VESTCOR

QUARTERLY MARKET UPDATE

AS AT March 31, 2020

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.

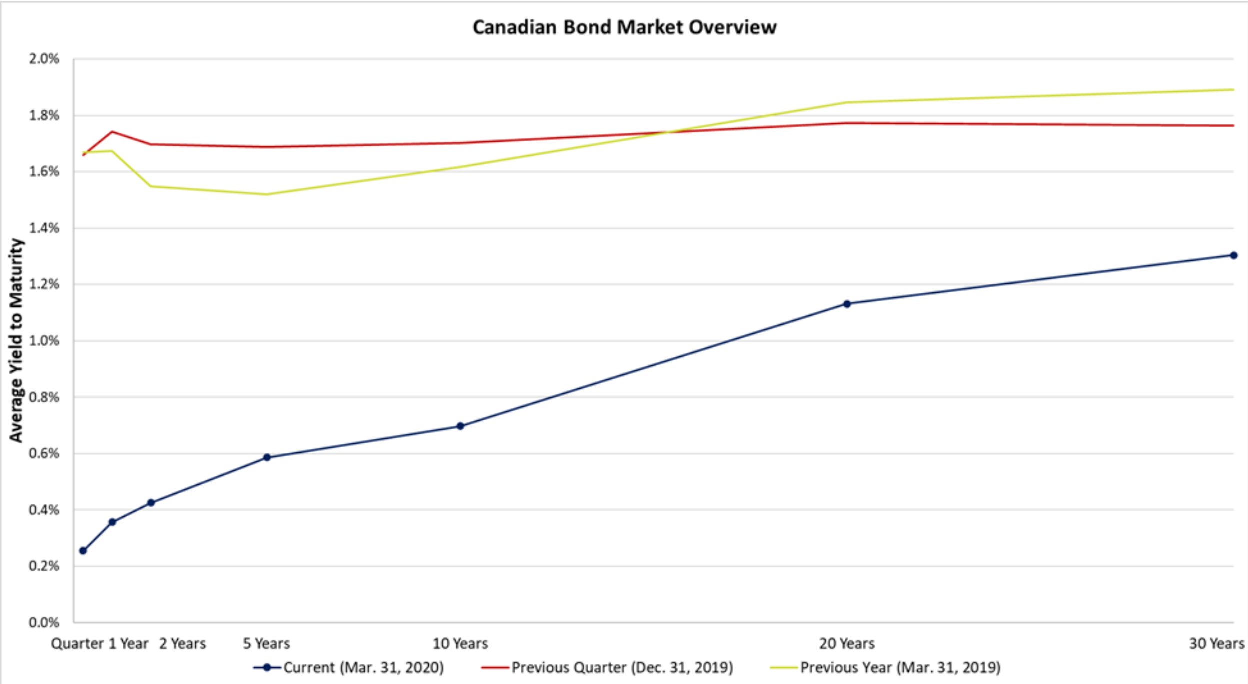
Please note that the following material is specific to Vestcor activities and is presented for information purposes only. It does not constitute investment advice in any way, and no guarantee is provided as to its completeness or appropriateness. We recommend that readers consult a professional advisor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

Performance Overview

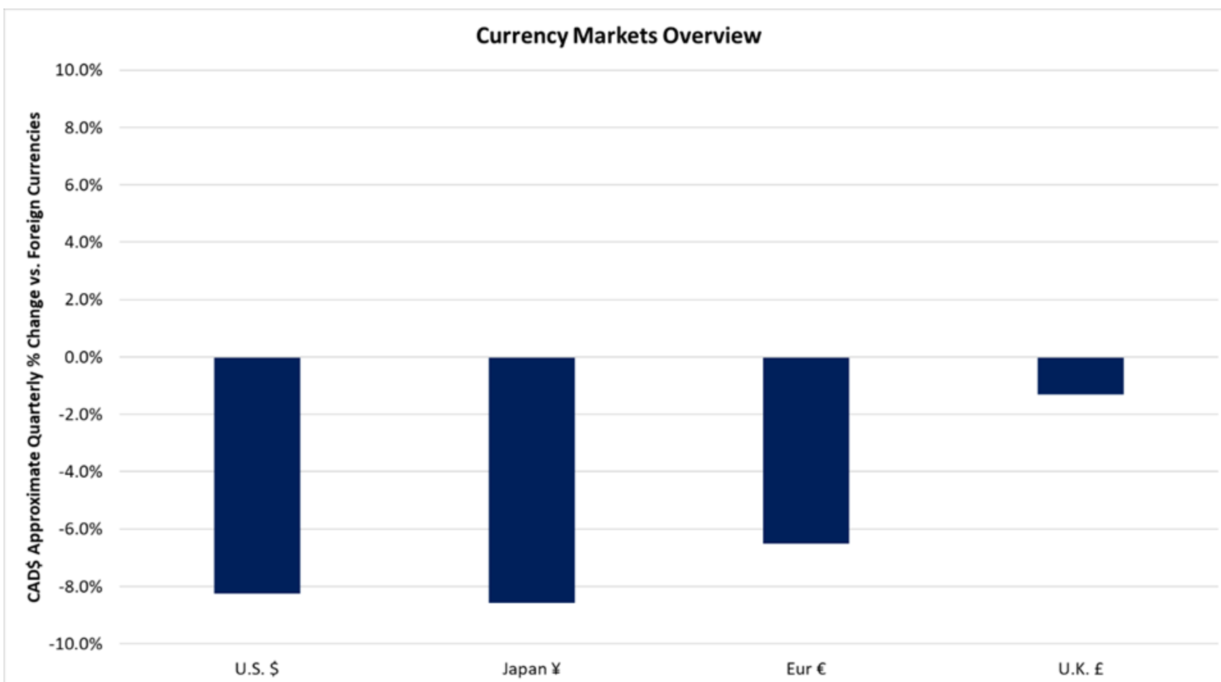
- Investment performance in the quarter was heavily impacted by the significant effects of a COVID-19 related economy-wide shutdown combined with a major oil price shock arising from a breakdown in OPEC+ supply management. Essentially all assets aside from cash and government bonds experienced declines for the quarter, with asset class returns closely corresponding with their levels of sensitivity to the global business cycle. Long-term investment returns for well diversified portfolios remained solid.

