

INVESTMENT REPORT

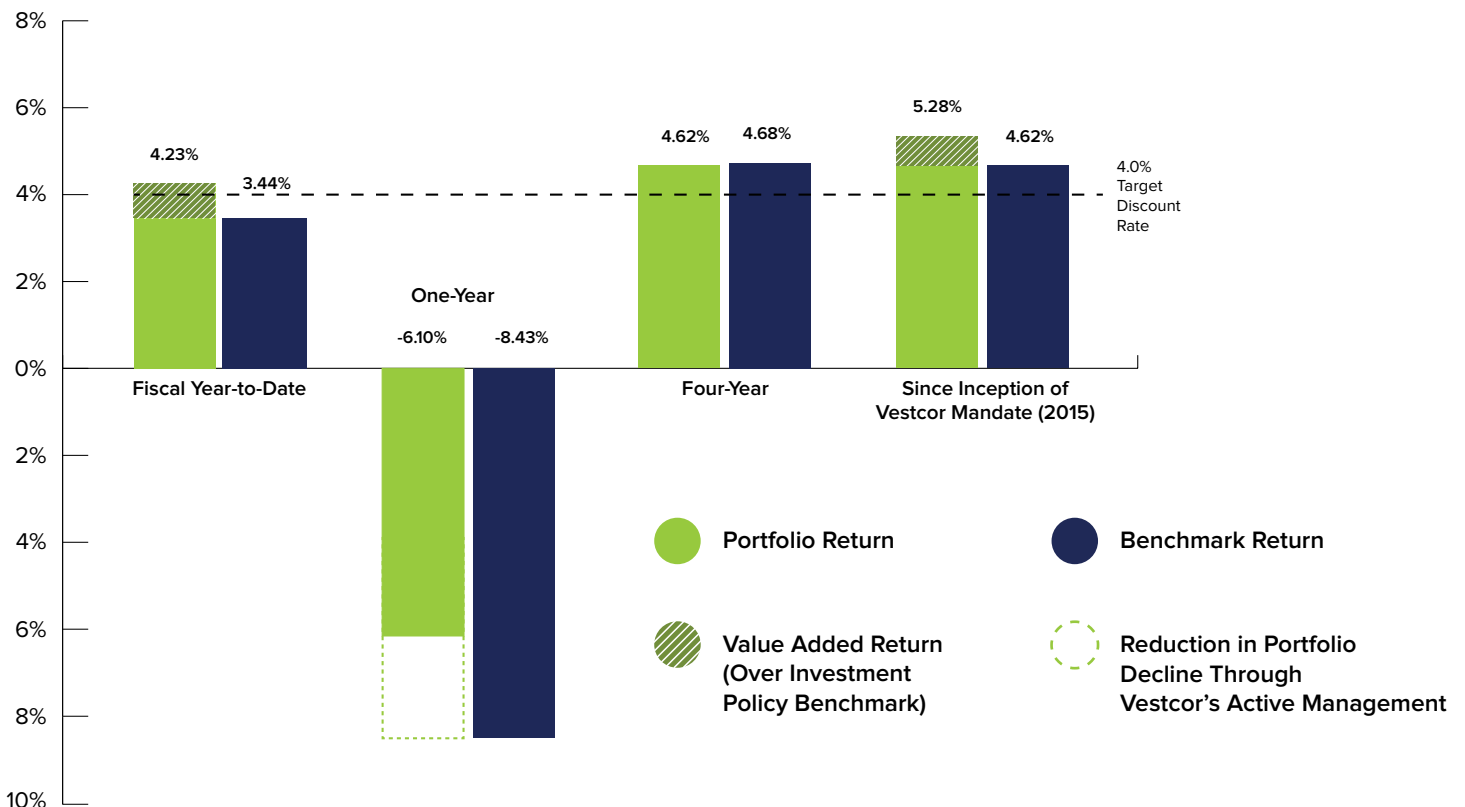
A MID-YEAR SNAPSHOT OF YOUR PENSION FUND AT DECEMBER 31, 2022



Look for terms with a dotted underline in this Investment Report. You can find definitions of these terms and others relevant to the AESRP by scanning the code to the right with your mobile device, or by visiting vestcor.org/glossary.



INVESTMENT RETURNS (AS AT DECEMBER 31, 2022)



2022 was one of the weakest years on record for diversified investors (see "diversification" in the glossary), with significantly negative performance for both stocks and bonds on the back of economic volatility and rising inflation. For example, the median 2022 return for Canadian defined benefit pension plans, as noted in a recent report by RBC Investor & Treasury Services, was -10.3%. However, both the defensive positioning of the fund and strong active investment management provided significant protection against broader declines (where the benchmark return was -8.43%) and resulted in a one-year return of -6.10% for the AESRP in 2022, with added value in excess of benchmarks of 2.33%.

