

QUARTERLY MARKET UPDATE

AS AT JUNE 30 2026

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

Economic Growth



The global economy continues to expand at a moderate pace, with real GDP growth expected to remain near 3% in 2026. While growth rates are below pre-pandemic averages, most major economies remain in expansion territory. The economic backdrop continues to be shaped by two competing forces: geopolitical tensions that have created energy and supply shocks, and strong investment spending driven by the rapid buildout of AI infrastructure. Regional differences remain evident, with the U.S. economy expected to grow modestly and Canada continuing to recover from a period of weakness. Despite ongoing uncertainties, overall economic fundamentals remain supportive of continued growth.

Monetary Policy



Central bank policy has entered a period of relative stability following several years of significant interest rate adjustments. The Bank of Canada recently maintained its policy rate at 2.25%, balancing the inflationary effects of higher energy prices against signs of a softer labour market. In the U.S., the Federal Reserve is also expected to keep rates largely unchanged through the remainder of 2026 as it reviews its monetary policy framework and balance sheet strategy. Financial markets currently anticipate little change in short-term rates, with only a modest possibility of further tightening.

Market Environment & Outlook

Market Concentration



Market concentration remains a key theme for investors, particularly in the United States. Large technology companies, driven by enthusiasm surrounding AI, continue to represent an increasingly significant share of broad market indices. The ten largest companies now account for over one-third of U.S. equity market capitalization, with potential for further concentration as major AI-related companies come to market. While these firms have contributed significantly to overall market performance, higher concentration can reduce diversification benefits and increase reliance on a smaller number of companies for future returns. Investors should remain mindful of how concentration may affect market risk and portfolio construction.

