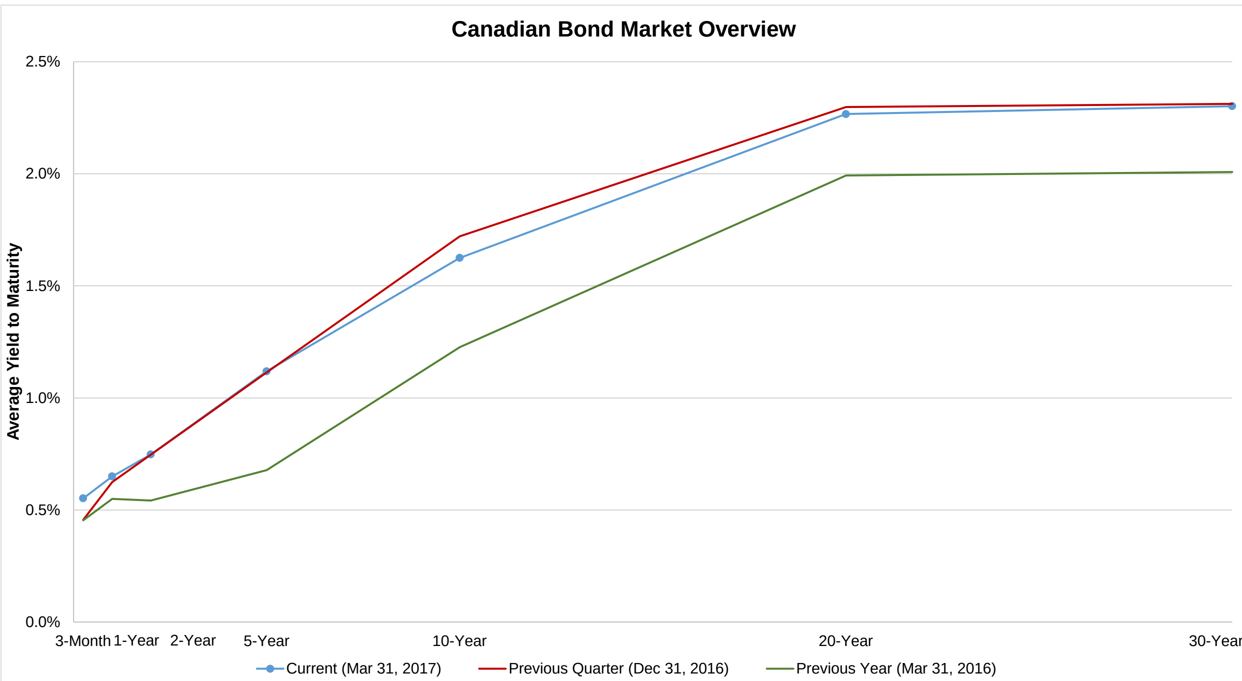
QUARTERLY MARKET UPDATE

AS AT MARCH 31, 2017

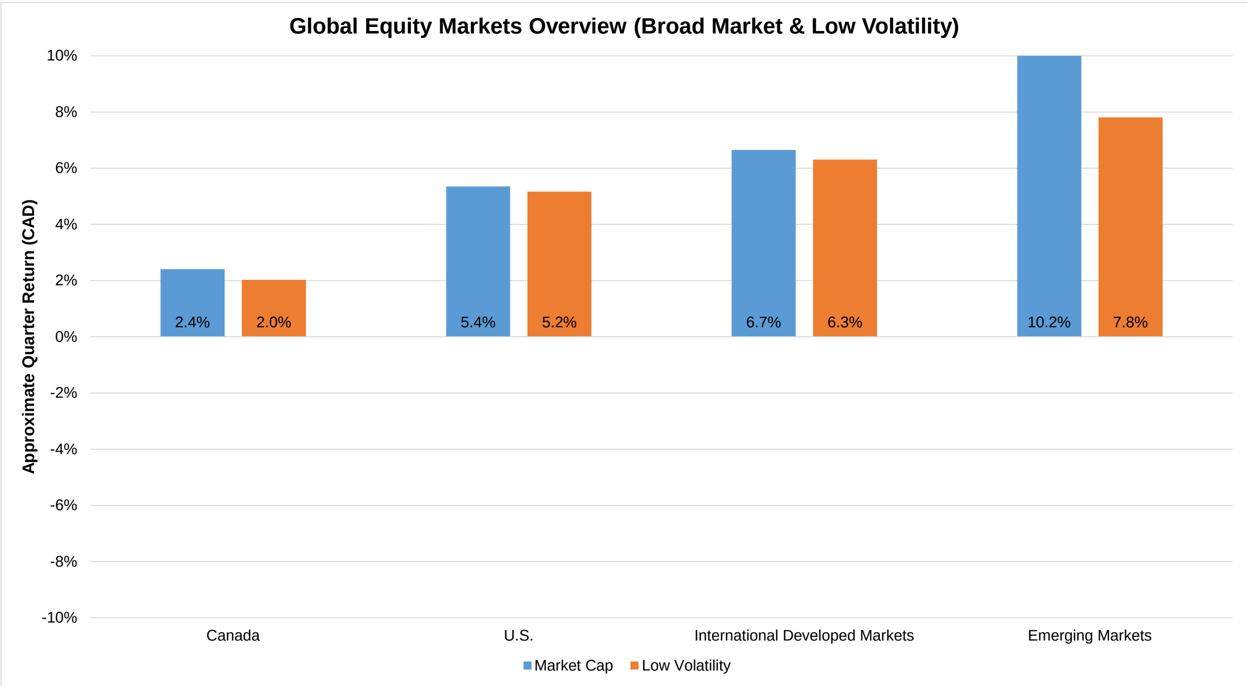
Performance Overview

- All asset classes provided solid contributions to total fund returns in the most recent quarter, with equities (both market capitalization and low volatility) being the strongest performers.
- After the significant move higher in the previous quarter, bond yields in Canada were much more stable from January to March, ending the period in roughly the same position as the beginning of the quarter:

