QUARTERLY MARKET UPDATE

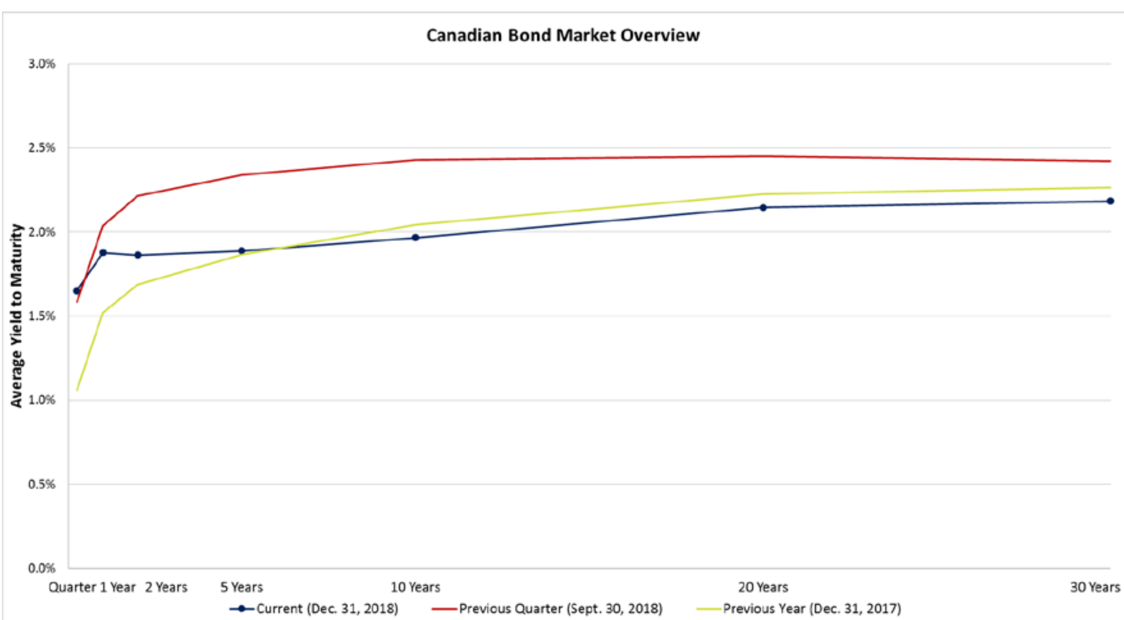
AS AT DECEMBER 31, 2018

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

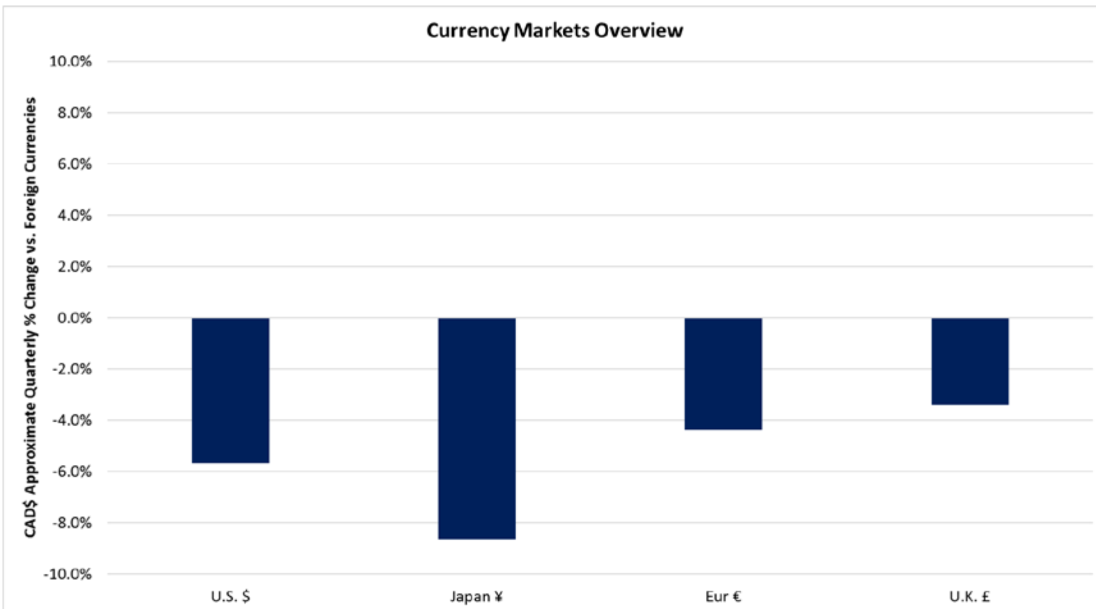
- The final quarter of 2018 provided a challenging environment with equity markets declining globally along with increased volatility across asset classes. Allocations to low volatility equity strategies and unhedged foreign currency exposure mitigated the impact of negative equity performance while other diversifying asset classes such as fixed income, real estate, and infrastructure produced positive results.
- Active management activities were strong in the quarter predominantly on the outperformance of Private Equity, Real Estate and Infrastructure programs.
- The Canadian yield curve flattened over the quarter. During October, the Bank of Canada increased rates by 25 bps to 1.75% which provided support to short-term rates while longer-term yields declined on equity market volatility. Falling yields across most terms provided positive results for nominal fixed income portfolios. Corporate bonds, while positive over the quarter, were negatively affected by rising credit spreads and underperformed Canadian Government bonds.
- The Real Return Bond Index showed weaker performance than nominal bonds as lower inflation expectations lead to losses for bonds which provide inflation protection.



