

Q2 INVESTMENT REPORT

2018



August 15, 2018

westvancouver

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DISTRICT OF WEST VANCOUVER 2018 Q2 INVESTMENT REPORT

1. PURPOSE

To report on investment returns pursuant to the requirements of Cash Management and Investment Policy 02-30-369 (Policy).

2. CONTEXT

The Policy requires that investment returns be reported on a quarterly basis. This is the second report for 2018, addressing the status of the current investment portfolio and the investment environment in April – June 2018.

Regular cash demands as well as our conservative investment strategy require that we maintain a high degree of liquidity in our investment portfolio including both short and long term investments. Our short term investments, those with terms of less than one year and the highest degree of liquidity, are used to meet our working capital requirements. Short term investments include Municipal Finance Authority of BC (MFA) Pooled High Interest Savings Account (with CIBC and National Bank of Canada), RBC cash account and MFA Money Market Fund.

Long term investments have terms of greater than one year. These investments are less liquid than our short term investments and are held both to manage the risk of interest rate fluctuations and for funding requirements with a longer term perspective. Long term investments include the MFA Intermediate Fund for investments from one to three years and the MFA Bond Fund for investments of more than three years.

3. INVESTMENT RESULTS

3.1 Summary

A summary of investment results for the period from April 1, 2018 to June 30, 2018 is presented below:

INVESTMENT RESULTS
AS AT JUNE 30, 2018

	MFA Money Market Fund	MFA Bond Fund	MFA Intermediate Fund	CIBC High Interest Saving	RBC Cash Account	TOTAL
Opening Balance	\$9,888	\$55,712,594	\$27,659	\$64,549,635	\$5,325,315	\$125,625,090
Transfers/ Adjustments	\$ -	-\$55,783,124	\$ -	\$73,500,000	\$38,592,601	\$56,309,477
	<u>\$9,888</u>	<u>-\$70,530</u>	<u>\$27,659</u>	<u>\$138,049,635</u>	<u>\$43,917,916</u>	<u>\$181,934,567</u>
Interest Income	\$39	\$70,530	\$ 110	\$338,856	\$79,588	\$489,124
	<u>\$39</u>	<u>\$70,530</u>	<u>\$ 110</u>	<u>\$338,856</u>	<u>\$79,588</u>	<u>\$489,124</u>
Closing Balance	\$9,926	\$ -	\$27,769	\$138,388,491	\$43,997,504	\$182,423,691
<i>3 mths. non-annualized %</i>	0.39%	0.25%	0.40%	0.33%	0.32%	

3.2 Investment statements

Investment statements for the period from April 1, 2018 to June 30, 2018 are presented in Appendix 1.

3.3 Comparison to Benchmarks

The benchmarks, defined in the District's Cash Management and Investment Guidelines 04-30-371, are set on the basis of MFA funds' performance objectives as follows:

- **Short term (working capital) investments:** performance objective (based on MFA Money Market Fund) = FTSE TMX Canada 30-Day Treasury Bill Index + 15 basis points, net of all expenses
 - Q2 Benchmark = 0.27%¹ + 15 basis points = 0.42%
 - Q2 Actual (all short term investments) = 0.33%² (benchmark missed by 10 basis points)
 - The yield on short-term investments is expected to improve following the restructuring of the portfolio at the end of Q2 – increasing the funds invested in MFA-CIBC High Interest Saving Account (HISA) from \$64.5M³ to \$138.4M⁴
 - In Q2, CIBC HISA had an annualized return rate of 1.96%. In Q3, following the Bank of Canada benchmark rate increase, CIBC HISA interest rate increased to 2.21%
 - MFA launched a new HISA option in July through the National Bank of Canada with the current yield rate of 2.27%. \$70M, out of \$138.4M MFA-CIBC HISA Q2 closing balance, were re-directed to the MFA-National Bank of Canada HISA in August

- **Long term investments:**
 - MFA Bond Fund: performance objective = FTSE TMX Canada Short Term Bond Index 40 basis points, net of all expenses
 - Q2 Benchmark = 0.26%⁵ + 40 basis points = 0.66%
 - Q2 Actual (MFA Bond Fund) = 0.25%
 - Benchmark missed by 41 basis points due to the underperformance of the MFA Bond Fund, resulting in the decision to divest from this fund

 - MFA Intermediate Fund: performance objective = 30 basis points over FTSE TMX 365-Day Treasury Bill Index, net of all expenses

¹ 3 months non-annualized, as per MFA Pooled Investment Results report (June)

² Based on average across all short term investments

³ Q2 opening balance

⁴ Q2 closing balance

⁵ 3 months non-annualized, as per MFA Pooled Investment Results report (June)

- Q2 MFA Performance objective = 0.35%⁶ + 30 basis points = 0.65%
- Q2 Actual (MFA Intermediate Fund) = 0.40%
- Benchmark missed by 25 basis points due to the underperformance of the MFA Intermediate Fund, which has very limited impact on the overall portfolio, given the low average balance in the account (\$27,714 in Q2)

3.4 Analysis

The analysis of Q2 investment results and forward looking investment strategies for the period from April 1, 2018 to June 30, 2018 is presented in the monthly MFA Pooled Investment Results attached as Appendix 2.

