QUARTERLY MARKET UPDATE

AS AT SEPTEMBER 30, 2019

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.

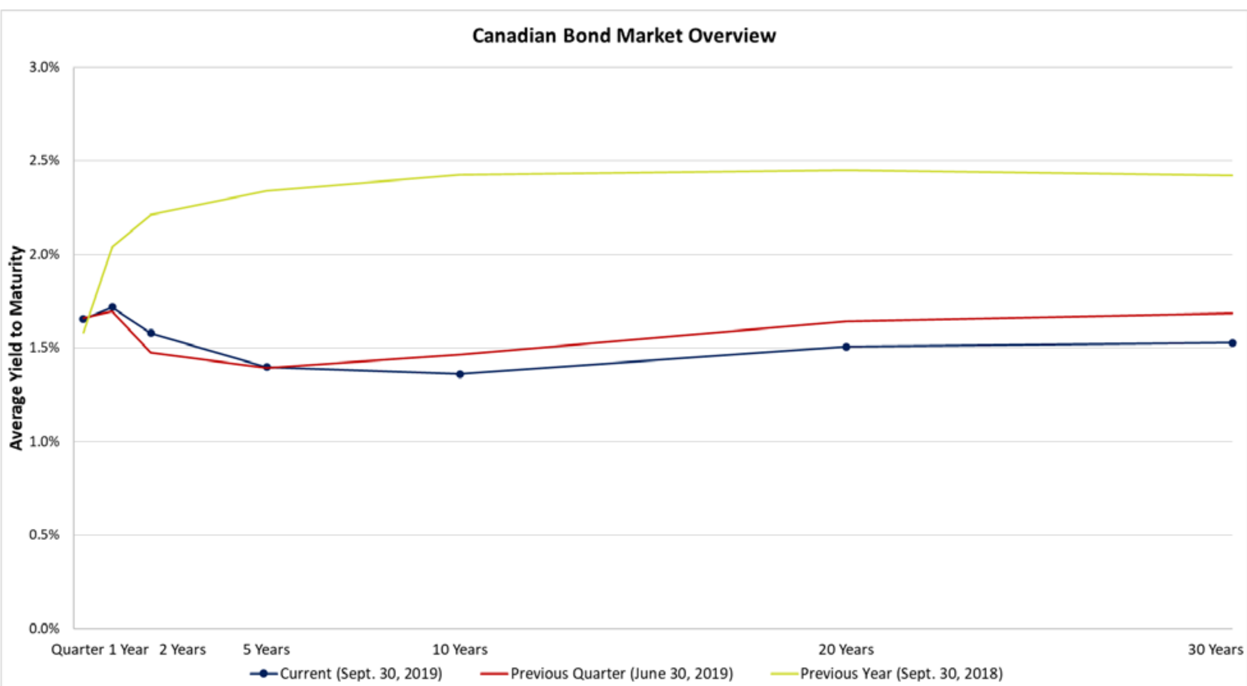
Performance Overview

- Performance was broad-based in the quarter with most asset classes producing positive results. In general, Alternative Investments and Equities, both market capitalization-weighted and low volatility strategies, provided strong contributions.

- Active management activities were positive in the quarter on the outperformance of various Alternative Investment programs.

- The Canadian yield curve remained inverted over the quarter with longer-term yields continuing to decline while shorter term yields remained anchored as the Bank of Canada left interest rates unchanged. The Canadian All Government Bond index advanced 1.22% slightly outperforming the Canadian Corporate Bond index which gained 1.09%.