- Bond yields dropped significantly across all maturities based on the impact of increased investor demand for safe and liquid assets amid significant uncertainty regarding global economic activity. The yield curve steepened as the Bank of Canada lowered interest rates to 0.25% over the course of three distinct 50 basis point cuts on March 3rd, March 13th, and March 27th. However, while the Canadian All Government Bond index gained 3.11% during the quarter due to lower yields, the Corporate Bond index lost 2.48% as credit spreads widened due to concerns around both credit quality and liquidity.

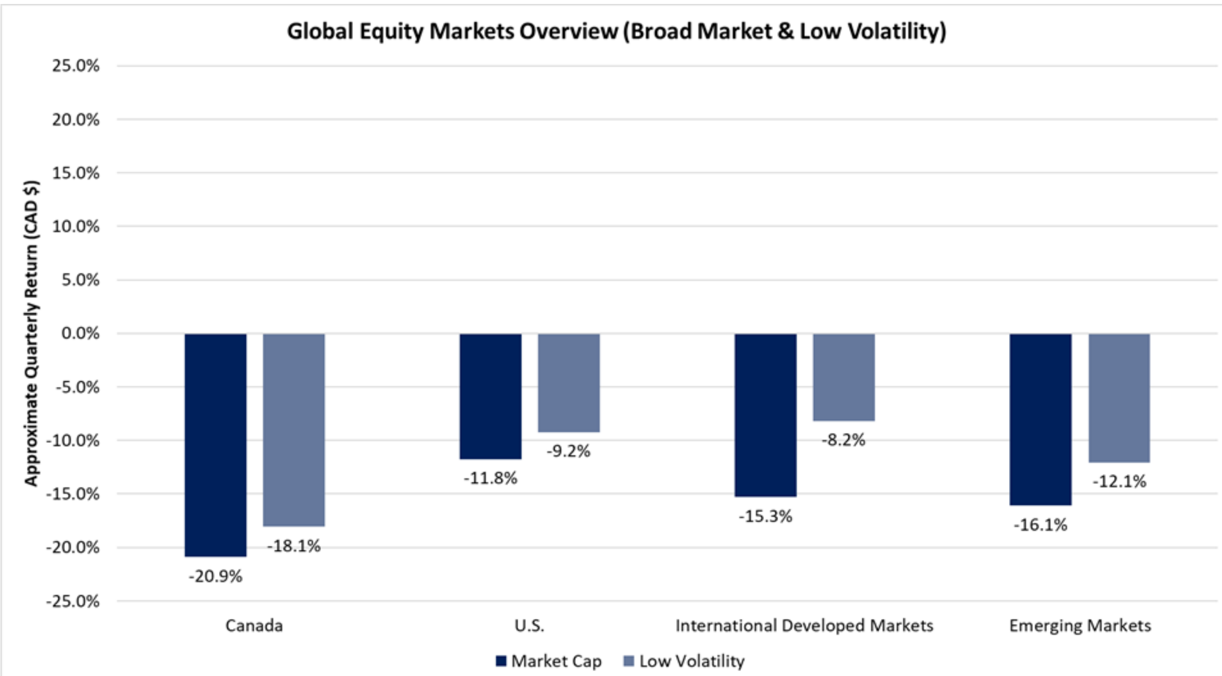
- Real Return Bond Index performance was roughly flat, underperforming Canadian nominal bonds due to falling inflation expectations lessening the demand for inflation hedged assets. The outlook for future inflation dampened on falling crude oil prices and anticipated declines in future economic activity.



- In currency markets, the Canadian dollar declined versus all major currencies as is typical over periods of uncertainty and market stress which benefited Canadian dollar denominated investors in offsetting a significant amount of underlying weakness in global asset prices.