⁶ 3 months non-annualized, as per MFA Pooled Investment Results report (June)

c/o Recordkeeping, CIBC Mellon GSS
1 York Street, Suite 900
Toronto, Ontario, M5J 0B6

Your Account Summary
Statement Date April 1, 2018 to April 30, 2018

DISTRICT OF WEST
VANCOUVER
C/O THE TREASURER

000197
DISTRICT OF WEST VANCOUVER
C/O THE TREASURER
750 17TH ST
WEST VANCOUVER BC V7V 3T3

Investment Advisor or Dealer:
HOUSE REP
3680 UPTOWN BLVD
UNIT 217
VICTORIA BC V8Z 0B9

Summary of Your Account

				MARKET VALUE
Your Total Canadian \$ Investment on April 1, 2018				\$55,750,140.00
	UNIT PRICE(\$)	# OF UNITS	BOOK COST	MARKET VALUE
MFABC SHORT TRM BOND	\$9.6941	5,741,889.257	\$57,391,905.69	\$55,662,448.65
MFABC INTERMEDIATE FUND	\$9.7249	2,848.489	\$28,463.24	\$27,701.27
MFABC MONEY MARKET FUND	\$10.0000	990.034	\$9,900.34	\$9,900.34
TOTAL Canadian \$ Investments April 30, 2018			<u>\$57,430,269.27</u>	<u>\$55,700,050.26</u>

Transaction Summary

MFABC SHORT TRM BOND

DATE	TRANSACTION	GROSS AMOUNT(\$)	NET AMOUNT(\$)	UNIT PRICE(\$)	UNITS	TOTAL UNITS
04/01/18	Opening Balance					5,732,161.122
04/30/18	INCOME DISTRIBUTION	94,305.51	94,305.51	9.6941	9,728.135	5,741,889.257
04/30/18	Closing Balance					<u>5,741,889.257</u>

MFABC INTERMEDIATE FUND

DATE	TRANSACTION	GROSS AMOUNT(\$)	NET AMOUNT(\$)	UNIT PRICE(\$)	UNITS	TOTAL UNITS
04/01/18	Opening Balance					2,841.347
04/30/18	INCOME DISTRIBUTION	69.46	69.46	9.7249	7.142	2,848.489

We make efforts to ensure that the information contained in your statement is accurate. Please review this statement carefully and advise us of any inconsistencies with your records within 60 days.

c/o Recordkeeping, CIBC Mellon GSS
1 York Street, Suite 900
Toronto, Ontario, M5J 0B6

Your Account Summary
Statement Date April 1, 2018 to April 30, 2018

DISTRICT OF WEST
VANCOUVER
C/O THE TREASURER

Investment Advisor or Dealer:

HOUSE REP
3680 UPTOWN BLVD
UNIT 217
VICTORIA BC V8Z 0B9

Transaction Summary (cont'd)

04/30/18 Closing Balance						<u>2,848.489</u>	
MFABC MONEY MARKET FUND							
DATE	TRANSACTION	GROSS AMOUNT(\$)	NET AMOUNT(\$)	UNIT PRICE(\$)	UNITS	TOTAL UNITS	
04/01/18	Opening Balance					988.789	
04/30/18	INTEREST	12.45	12.45	10.0000	1.245	990.034	
04/30/18 Closing Balance						<u>990.034</u>	

"Book cost" means the total amount paid to purchase a security, including any transaction charges related to the purchase, adjusted for reinvested distributions, returns of capital and corporate reorganizations.

The market value for the fund(s) shown within this statement is its "net asset value" as of the specified statement date.

Your monthly statement reports your ending units, average cost of your investment, and market values as of month end. Distributions made by the fund can be monthly or at other times of the year as determined by the management company, with all income and capital gains earned by the fund paid out to investors as of year end. Taxable investors will see distribution amounts recorded on their T3 slips.

