





## Global Capital Markets Update

Peter Urbanc, Chief Administrative Officer  
February 2018

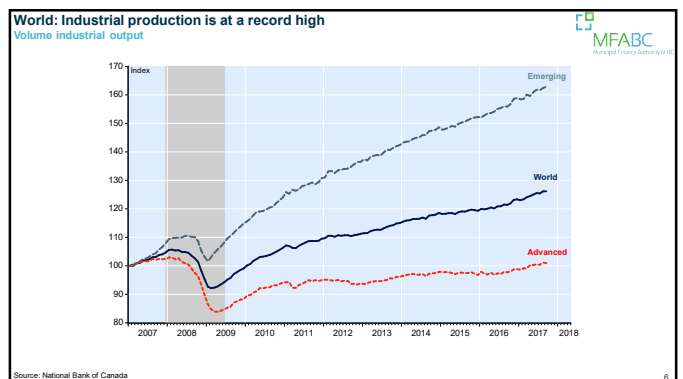
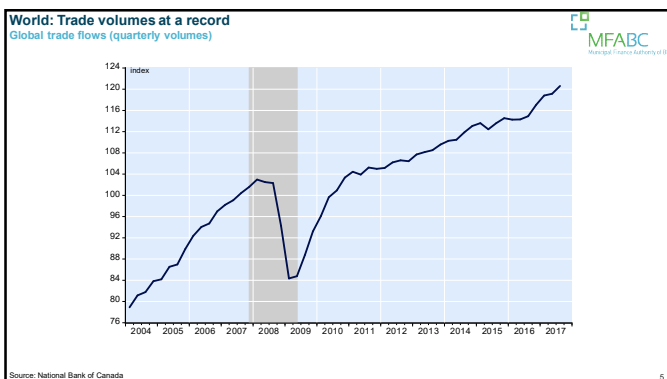
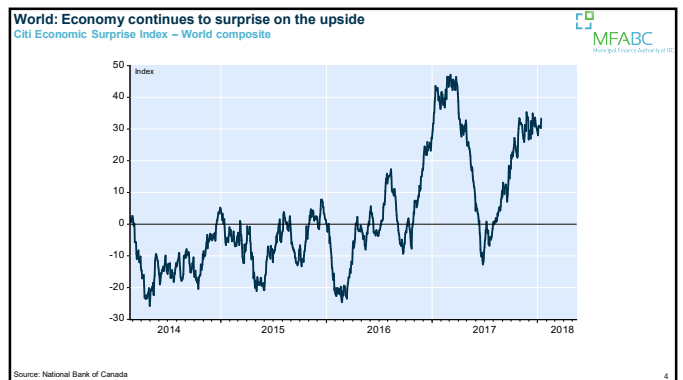


