QUARTERLY MARKET UPDATE

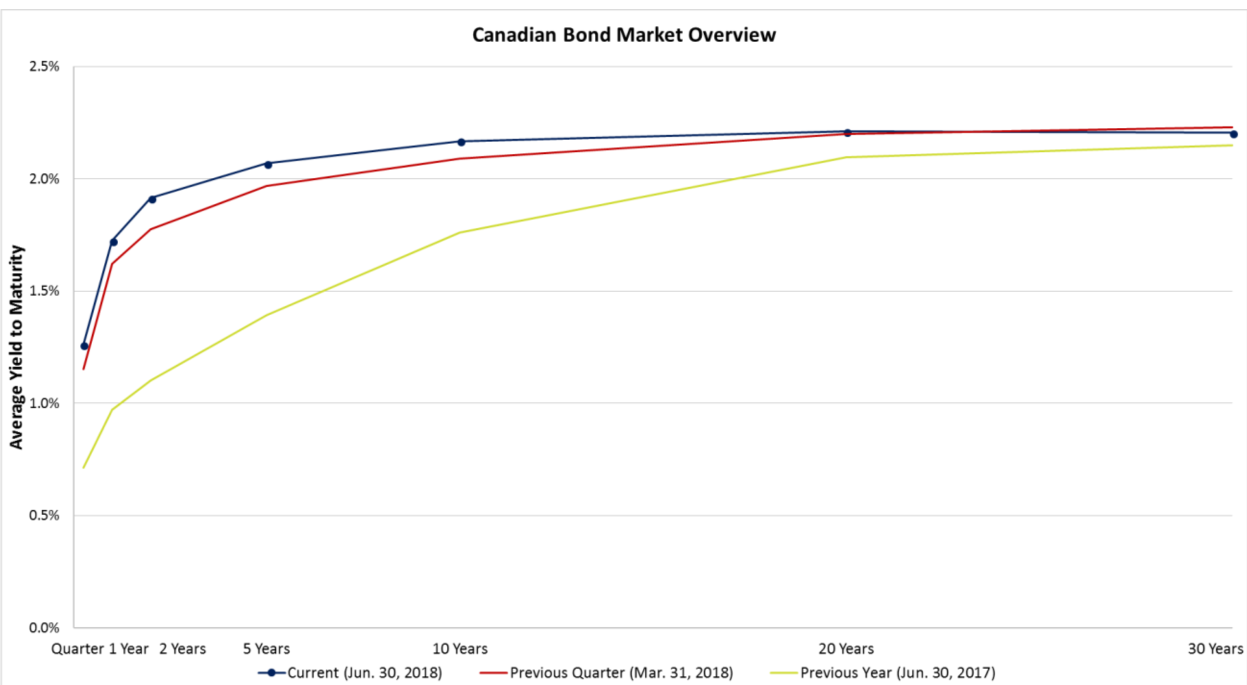
AS AT JUNE 30, 2018

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

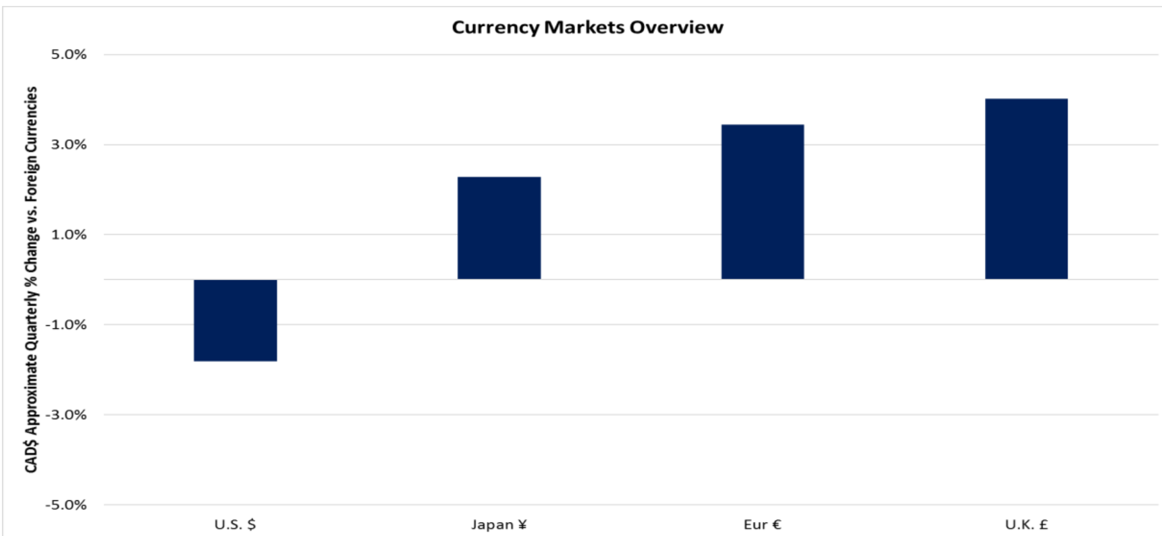
- Performance was broad-based in the quarter with most asset classes having positive results. North American equities and alternative asset portfolios were strong contributors to the positive overall returns.
