

VESTCOR INVESTMENT MANAGEMENT CORPORATION

Shared Risk Plan for Certain Bargaining Employees of New Brunswick Hospitals (CBE Hospitals)

Four months ended December 31, 2016

Year Ended December 31	Full Gross Return² %	Net Return %	Benchmark Return %	Composite 3-Yr SD³ %	Benchmark 3-Yr SD³ %	CBE Hospitals AUM⁴ (in millions of \$CAD)	Firm AUM⁴ (in millions of \$CAD)
2016¹	3.80	3.73	2.26	N/A	N/A	908.1	15,706.5

¹ Four months ended December 31, 2016

² Supplemental information

³ SD means standard deviation

⁴ AUM means assets under management

Composite Description

The Shared Risk Plan for Certain Bargaining Employees of New Brunswick Hospitals (CBE Hospitals) composite includes all portfolios managed by Vestcor Investment Management Corporation (VIMC) on behalf of the CBE Hospitals based on that pension plan’s objectives and risk management goals. The CBE Hospitals composite includes public equity, fixed income, real estate, infrastructure, and absolute return asset classes.

Composite Creation Date

The CBE Hospitals Composite was created September 1, 2016 for reporting to the CBE Hospitals Board of Trustees.

Firm Description

Vestcor Investment Management Corporation was established pursuant to the New Brunswick Investment Management Corporation Act which was proclaimed on March 11, 1996 and was continued effective October 1, 2016 as a share corporation pursuant to the Vestcor Act. VIMC provides investment management and advisory services for pension, trust, endowment and similar funds within the public sector.

The composite funds are invested in unit trust funds, separate accounts, and limited partnerships, established by VIMC to facilitate the collective investment management and administration of these assets. The funds managed by VIMC are held in accordance with each composite’s investment policy.

A complete list and description of firm composites are available upon request.

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Compliance Statement

VIMC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. VIMC has been independently verified for the periods December 1, 1996 through December 31, 2016. The verification reports are available upon request.

Verification assesses whether the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. Verification does not ensure the accuracy of any specific composite presentation.

Calculation Methodology

Composite returns were calculated in Canadian dollars using the aggregate return method on a daily basis. Daily returns were linked geometrically to calculate periodic returns. Returns include dividends net of withholding taxes, interest, as well as realized and unrealized gains and losses as of the last business day of the reporting period.

Performance returns expressed on a full gross basis are after the deduction of all trading expenses, but before the deduction of investment management costs and custodial fees.

Under the terms of its investment management agreements, VIMC charges for its investment management services on a cost recovery basis, allocated *pro rata* to its clients according to their share of VIMC's total assets under management. Performance returns expressed on a net basis are after the deduction of all expenses charged for the composite assets under management, including trading expenses, custodial fees, and investment management costs.

The composite performance presented in this schedule may not be indicative of future performance. Readers should also be aware that other performance calculation methods may produce different results, and that the results for specific accounts and for different periods may vary from composite returns presented. Comparisons of investment results should consider qualitative circumstances and should be made only to portfolios with generally similar objectives.

In the calculation and presentation of performance returns, VIMC is not aware of any instances in which this presentation does not conform with the laws and regulations of any province or territory of Canada in which VIMC operates.

Additional information regarding VIMC's policies and procedures for calculating and reporting composite results is available upon request.

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Number of Portfolios and Internal Dispersion

The internal dispersion measure and number of portfolios are not presented because the CBE Hospitals Fund is the only portfolio in the composite.

Three Year Annualized Ex-Post Standard Deviation

The 3 year annualized ex-post standard deviation measure is not available because the composite has not existed for 36 months.

Sub-advisors

VIMC enters into sub-advisory agreements whereby certain assets are managed by sub-advisors. Rates of return earned on assets managed by the sub-advisors are included in VIMC's composite presentations because VIMC maintains full discretion over the use and choice of sub-advisors.

Derivative instruments and short positions

Futures contracts, forward foreign exchange contracts, exchange traded and over-the-counter options and swaps, and short positions are used in VIMC's investment management activities.

These derivative instruments are used for various purposes, including:

- to simulate exposure to a particular market index, but with lower transaction costs;
- to enhance performance returns;
- to modify the cash flow characteristics of an investment; or
- to hedge against potential losses due to changes in foreign exchange rates or stock prices

In using derivative instruments, as described above, VIMC has established investment criteria, policies and procedures over the extent and use of derivative instruments to manage performance returns and mitigate market risks such as foreign currency, interest rate and pricing risk.

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Benchmark Description

VIMC is transitioning CBE Hospital's investment funds into an appropriate mix of NBIMC Pooled Fund investments. During the transition period, the CBE Hospitals' composite blended benchmark is calculated daily using a blend of the asset class benchmarks, based on the beginning daily weights for the respective asset classes. Benchmark returns were calculated using the following indices and weights on December 31, 2016:

Index	Weight (%)
S&P/TSX Total Return Composite Index	3.07
MSCI Canada Minimum Volatility Total Return Index, Gross	8.78
MSCI World (ex. Canada) Total Return Index in \$C, Net	16.05
MSCI USA Minimum Volatility (USD) Total Return Index in \$C, Net	10.01
MSCI EAFE Minimum Volatility (USD) Total Return Index in \$C, Net	6.34
FTSE TMX Canada Universe Bond Index	15.14
4% Real Return*	40.61

**Inflation is defined as the percentage change in the twelve-month average CPI-Canada All Items Index*