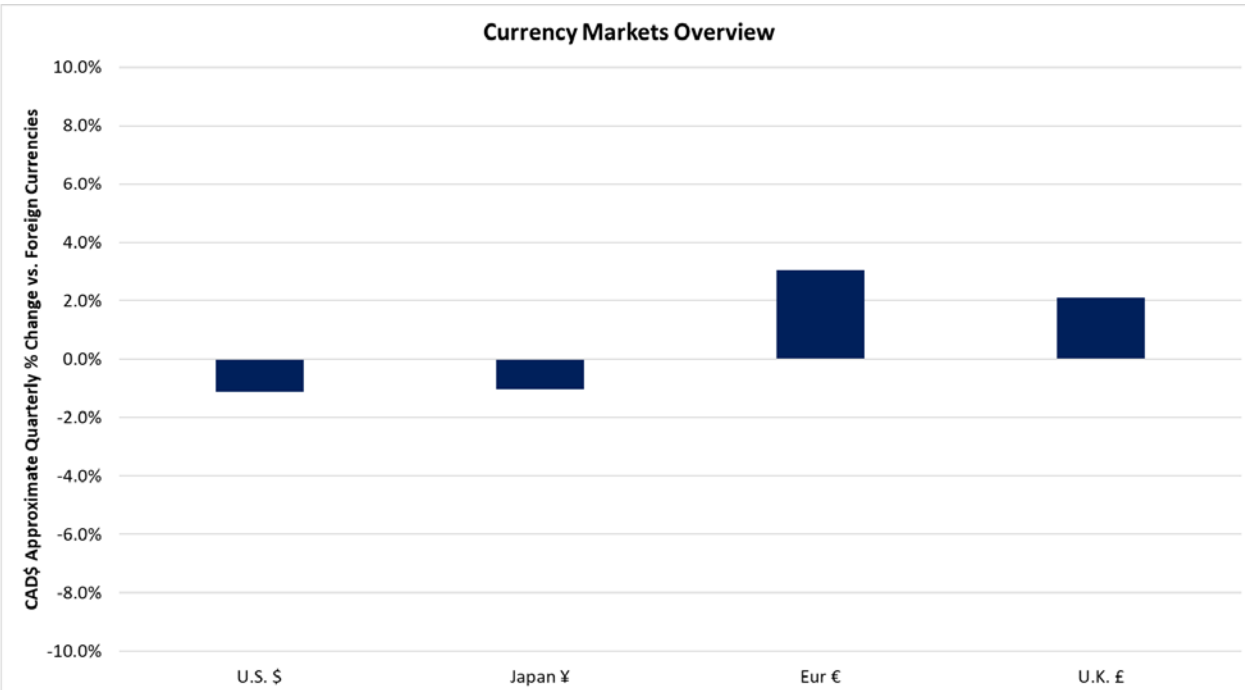
- The Real Return Bond Index gained 1.30% over the quarter having a similar performance compared with Canadian nominal bonds.



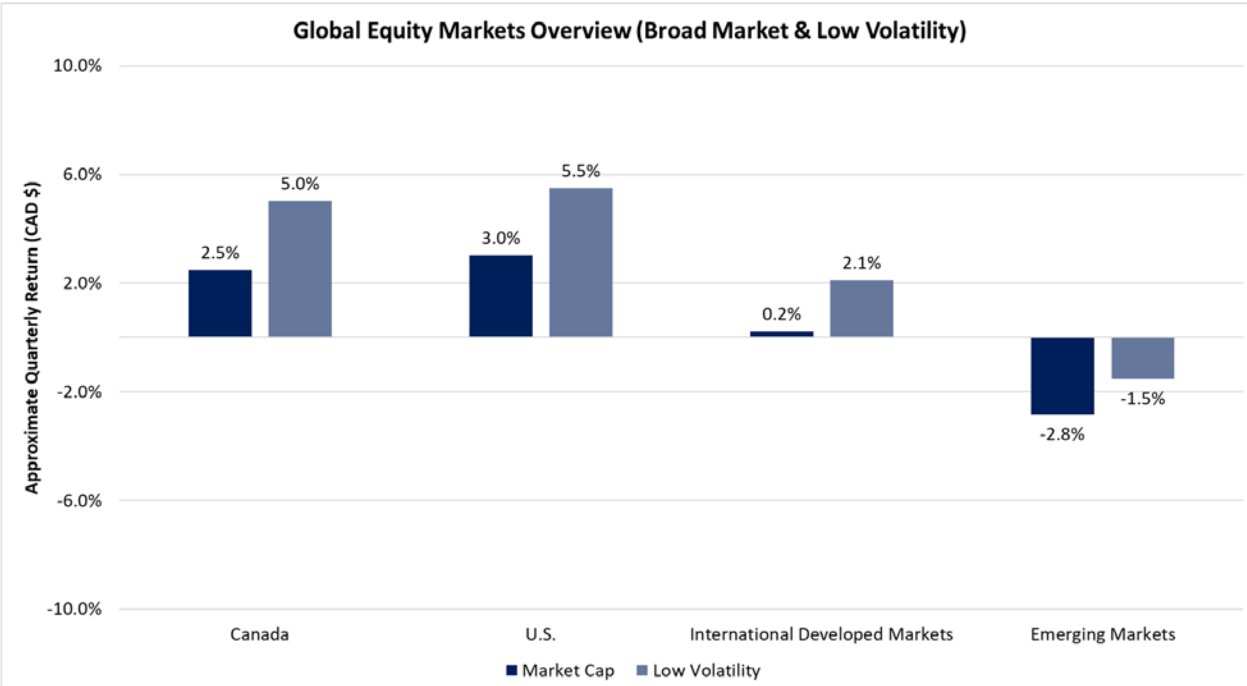
- Total Real Estate produced positive overall returns during the quarter. Public Real Estate was strong in the quarter outperforming Private Real Estate. Canadian and international components earned similar returns for both private and public activities.