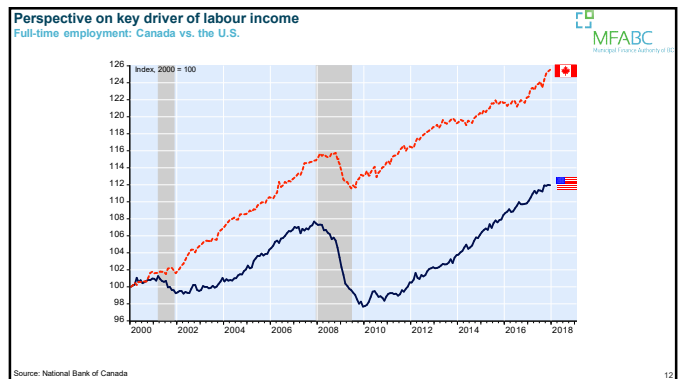
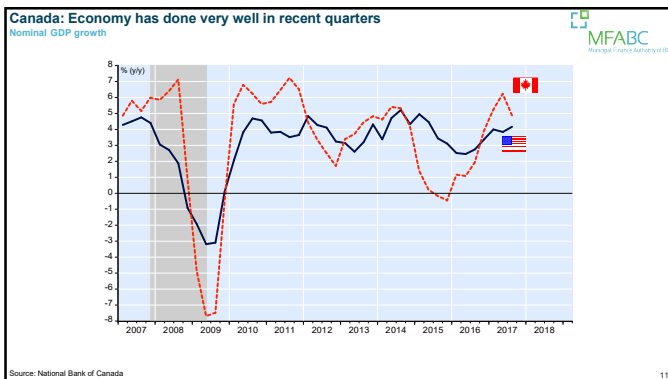
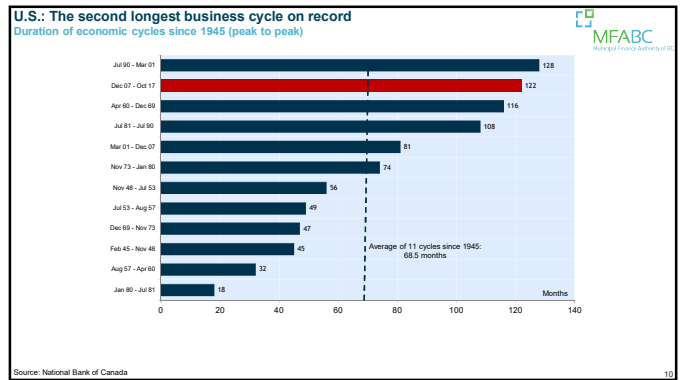
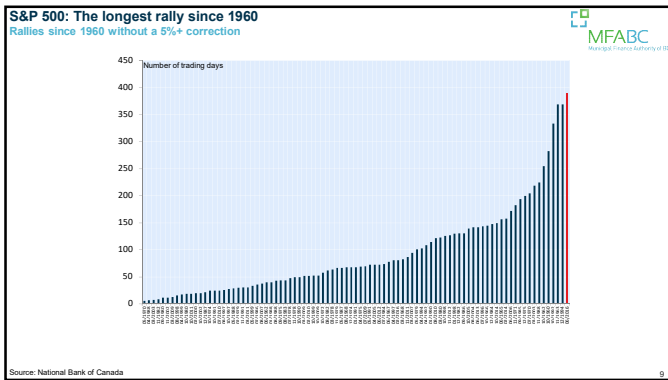
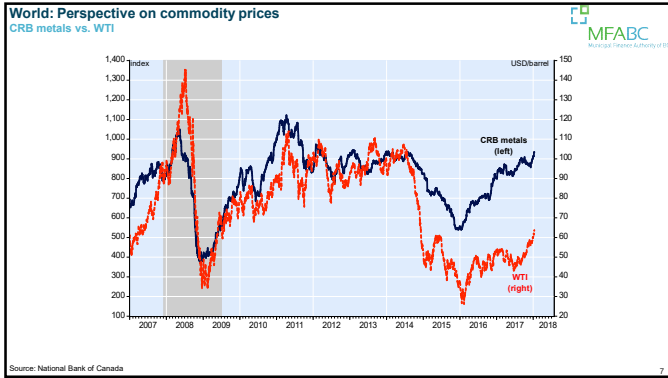
### MFABC Introduction