- During the quarter, active management activities generally produced positive results. The 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.



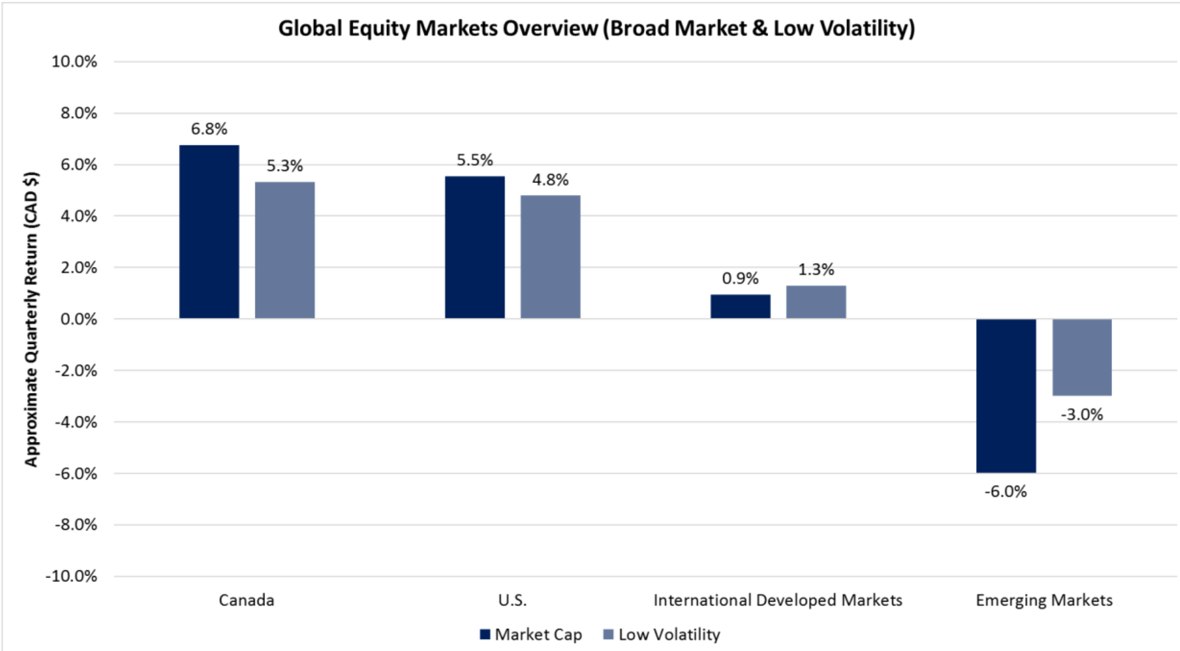
- Total Real Estate produced strong returns during the quarter with all sub-categories showing positive results. Specifically, Public Market Real Estate (REIT) outperformed Private Real Estate while international outpaced Canadian real estate.