- Total Infrastructure performance was positive during the quarter with Private Infrastructure outperforming Public Infrastructure.

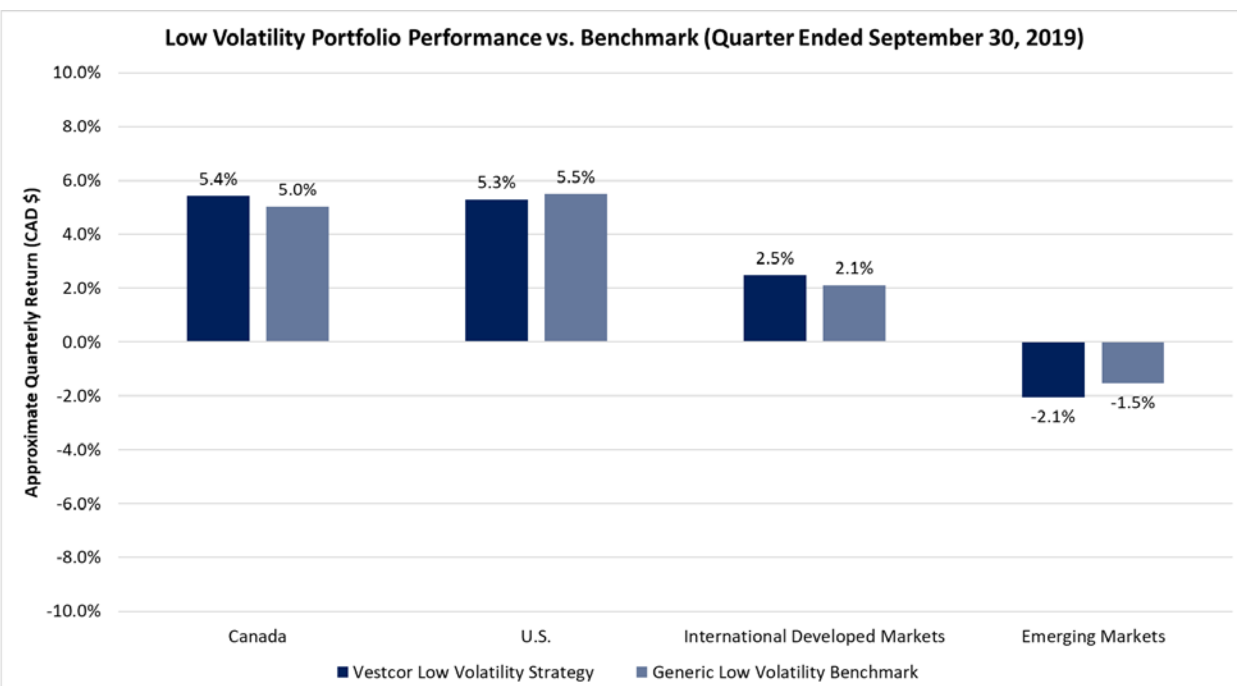
- In currency markets, Canadian dollar performance was mixed; depreciating slightly versus the US Dollar and Japanese Yen while gaining versus the Euro and U.K. Pound:



- Equity market performance was generally positive in the quarter with developed market indexes advancing while emerging markets incurred negative returns. During the quarter low volatility strategies outperformed broad equity markets across all regions:



- Considering Vestcor's low volatility program, performance was varied compared against generic low volatility benchmarks while all strategies outperformed market-capitalization weighted indexes.