The book cost of your investment listed on the statement is an average cost of your current unit balance, based on your initial purchase and any subsequent transactions or reinvested distributions. When taxable investors sell fund units, there can be a capital gain or loss at disposition depending on the current price of the investment being sold is higher or lower than the average cost of the units.

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Your Account Summary
Statement Date May 1, 2018 to May 31, 2018

DISTRICT OF WEST
VANCOUVER
C/O THE TREASURER

000194
DISTRICT OF WEST VANCOUVER
C/O THE TREASURER
750 17TH ST
WEST VANCOUVER BC V7V 3T3

Investment Advisor or Dealer:
HOUSE REP
3680 UPTOWN BLVD
UNIT 217
VICTORIA BC V8Z 0B9

Summary of Your Account

				MARKET VALUE
Your Total Canadian \$ Investment on May 1, 2018				\$55,700,050.26
	UNIT PRICE(\$)	# OF UNITS	BOOK COST	MARKET VALUE
MFABC SHORT TRM BOND	\$9.6918	5,753,447.329	\$57,503,980.02	\$55,761,260.82
MFABC INTERMEDIATE FUND	\$9.7127	2,855.953	\$28,535.83	\$27,739.01
MFABC MONEY MARKET FUND	\$10.0000	991.349	\$9,913.49	\$9,913.49
TOTAL Canadian \$ Investments May 31, 2018			<u>\$57,542,429.34</u>	<u>\$55,798,913.32</u>

Transaction Summary

MFABC SHORT TRM BOND

DATE	TRANSACTION	GROSS AMOUNT(\$)	NET AMOUNT(\$)	UNIT PRICE(\$)	UNITS	TOTAL UNITS
05/01/18	Opening Balance					5,741,889.257
05/31/18	INCOME DISTRIBUTION	112,018.52	112,018.52	9.6918	11,558.072	5,753,447.329
05/31/18	Closing Balance					<u>5,753,447.329</u>

MFABC INTERMEDIATE FUND

DATE	TRANSACTION	GROSS AMOUNT(\$)	NET AMOUNT(\$)	UNIT PRICE(\$)	UNITS	TOTAL UNITS
05/01/18	Opening Balance					2,848.489
05/31/18	INCOME DISTRIBUTION	72.50	72.50	9.7127	7.464	2,855.953

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Your Account Summary
Statement Date May 1, 2018 to May 31, 2018

DISTRICT OF WEST
VANCOUVER
C/O THE TREASURER

Investment Advisor or Dealer:

HOUSE REP
3680 UPTOWN BLVD
UNIT 217
VICTORIA BC V8Z 0B9

Transaction Summary (cont'd)

05/31/18 Closing Balance						<u>2,855.953</u>	
MFABC MONEY MARKET FUND							
DATE	TRANSACTION	GROSS AMOUNT(\$)	NET AMOUNT(\$)	UNIT PRICE(\$)	UNITS	TOTAL UNITS	
05/01/18	Opening Balance					990.034	
05/31/18	INTEREST	13.15	13.15	10.0000	1.315	991.349	
05/31/18 Closing Balance						<u>991.349</u>	

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Your Account Summary
Statement Date June 1, 2018 to June 30, 2018

DISTRICT OF WEST
VANCOUVER
C/O THE TREASURER

000194

DISTRICT OF WEST VANCOUVER
C/O THE TREASURER
750 17TH ST
WEST VANCOUVER BC V7V 3T3

Investment Advisor or Dealer:
HOUSE REP
3680 UPTOWN BLVD
UNIT 217
VICTORIA BC V8Z 0B9

Summary of Your Account

				MARKET VALUE
Your Total Canadian \$ Investment on June 1, 2018				\$55,798,913.32
	UNIT PRICE(\$)	# OF UNITS	BOOK COST	MARKET VALUE
MFABC SHORT TRM BOND	\$9.6894	0.000	\$0.00	\$0.00
MFABC INTERMEDIATE FUND	\$9.7002	2,862.709	\$28,601.33	\$27,768.85
MFABC MONEY MARKET FUND	\$10.0000	992.641	\$9,926.41	\$9,926.41
TOTAL Canadian \$ Investments June 30, 2018			<u>\$38,527.74</u>	<u>\$37,695.26</u>

Transaction Summary

MFABC SHORT TRM BOND

DATE	TRANSACTION	GROSS AMOUNT(\$)	NET AMOUNT(\$)	UNIT PRICE(\$)	UNITS	TOTAL UNITS
06/01/18	Opening Balance					5,753,447.329
06/07/18	REDEMPTION	-55,783,123.92	-55,783,123.92	9.6956	-5,753,447.329	0.000
06/30/18	Closing Balance					<u>0.000</u>

