

Pooled Investment Funds – Frequently Asked Questions

Account Set Up

- How do we apply for a Pooled Investment Fund (PIF) account?
 - To apply for a PIF account, send an email to invest@mfa.bc.ca and request an Enrollment Agreement.
- If my local government already has an NBC, CIBC or Scotiabank Pooled High Interest Savings Account (PHISA) do we still need to complete another application?
 - Yes, both the CIBC, National Bank of Canada and Scotiabank PHISA require separate applications as they have different registration requirements.
- Does the MFA require a Resolution from the Council or Board to apply for a PIF Account?
 - No, we do not require a resolution to establish the account. As a local government you are legally considered to be a “professional investor” and senior finance staff has the authority under Section 183 of the Community Charter to invest in MFA pooled funds. Depending on the fund you invest in, we rely on your confirmation during enrollment that you have authority, policies, procedures, and best practices in place to invest in each fund. Although by law you are considered an institutional or professional investor and as such must do your own due diligence on any of the pooled funds we offer, we are always available to help educate our Clients on best ways to use our funds to meet best investment practices, such as the importance of diversification to control risks, for example. For some funds, a mandatory education session must be undertaken prior to enrollment due to the specialized nature or more volatile nature of the fund.
- Are there any additional requirements to participate in the MFA Mortgage Fund*?
 - Yes, as the Mortgage Fund is a specialty fund and may be less liquid than the other four funds, Participants will have to attend an educational session with the Fund Manager as well as sign an acknowledgment letter recognizing that there may be a delay in redemptions should there be insufficient liquidity to cover redemptions.
- Why is there a queue to participate in the Mortgage Fund*?
 - A large cash holding over a period within the Mortgage Fund can impact the fund’s yield. Therefore, to be fair to other unitholders and to protect the yield of the fund we have a queue. Mortgage investments are not like stocks or bonds where we can readily purchase these investments in a liquid market. PH&N originate these mortgages individually and each investment takes upwards of 3 months to complete their due diligence. As a result, we only draw new investor capital into the Mortgage Fund and purchase units of the Mortgage Pension Trust (MPT) when there are mortgage investments ready to fund.
- How long does it take to get my PIF account open and accessible?
 - Once your application is received and processed by MFA it will take approximately 3 to 5 business days to have your account open and accessible.



- Is my investment principal guaranteed?
 - An investment in any of the PIF offerings is not guaranteed or insured except for the PHISA accounts which do benefit from Federal CDIC deposit insurance for amounts up to \$100,000. However, MFA does not recommend that institutional investors such as BC local governments rely on bank or credit unions deposit guarantee schemes as they are not designed to protect institutions but rather retail depositors. Professional investors should rely on the underlying credit strength of the institutions issuing a security or offering a deposit when buying individual securities or a pool of securities. The MFA PIF program is managed by professionals at a very low cost and was designed specifically to address safety of principal, through diversification and other measures, and provide daily liquidity via strict investment guidelines aimed at minimizing credit and market risk.

Deposits, Rates, and Transactions

- What is the minimum amount we can have on deposit to keep the account open?
 - The minimum that must be maintained in the account is \$100,000. If the balance drops below this amount for a period that exceeds 3 months, you will be asked to either top up the account or close it.
- Do I need to provide notice of deposits or withdrawals?
 - For subscriptions and redemptions greater than \$30 million 2 business days' notice is to be given directly to MFA at invest@mfa.bc.ca.
- What is the maximum we can have on deposit at any given time?
 - While there is no maximum amount that you can have on deposit it is the responsibility of the local government to adhere to its Investment Policy and a prudent diversification strategy.

Transactions

- Where do I email my forms for the Pooled Investment Funds?
 - All forms relating to the Pooled Investment Funds can be emailed to invest@mfa.bc.ca.
- What time do I need to submit my subscription, redemption, or transfer request to MFA?
 - All requests must be submitted to MFA by 11:00am PT.
- Can I postdate transactions?
 - Yes, transactions can be postdated up to 30 calendar days in advance and emailed to invest@mfa.bc.ca. Transactions for the Mortgage Fund* cannot be postdated as the actual date of the subscription will not be known in advance.