During the second half of 2022 (the first half of the plan's fiscal year), the portfolio had a positive return of 4.23%, outperforming its benchmark return of 3.44%.

Over the longer term, the four-year annualized return of 4.62% was close to the benchmark return of 4.68% and the annualized return since October 1, 2015 was 5.28% which continued to exceed the benchmark return of 4.62%.

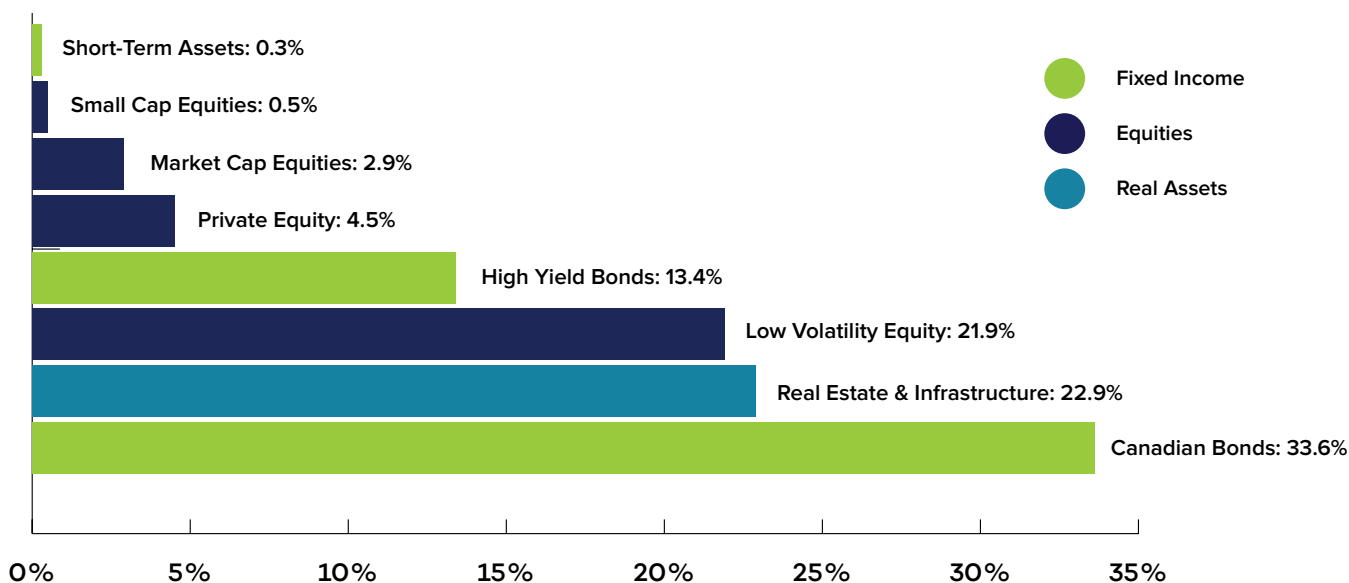
INVESTMENT ASSETS

The fair value of the AESRP investment assets on December 31, 2022 was \$417.9 million, an increase of \$16.5 million from the fair value on June 30, 2022.

ASSET MIX

The chart below outlines the portfolio asset mix on December 31, 2022, and illustrates how well-diversified the Plan's investment assets are:

Asset Mix Breakdown as at December 31, 2022



As a result of the Board's annual review of the investment policy, the AESRP's investments are being transitioned to a new asset mix over the next 6 - 12 months. More information on the Board's policies can be found in the [Investment Policy](#) available at www.unb.ca/hr/pensions, under "Understand your plan's governance".

MARKET SNAPSHOT

With geopolitical, economic, and increasing interest rate concerns at the forefront, financial market volatility was significantly above normal levels in 2022. Inflation increased throughout the year, reaching levels not seen in decades. Although inflation remains above central bank targets for both Canada and the US, year-over-year consumer price index (CPI) values appeared to have peaked by mid-year and showed continuing declines toward the end of 2022.

2022 was the worst year on record for Canadian bond market returns as interest rates increased at a record pace. At the same time, stock markets also experienced broad declines in 2022 with only private markets and alternative investments providing meaningful diversification.

On a positive note, a diversified portfolio today has a much-improved expected return profile when compared to two years ago, and bonds in general can potentially play an improved role in our portfolio going forward from both a return generating and risk management perspective.

For more information, including a summary of the market outlook for this period, visit the Quarterly Market Updates provided by Vestcor at vestcor.org/marketupdates.