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

As of June 30, 2017

	1 Month Non-Annualized %	3 Months Non-Annualized %	YTD Non-Annualized %	1 Year %	3 Years Annualized %	5 Years Annualized %	Since Inception Annualized %[2]
MFA Money Market Fund	**0.07**	**0.22**	**0.43**	**0.85**	**0.88**	**0.96**	**4.00**
Custom Benchmark[3]	*0.03*	*0.10*	*0.19*	*0.35*	*0.44*	*0.59*	*3.75*
MFA Intermediate Fund	**-0.17**	**0.01**	**0.32**	**0.82**	**1.17**	**1.25**	**3.62**
FTSE TMX Canada 365-Day Treasury Bill Index	*-0.23*	*-0.14*	*-0.04*	*0.04*	*0.48*	*0.65*	*3.24*
MFA Bond Fund	**-0.85**	**-0.30**	**0.40**	**0.42**	**1.85**	**2.07**	**6.12**
FTSE TMX Canada Short Term Overall Bond Index	*-0.99*	*-0.47*	*0.15*	*-0.01*	*1.52*	*1.74*	*5.83*

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 January 1, 2013.

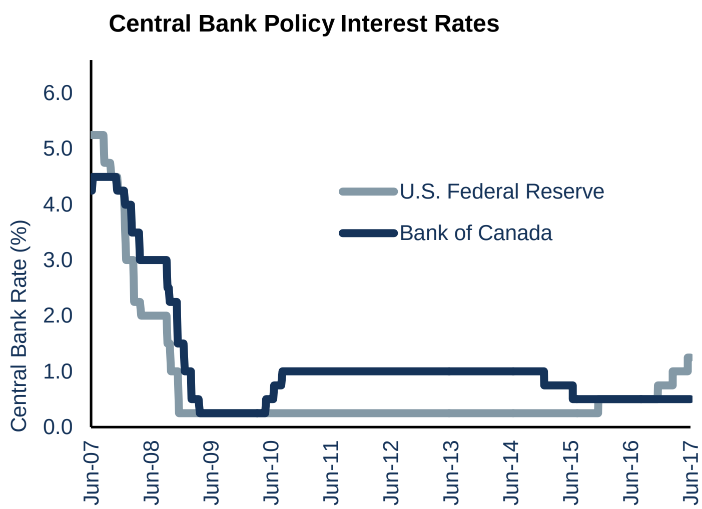
Market Developments

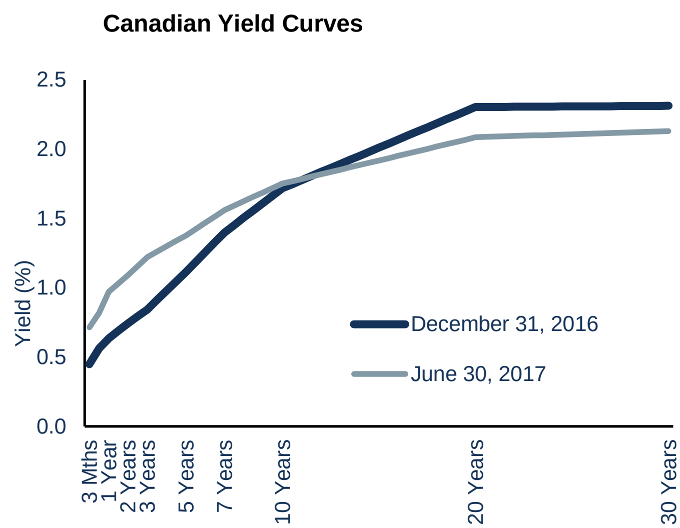
Market Interest Rates

	April 30, 2017	May 31, 2017	June 30, 2017
3 Month T-bills	0.53%	0.53%	0.72%
2 Year Gov't of Canada Bonds	0.72%	0.67%	1.09%
5 Year Gov't of Canada Bonds	1.00%	0.94%	1.38%
30 Year Gov't of Canada Bonds	2.16%	2.05%	2.13%

Canadian interest rates took a sharp turn higher in the second half of June after having stayed relatively steady since the beginning of the year. Bank of Canada (BoC) Senior Deputy Governor Wilkins alluded in her June 12th speech to a potential policy rate hike coming much sooner than markets had previously anticipated, triggering the turning point in interest rates. BoC Governor Poloz further fuelled the move higher in interest rates with his comments towards month end, pushing the short end of the Canadian yield curve higher by roughly 25 basis points in the last week alone.

Overall, the Canadian yield curve ended the month materially flatter, with short-term yields increasing upwards of 40 basis points, while the longest maturities were higher by less than 10 basis points.





Market Outlook

The BoC did not meet in June. Domestic economic data continued to outperform analyst expectations as the economic drag from lower oil prices is now largely behind us. Acknowledging this, the BoC signalled its intention to once again begin raising its policy rate with Governor Poloz stating that the low policy rate has “done its job.” This moved market expectations for a BoC policy rate increase forward from spring 2018 to July 2017, with a further two rate increases expected through 2018. As such, we now expect the front end of the Canadian yield curve to continue to trend higher in the coming quarters, in line with policy moves by the BoC.

The U.S. Federal Reserve (Fed) met in June and, as was expected, increased the federal funds rate another 0.25% to 1.0 – 1.25%. Of note, however, the Fed did not put much weight in recent relative economic weakness, suggesting that it is more temporary in nature rather than a sign of a broader economic slowdown. Looking forward, market participants are awaiting further visibility on when the Fed may begin to reduce its balance sheet, with most expecting this to begin by year-end. Overall, we expect the short end of the U.S. yield curve to trend higher as the Fed continues to pull back its stimulus over the coming quarters.

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 Points								
Money Market Fund			Intermediate Fund			Bond Fund		
Term (Days)	Position	Change	Term (Days)	Position	Change	Term (Years)	Position	Change
< 30	24.4%	-1.1%	< 180	19.7%	17.7%	< 1.0	9.0%	-6.4%
31 - 60	27.3%	17.3%	181 - 365	31.1%	-18.3%	1.0 - 2.5	39.9%	6.1%
61 - 90	6.7%	-16.4%	366 +	49.4%	0.7%	2.5 - 4.0	30.4%	3.8%
91- 120	16.4%	11.4%				4.0 - 5.5	16.4%	-3.4%
121 +	25.1%	-11.3%				5.5 - 7.0	4.3%	-0.2%
Government	0.0%	0.0%	Government	30.2%	0.1%	Government	52.7%	7.8%
Corporate	100.0%	0.0%	Corporate	69.8%	-0.1%	Corporate	36.5%	-2.0%
						Mortgages	9.6%	0.5%
						Net Cash	1.2%	-6.3%
Average term	77 days	-10 days	Average term	0.9 yrs	-0.0 yrs	Average term	2.8 yrs	+0.1 yrs
Average yield*	0.84%	-0.02%	Average yield*	1.12%	0.28%	Average yield*	1.45%	0.40%
Total size	$964.0 mil	$69.3 mil	Total size	$331.5 mil	$21.4 mil	Total size	$817.3 mil	$6.8 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).