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

As of August 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	**0.15**	**0.45**	**1.27**	**1.90**	**1.39**	**1.18**	**3.82**
Custom Benchmark[3]	*0.12*	*0.37*	*1.00*	*1.48*	*0.91*	*0.73*	*3.56*
MFA Intermediate Fund	**0.22**	**0.47**	**1.80**	**2.65**	**1.61**	**1.50**	**3.48**
FTSE Canada 365-Day Treasury Bill Index	*0.24*	*0.46*	*1.40*	*2.17*	*1.05*	*0.89*	*3.08*
MFA Bond Fund	**0.65**	**0.85**	**3.34**	**4.38**	**1.69**	**2.02**	**5.84**
FTSE Canada Short Term Overall Bond Index	*0.65*	*0.75*	*3.21*	*4.33*	*1.48*	*1.76*	*5.56*

[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 Canada 91-day T-Bill Index to FTSE Canada 30-day T-Bill Index effective Jan. 1, 2013

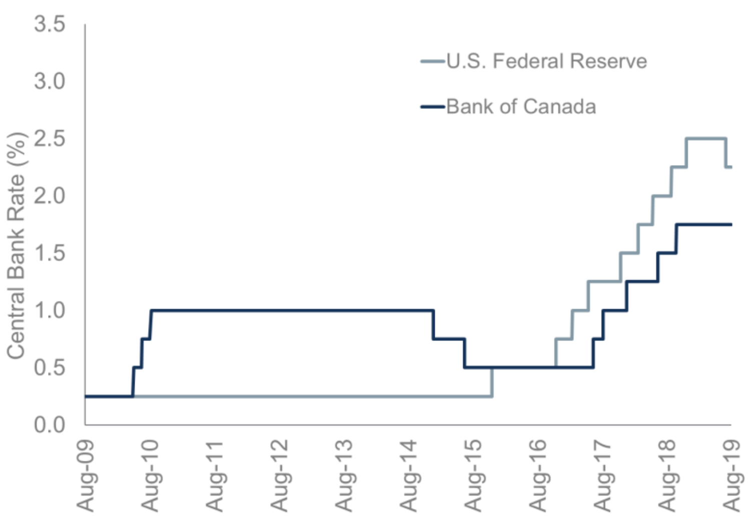
Market Developments

Market Interest Rates

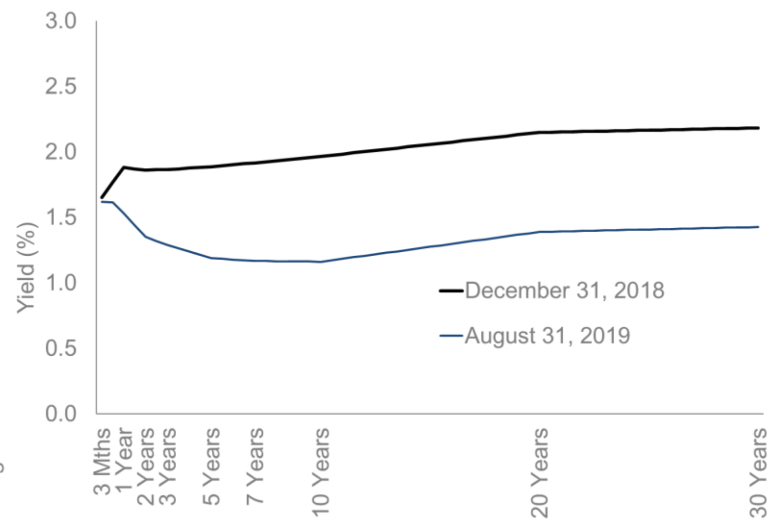
	June 30, 2019	July 31, 2019	August 31, 2019
3 Month T-bills	1.66%	1.64%	1.62%
2 Year Gov't of Canada Bonds	1.47%	1.54%	1.35%
5 Year Gov't of Canada Bonds	1.39%	1.45%	1.19%
30 Year Gov't of Canada Bonds	1.69%	1.70%	1.43%

The domestic yield curve inverted further in August as bond yields declined drastically over the month, led by the mid and longer term segments of the yield curve which fell the most. This decline was largely driven by an escalation in trade war rhetoric between the US-China rather than domestic economic data. The accompanying increase in uncertainty over future global economic growth pushed global bond yields lower as investor sentiment moved to a more definitive risk off stance. With a large amount of sovereign debt now trading at a negative yield, Government of Canada bond yields remain an attractive proposition for global investors.

Central Bank Policy Interest Rates



Canadian Yield Curves



Market Outlook

The Bank of Canada (BoC) did not meet in August and its policy rate was maintained at 1.75%. During the month, the US-China trade conflict escalated further and uncertainty surrounding global economic growth increased alongside. This has pushed global central banks to a more dovish stance which has increased market expectations for potential rate cuts in the near future. Although Canada has not been immune from this uncertainty, economic data points continue to exceed expectations – the latest example being a Q2 GDP figure that exceeded both consensus market expectations and BoC forecasts. As we await further communication from the BoC in early September, the uncertainty caused by the US-China trade conflict has pushed market expectations further toward a rate cut by the end of the year. With this in mind, barring a significant change in economic momentum or trade negotiations, we expect short term Canadian interest rates to remain close to current levels for the remainder of this year.

The U.S. Federal Reserve (Fed) also did not meet in August, leaving its policy rate target maintained at the 2.00% to 2.25% level after the rate cut in late July. With the escalation in the US-China trade conflict mentioned above dominating the market narrative, expectations for further rate cuts by the end of the year have increased drastically. This turn in market sentiment suggests that the majority of market participants believe that this trade conflict will not be resolved any time soon and that the chance of recession is on the rise. While not being dismissive of the impact that the trade conflict will continue to have on the U.S. economy, we believe that this recent move is most likely overly pessimistic. Nonetheless, absent a material change in the economic environment, short term U.S. interest rates are likely to remain suppressed for the foreseeable future.

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	39.1%	-3.1%	< 180	8.6%	-0.6%	< 1.0	8.5%	0.3%
31 - 60	22.5%	5.2%	181 - 365	56.9%	-2.1%	1.0 - 2.5	40.3%	-0.9%
61 - 90	20.8%	-1.5%	366 +	34.5%	2.7%	2.5 - 4.0	32.3%	2.3%
91- 120	3.0%	-3.9%				4.0 - 5.5	16.8%	-1.6%
121 +	14.6%	3.2%				5.5 - 7.0	2.1%	-0.1%
Government	0.0%	0.0%	Government	30.1%	-0.2%	Government	45.25%	-1.5%
Corporate	100.0%	0.0%	Corporate	69.9%	0.2%	Corporate	45.59%	0.6%
						Mortgages/MBS	6.84%	-0.2%
						Net Cash	2.33%	1.1%
Average term	56 days	+0 days	Average term	0.9 yrs	-0.0 yrs	Average term	2.7 yrs	-0.1 yrs
Average yield*	1.76%	-0.02%	Average yield*	1.61%	-0.08%	Average yield*	1.55%	-0.20%
Total size	$1,505.7 mil	$238.3 mil	Total size	$260.8 mil	$18.0 mil	Total size	$542.7 mil	$10.9 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).