Outlook

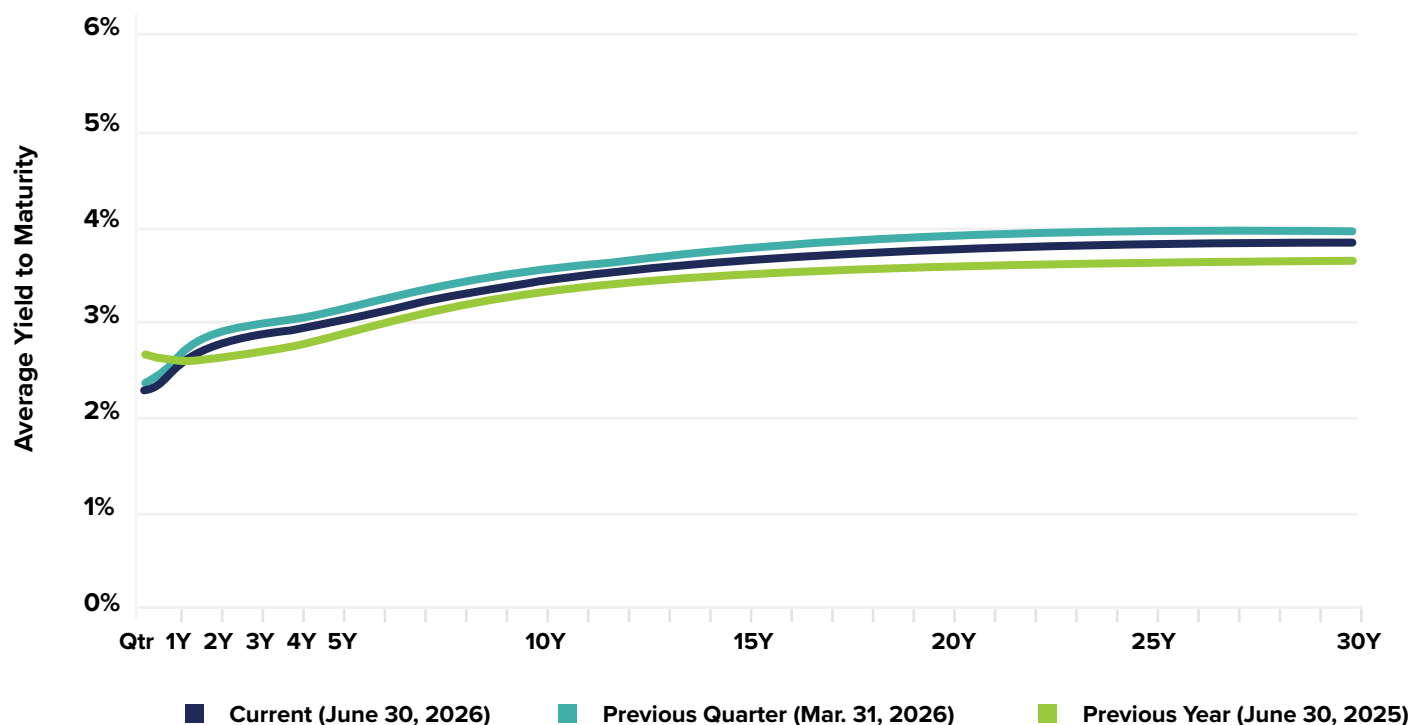


Despite geopolitical conflicts, energy market volatility, and periodic market pullbacks, global equity markets have remained resilient in 2026. Strong gains in developed markets have been complemented by particularly strong performance in emerging markets, reflecting continued investor confidence in the broader growth outlook. However, uncertainty surrounding global conflicts, trade negotiations, and elevated market concentration suggests that volatility could remain a feature of the investment landscape. In this environment, maintaining diversified portfolios and appropriate liquidity remains important. A disciplined long-term approach can help investors withstand short-term market fluctuations while remaining positioned to benefit from future opportunities.

Overview: Fixed Income

Once again, the Bank of Canada held the policy interest rate unchanged throughout the quarter reflecting its desire to balance upside inflation risks against a softening economy. Overall, yields dropped slightly during the quarter with shorter durations seeing reductions of less than 10 basis points while reductions on longer durations ranged between 10 and 15 basis points.

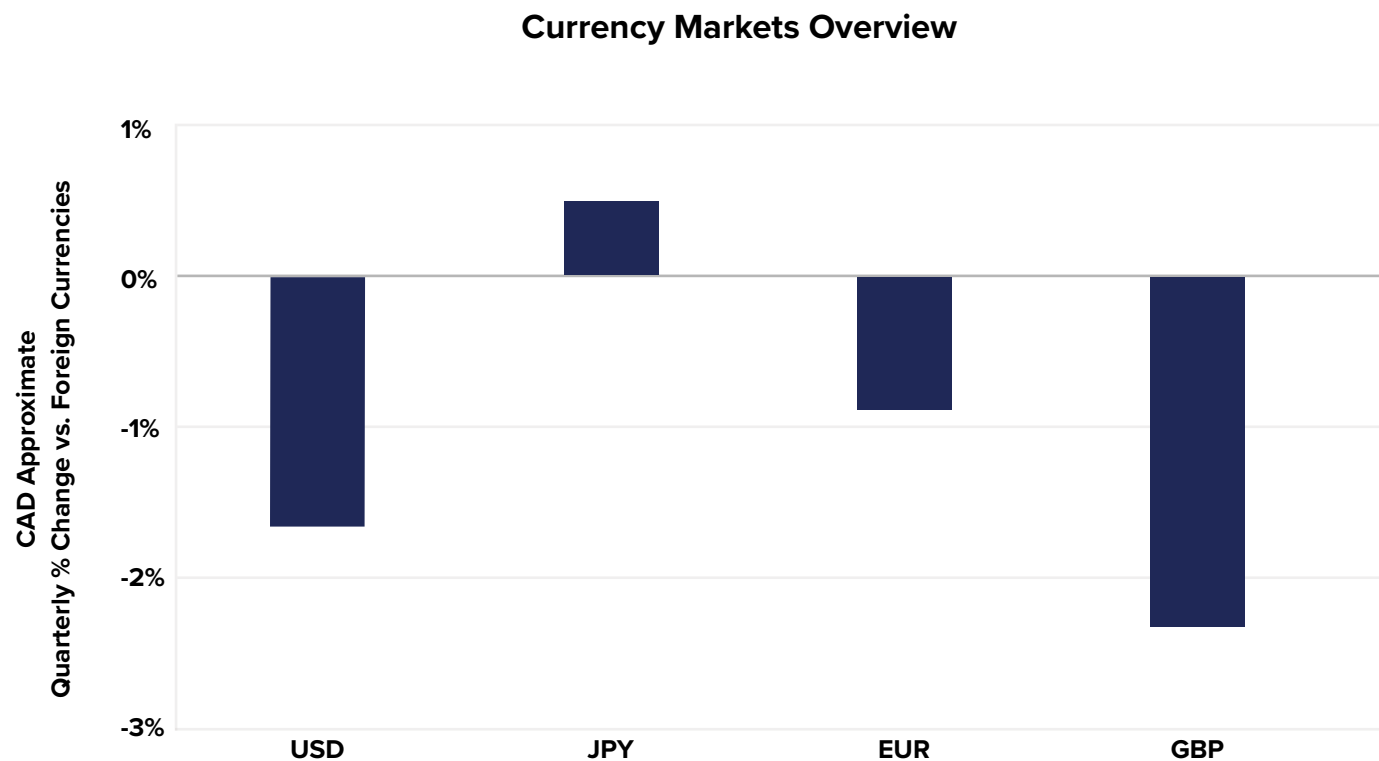
Canadian Bond Market Overview



Given this backdrop, the Canadian All Government Bond Index returned 1.99% as yields decreased during the quarter. The Canadian Corporate Bond Index outperformed government bonds, earning 2.08% as credit spreads tightened, adding to the impact of the falling yields.

