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

As of July 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	**0.08**	**0.23**	**0.51**	**0.86**	**0.87**	**0.96**	**3.99**
Custom Benchmark[3]	*0.04*	*0.10*	*0.23*	*0.37*	*0.43*	*0.58*	*3.74*
MFA Intermediate Fund	**-0.04**	**-0.14**	**0.28**	**0.71**	**1.13**	**1.22**	**3.61**
FTSE TMX Canada 365-Day Treasury Bill Index	*-0.09*	*-0.30*	*-0.13*	*-0.03*	*0.43*	*0.63*	*3.22*
MFA Bond Fund	**-0.41**	**-1.10**	**-0.02**	**-0.17**	**1.66**	**1.94**	**6.09**
FTSE TMX Canada Short Term Overall Bond Index	*-0.43*	*-1.27*	*-0.28*	*-0.56*	*1.32*	*1.62*	*5.80*

[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

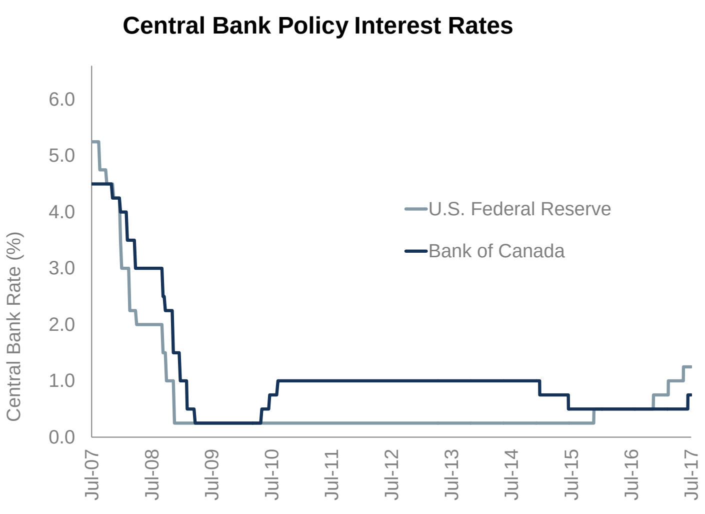
Market Developments

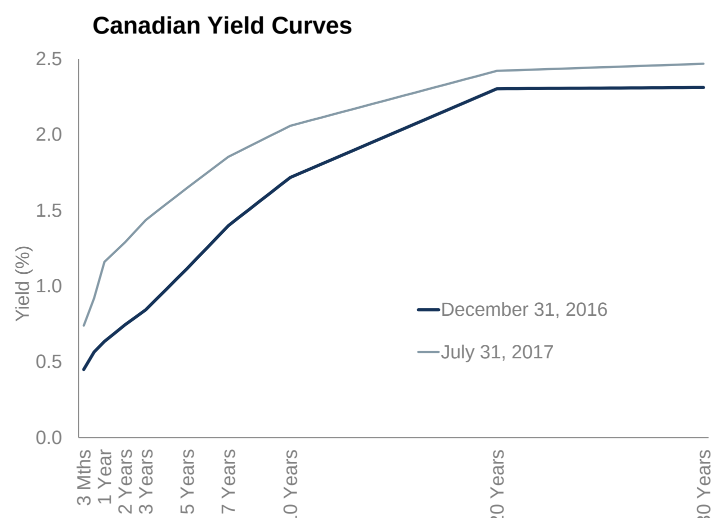
Market Interest Rates

	May 31, 2017	June 30, 2017	July 31, 2017
3 Month T-bills	0.53%	0.72%	0.74%
2 Year Gov't of Canada Bonds	0.67%	1.09%	1.29%
5 Year Gov't of Canada Bonds	0.94%	1.38%	1.65%
30 Year Gov't of Canada Bonds	2.05%	2.13%	2.47%

The interest rate story was straightforward for July—interest rates began at their lows for the month and moved steadily higher across all maturities. This was largely driven by continued stronger-than-expected economic data releases throughout the month. Additionally, while the increase by the Bank of Canada was largely expected, its accompanying statement had a noticeably more positive tone towards the Canadian economy than had been expected. As a result, this left market participants not only expecting one more rate hike this year, but also contemplating a potentially faster path to policy rate normalization should economic data continue to outperform expectations.

Overall, the Canadian yield curve ended the month noticeably steeper, with longer-term yields increasing upwards of 35 basis points, while the shorter maturities were roughly 20 basis points higher.





Market Outlook

The Bank of Canada (BoC) met in July and, as was expected, raised its policy rate by 0.25% to 0.75%. Continued strong economic data gave the BoC comfort that the lingering effects of the oil shock are largely a thing of the past, and that excess economic capacity is dwindling. That said, inflation does remain below the BoC's target 2% level, though the BoC views this to be temporary in nature. Looking forward, market participants continue to expect one more rate hike this year, reversing the easing that took place in 2015. As such, we expect to see the front end of the Canadian yield curve move higher as this occurs.

The U.S. Federal Reserve (Fed) also met in July and held the federal funds rate steady at 1.0% – 1.25%. The commentary provided expressed some unease around the persistence with which inflation remains below its target level, causing expectations for future rate hikes to decrease slightly. Overall, market participants continue to anticipate one more rate hike before the end of the calendar year. With this in mind, we expect the short end of the U.S. yield curve to continue moving higher as the Fed continues along a path to a higher policy rate and a more normal balance sheet.

Current Strategy

The Money Market Fund maintains its bias to yield enhancement strategies and building a high quality yield advantage, a strategy that has historically proven to be a reliable way to outperform. With this in mind, the 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. Along the same vein, the 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. The Bond Fund is similarly structured with an emphasis on 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	51.2%	26.8%	< 180	13.1%	-6.6%	< 1.0	7.3%	-1.7%
31 - 60	7.7%	-19.6%	181 - 365	32.9%	1.8%	1.0 - 2.5	36.4%	-3.5%
61 - 90	18.3%	11.6%	366 +	54.1%	4.7%	2.5 - 4.0	33.1%	2.8%
91- 120	9.8%	-6.7%				4.0 - 5.5	19.1%	2.7%
121 +	13.0%	-12.1%				5.5 - 7.0	4.1%	-0.2%
Government	0.0%	0.0%	Government	30.2%	0.0%	Government	54.3%	1.6%
Corporate	100.0%	0.0%	Corporate	69.8%	0.0%	Corporate	33.9%	-2.6%
						Mortgages/MBS	9.6%	0.0%
						Net Cash	2.2%	1.0%
Average term	53 days	-24 days	Average term	0.9 yrs	-0.0 yrs	Average term	2.9 yrs	+0.1 yrs
Average yield*	0.92%	0.08%	Average yield*	1.30%	0.18%	Average yield*	1.61%	0.16%
Total size	$1,115.7 mil	$151.8 mil	Total size	$447.0 mil	$115.5 mil	Total size	$781.3 mil	-$36.0 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).