

MFA of B.C. Pooled Investment Results¹

As of March 31, 2019

	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	0.17	0.50	0.50	1.80	1.24	1.12	3.85
Custom Benchmark ³	0.12	0.36	0.36	1.28	0.74	0.66	3.58
MFA Intermediate Fund	0.33	0.89	0.89	2.44	1.48	1.41	3.50
FTSE Canada 365-Day Treasury Bill Index	0.23	0.62	0.62	1.85	0.83	0.79	3.10
MFA Bond Fund	0.79	1.66	1.66	3.22	1.48	1.90	5.87
FTSE Canada Short Term Overall Bond Index	0.83	1.69	1.69	3.25	1.24	1.66	5.59

¹Portfolio 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).

²Inception dates: Money Market Fund – May 1, 1989; Intermediate Fund – March 30, 1994; Bond Fund – May 1, 1989

³Represents custom benchmark: changed from FTSE Canada 91-day T-Bill Index to FTSE Canada 30-day T-Bill Index effective Jan. 1, 2013

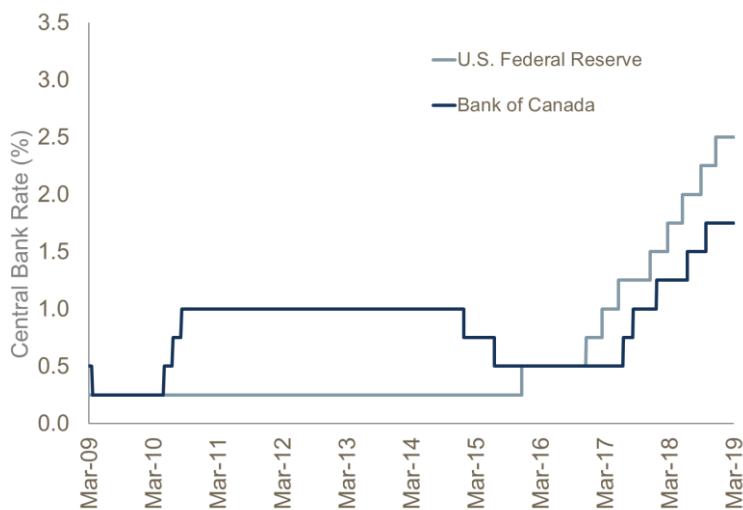
Market Developments

Market Interest Rates

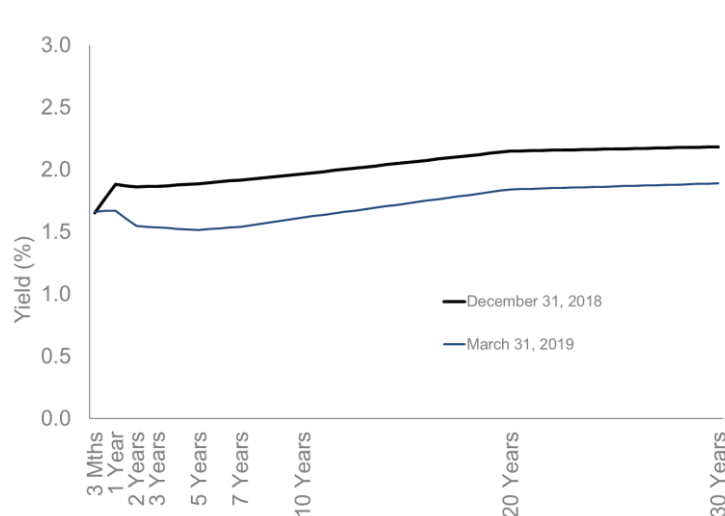
	January 31, 2019	February 28, 2019	March 31, 2019
3 Month T-bills	1.65%	1.67%	1.66%
2 Year Gov't of Canada Bonds	1.77%	1.78%	1.55%
5 Year Gov't of Canada Bonds	1.78%	1.82%	1.52%
30 Year Gov't of Canada Bonds	2.14%	2.19%	1.89%

Government of Canada bond yields moved drastically lower in March amid concerns of slowing economic growth and dovish central bank commentary. The move began following below expectations Canadian Q4 2018 GDP data at the start of the month. The trend then accelerated following the Bank of Canada (BoC) decision to hold the policy rate steady at 1.75%. This decision was expected, however, in the statement accompanying the decision, the BoC further signalled a pause in rate increases and revised its growth outlook for the first half of 2019 downwards. The market reaction to this statement pushed bond yields lower and the downward trend continued for the rest of the month with further dovish commentary from global central banks adding to the pessimistic growth outlook.