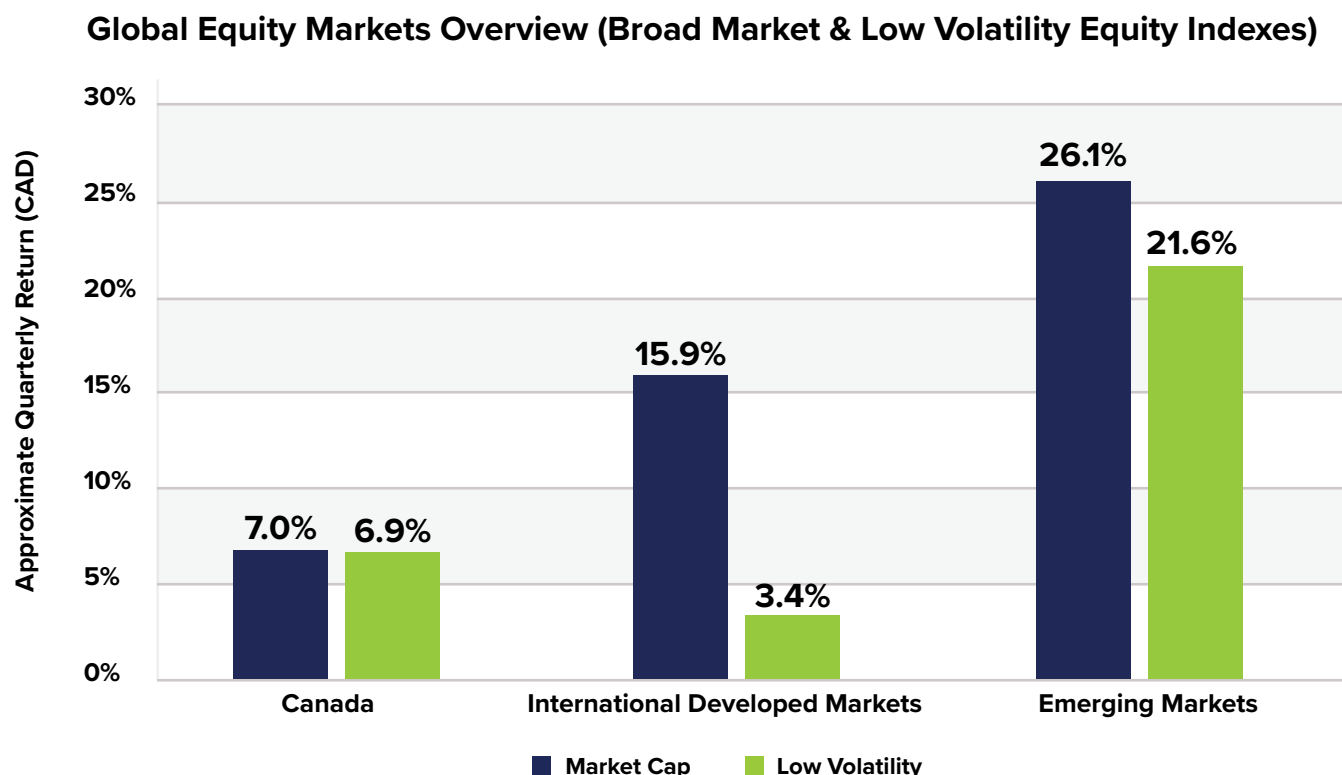
Overview: Currency

In currency markets, the Canadian dollar weakened relative to the U.S. dollar and depreciated against most other major currencies during the quarter.



Overview: Equities

Global equity markets delivered outstanding returns during the quarter, led by an extraordinary quarter for emerging markets. Canadian equities also generated strong positive performance but lagged the exceptionally strong returns achieved in foreign markets. Low volatility equity indexes underperformed market-capitalization-weighted equity indexes in foreign markets while essentially matching them in Canada.



Overview: Private Equity

Private equity markets started 2026 with improving momentum, but investor confidence weakened after concerns about AI disruption, private credit pressures, and rising geopolitical tensions. Deal activity slowed, particularly in the U.S. technology sector, as investors became more cautious and took longer to make decisions. Asia-Pacific was a relatively brighter spot, attracting strong fundraising activity, while European investors focused on more stable industries. Although some large transactions supported exit values, overall exit activity remained low, leading many firms to use secondary sales and continuation funds to return capital to investors.