

QUARTERLY MARKET UPDATE

AS AT SEPTEMBER 30, 2025

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.

Look for terms with a dotted underline in this Quarterly Market Update.
You can find definitions of these terms and others by visiting vestcor.org/glossary.

Market Environment & Outlook

Equity markets continued their strong rebound from the Liberation Day-induced volatility in April.



Global equity markets continued their strong gains in Q3. After a modest drawdown in the early part of the year and a sharp but relatively short-lived selloff in April caused by the so-called “Liberation Day” tariff announcements, global equity indexes have rebounded significantly.

Year-to-date, the S&P 500 has gained nearly 15% in USD terms (11% in CAD), while global developed and emerging market indices have earned 18% and 28% respectively, both in U.S. dollars. Canadian markets also joined the rally, rising nearly 24% so far for the year (with small-cap stocks gaining an even more impressive 36% over the same period).

The Federal Reserve delivered one rate cut in September, while an additional 1-2 cuts are priced into bond markets for the remainder of 2025.



Central banks continue to do their best to navigate a continually evolving economy, a task that will be particularly challenging given the likely lack of market data as a result of the October 1 U.S. government shutdown.

In the U.S., the Federal Reserve lowered interest rates by 0.25% in September, bringing the target short-term rate down to 4.25%. Markets continue to price in additional rate cuts, expecting 1-2 further reductions in the target rate in 2025, and an additional 1-2 in 2026, bringing the expected future short-term rate close to 3%. As always, however, the Fed is expected to remain “data dependent” at all times (assuming such data are available) and will adjust policy accordingly.

Market Environment & Outlook

Significant uncertainty exists around future Federal Reserve Policy.



By far the largest source of uncertainty in central bank policy is the status of Fed Chair Jerome Powell. Powell's term as a Governor extends until 2028, but his time as Fed Chair will end in May of 2026, all but guaranteeing that President Trump will name a replacement given his apparent unhappiness with the level of interest rates.

Market participants will need to carefully assess policy during and after the changeover, and it is likely we will see additional volatility in market estimates of the future path of interest rates over the coming quarters.

Outlook



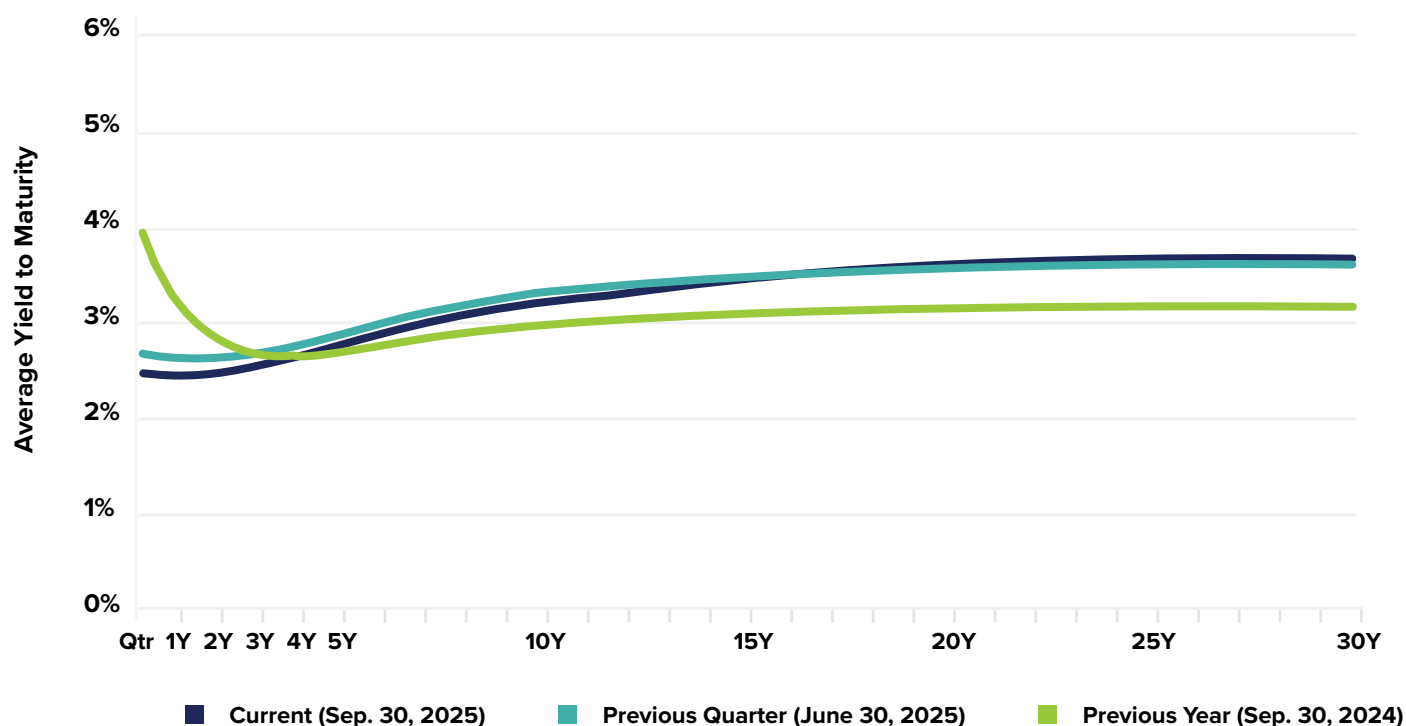
Economic fundamentals in the U.S. remain mostly solid; however, U.S. equity markets have struggled to keep pace with global counterparts. This performance disparity likely reflects, at least in part, differences in valuation – while the U.S. economy has remained resilient, with strong companies that continue to grow and innovate, the current forward-looking P/E ratio of U.S. stocks of nearly 25x implies that significant growth will be required for investors to achieve positive returns over the medium term.

