

# Municipal Finance Authority of British Columbia

## Fossil Fuel Free Short-term Bond Fund



<b>Fund Type</b>	Canadian short-term fixed income																																		
<b>Date of Inception</b>	May 4, 2020																																		
<b>Fund Manager</b>	Phillips, Hager & North Investment Management <sup>1</sup>																																		
<b>Benchmark</b>	FTSE Canada Short-Term Overall Bond Index																																		
<b>Investment Objective</b>	The Fund's investment objective is to provide relatively high yields and stability of capital by investing primarily in a well-diversified portfolio of short-term fixed income securities issued by Canadian governments and corporations. The Fund will not invest in securities of issuers directly involved in the extraction, processing and transportation of coal, oil or natural gas ("fossil fuels").																																		
<b>Strategies &amp; Approach</b>	The fund will be managed with a primary focus on the composition of the benchmark and will be actively managed using interest rate, credit and liquidity strategies. The fund will also exclude issuers that have been identified in the Carbon Underground 200 list or by Sustainalytics as being directly involved in the extraction, processing and transportation of coal, oil or natural gas.																																		
<b>Investment Methodology</b>	The Fund will invest in units of the RBC Vision Fossil Fuel Free Short-term Bond Fund																																		
<b>Investment Guidelines</b>	<p><b>Permissible Investments</b></p> <ul style="list-style-type: none"> <li>• Canadian and foreign government and corporate fixed income securities</li> <li>• Asset-backed securities</li> <li>• Infrastructure debt</li> <li>• Derivatives, such as, but not limited to, options, futures, forwards and swaps</li> </ul> <p><b>Sector Concentration</b></p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: right;"><u>Maximum</u></th> </tr> </thead> <tbody> <tr> <td>Government of Canada</td> <td style="text-align: right;">100%</td> </tr> <tr> <td>Provincials</td> <td style="text-align: right;">100%</td> </tr> <tr> <td>Corporate</td> <td style="text-align: right;">70%</td> </tr> <tr> <td>Non-Canadian securities</td> <td style="text-align: right;">30%</td> </tr> <tr> <td>Non-Canadian dollar exposure</td> <td style="text-align: right;">20%</td> </tr> <tr> <td>Maple bonds</td> <td style="text-align: right;">10%</td> </tr> <tr> <td>Illiquid assets</td> <td style="text-align: right;">10%</td> </tr> <tr> <td>Real return bonds &amp; treasury inflation protected securities</td> <td style="text-align: right;">10%</td> </tr> </tbody> </table> <p><b>Single-Issuer Limits:</b></p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: right;"><u>Maximum</u></th> </tr> </thead> <tbody> <tr> <td>Government of Canada</td> <td style="text-align: right;">100%</td> </tr> <tr> <td>Provincials</td> <td style="text-align: right;">40%</td> </tr> <tr> <td>Foreign Sovereigns/Agencies/Supranationals</td> <td style="text-align: right;">10%</td> </tr> <tr> <td>Municipals and corporates</td> <td></td> </tr> <tr> <td>    • A- and above</td> <td style="text-align: right;">5%</td> </tr> <tr> <td>    • BBB- to BBB+</td> <td style="text-align: right;">3%</td> </tr> <tr> <td>    • Below BBB-</td> <td style="text-align: right;">0%</td> </tr> </tbody> </table>		<u>Maximum</u>	Government of Canada	100%	Provincials	100%	Corporate	70%	Non-Canadian securities	30%	Non-Canadian dollar exposure	20%	Maple bonds	10%	Illiquid assets	10%	Real return bonds & treasury inflation protected securities	10%		<u>Maximum</u>	Government of Canada	100%	Provincials	40%	Foreign Sovereigns/Agencies/Supranationals	10%	Municipals and corporates		• A- and above	5%	• BBB- to BBB+	3%	• Below BBB-	0%
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**Credit Quality:**

	<u>Maximum</u>
A- and above	100%
BBB- to BBB+	25%
Below BBB-	0%

**Interest Rate Guidelines**

- FTSE Canada Short Term Overall Bond Index +/- 1 year duration
- Average term to maturity between 2 and 4 years
- No individual security will have a maturity greater than 7 years and 3 months