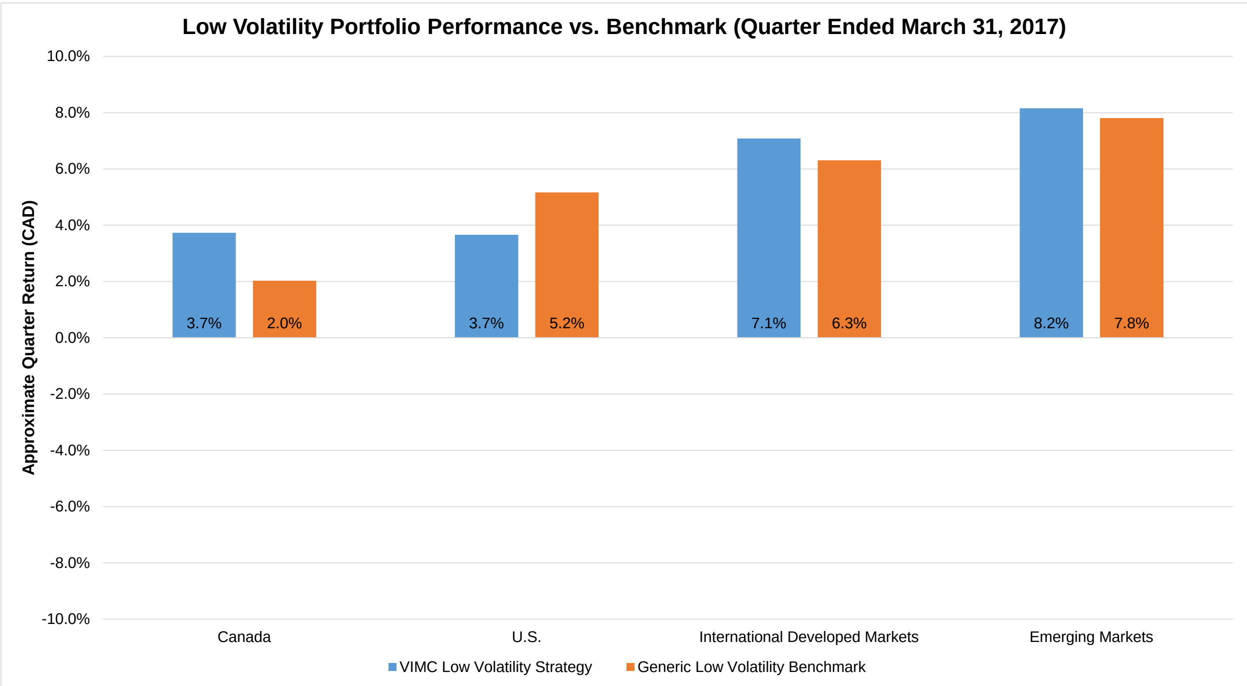


- For specific bond market indices, corporates outperformed governments in Canada in the quarter with a return of about 1.8% versus 1% for their respective benchmarks, while long bonds rebounded and were also strong in the period with the universe long index also up 1.8% for Q1.
- Alternative strategies contributed strongly to returns in the quarter, with solid performance across both Real Estate and Infrastructure combined with mildly positive returns for our Absolute Return strategies.

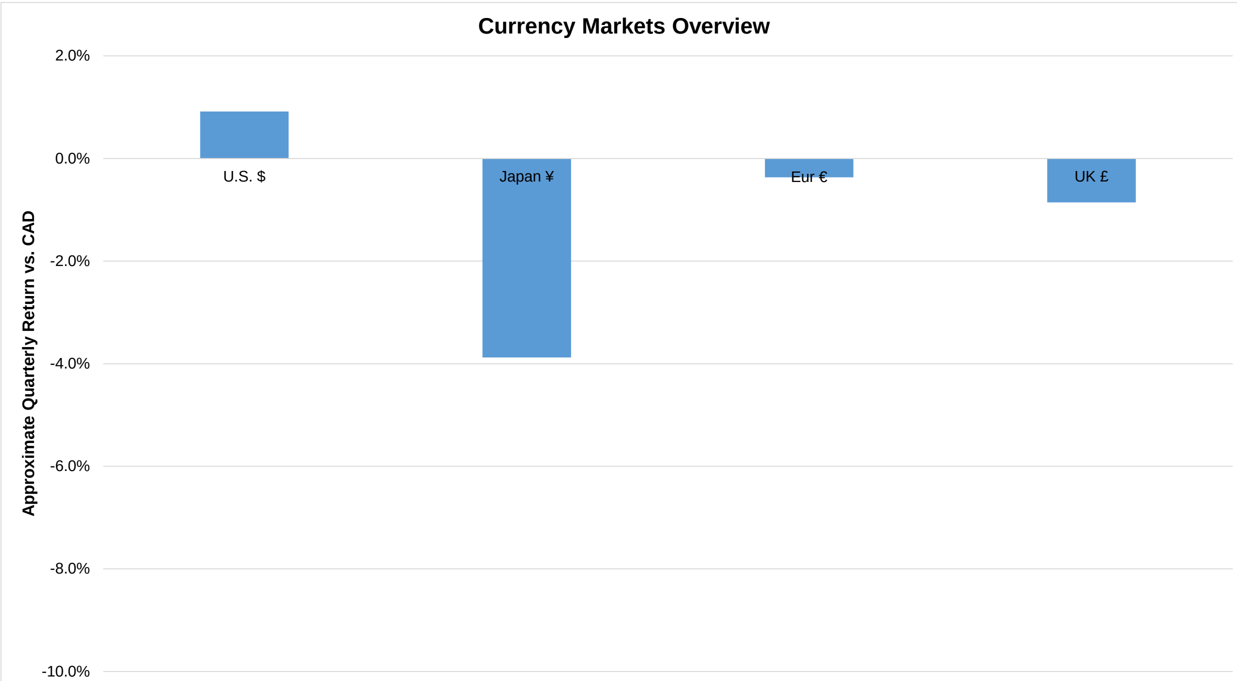
- Equity markets were on average solid in the quarter, with strong results in international markets (in particular the emerging markets, with a 10% market cap benchmark return in the period). In general, however, despite the strong equity markets globally, low volatility benchmarks were on average able to perform in line with broader markets in all areas except the Emerging Markets:



  - VIMC's low volatility strategies, with the exception of the U.S., outperformed their benchmarks in the quarter:



- In currency markets, the Canadian dollar was roughly flat versus the U.S. dollar (USD) in the quarter and moderately weaker against a portfolio of international currencies including the Japanese Yen, British Pound and the Euro, thus benefitting our unhedged positions in foreign currency denominated equities in the quarter.