Overall, baseline market expectations remain mostly unchanged from previous quarters. Put simply, while opportunities continue to exist to add additional value through security selection, investors are likely well served to continue to prioritize diversification – across asset classes, global markets, and active strategies – to continue to achieve long-run return targets while maximizing stability in the short term.

Overview: Fixed Income

As largely expected, the Bank of Canada reduced the policy interest rate by 25 basis points this quarter, bringing the overnight rate to 2.50% among signs of a weakening economy and fairly stable inflation. Yields on short-term durations decreased over the quarter while yields on longer maturity bonds increased, resulting in a slightly steeper yield curve.

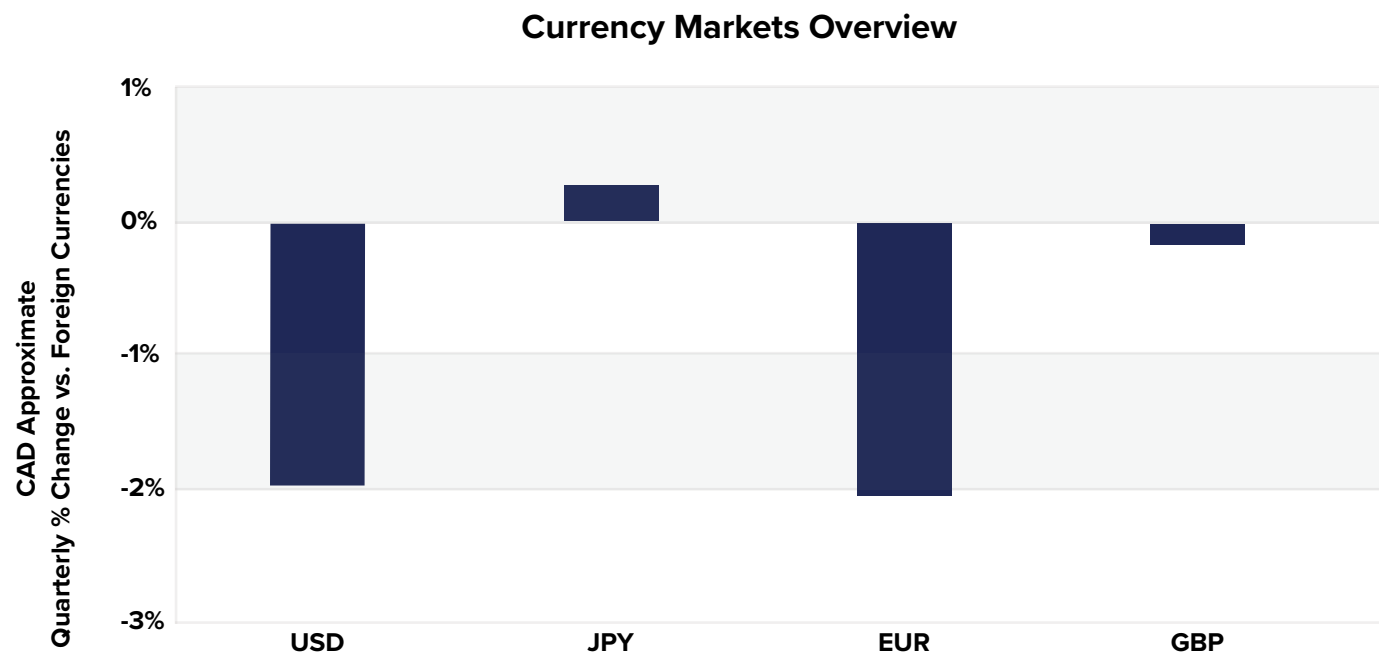
Canadian Bond Market Overview



Given this backdrop, the Canadian All Government Bond Index returned 1.41% as yields decreased during the quarter. The Canadian Corporate Bond Index outperformed government bonds, earning 1.81% as credit spreads tightened, adding to the impact of the falling yields.