MFABC INTERMEDIATE FUND

DATE	TRANSACTION	GROSS AMOUNT(\$)	NET AMOUNT(\$)	UNIT PRICE(\$)	UNITS	TOTAL UNITS
06/01/18	Opening Balance					2,855.953
06/29/18	INCOME DISTRIBUTION	65.53	65.53	9.7002	6.756	2,862.709

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DISTRICT OF WEST
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3680 UPTOWN BLVD
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VICTORIA BC V8Z 0B9

Transaction Summary (cont'd)

06/30/18 Closing Balance						<u>2,862.709</u>	
MFABC MONEY MARKET FUND							
DATE	TRANSACTION	GROSS AMOUNT(\$)	NET AMOUNT(\$)	UNIT PRICE(\$)	UNITS	TOTAL UNITS	
06/01/18	Opening Balance					991.349	
06/29/18	INTEREST	12.92	12.92	10.0000	1.292	992.641	
06/30/18 Closing Balance						<u>992.641</u>	

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MFA of B.C. Pooled Investment Results¹
As of April 30, 2018

	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	0.13	0.37	0.48	1.17	0.92	0.99	3.92
Custom Benchmark ³	0.08	0.24	0.30	0.67	0.45	0.57	3.66
MFA Intermediate Fund	0.15	0.43	0.51	0.87	1.08	1.22	3.54
FTSE TMX Canada 365-Day Treasury Bill Index	0.12	0.42	0.51	0.40	0.40	0.61	3.15
MFA Bond Fund	-0.09	0.38	0.13	-0.70	0.98	1.58	5.94
FTSE TMX Canada Short Term Overall Bond Index	-0.08	0.33	0.09	-1.03	0.60	1.27	5.66

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

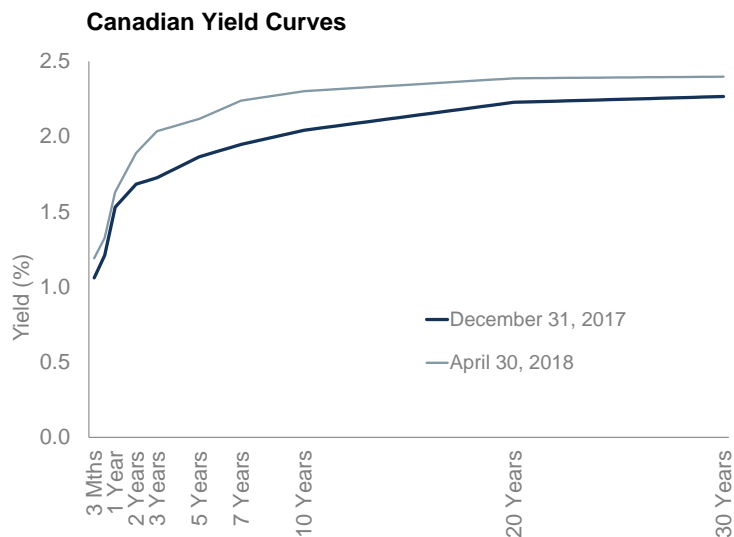
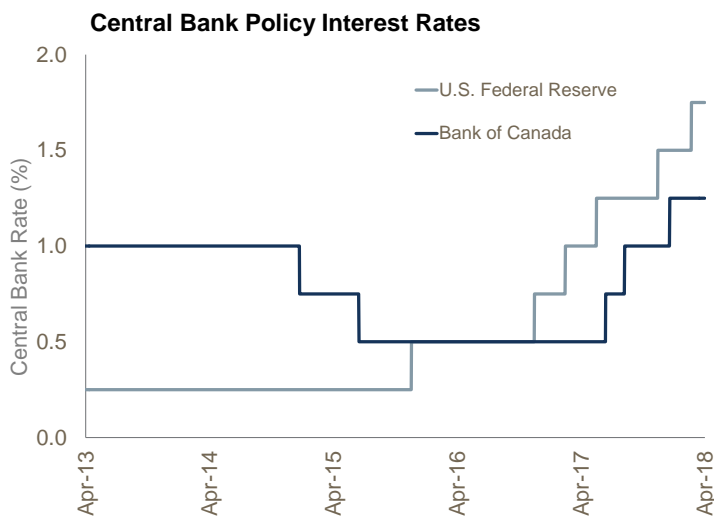
Market Developments