Subscriptions

- How do I subscribe (buy units) into a fund?
 - To buy units of any of the PIFs you will need to complete a Subscription Request Form located on the MFA website on the resources page under forms and email it to invest@mfa.bc.ca with the subject line to read “Pooled Investment Funds Transaction”. MFA will then provide receipt of your request.
 - If you would like to subscribe to the Mortgage Fund* please contact invest@mfa.bc.ca to find out more about the process to enter this Fund.
- How many days does it take for the funds to be debited from our bank account?
 - Subscription requests for the Money Market Fund received by the MFA at invest@mfa.bc.ca by 11:00 am PT will be debited from the Participants bank account on the next business day following the trade date. Subscription requests for the Short-term Bond Fund, Govt. Focused Ultra-short Bond Fund, Fossil Fuel Free Short-term Bond Fund, and the Mortgage Fund* received by the MFA at invest@mfa.bc.ca by 11:00 am PT will be debited from the Participants bank account on the second business day following the trade date. Please allow 1 additional business day should your main financial institution be a Credit Union.

Redemptions

- How do I redeem (sell units) from a fund?
 - To sell units from any of the Pooled Funds you will need to complete a Redemption Request Form, located on the MFA website on the resources page under forms, and email it to invest@mfa.bc.ca with subject line to read “Pooled Investment Funds Transaction”. MFA will then provide receipt of your redemption request.
 - Redemptions from the Mortgage Fund* may be delayed. You will be notified in advance if this is the case.
- How many days does it take for the funds to be credited to our bank account?
 - Redemption requests for the Money Market fund received by the MFA at invest@mfa.bc.ca by 11:00 am PT will be credited to the Participants bank account on the next business day following the trade date. Redemption requests for the Short-term Bond Fund, Govt. Focused Ultra-short Bond Fund, Fossil Fuel Free Short-term Bond Fund and the Mortgage Fund* received by the MFA at invest@mfa.bc.ca by 11:00 am PT will be credited to the Participants bank account on the third business day following the trade date. Please allow 1 additional business day should your main financial institution be a Credit Union.

Transfers

- Can I transfer funds directly from our existing Pooled High Interest Savings accounts (CIBC, NBC, Scotiabank) directly into our pooled fund account?
 - No, the two types of MFA Pooled Funds operate on distinct platforms. Each of our Pooled Funds is designed to meet unique investment needs, so it is the responsibility of the local government to adhere to its Investment Policy and a prudent diversification strategy. Note that investment decisions of this nature must be made with caution.



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- How do I transfer funds?
 - To transfer funds from any of the PIFs you will need to complete a transfer request form, located on the MFA website on the resources page under forms, and email it to invest@mfa.bc.ca with subject line to read “Pooled Investment Funds Transaction”. MFA will then provide receipt of your transfer request.
 - Transfers to the Mortgage Fund* must meet the criteria as specified.

Reporting

- What daily reporting is available to me?
 - Each day the prior days yield to maturity and the price per unit of each fund are posted to the homepage of the MFABC website. Historical yields and prices are also supplied, these are located on the pooled investment fund page.
- What weekly reporting is available to me?
 - Every Thursday, MFA will post the weekly indices. For the Money Market Fund, clients use this to calculate yield (annualized). For the Bond and Government Focused Ultra-short Bond Funds clients use the indices to calculate percentage increase (decrease) in value.
- What monthly reporting is available to me?
 - Client monthly statements will be posted directly to the MFA Client Portal.
 - Monthly Performance Results, prepared by PH&N, are uploaded to the MFA website on the Pooled Investment Page.
 - Every third month (quarterly) an Economic Update will be provided covering market activities and economics that effect the Funds.

Account Access and Updates

- How do I know the current balance or how much money I have invested in each of the funds?
 - To obtain your account balance(s) please email invest@mfa.bc.ca with subject line to read “Pooled Fund Account Balance” providing the account number(s) you will need account balances for. MFA will then retrieve the account balances and respond within 1 business day.
- Do I receive confirmation after a subscription, redemption or transfer is placed?
 - Yes, you will receive a paper confirmation by mail directly from CIBC Mellon. The confirmation received will reflect by fund, transaction type, trade date, gross and net amount, unit price, number of units and unit balance.
- Who can sign subscription, redemption, and transfer forms?
 - The authorized person(s) who can sign subscriptions, redemptions or transfers must be a current signing authority(ies) on file with the MFA.
- How do I update my signing authorities for my Pooled Fund Accounts?
 - The person responsible for the finance function in your organization will need to complete and submit a Signing Authority Update Form, found on the Resources Page of the MFA website, and email to mfa@mfa.bc.ca.



- How do I update my banking information for my Pooled Fund Accounts?
 - The person responsible for the finance function in your organization will need to complete and submit a Banking Update Form, found on the Resources Page of the MFA website, and email to mfa@mfa.bc.ca. MFA will then verbally contact you to confirm any bank changes.

