.7%	-0.6%				5.5 - 7.0	3.0%	0.3%
Government	0.0%	0.0%	Government	30.2%	0.1%	Government	42.33%	-7.5%
Corporate	100.0%	0.0%	Corporate	69.9%	-0.1%	Corporate	41.53%	0.3%
						Mortgages/MBS	6.98%	0.0%
						Net Cash	9.16%	7.3%
Average term	48 days	-9 days	Average term	1.2 yrs	+0.1 yrs	Average term	2.7 yrs	-0.4 yrs
Average yield*	1.81%	0.06%	Average yield*	2.33%	0.14%	Average yield*	2.56%	0.13%
Total size	$1,174.9 mil	$13.8 mil	Total size	$273.0 mil	-$9.8 mil	Total size	$544.2 mil	-$5.6 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).