Market Interest Rates

	February 28, 2018	March 31, 2018	April 30, 2018
3 Month T-bills	1.15%	1.10%	1.19%
2 Year Gov't of Canada Bonds	1.78%	1.77%	1.89%
5 Year Gov't of Canada Bonds	2.04%	1.97%	2.12%
30 Year Gov't of Canada Bonds	2.37%	2.23%	2.40%

Government of Canada yields moved higher through April, following the lead of U.S. Treasuries, which saw 10 year Treasury yields break through the 3% barrier for the first time since early January 2014. This resulted in negative absolute returns for all major sectors of the bond market. The Bank of Canada (BoC) also published its updated Monetary Policy Report, in which it revised the economic growth forecast higher on a net basis, acknowledging weaker expectations for 2018, while looking for a stronger growth profile for 2019.

Overall, the Canadian yield curve steepened through the month, with short-term interest rates ending roughly 10 basis points higher, while longer-term maturities ended 15-20 basis points higher.



Market Outlook

The BoC met in April and, as was largely expected, maintained the overnight rate at 1.25%. The statement from the BoC had a cautious bias toward future policy rate moves in its statement, citing continued concerns regarding the uncertainty surrounding NAFTA, as well as slower growth through the first half of the year. That said, the BoC did acknowledge that some progress had been made with respect to inflation and wage growth, indicating that “higher interest rates will be warranted over time”. Overall, market expectations are for one to two hikes through the end of 2018, with the next hike expected over the summer. As such, we expect the short-end of the Canadian yield curve to continue moving higher with expectations for future adjustments by the BoC as it moves towards the lower end of its neutral policy rate range.

The U.S. Federal Reserve (Fed) did not meet in April. Of note, economic and labor market data during the month, albeit modestly softer than anticipated, was sufficient to sustain market expectations for future policy rate decisions, with the Fed expected to maintain its current once-per-quarter rate hike pace through the end of the year. We expect that short-term interest rates in the U.S. to trend higher as the Fed continues along its path to its long-term median policy rate projection of a range of 2.75% to 3.0%.

Current Strategy

The Money Market Fund remains focused on building a high quality yield advantage as this has historically proven to be a reliable way to add value. To this end, the Money Market 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. 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 both also favour high quality yield enhancement strategies. The Intermediate Fund maintains a maximum allocation to corporate securities, while the government allocation is primarily invested in provincial securities given their attractive yield advantage relative to federal government securities. Similarly, while the Bond Fund has reduced its overall risk over the past few quarters, it maintains a bias towards government agency and corporate credit, rather than federal bonds.

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	38.5%	9.4%	< 180	5.4%	-11.6%	< 1.0	14.3%	4.8%
31 - 60	19.5%	-11.1%	181 - 365	61.4%	8.0%	1.0 - 2.5	31.0%	-3.6%
61 - 90	16.2%	-0.7%	366 +	33.2%	3.6%	2.5 - 4.0	37.3%	2.3%
91- 120	10.8%	1.6%				4.0 - 5.5	15.1%	-2.6%
121 +	15.0%	0.8%				5.5 - 7.0	2.2%	-0.9%
Government	0.0%	0.0%	Government	30.1%	0.0%	Government	54.0%	-1.0%
Corporate	100.0%	0.0%	Corporate	69.8%	0.0%	Corporate	34.2%	-0.7%
						Mortgages/MBS	6.1%	0.2%
						Net Cash	5.7%	1.5%
Average term	60 days	-5 days	Average term	0.8 yrs	+0.1 yrs	Average term	2.7 yrs	-0.1 yrs
Average yield*	1.55%	0.03%	Average yield*	1.73%	0.05%	Average yield*	2.06%	0.13%
Total size	\$1,041.9 mil	-\$23.5 mil	Total size	\$289.1 mil	-\$4.0 mil	Total size	\$650.0 mil	-\$107.3 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).

MFA of B.C. Pooled Investment Results¹
As of May 31, 2018

	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	0.13	0.39	0.61	1.22	0.94	0.99	3.91
Custom Benchmark ³	0.09	0.25	0.40	0.72	0.47	0.57	3.65
MFA Intermediate Fund	0.14	0.40	0.65	0.94	1.07	1.24	3.53
FTSE TMX Canada 365-Day Treasury Bill Index	0.09	0.37	0.60	0.46	0.40	0.62	3.14
MFA Bond Fund	0.18	0.27	0.31	-0.69	0.92	1.68	5.93
FTSE TMX Canada Short Term Overall Bond Index	0.14	0.20	0.22	-1.04	0.51	1.38	5.64