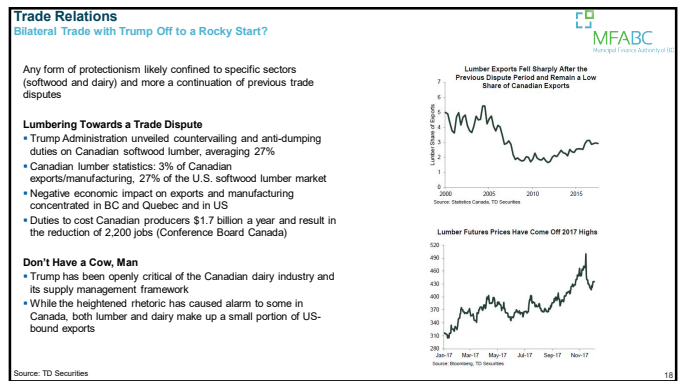
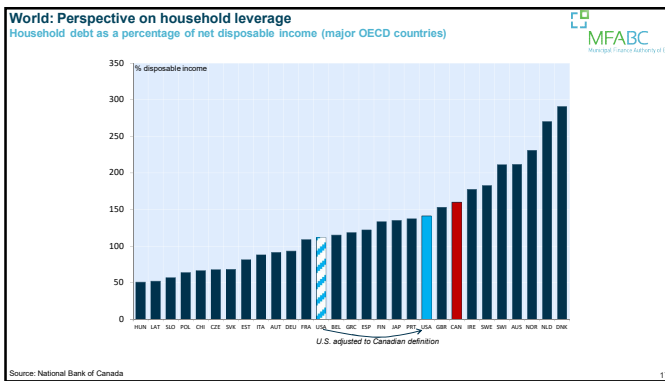
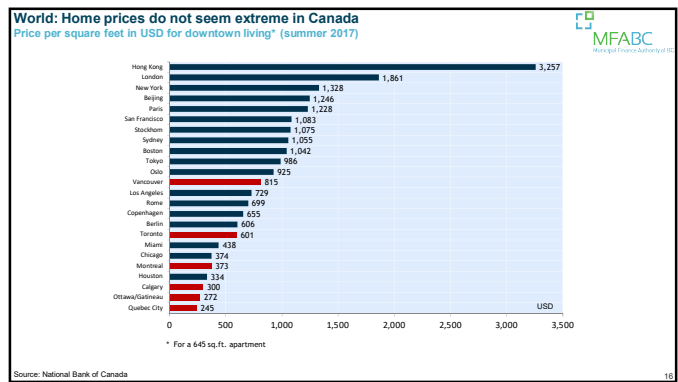
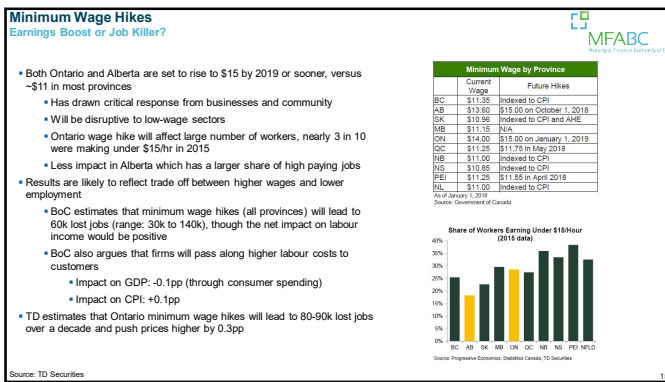
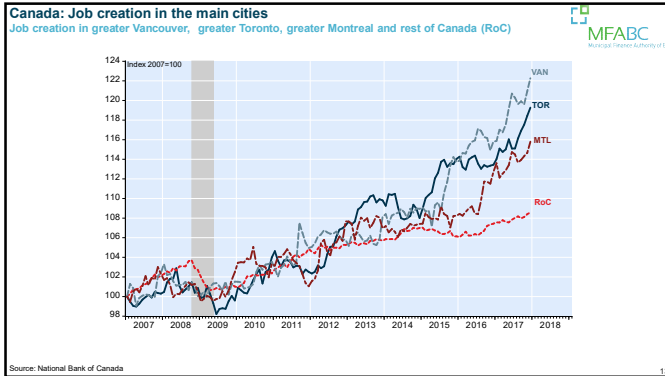
- Formed in 1970 under the *Municipal Finance Authority of British Columbia Act*
- The MFA is independent of the Province of British Columbia
- The Municipal Finance Authority's main responsibility is to provide infrastructure financing to local government in the Province of British Columbia
- Our Mission is to provide local government with a) access to stable and low cost funding; b) Competitive investment alternatives and c) High quality financial education
- The MFA is profitable from operations and does not rely on taxpayer funding
- Long term debt ratings of AAA/Aaa/AAA by S&P/Moody's/Fitch