* Equity market weakness was broad-based with declines experienced across all regions. Before adjusting for currency moves, most global equity indexes experienced losses between 19% and 22% in local currency terms, with only currency exposures providing differentiation in the quarter. Performing as expected over periods of market turbulence, low volatility equity indexes outperformed their market-capitalization weighted counterparts in all regions.



Market Environment and Outlook

Summary:

* With the onset of significant policy-induced economic disruptions due to the COVID-19 pandemic combined with a Saudi Arabia and Russia induced general breakdown in energy markets, financial markets experienced historic levels of volatility in the first quarter.

* From February 19 to March 23, the S&P 500 Equity Index dropped 34% in local currency terms before rebounding somewhat to finish the quarter down 23.6%.

* Essentially all markets felt the impact, with bond yields and credit spreads experiencing significant moves, while the Canadian dollar/U.S. dollar exchange rate fell from approximately $1.32 to $1.45 over the same period, a reduction in value for the $CAD of 9%.

- Increasing volatility presented both challenges and opportunities for active managers, as the benchmark VIX index spiked from levels below 14 to briefly exceed 80 – levels not seen since the global financial crisis of 2008-09.

- WTI Crude benchmark prices dropped from just under $60 per barrel at the beginning of the year to close the quarter at $24.51.

The first quarter of 2020 presented significant challenges for investors, with publicly available benchmarks suggesting that Canadian diversified pension portfolios returned on average -10% from January to March before accounting for investment management fees. The economy-wide nature of the government mandated shutdown ensured that challenges were felt across essentially the entire spectrum of investable assets, including significant increases in market volatility to a level not experienced since 2008-09.

Global equity markets saw the brunt of the damage. The S&P 500 fell 34% from peak to trough during the quarter, and ended the quarter down nearly 20%, similar to the -21% return for the S&P/TSX Composite Index over the same period. More globally, the MSCI EAFE Index dropped nearly 23% in $USD terms, while emerging markets dropped 28% once adjusted for the strength in the USD. For Canadian dollar-based investors with unhedged foreign currency exposure, global asset returns were significantly enhanced due to the weakening of the Canadian dollar vs. the USD, which resulted in improving returns by approximately 7% for USD denominated investments.

Declines in government interest rates helped fixed income investors offset some of the losses in equity markets, although the intra-quarter experience was similarly volatile when compared with normal market conditions. While underlying government bond rates finished the quarter lower, spreads for provincial and corporate bonds however widened significantly through the quarter due to worsening liquidity and credit conditions. In Canada, while benchmark 10-year government rates declined from about 1.7% at the beginning of the year to just under 0.7% at the end of the quarter, overall returns for bond investors were just marginally positive at 1.5% for the quarter due to wider credit spreads at quarter's end.

Commodity markets have also experienced record return and volatility conditions in 2020 thus far. With the general fall in demand due to COVID-19 related economic shutdowns combined with an initial failure of the OPEC+ group to come to a quick agreement on reducing output, oil inventories increased dramatically at the earliest stages of the crisis period. This led to unprecedented market action around the expiry of the benchmark first month oil futures contract for WTI, with the price of that contract reaching a low of -$40 per barrel during intraday trading on the day before the contract's expiry in April. For a brief moment during the expiry period traders were essentially willing to pay up to $40 to avoid taking delivery of an actual barrel of WTI Crude oil. While prices have recovered to positive territory and a detailed analysis of this period is beyond the scope of this update, challenges remain in the global energy markets and related businesses. As of this writing the benchmark price of WTI Crude remains depressed at just $16, indicating continued market expectations of oversupply and impaired demand.

Putting the 2020 year to date returns in the context of prior market events presents challenges. While even at the March market lows, the overall scope of the drawdown did not reach levels observed during 2008-09, however the speed of the drawdown and the overall market volatility for the February to March period of 2020 is essentially unprecedented in market history. While the speed of the drawdown and the jump in volatility was nearly unprecedented, so too was the response on the part of policymakers. Both the U.S. Federal Reserve and the Bank of Canada were quick to cut short term lending rates to effectively zero, and the Federal Reserve's quantitative easing raised the U.S. Fed balance sheet by $2.5 trillion in just 6 weeks, which was effective in spurring recovery in many risk assets due to a broad-based compression in certain liquidity and risk factors.

Unfortunately, setting expectations for the near to medium term future is extremely challenging. While certain asset values have recovered since mid-March due to a broad-based recovery, they remain below levels of the previous year end, and certain segments of the market are significantly impaired relative to their previous highs. Private markets such as Real Estate, Infrastructure, and Private Equity will continue to feel the effects of the economic shutdown for several quarters before valuations normalize with those currently displayed in the public markets.

Investors must now begin the process of analyzing individual positions to understand the medium to long run outlook in an uncertain post COVID-19 economy under various outlooks, while simultaneously assessing the likely macroeconomic outlook. While economic fundamentals were solid prior to 2020, it will be quite some time before investors receive clarity as to what the global economy will resemble as the economic re-opening begins. In the meantime, a continued focus on diversification and risk control will remain essential for investors to effectively navigate a market that will likely experience elevated volatility for some time to come.