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

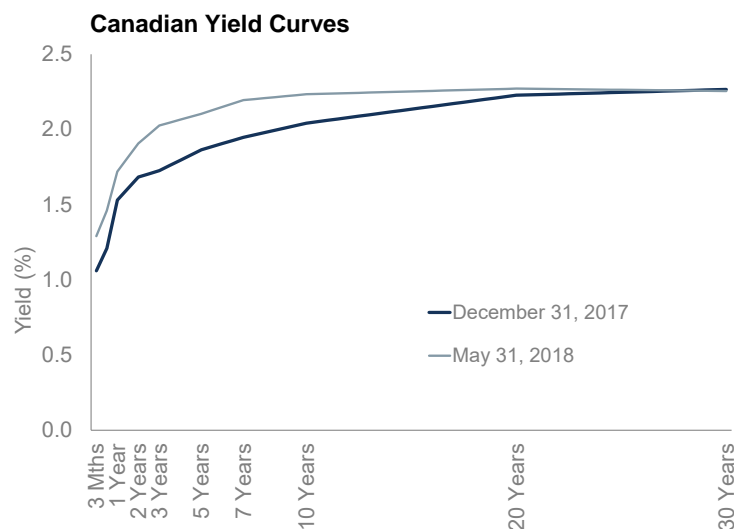
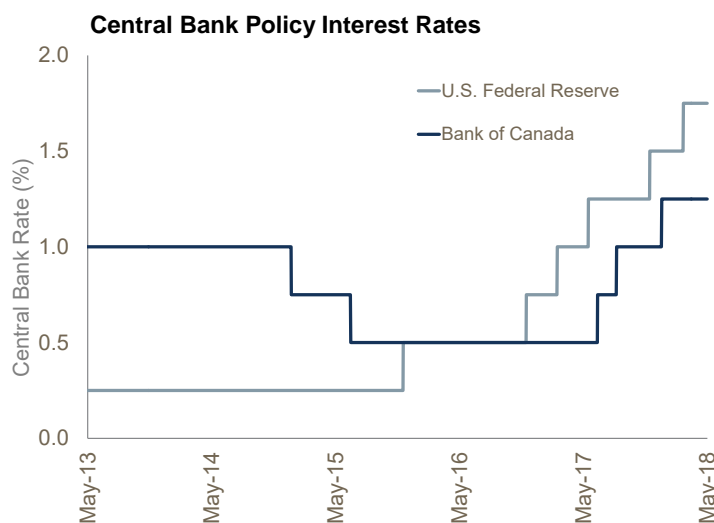
³Represents custom benchmark: changed from FTSE TMX Canada 91-day T-Bill Index to FTSE TMX Canada 30-day T-Bill Index effective Jan. 1, 2013

Market Developments

Market Interest Rates

	March 31, 2018	April 30, 2018	May 31, 2018
3 Month T-bills	1.10%	1.19%	1.29%
2 Year Gov't of Canada Bonds	1.77%	1.89%	1.91%
5 Year Gov't of Canada Bonds	1.97%	2.12%	2.10%
30 Year Gov't of Canada Bonds	2.23%	2.40%	2.26%

Continuing their trend from April, yields in both Canada and the United States moved higher through the first half of May supported by continued strong economic data. Headlines out of Italy about the failure of the Five-Star/Northern League alliance to form a coalition government stoked global fears that another election could turn into a referendum on whether or not to leave the Eurozone. A flight-to-safety ensued, with U.S. Treasury yields dropping sharply. Canadian yields, and in particular longer maturities, followed suit, retracing the move higher during the first half of the month. Concurrently, the Bank of Canada’s (BoC) policy announcement setup for a July policy rate hike. The net result was a noticeably flatter yield curve in Canada, with the short-end ending as much as 10 bps higher, while longer maturities ended the month as much as 15 bps lower.



Market Outlook

The Bank of Canada (BoC) met at the end of the month, holding the overnight rate steady at the current 1.25% level. While the BoC did not increase its policy rate, it set the stage for a potential increase at its next meeting. The statement that accompanied the May meeting had a noticeably less cautious tone; language around the need for “some monetary policy accommodation” to keep things on track, included in the last several statements, was dropped, and further, it stated that it will take a “gradual” approach to future policy rate adjustments rather than its previous “cautious” approach. That said, policy decisions by the BoC are likely to remain data dependent. Overall, market participants continue to anticipate one to two rate hikes through to the end of 2018, with the next increase expected at July’s meeting. Correspondingly, the short-end of the Canadian yield curve is likely to continue to move higher as the BoC transitions its policy rate towards the lower end of its neutral policy rate range.

