

## QUARTERLY MARKET UPDATE

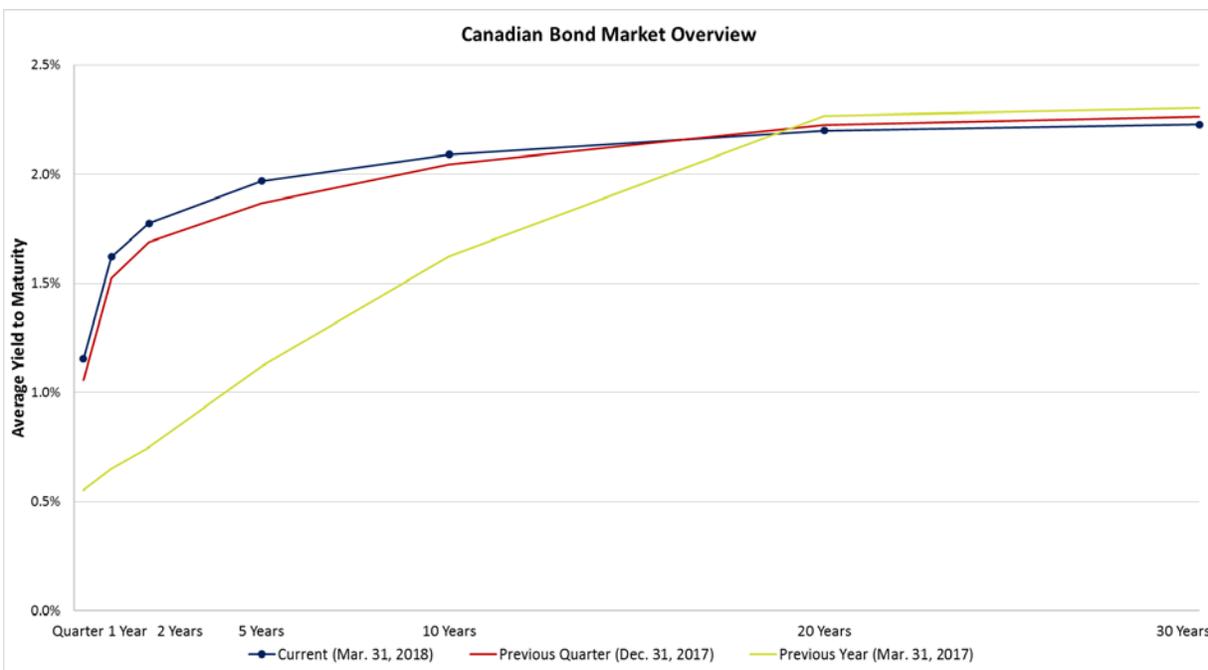
AS AT MARCH 31, 2018

The following information is being provided as an overview of Vestcor Inc.'s (Vestcor) investment activities and the general financial market conditions experienced during the noted reporting period.

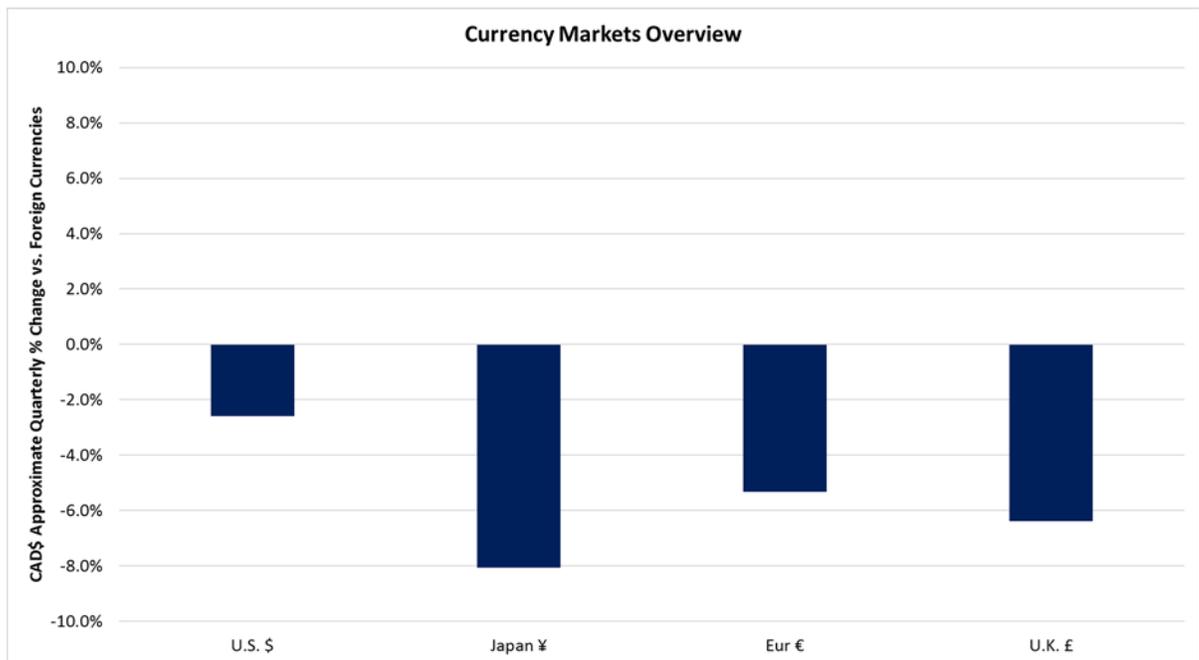
Please note that the following material is specific to Vestcor activities, and is presented for information purposes only. It does not constitute investment advice in any way, and no guarantee is provided as to its completeness or appropriateness. We recommend that readers consult a professional advisor with respect to their own specific financial matters.

### Performance Overview

- Market volatility reappeared over the quarter with the S&P 500 experiencing a drawdown of 10% from its high value of January 26<sup>th</sup>. As a result, asset class performance was quite varied with global low volatility equities, unhedged foreign currency exposure, and private investments providing an offset to weakness in Canadian equity and fixed income, along with underperforming public real estate and infrastructure.
- In general, active management results were positive during the quarter, with strong relative equity performance (both public and private) offsetting relatively weaker performance for Real Estate and Infrastructure.
- The Canadian yield curve flattened further during the quarter following another 0.25% interest rate hike by the Bank of Canada in January, although the impact on the All Government Bond Index was mitigated by stable long-term yields.
  - In a period of modest yield changes, Corporate bonds were among the strongest performers of Canadian bond sectors.



- Total Real Estate produced varied results during the quarter as private real estate outperformed public market REITs. In general, Canadian real estate strategies outperformed international real estate portfolios.
- Similar to the experience in real estate, private infrastructure portfolios outperformed public infrastructure in the most recent quarter with total combined performance for the two strategies broadly flat.
- Private equity performance was strong during the period and outperformed public markets.
- In currency markets, the Canadian dollar was materially weaker versus all major currencies:



- Overall, global equity markets showed mixed performance in local currency terms, while foreign equities produced positive returns largely due to a depreciating Canadian dollar. Generic Low Volatility equity underperformed in North America while maintaining stronger performance internationally when compared against broad market capitalization-weighted equities:

