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

As of December 31, 2017

	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	**0.10**	**0.30**	**0.97**	**0.97**	**0.87**	**0.96**	**3.95**
Custom Benchmark[3]	*0.05*	*0.18*	*0.48*	*0.48*	*0.41*	*0.55*	*3.69*
MFA Intermediate Fund	**-0.04**	**0.37**	**0.78**	**0.78**	**1.12**	**1.22**	**3.56**
FTSE TMX Canada 365-Day Treasury Bill Index	*-0.11*	*0.21*	*0.06*	*0.06*	*0.37*	*0.58*	*3.17*
MFA Bond Fund	**-0.43**	**0.31**	**0.25**	**0.25**	**1.38**	**1.79**	**6.00**
FTSE TMX Canada Short Term Overall Bond Index	*-0.47*	*0.23*	*-0.12*	*-0.12*	*1.03*	*1.49*	*5.72*

[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

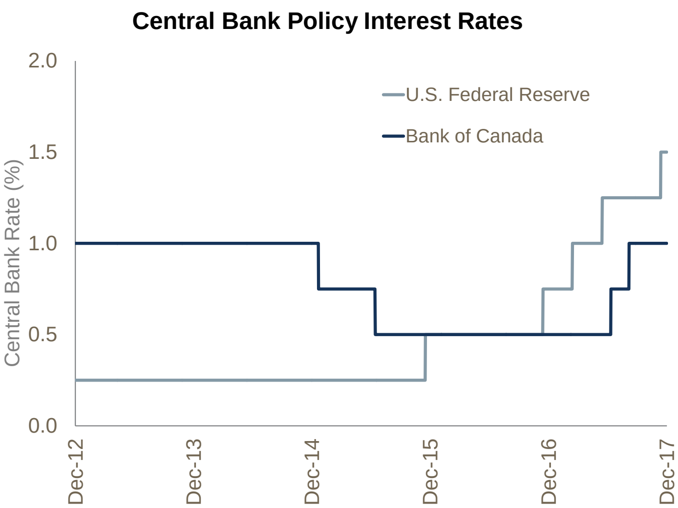
Market Developments

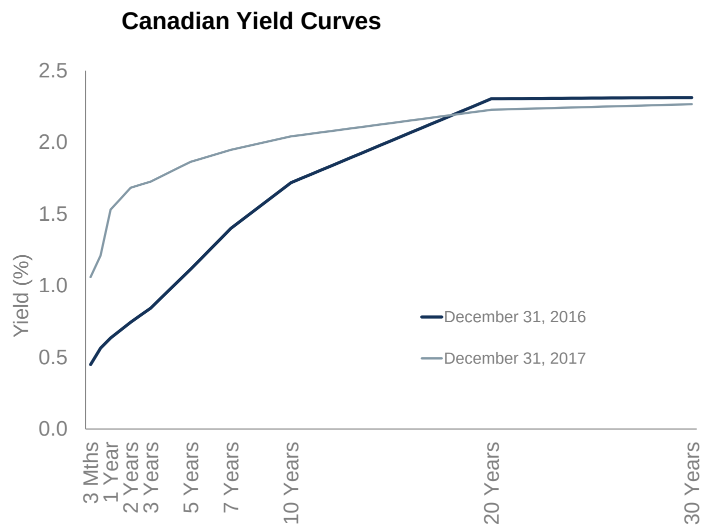
Market Interest Rates

	October 31, 2017	November 30, 2017	December 31, 2017
3 Month T-bills	0.89%	0.88%	1.06%
2 Year Gov't of Canada Bonds	1.39%	1.43%	1.68%
5 Year Gov't of Canada Bonds	1.62%	1.63%	1.86%
30 Year Gov't of Canada Bonds	2.31%	2.23%	2.27%

Yields moved lower through the first part of December, continuing their trend from the end of the previous month. This downward trend reversed course in mid-December when Trump's tax reform legislation was passed, which caused Canadian interest rates to bounce higher in tandem with their U.S. counterparts. Further, the stronger-than-expected economic data release through the end of the month, coupled with the Bank of Canada (BoC) reaffirming that the Canadian economy will need less stimulus over time, increased market expectations for early 2018 rate hikes by the BoC.

Overall, the short-end of the Canadian yield curve increased roughly 25bps through the end of the month. The long-end of the yield curve was much more muted, rising only 4bps, resulting in a noticeably flatter yield curve.





Market Outlook

The Bank of Canada (BoC) met at the beginning of December and, as was largely expected, held the overnight rate steady at 1.0%. In its statement, the BoC reiterated the data-dependent nature of future policy rate decisions. With this in mind, continued stronger-than-expected economic data has moved forward expectations regarding the timing of anticipated BoC rate hikes. As a result, market expectations are now for three to four hikes by the BoC in 2018. Overall, we anticipate short-term Canadian interest rates to trend higher as the BoC pursues a more “normal” monetary policy stance over the medium term.

The U.S. Federal Reserve (Fed) also met in December and, as was widely anticipated, raised the federal funds rate by 0.25% to end the year at a range of 1.25% to 1.50%. The Fed cited continued labour market strength and healthy growth in economic activity as the main reasons for the rate hike. In addition, the Fed also reiterated the data-dependent nature of its future monetary policy moves. Looking ahead, market expectations are for the Fed to follow a similar pace as was evidenced in 2017, with another two to three rate increases in 2018. As the Fed continues to move towards a more normalized monetary policy, we expect short-term interest rates in the U.S. to follow suit.

Current Strategy

The Money Market Fund remains focused on building a high quality yield advantage as this has historically proven to be a reliable way to add value. With this in mind, the Money Market Fund continues to be fully invested in high-quality corporate money market instruments, as these securities continue to provide an 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 both also favour high quality yield enhancement strategies. The Intermediate Fund maintains a maximum allocation to corporate securities, while the government allocation is entirely invested in provincial securities given their attractive yield advantage relative to federal government securities. Similarly, while the Bond Fund has reduced its overall risk over the past few quarters, it maintains a bias towards government agency and corporate credit, rather than federal bonds.

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	22.7%	-4.0%	< 180	0.7%	-3.0%	< 1.0	8.9%	-1.0%
31 - 60	34.2%	20.8%	181 - 365	84.5%	8.6%	1.0 - 2.5	40.8%	3.7%
61 - 90	14.3%	-14.3%	366 +	14.8%	-5.6%	2.5 - 4.0	27.2%	-0.7%
91- 120	11.9%	2.2%				4.0 - 5.5	19.8%	-2.1%
121 +	16.8%	-4.7%				5.5 - 7.0	3.3%	0.1%
Government	0.0%	0.0%	Government	30.1%	-0.1%	Government	59.0%	2.1%
Corporate	100.0%	0.0%	Corporate	69.9%	0.1%	Corporate	33.2%	1.8%
						Mortgages/MBS	6.5%	-2.9%
						Net Cash	1.3%	-1.0%
Average term	63 days	-7 days	Average term	0.8 yrs	-0.0 yrs	Average term	2.9 yrs	+0.0 yrs
Average yield*	1.30%	0.03%	Average yield*	1.52%	0.23%	Average yield*	1.82%	0.23%
Total size	$1,200.3 mil	-$37.3 mil	Total size	$340.5 mil	$2.1 mil	Total size	$773.0 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).