The U.S. Federal Reserve (Fed) met at the beginning of May, and as was largely expected, held its policy rate steady at the current 1.5% to 1.75% range. In its statement, the Fed foreshadowed a rate hike at its June meeting given increased confidence in the economic outlook. Looking forward, market expectations are for the Fed to maintain its current once-per-quarter rate hike pace through to the end of the year. As such, we expect that short-term interest U.S. rates to trend higher as the Fed continues along the path to its long-term median policy rate projection range of 2.75% to 3.0%.

Current Strategy

The Money Market Fund remains focused on building a high quality yield advantage which has historically proven to be a reliable way to outperform the benchmark. With this in mind, the Money Market Fund continues to be 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 primarily 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	32.4%	-6.1%	< 180	11.5%	6.0%	< 1.0	19.6%	5.4%
31 - 60	22.3%	2.9%	181 - 365	50.5%	-10.8%	1.0 - 2.5	25.9%	-5.1%
61 - 90	15.3%	-0.9%	366 +	38.0%	4.8%	2.5 - 4.0	36.3%	-1.0%
91- 120	14.3%	3.6%				4.0 - 5.5	16.0%	0.9%
121 +	15.7%	0.6%				5.5 - 7.0	2.1%	-0.1%
Government	0.0%	0.0%	Government	30.5%	0.3%	Government	47.7%	-6.3%
Corporate	100.0%	0.0%	Corporate	69.5%	-0.3%	Corporate	36.7%	2.5%
						Mortgages/MBS	6.7%	0.6%
						Net Cash	8.9%	3.2%
Average term	65 days	+5 days	Average term	0.9 yrs	+0.0 yrs	Average term	2.6 yrs	-0.1 yrs
Average yield*	1.58%	0.03%	Average yield*	1.83%	0.10%	Average yield*	2.04%	-0.02%
Total size	\$1,032.9 mil	-\$9.0 mil	Total size	\$284.1 mil	-\$5.0 mil	Total size	\$627.7 mil	-\$22.3 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).

MFA of B.C. Pooled Investment Results¹
As of June 30, 2018

	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	0.13	0.39	0.74	1.28	0.96	1.00	3.90
Custom Benchmark ³	0.10	0.27	0.49	0.79	0.48	0.58	3.64
MFA Intermediate Fund	0.11	0.40	0.75	1.22	1.07	1.26	3.52
FTSE TMX Canada 365-Day Treasury Bill Index	0.14	0.35	0.74	0.84	0.42	0.65	3.14
MFA Bond Fund	0.24	0.33	0.55	0.41	0.94	1.84	5.92
FTSE TMX Canada Short Term Overall Bond Index	0.21	0.26	0.43	0.16	0.50	1.54	5.63

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

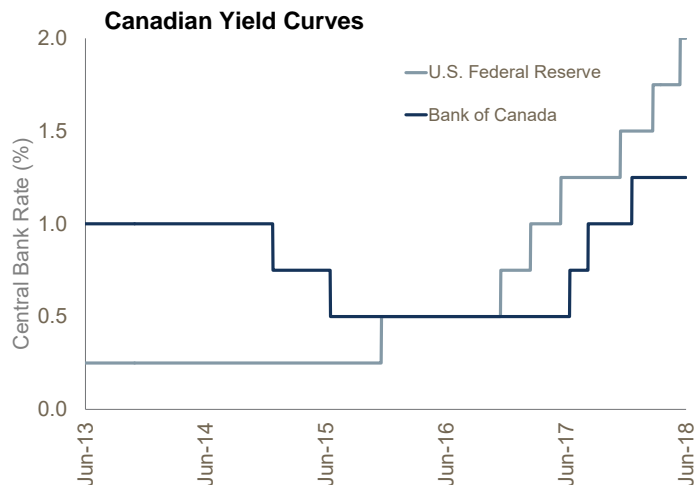
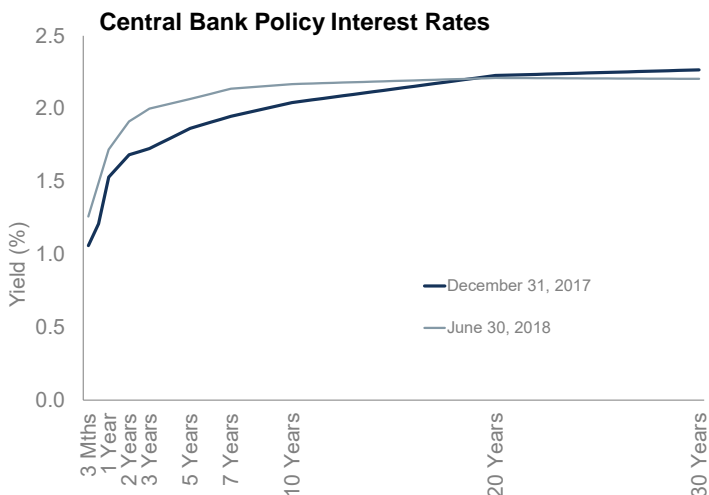
³Represents custom benchmark: changed from FTSE TMX Canada 91-day T-Bill Index to FTSE TMX Canada 30-day T-Bill Index effective Jan. 1, 2013