Money Market Fund – Interest Calculation and Distribution

- How is interest calculated for the Money Market Fund?
 - Interest for the Money Market Fund is calculated daily. There are two factors that contribute to the interest earned, yield curve and credit quality of the investment. First, shorter dated securities yield less than longer dated securities. This is because investors will demand a higher yield for holding a security for a longer period. Second, credit quality, impacts the additional yield an issuer must offer above the risk-free rate to compensate an investor for holding a riskier asset. The combination of those factors results in the yield for money market securities.
- How is income distributed for the Money Market Fund?
 - Net earnings (interest income less management fees) will be distributed to the unitholders monthly, with allocation of net earnings done as an accrual daily and paid out at redemption or at month end in the form of additional units.
- Why does the Net Asset Value (NAV) of the Money Market remain fixed at \$10 per unit?
 - The Fund will generally hold portfolio investments to maturity. Accordingly, the value of its net assets should not fluctuate significantly due to changes in prevailing interest rates. Net Asset Value per Unit (“the Price”) is not expected to fluctuate.

Net Asset Value Fluctuations for non- Money market Funds?

- Why does the Net Asset Value (NAV) float for non-Money Market Funds?
 - The NAV will increase throughout a month as interest income is accrued and/or there is an increase in the value of the Fund’s assets. The NAV will decrease if the value of its assets decreases. Fixed income securities held by a Fund will fluctuate in value during their holding period. Their value is based upon prevailing market rates and their credit quality. As market rates increase, a bond’s value decreases – and vice versa. If market conditions are advantageous and the value of a bond has increased above its purchase price, the Fund Manager may sell it for a capital gain. However, although uncommon, a Fund Manager may sell a bond when its value has decreased resulting in a capital loss. Net Asset Value per Unit (“the Price”) will fluctuate daily.

Bond Fund and Govt. Focused Ultra-short Bond Fund - Income Calculation and Distribution

- How is Income calculated for the Bond and Government Focused Ultra-short Bond Fund?

Income means all sources of return or total return from investments held by a Fund and is primarily coupon payments and net capital gains on investments. MFA Funds purchase fixed income securities, which provide coupon payments. Coupon payments and proceeds from net capital gains are reinvested and are distributed to all unitholders proportionally in the form of additional Fund units.



- How is income distributed for Bond and Government Focused Ultra-short Bond Fund?
 - Income and net capital gains will be distributed to unit holders monthly, with accrued income being reflected in the unit price. Income to be distributed to investors as additional units will be posted at month end. Net Capital Gains distribution will be calculated based on realized gain/loss on investments. A capital loss will carry forward until such time as there are sufficient capital gains to absorb the loss prior to distribution. All realized capital gains or losses must be distributed by December 31st.

Fossil Fuel Free Bond Fund - Income Calculation and Distribution

- How is Income calculated for the Fossil Fuel Free Bond Fund?
 - Income means all sources of return or total return from investments held by a Fund and is primarily coupon payments and net capital gains on investments. MFA Funds purchase fixed income securities which provide coupon payments. Coupon payments and proceeds from net capital gains are reinvested and are distributed to all unitholders proportionally in the form of additional Fund units.
- How is income distributed for Fossil Fuel Free Bond Fund?
 - Income including net capital gains will be distributed to unit holders on a quarterly basis, with accrued income being reflected in the daily unit price. Income to be distributed to investors as additional units will be posted at the end of March, June, September, and December.
 - Net capital gains are calculated based on realized gain/loss on investments. A capital loss will carry forward until such time as there are sufficient capital gains to absorb the loss prior to distribution. All realized capital gains or losses must be distributed by December 31st.

Mortgage Fund* - Income Calculation and Distribution

- How is Income calculated for the Mortgage Fund?
 - In addition to the fund holding commercial mortgages the fund also contains a 10% liquidity sleeve containing fixed income securities that can be actively traded. Income earned on the fund is derived from the coupon payments and net capital gains on the investments held in the liquidity portion of the fund as well as mortgage interest and changes in the liquidity premium on the mortgages held within the fund. The liquidity premium is determined by calculating the difference between the Government of Canada bond with an equivalent term to the mortgage (the risk-free rate) and the actual mortgage rate.
- How is income distributed for the Mortgage Fund?
 - Income including net capital gains will be distributed to unit holders on a quarterly basis, with accrued income being reflected in the daily unit price. Income to be distributed to investors as additional units will be posted at the end of March, June, September, and December.
 - Net capital gains are calculated based on realized gain/loss on investments. A capital loss will carry forward until such time as there are sufficient capital gains to absorb the loss prior to distribution. All realized capital gains or losses must be distributed by December 31st.



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Audit Confirmations

- Does our Auditor send the Bank Confirmation request to the MFA?
 - Yes, your auditor can send a bank confirmation request to mfa@mfa.bc.ca and our Client Service Team will acknowledge receipt and verify the signatories.