Central Bank Policy Interest Rates



Canadian Yield Curves



Market Outlook

The Bank of Canada (BoC) met in early March and kept its policy rate unchanged at 1.75%. This decision was widely expected following a slowdown in Canadian GDP growth during the 4th quarter and below target inflation readings this year. In the statement following the meeting, the BoC noted the recent global economic slowdown as being more pronounced and widespread than previously forecasted. As a result, the BoC has downgraded GDP growth expectations in the first half of 2019 and expects headline inflation to be slightly below the 2% target. Given this outlook, and specific concerns related to consumer spending and a soft housing market, the BoC believes that maintaining a policy rate below the neutral range is warranted at this time. Taking this into account, market expectations for future rate hikes remain low with some market participants anticipating a possible rate cut over the next year. That said, absent material changes to the current economic environment, we believe that the short end of the Canadian yield curve will remain close to current levels for the rest of the year.

The U.S. Federal Reserve (Fed) met in late March and, as was expected, maintained its policy rate at the current 2.25% to 2.50% level. The accompanying statement was consistent with the Fed's recent more dovish tone, making particular reference to a slowdown in the growth of economic activity. Looking ahead, the Fed is seeing indicators pointing towards a slowdown in the growth of household spending and business investment as the main sources of concern for its economic forecasts. These concerns, accompanied by muted inflation pressure, have moved the Fed away from its previous rate hiking path and have some market participants believing that a rate cut is possible over the next year. That said, the projections released by the Fed following the March meeting point towards the policy rate remaining at current levels for the foreseeable future. With that in mind, barring an unexpected turn in economic momentum, we expect short term U.S. interest rates to remain close to present levels for some time.

Current Strategy

The Money Market Fund remains focused on building a high quality yield advantage. As such, the Money Market Fund remains fully invested in high-quality corporate money market instruments given their attractive risk-adjusted incremental yield over similar-term government securities. Similarly, the Money Market 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 also both favour high quality yield enhancement strategies. The Intermediate Fund maintains a maximum allocation to corporate securities, with the government allocation invested entirely in provincial securities given their attractive yield advantage relative to federal government securities. Similarly, while the Bond Fund continues to have a more defensive risk budget, it maintains a bias towards government agency and corporate credit, rather than federal bonds. The incremental yield gained from these holdings should provide a helpful tailwind to performance.

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	30.6%	-14.6%	< 180	11.2%	4.3%	< 1.0	15.7%	6.5%
31 - 60	26.8%	11.1%	181 - 365	41.7%	1.1%	1.0 - 2.5	35.5%	-6.4%
61 - 90	19.0%	-0.4%	366 +	47.0%	-5.4%	2.5 - 4.0	25.2%	2.6%
91- 120	8.9%	4.7%				4.0 - 5.5	22.4%	-2.1%
121 +	14.6%	-0.9%				5.5 - 7.0	1.2%	-0.6%
Government	0.0%	0.0%	Government	30.1%	0.0%	Government	42.76%	-8.5%
Corporate	100.0%	0.0%	Corporate	69.9%	0.0%	Corporate	41.73%	1.6%
						Mortgages/MBS	6.89%	-0.1%
						Net Cash	8.61%	7.0%
Average term	60 days	+7 days	Average term	1.0 yrs	+0.0 yrs	Average term	2.5 yrs	-0.3 yrs
Average yield*	1.96%	-0.07%	Average yield*	1.74%	-0.20%	Average yield*	1.80%	-0.21%
Total size	\$1,043.2 mil	-\$17.4 mil	Total size	\$217.9 mil	-\$8.7 mil	Total size	\$544.5 mil	\$3.9 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).