Market Environment and Outlook

The “risk-on” environment for equities that emerged following the U.S. presidential election in November of 2016 continued in the first quarter of 2017, with the benchmark S&P 500 index climbing 6% in U.S. dollar (USD) terms (~5% in Canadian dollars (CAD)). Globally, most equity benchmarks performed well in the quarter, with Canada up 2.4%, the MSCI EAFE Index (global developed markets, except North America) up 6%, and the MSCI Emerging Markets Index up approximately 10%, all in CAD terms. The Canadian underperformance in the first calendar quarter comes as a reversal of 2016, during which the Canadian equity market outperformed developed market peers, and reflects significant underperformance among Energy sensitive equities, which make up a disproportionate share of the benchmark S&P/TSX Composite Index. Overall, equities earned strong positive returns of about 5% in the quarter, with robust performance from both market cap weighted and low volatility strategies.

While the solid equity performance trend continued in the quarter, the move higher in government interest rates that began in the final part of 2016 essentially paused in Q1 2017, as benchmark 10-year yields for Canada, the U.S. and Japan were mostly unchanged or slightly down in the first quarter. Bond investors in Canada also consequently experienced modestly positive returns, with government bonds up 1% on average and corporates earning approximately 1.8% in the quarter, while long-dated bonds, as measured by the FTSE/TMX Long Universe Index, were also up 1.8%.

Underlying economic fundamentals remain essentially on trend with the experience of recent quarters, with the U.S. remaining relatively strongest amongst developed market peers and apparently on track to turn in 2-2.5% real growth with roughly 2% inflation for 2017, barring unforeseen events. With the relative strength of the U.S. economy, the Federal Reserve (FED) remains on a gradual tightening path, with one interest rate increase completed in March, and market implied expectations for an additional two increases in 2017 remaining on track. This continues the recent trend toward macroeconomic policy divergence globally, as the FED remains one of the few central banks on a tightening trend supported by strong labor markets and economic growth, as Japan, Europe, and Canada each face a more continued conservative underlying economic forecast leading to what appears to be a relatively more supportive required policy stance.

While underlying employment, economic growth and inflation trends remain at least modestly positive in most markets, geopolitical uncertainty remains a significant source of potential risk to markets. In the U.S., the recent shelving of a health care reform initiative leaves market sentiment resting squarely on investor expectations of a tax reform package for which firm details remain scarce. Globally, continued political uncertainty in Europe (despite a recent failure of populist candidates to attract significant support in Dutch elections as well as positive outcomes in the first stage of elections in France), the oncoming Brexit negotiations, ongoing political development in other European markets, as well as tensions in the Middle-East and the Korean peninsula mean investors must be aware of potential risks to the fundamental outlook, with possible market drawdowns in the event of unexpected risk off events.

Ultimately, the global market landscape remains broadly unchanged from recent quarters, with asset prices in most markets remaining quite highly valued across both public and private equity as well as fixed income markets. While developed equity markets appear to be quite fully valued (reflecting investor perceptions of their relatively higher quality and liquidity profile), somewhat more reasonable valuations appear to be available in selected emerging equity markets, although these markets do tend to experience outsized sentiment driven shifts in performance when conditions change, offsetting the valuation advantages.

Other pockets of opportunity can potentially be found in the higher quality segments of credit risky bonds such as stable corporates and selected sub-sovereign governments. These markets, although not exactly cheaply priced, appear to offer attractive opportunities relative to their risk profiles, particularly given their typically lower interest rate exposure due to shorter maturity schedules (on average) when compared to sovereign government bond portfolios. Ultimately, so long as market sentiment remains positive, our short-term outlook will remain cautiously biased toward exposures to risk-on assets, expressed in a highly risk-controlled manner within our portfolios.

Considering a longer term forecast, current market valuations remain at a level that would suggest modest returns to investors in traditional strategies. Many equity markets appear to be priced at valuations that require continued strong profit growth or significant improvements in revenues to occur, and with the recent move lower in most mid-tenor (10-year) government bond yields, fixed income returns are likely to be modest in the medium term as well. Depending on the specific time horizon and underlying market expectations of the investor, a traditional 60% equity/40% debt portfolio appears to be priced in a way that leaves return expectations centered around a level of at best 4% per year, with significant uncertainty around the estimate based on actual outcomes in the global economy. Investors are wise to prepare for continued low longer-term returns from global financial markets.