April 28, 2020

**RE:** **Intermediate Fund Change to Ultra-short Government Focused Bond Fund**

To meet client demand for a liquid and government-focused MFA pooled fund, MFA will be making some changes to our existing Intermediate Fund within its existing mandate. The intention is to restrict certain corporate investments and shift the composition of the fund into the highest quality and most liquid securities with a focus on to Federal, Provincial, and Municipal securities and a small corporate allocation to “domestic systemically important banks” (D-SIB) (BMO, BNS, CIBC, NBC, RBC, TD) financials only. After this “tilt” has been completed, this pooled fund will be known as the **“Ultra-short Government Focused Bond Fund.”**

While this move was done predominantly to meet our clients’ desire to focus on preservation of capital, please note that this fund will now be a **fossil fuel free** option, appropriate for clients with a **time horizon of 0 to 15 months.** MFA anticipates arunning yield between 0.85% to 1.00% before fees (15 bps).

The shift of the composition of the fund is expected to begin on or around **May 11, 2020.**

**Highlights**

* Provides clients with an ultra-conservative and ultra-liquid investment option.
* **Reduces fees** from 0.20% to 0.15%.
* Allows efficient access to government securities that are not available in any other form to the majority of our clients.
* Follows the same settlement and valuation structure of the current MFA Intermediate Fund, meaning it will settle T+2 (Trade date plus 2 business days) and remain as a floating priced fund.

**Fund Composition**

The broad composition of the fund would be:

* 10% Federal Bonds
* 65-90% Provincials/Municipals
* 0-25% D-SIB Financials

Please note that existing Intermediate Fund holders do not need to do anything if the new “tilt” aligns with their investment objectives.  Current holders may of course choose to move their holdings into the Money Market fund and/or the Short-Term Bond Fund, depending on their relevant time horizon.  Both these funds will continue investing under the same short-term universe constraints which include high quality corporate securities. If you are considering rebalancing your portfolio or need other portfolio advice please contact Peter Urbanc peter@mfa.bc.ca, Shelley Hahn shelley@mfa.bc.ca or Karen Kerr kkerr@phn.com.

[New forms](https://mfa.bc.ca/clients/pooled-investment-funds) reflecting the updated fund name will be made available on the [MFA Website](https://mfa.bc.ca/clients/pooled-investment-funds) on **May 11, 2020.**  Please destroy previously retained versions of transaction forms on May 11, 2020 and use only these new forms going forward to avoid processing delays.

P**lease review the updated** [Mandate Profile](https://mfa.bc.ca/sites/default/files/Pooled%20Investments/2_mfa_mandate_profile_-_if-ultra-short_govt._focused_bond_fund.pdf) for the new Ultra-short Government Focused Bond Fund. All Mandate Profiles are updated from time to time and can be found on the [MFA website](https://mfa.bc.ca/clients/pooled-investment-funds).