- 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:



Market Environment and Outlook

Equity markets were stronger in the second quarter, as markets rebounded somewhat from the turmoil experienced in February and March. In local currency terms, the S&P 500 gained 3.4%, bringing its year to date total return to 2.6% (14.4% for the trailing twelve-month period). In Canada, the S&P/TSX Composite Index was also strong in Q2, gaining nearly 6.8% due primarily to a rebound in energy related equities, although over the longer term the Canadian market continues to trail global benchmarks such as the S&P 500 by a significant margin. Internationally, returns were mixed, with turmoil in emerging markets (down on average 6.1% in the quarter in Canadian dollar terms) reflecting the uncertain status of global trade and economic activity in general.

From a valuation standpoint, earlier pullbacks in equity markets combined with continued earnings growth have left market multiples at somewhat more reasonable levels when compared to valuations at or near year end. The forward Price Earnings (PE) multiple for the S&P 500 reached a recent high of approximately 20x near year end but has declined to a somewhat more modest level of about 17x near mid-year 2018. In Canada, the forward PE multiple for the S&P/TSX Composite Index currently sits at 15.7x, compared to the year-end level of closer to 17.5x.

U.S. Government interest rates have displayed considerable stability thus far in 2018 after steady increases in the second half of 2017. While the benchmark 10-year government yield increased from a low of near 2% in September of 2017 to nearly 3% in early 2018, the yield since then has remained essentially range-bound within the levels of 2.8% - 3%. Canadian yields have continued to be lower than the U.S. market throughout this period, and the Canadian 10-year benchmark has remained only slightly above 2% thus far in 2018, widening the spread between U.S. and Canadian 10-year yields to more than 70 bps at mid-year.

In commodity markets, energy prices continued their gains in recent months, with WTI crude rising to $74 USD at June 30, up from a level of about $45 a year ago. Outside of energy markets, however, commodity prices remain muted. Gold and silver prices are essentially unchanged from one year ago, while agricultural commodities have declined on average quite significantly thus far in 2018.

Overall, the outlook globally remains uncertain with economic performance deviating somewhat from the geopolitical and trade risk outlook. Economic fundamentals have remained strong thus far in 2018, with global growth remaining solid at a 3.1% average pace in 2017, with the Federal Reserve Bank of Atlanta GDPNow™ forecast for Q2 2018 expecting U.S. GDP growth of 4.1% as of early July. Additionally, the employment outlook remains solid, with the U.S. unemployment rate remaining low at 3.9%, with initial jobless claims at less than 230K for the latest June release. Overall, economic performance across the globe remains generally strong, although pressure points do remain with respect to the inflation outlook in certain markets that may potentially require continued increases in short term interest rates.

Geopolitical risk remains elevated in most markets. In North America, negotiations on a NAFTA replacement appear to have stalled completely, with both Canada and the U.S. engaging in reciprocal actions to raise tariffs on a wide variety of goods. In Europe, Brexit negotiations are also apparently not close to a resolution, with significant uncertainty in the outcome of Britain-EU trade negotiations leading some firms to shift significant investment plans away from the UK.

Overall, the medium-term outlook remains somewhat modest. While economic growth has been strong to date many forecasts expect that growth rates will slow closer to a 2% annual rate as global central banks continue to tighten their monetary policy and the impact of the 2017 U.S. tax cuts wears off. While valuations have become somewhat more modest in equity markets, interest rates remain low and competition in private market assets remains significant. Consequently, Vestcor's current expectations are that expected returns from passive strategies in these markets remain somewhat below their long run averages. However, despite the uncertain political outlook, current market pricing leaves us biased slightly toward risk assets such as equities, although with a significant reliance on diversification from alternative strategies and non-market capitalization weighted equity portfolios.