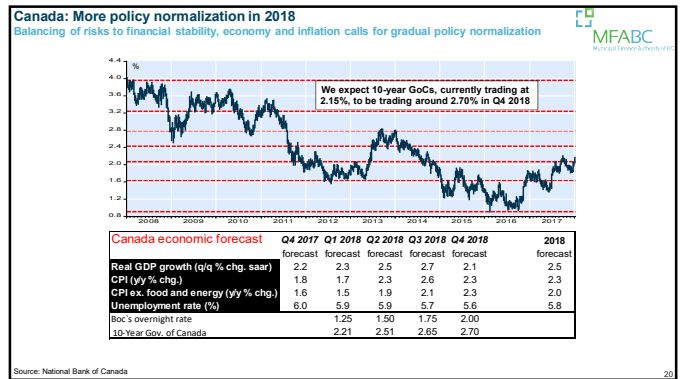
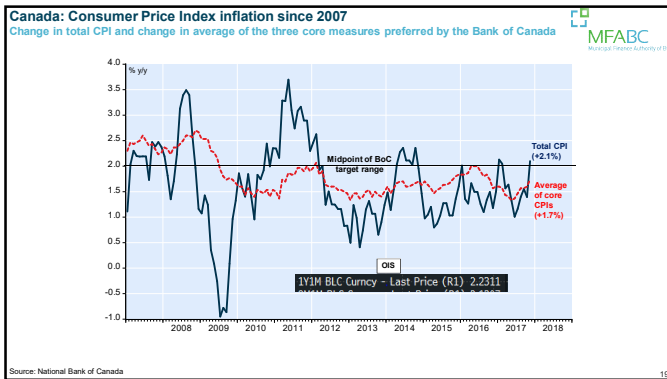
### Financing Through MFABC Leads to Significant Financial Savings Relative to a Private Public Partnership Approach

	MFA BC PUBLIC 10 YEAR BOND ISSUE	MFABC 30 YEAR PRIVATE PLACEMENT	P3 WITH PRIVATE SECTOR FINANCING
<b>Size:</b>	\$100,000,000	\$100,000,000	\$100,000,000
<b>Interest rate</b>	2.80%	3.60%	5.50%
<b>Underwriting fee</b>	0.60%	0.40%	1.75%
<b>UW Fee</b>	\$600,000	\$400,000	\$1,750,000
<b>Legal fees</b>	\$4,250	\$8,500	\$350,000
<b>Technical advisor</b>	-	-	\$150,000
<b>Rating agency fees</b>	\$10,000	\$10,000	\$150,000
<b>Model auditor</b>	-	-	\$10,000
<b>Marketing</b>	\$1,000	\$1,000	\$15,000
<b>Incremental annual interest</b>	-	\$700,000	\$2,700,000
<b>Upfront costs (ex. interest)</b>	\$615,250	\$419,500	\$2,425,000





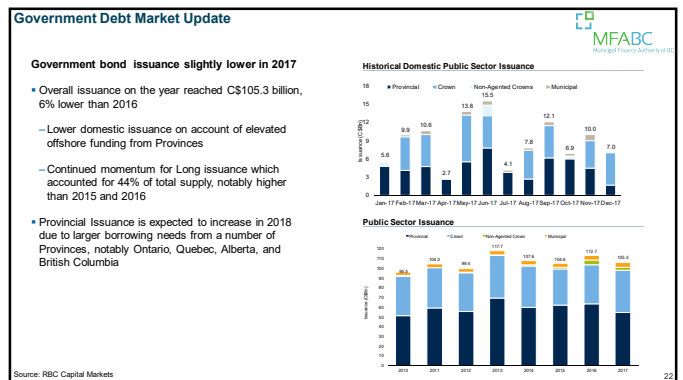




### Conclusion

- World, U.S.: Another year of above-potential growth
  - Global growth near 3.7% in 2018
  - China continues to grow at around 6.5% (good enough)
  - Eurozone, still great at 1.9%
  - Geopolitical risks to remain a major source of concern: U.S. Trade Policy? North Korea?
- Interest rates, currency:
  - The Fed and BoC probably hike rates three times in 2018
  - Canadian dollar in the 1.20-1.30 range (stronger in short-term); Oil in the \$55-\$62 range
  - Large correction in housing unlikely unless labour markets deteriorate markedly or mortgage rates surge.
- Inflation comeback in 2018?