Overview: Currency

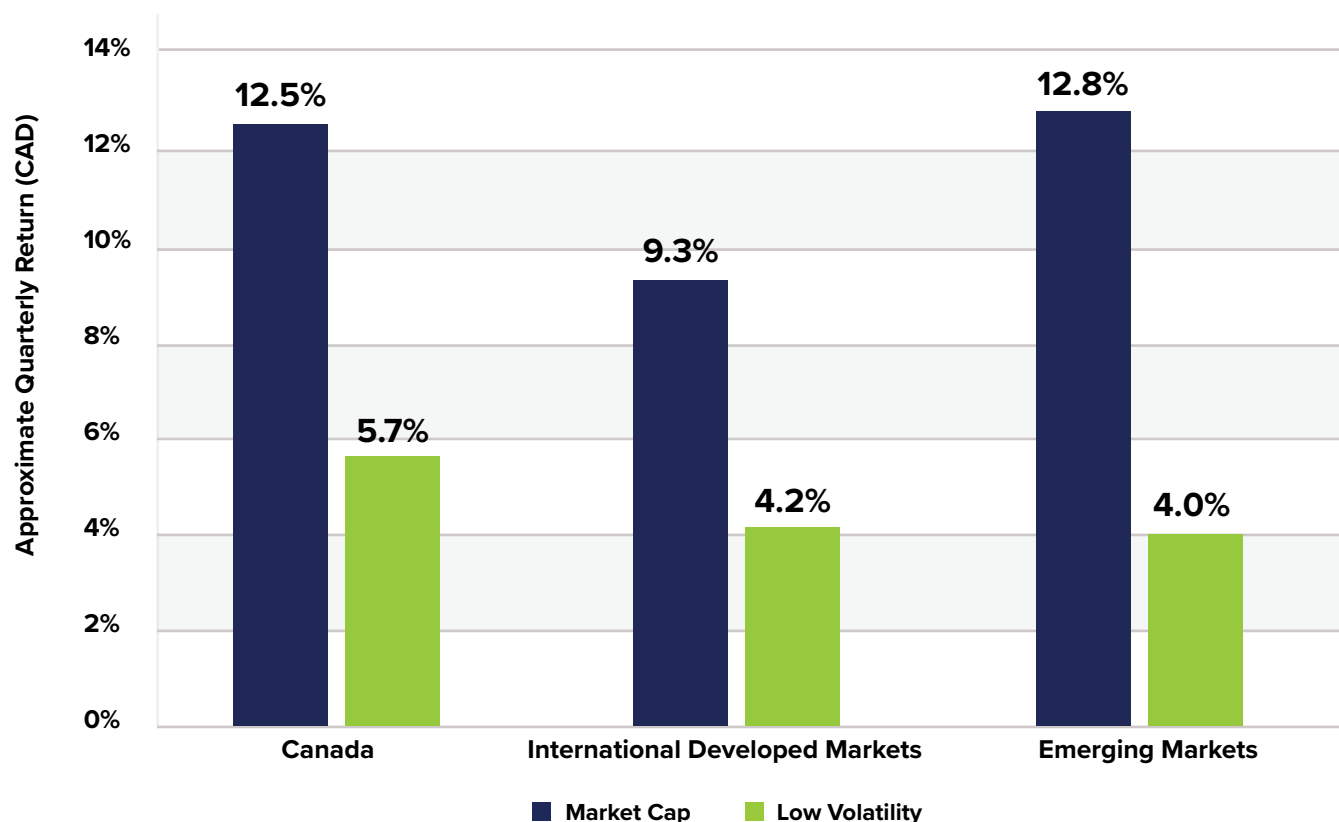
In currency markets, the Canadian dollar weakened relative to the U.S. dollar and depreciated against most other major currencies. Overall currency impacts for the quarter were moderately positive for a typical portfolio.



Overview: Equities

Equity markets were strongly positive this quarter and market capitalization-weighted strategies outperformed low volatility strategies in all geographies.

Global Equity Markets Overview (Broad Market & Low Volatility)



The third quarter saw the private equity industry adjusting to ongoing uncertainty. While recent interest rate cuts by central banks have generated optimism for future deal flow, persistent challenges include high inflation, geopolitical tensions, and a cautious consumer environment. Sponsors are focusing on operational improvements to drive value and are staying agile in their deal-making and exit strategies.

Exit activity increased in terms of the number of exits, but overall total exit value fell for the second consecutive quarter. Sponsors are increasingly turning to alternative liquidity structures like continuation funds to manage aging portfolios and provide liquidity options to investors.