Market Environment and Outlook

Summary:

- Central banks in several global markets appear to have entered or maintained a data-driven policy easing framework by reducing interest rates, initiating asset purchases, and lowering credit restrictions.
- Longer term bond yields have continued to decline year-to-date, and compensation for additional term and / or credit risk in fixed income markets remains low.
- Equity markets reacted positively to recent central bank actions, with positive returns in the quarter, although investor positioning remained somewhat defensively oriented as low volatility strategies significantly outperformed market capitalization weighted benchmarks.
- Consumer spending and employment growth remains strong, particularly in North America, however corporate confidence has generally weakened as evidenced by more limited capital spending.
- Although some limited progress has apparently been made on the important geopolitical issues of 2019, and markets remain in a generally risk sensitive state globally, firm resolutions remain unaccomplished.

In the face of moderating economic performance and heightened geopolitical tensions, central banks globally appeared to enter the early stages of a policy easing cycle in Q3. In the U.S., the Federal Reserve Bank twice lowered the target upper bound for the Federal Funds rate, pushing the level from 2.5% at the beginning of the quarter to just 2% at September 30. Globally, the European Central Bank launched another round of quantitative easing (large scale asset purchases) and additionally lowered its deposit rate slightly to -0.5%, while in China, monetary authorities reduced the required reserve ratio in efforts to boost credit formation. Going forward, market implied probabilities suggest that investors expect at least one further interest rate cut in the U.S., although the Federal Reserve Board has strived to maintain its flexibility in a "data driven" framework, and will adapt future policy choices to the conditions in the U.S. and global economy as necessary.

Fixed income markets saw continued declines in bond yields, with Canadian and U.S. government 10-year benchmark yields falling by 0.1% and 0.33%, to finish the quarter at 1.36% and 1.66%, respectively. Compensation for taking on additional risk in the form of longer maturities (and therefore much higher sensitively to rising yields) also sits at low levels, with the Canadian 30-year bond yielding just 1.53% at quarter's end, indicating just 0.17% additional yield for essentially a doubling of market risk. Furthermore, spreads on corporate bonds remain low in most segments of the market, with investors receiving reduced levels of compensation for the assumption of credit risk across the quality spectrum.

For equity investors, the recent central bank moves appear to have been well received, with positive returns to major benchmarks in most regions outside of the Emerging Markets for the quarter. In Canada, the S&P/TSX Composite Index gained about 2.5% in the quarter, roughly on par with the U.S. S&P 500 Index, which earned a total return of just under 3% during the same period. Internationally, markets fared less well, with international developed markets (proxied by the MSCI EAFE Index) up just 0.3% in Canadian dollar terms, and the MSCI Emerging Markets benchmark experiencing a loss of nearly 3% for the quarter, with the combination giving the total global equity market a slightly better than 1% return in Q3.

Lower short-term and longer-term bond yields contributed to generally favourable returns for low volatility equity portfolios, which tend to have higher interest rate sensitivity than traditional equity market portfolios due to their heavier allocations to higher yielding segments of the market. Low volatility indexes outperformed market capitalization weighted benchmarks by 1.5-2.5% in the quarter, depending on region. For the calendar year, despite strong equity returns overall, low volatility strategies have outperformed market capitalization weighted benchmarks in North America but continue to trail slightly in international markets. The continued strong performance of low volatility equities has resulted in the valuation premium for certain low volatility stocks widening considerably.

On the geopolitical front, little has changed in recent quarters, with some indications of progress around Brexit and U.S.-China trade, but without firm resolutions at this point. While European negotiators have continued to make apparent progress towards an orderly Brexit scenario, internal political challenges within the U.K. have thus far meant an overall inability to reach a conclusion to a process that has now exceeded three years since the 2016 vote. At the same time, while there are early indications of progress on the U.S.-China trade front, a wide-reaching trade deal will likely remain elusive as each side focuses on making small progress towards a de-escalation on the tariffs front. With the U.S. political cycle now ramping up significantly, it will be difficult to envision a significant achievement if negotiations drag on much longer, and in a downside scenario, investors will continue to deal with Brexit, trade negotiations, and a U.S. federal election cycle concurrently throughout 2020.

In general, recent strong investment performance has likely put most investor portfolios in a solid position relative to return targets but has also left financial markets expensive almost across the board. Consequently, longer term expected returns on most financial assets are likely to be lower than their long run historical averages. Defensive, high quality focused positioning while avoiding the most expensive and risk sensitive areas of global markets continues to remain a focus in Vestcor's client portfolios going forward.