**Fossil Fuel Free Screen**

- The Fund will not invest in any issuers involved in the extraction, processing, and transportation of coal, oil or natural gas ("fossil fuels").
- In order to achieve this goal, the fund will exclude issuers that have been identified in the Carbon Underground 200 list or by Sustainalytics as being directly involved in fossil fuels.
- Ongoing company reviews performed by Sustainalytics may result in some of the Fund's holdings becoming ineligible. The Fund is required to sell such securities in a reasonable time period, but generally not longer than 90 days.

<b>Key Risks</b>	Risks of the Fund include interest rate and credit risk.
<b>Minimum Investment</b>	\$10,000^
<b>Valuation</b>	The Fund is valued daily and it is expected that fluctuations in the market value of the investments will affect the total value of the net assets of the Fund and in turn the unit value of the Fund.
<b>Distributions</b>	A distribution of net income is made in March, June and September. The remaining net income and net realized capital gains are distributed in December. Net earnings are distributed to unitholders as additional units of the Fund.
<b>Subscriptions</b>	Subscription requests received by the MFA at <a href="mailto:invest@mfa.bc.ca">invest@mfa.bc.ca</a> by 11:00 am Vancouver time will be credited to the Participants account on the second business day following the date of acceptance of such subscription by MFA.  Each Unit purchased shall be identical in all respects with every other Unit and shall represent an undivided interest in the assets of the Fund without distinction, preference or priority. There is no limit as to the number of units that may be purchased or issued.
<b>Redemptions</b>	Redemption requests submitted to the MFA at <a href="mailto:invest@mfa.bc.ca">invest@mfa.bc.ca</a> by 11:00am Vancouver time will be processed and credited to your bank account on the third business day from the date of acceptance.
<b>Custodian</b>	CIBC Mellon Trust Company
<b>Fees &amp; Expenses</b>	0.20% (20 bps) *

\*Fees include portfolio management fees, custody fees, transaction and accounting expenses. 30 days' notice will be given to Participants if the fees are increased. Notification may be given through the MFA's on-line Client portal, by updating this Profile or by any other method deemed appropriate.

^Participants must notify the MFA at [invest@mfa.bc.ca](mailto:invest@mfa.bc.ca) of transactions greater than \$30 million at least 2 business days prior to the trade date of the transaction.

∞ Participants who use a non-direct clearing financial institution (certain credit unions or smaller financial institution) should allow for a possible delay in transaction processing.

△ The MFA may terminate a fund with 30 days notice to the Participant. Notification may be given through the MFA's on-line Client portal or any other method deemed appropriate. If the Fund is closed due to performance, MFA management will use best efforts to establish a new fund with another Investment Manager and have the

assets transferred in kind. If the Fund is closed for any other reason, funds will be transferred to a similar MFA fund in the Participants name.

“ESG integrated” refers to Funds which are managed by signatories to the UN’s Principles of Responsible Investment.

MFA defines “Fossil Fuel Free” (FFF) as Savings Accounts or Funds which exclude investments issued by companies directly involved in extracting, processing, or transporting coal, oil or natural gas.

### Disclosures

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Information obtained from third parties is believed to be reliable, but no representation or warranty, express or implied, is made by MFABC, PH&N IM or its affiliates or any other person as to its accuracy, completeness or correctness. We assume no responsibility for any errors or omissions.

This pooled fund is not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. There can be no assurances that the Fund will be able to maintain its net asset value per unit or that the full amount of your investment in the fund will be returned to you. Past performance may not be repeated.

Investment guidelines and strategies of the Fund may be adjusted over time without prior notice provided that they are consistent with the Fund’s investment objectives.

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<sup>1</sup> Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc. (RBC GAM Inc.), an indirect, wholly-owned subsidiary of Royal Bank of Canada. RBC GAM Inc. is the manager and principal portfolio adviser of the MFA Money Market, Intermediate, Bond and Mortgage Funds.  
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