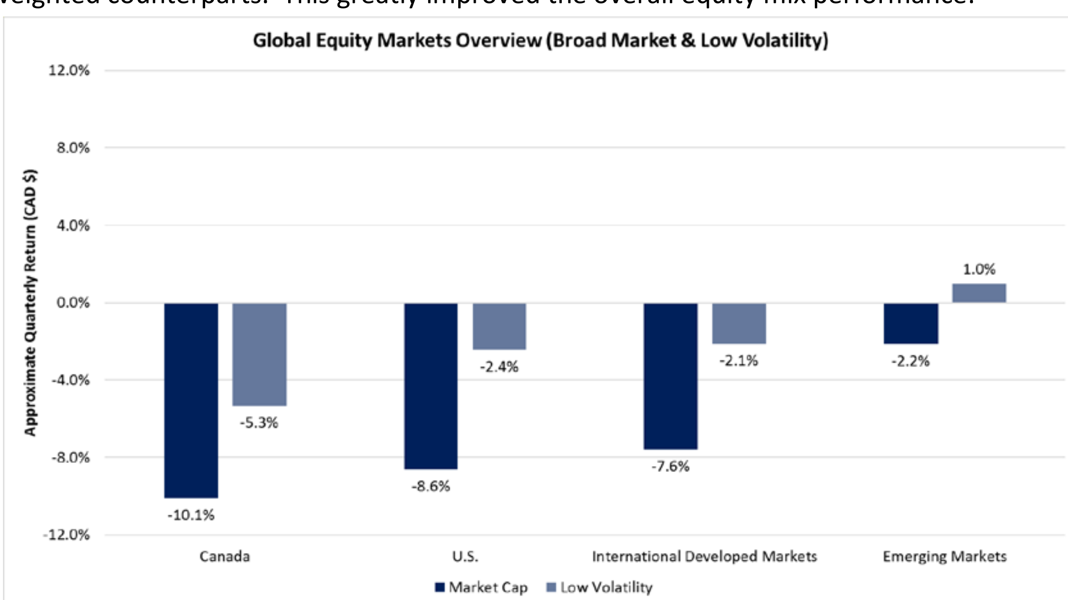
- Canadian Private Real Estate had the highest return among real estate categories while Canadian Public Market Real Estate incurred the lowest return.

- Total Infrastructure performance was positive.