Market Developments

Market Interest Rates

	April 30, 2018	May 31, 2018	June 30, 2018
3 Month T-bills	1.19%	1.29%	1.26%
2 Year Gov't of Canada Bonds	1.89%	1.91%	1.91%
5 Year Gov't of Canada Bonds	2.12%	2.10%	2.07%
30 Year Gov't of Canada Bonds	2.40%	2.26%	2.20%

Government of Canada bond yields were volatile throughout the month. Bond yields started the month of June on an upward trend thanks to a strong employment report in the U.S. and subsequently peaked mid-month after the Federal Reserve hiked its overnight interest rate by 25 basis points. The positive upward yield momentum later reversed course as the risk of a global trade war escalated after the Trump administration threatened to retaliate against the tariffs that Canada, Mexico, and the European Union announced after their exemptions from U.S. steel and aluminum tariffs expired on June 1. Consequently, market sentiment shifted towards a risk-off tone and yields started their trend downwards on account of a press conference from the Bank of Canada (BoC) that signalled a notably less cautious tone, renewing the prospect of a July rate hike. Overall, the Government of Canada yield curve flattened over the month as the front end of the curve remained relatively unchanged while yields in the long end of the curve fell by approximately five basis points.



Market Outlook

Although the Bank of Canada (BoC) did not meet in June, anticipation of future BoC activity moved around materially over the course of the month. Heading into June, market participants fully expected the BoC to increase the policy rate at its next meeting in July. Weaker-than-expected economic data mid-month, however, resulted in some uncertainty related to this timing. That said, expectations were reinvigorated in the last week of June on the back of a speech and press conference by Governor Poloz as well as a surprisingly optimistic tone in the most recent Business Outlook Survey. All said, market expectations for a July rate hike remain in place, with another not anticipated until the new year. As such, the short-end of the Canadian yield curve is likely to continue to trend higher as the BoC moves toward its neutral policy rate range.

The U.S. Federal Reserve (Fed) met in June and, as was foreshadowed at the May meeting, increased the federal funds rate by 0.25% to a 1.75% to 2.0% range. In its statement and corresponding press conference, the Fed signalled its desire to continue tightening monetary policy and move back to a more normal monetary policy regime. Looking forward, market participants expect the Fed to maintain its current quarterly pace for rate hikes, meaning two more through the end of the year. Correspondingly, we expect short-term U.S. interest rates to trend higher as the Fed continues along the path to its long-term median policy rate projection range of 2.75% to 3.0%.

Current Strategy

The Money Market Fund remains focused on building a high quality yield advantage, a strategy which has historically proven to be a reliable way to outperform the benchmark. With this in mind, the Money Market Fund continues to be 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.

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31 - 60	21.4%	-0.9%	181 - 365	56.1%	5.5%	1.0 - 2.5	31.2%	5.3%
61 - 90	25.3%	10.0%	366 +	26.1%	-11.9%	2.5 - 4.0	31.7%	-4.7%
91- 120	11.1%	-3.3%				4.0 - 5.5	20.4%	4.4%
121 +	10.4%	-5.2%				5.5 - 7.0	1.9%	-0.2%
Government	0.0%	0.0%	Government	30.1%	-0.4%	Government	48.7%	1.1%
Corporate	100.0%	0.0%	Corporate	69.9%	0.4%	Corporate	38.0%	1.3%
						Mortgages/MBS	6.8%	0.1%
						Net Cash	6.5%	-2.4%
Average term	57 days	-8 days	Average term	0.9 yrs	-0.0 yrs	Average term	2.8 yrs	+0.1 yrs
Average yield*	1.59%	0.01%	Average yield*	1.83%	0.00%	Average yield*	2.06%	0.02%
Total size	\$999.5 mil	-\$33.5 mil	Total size	\$296.0 mil	\$11.8 mil	Total size	\$571.4 mil	-\$56.4 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).