Source: National Bank of Canada



### Government Finance Market Update

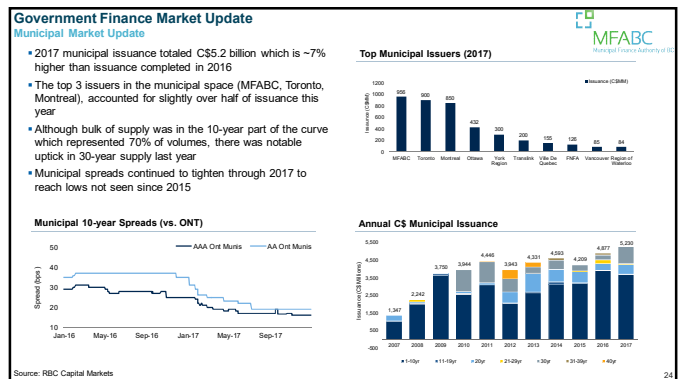
Anticipate Uptick In Provincial Programs for 2017/18

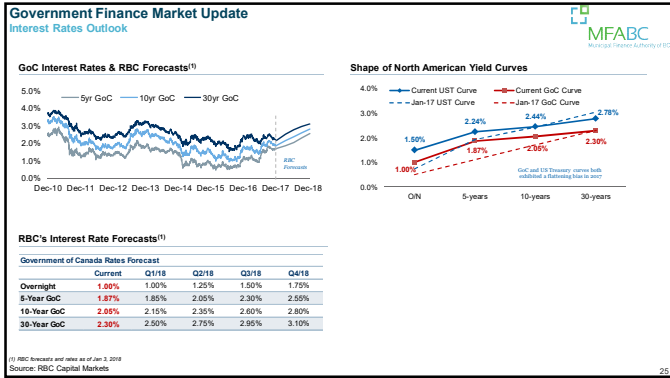
- Most provinces took advantage of attractive all-in yields at the beginning of the year and the ability to pre-fund in 2016/17
  - Ontario has completed its GY17/18 borrowing program and has begun pre-funding for GY18/19
  - Quebec has completed 140% of their borrowing program YTD, owing to pre-funding, sizable offshore transactions and lower borrowing needs
- Forward looking borrowing requirements suggest materially higher borrowing needs in 2018/19

Issuer	GY16/17	GY17/18	GY17/18 Completed	2018/19 Projection	Δ Next Fiscal Year	% change
Ontario	25.8	25.8	26.8	32.2	↑ +24.8%	
Québec	20.7	10.3	15.8	20.6	↑ +98.8%	
Alberta	14.8	14.9	10.5	18.6	↑ +24.8%	
British Columbia	3.5	3.1	2.1	7.6	↑ +145.2%	
Manitoba	6.5	6.6	4.0	6.0	--	
New Brunswick	2.0	2.4	1.9	2.5	↑ +3.6%	
Saskatchewan	2.5	2.1	1.9	2.5	↑ +19.9%	
Newfoundland	2.9	1.3	1.1	2.0	↑ +53.8%	
Nova Scotia	0.8	0.7	0.4	1.3	↑ +83.3%	
Prince Edward Island	0.04	--	--	--	--	
<b>Total (C\$bn)</b>	<b>79.5</b>	<b>67.2</b>	<b>64.5</b>	<b>93.3</b>		

\* % change reflects differential vs. revised borrowing estimates

Source: RBC Capital Markets





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