- In currency markets, the Canadian dollar declined versus all major currencies. Therefore, unhedged currency exposure mitigated the declines experienced in global equities over the quarter providing diversification benefits:



- Equity market declines were broad-based during the quarter with negative returns for market-capitalization weighted strategies, both foreign and domestic. Performing as expected over periods of market turbulence, low volatility equities outperformed their market-capitalization weighted counterparts. This greatly improved the overall equity mix performance:



Market Environment and Outlook

Highlights:

- The 4th quarter closed out the year on a very volatile and uncertain note, with global public equities broadly weaker and bonds generally stronger.
- Heightened global trade concerns, slower economic growth statistics, and mixed interest rate policy signals from the U.S. Federal Reserve Board significantly impacted financial markets in the quarter.
- Unhedged Canadian Dollar investors outperformed foreign currency-hedged investors due to the weakening of the Canadian dollar vs. the U.S. dollar during the year.
- Low Volatility equity strategies in general were stronger than generic market benchmarks, in some cases producing positive returns while the market benchmark suffered capital losses.
- The equity market declines leave investors facing more reasonable valuations globally, although the growth and economic policy environment remains uncertain in the near to medium term.
- Vestcor's advisory clients' risk focused portfolios closed the year out with positive returns, while more traditional pension / balanced portfolios are expected to post negative returns in 2018.

Financial markets closed out a generally more volatile calendar year on a turbulent note, as evidenced by the S&P 500 dropping 13.5% from October to December, with an associated rise in the benchmark VIX volatility index from a low of near 12 to a high of over 35 in the quarter. In general, perceived weakness (relative to expectations) in certain U.S. economic data releases along with market fears of the Federal Reserve "overshooting" somewhat in its interest rate hiking path resulted in a significant drop for many risk assets in the 4th quarter.

In U.S. dollar terms, global equity markets suffered across the board in the quarter, with Canadian, U.S., International Developed, and International Emerging markets experiencing losses of -14%, -13%, -12% and -7%, respectively. For Canadian investors however, the roughly 5% weakening in the Canadian Dollar vs the U.S. Dollar offset these losses significantly – unhedged investments in these same markets (ex-Canada) returned approximately -9%, -8% and -3% in Canadian dollar terms.

For the full year, in Canadian dollar terms, only the U.S. market produced positive returns (~4%) while the Canadian, International Developed and International Emerging Markets indexes returned -9%, -6% and -7%, respectively. The MSCI ACWI Index – a market capitalization weighted benchmark of global developed and emerging equity markets – returned -1.5% in Canadian Dollar terms for 2018. This, combined with the fact that the Canadian bond universe returned about 1.5% for the year, indicated that a 60-40 (unhedged) global stock-Canadian bond portfolio likely provided a negative return for the full year period.

In contrast, generic Low Volatility equity indexes outperformed market capitalization weighted benchmarks significantly in both the quarter and for the full year, continuing to provide downside risk-hedging characteristics for equity focused investors. Canadian, U.S., International Developed, and

International Emerging Markets minimum volatility indexes outperformed their market capitalization weighted indexes by more than 2%, 5%, 8% and 9% respectively for the full year.

Commodity markets – particularly energy – were not immune to the volatility of recent months. After a broad strengthening trend in WTI Crude prices throughout much of 2018, crude fell from a high of over $75 in October to a low of under $45 in December, before rebounding somewhat by month end. Most energy related contracts followed similar paths in the quarter.

Overall, global economic performance remains generally solid, albeit with a somewhat more negative tone in certain places. U.S. GDP growth, while remaining strong at about 3.4% for the 3rd quarter (most recent data available at time of writing), is much weaker than the prior 4.2% reading for the 2nd quarter. This slowdown combined with the decline in manufacturing activity (from admittedly very high levels) clouds the outlook for the U.S. economy and likely causes more uncertainty in the future path of Federal Reserve policy. Globally, the geopolitical outlook remains mixed, with continuing uncertainty as to the likely form of resolutions in Brexit negotiations, U.S.-China trade, and various political events around the globe continuing to weigh on investors.

With the pullback in equity markets, valuation levels now sit at somewhat more reasonable levels – a positive for investors. However, when combined with the concurrent drop in interest rates and the slightly worsening outlook for economic growth and stability, caution in risk-taking remains warranted at this time.