

QUARTERLY MARKET UPDATE

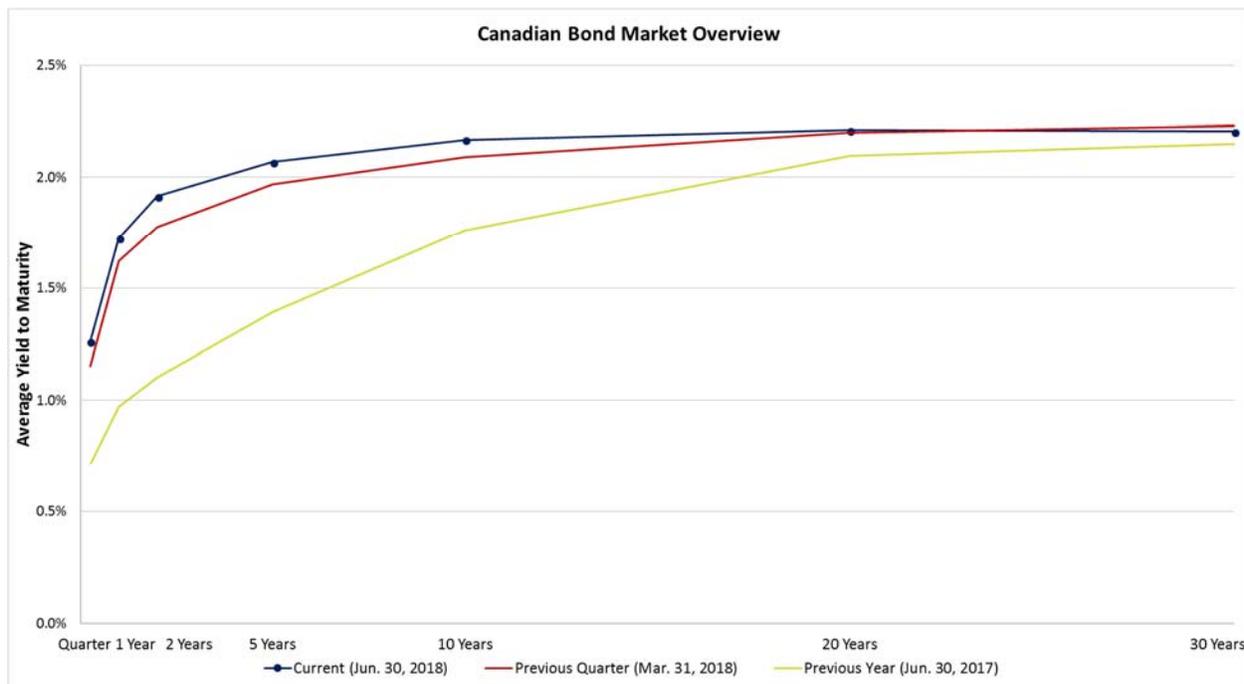
AS AT JUNE 30, 2018

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.

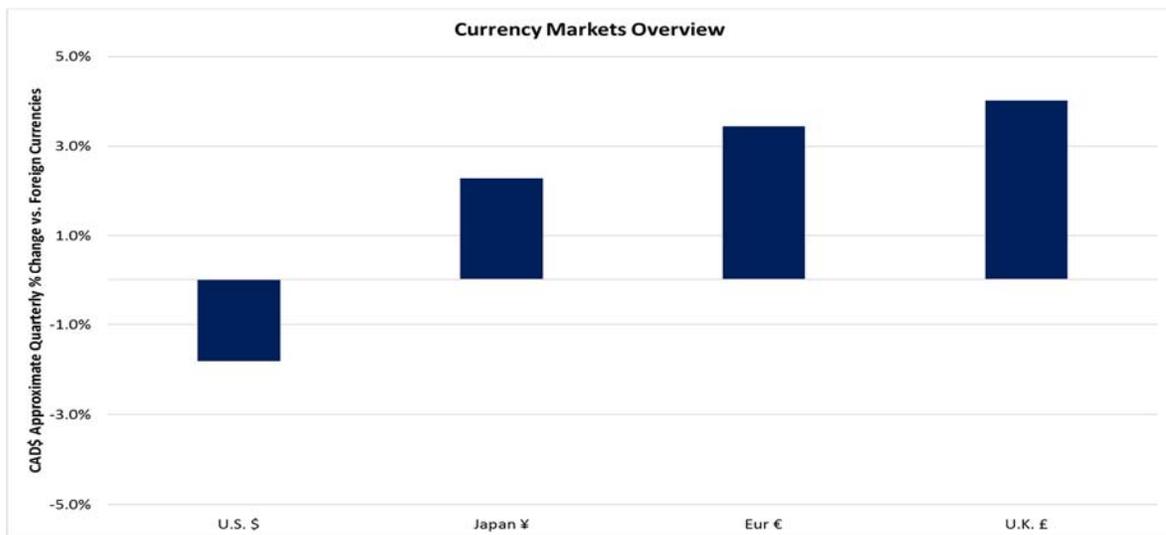
Please note that the following material is specific to Vestcor activities and is presented for information purposes only. It does not constitute investment advice in any way, and no guarantee is provided as to its completeness or appropriateness. We recommend that readers consult a professional advisor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

Performance Overview

- Performance was broad-based in the quarter with most asset classes having positive results. North American equities and alternative asset portfolios were strong contributors to the positive overall returns.
- During the quarter, active management activities generally produced positive results. The outperformance of alternative asset portfolios and market-capitalization weighted equities were the largest contributors.
- The Canadian yield curve continued the flattening trend observed over the past several quarters. In this environment, fixed income returns remain modestly positive. Government bonds were the top performer among nominal fixed income with the index gaining 0.55%. Corporate bonds underperformed as spreads widened modestly versus Government of Canada bonds and due to more exposure to short term rates which rose over the period.
- Real Return Bonds showed strong performance during the second quarter, with the index up 1.95% as inflation expectations advanced along with increasing crude oil prices.



- Total Real Estate produced strong returns during the quarter with all sub-categories showing positive results. Specifically, Public Market Real Estate (REIT) outperformed Private Real Estate while international outpaced Canadian real estate.
- Total Infrastructure generated a positive return in the most recent quarter with contributions from both public and private components.
- In currency markets, broad-based USD strength was the predominate theme. However, the Canadian dollar gained versus other major currencies:



- Equity markets showed strong performance in North America while International Developed had a somewhat challenging quarter, due to negative currency translation. Emerging Markets struggled, with the Chinese market being particularly affected. As expected, in regions of strong market capitalization-weighted performance Low Volatility strategies underperformed while in more challenging environments Low Volatility strategies provided some protection:

