

Quarterly Financial Report

June 30, 2016

Assets Under Management

| | |
|----------------------|------------------|
| as at June 30, 2016 | \$35,563 million |
| as at March 31, 2016 | \$34,294 million |

Valuation and Asset Mix

| Policy Asset Mix | Jun. 30/16 | | Mar. 31/16 | | |
|------------------------------------|------------|--------|------------|--------|-------|
| | (\$ m) | (%) | (\$ m) | (%) | |
| Fixed Income | 30.5% | 10,941 | 30.8 | 10,425 | 30.4 |
| Inflation Sensitive & Alternatives | 32.0% | 8,817 | 24.8 | 8,706 | 25.4 |
| Canadian Equity | 9.0% | 3,798 | 10.7 | 3,700 | 10.8 |
| Global Developed Equity* | 16.0% | 8,215 | 23.1 | 7,617 | 22.2 |
| Emerging Markets Equity | 3.5% | 1,201 | 3.4 | 1,177 | 3.4 |
| Global Small Cap Equity | 3.0% | 1,107 | 3.1 | 1,075 | 3.1 |
| Private Equity | 6.0% | 1,236 | 3.5 | 1,284 | 3.7 |
| Overlays | 0.0% | 248 | 0.7 | 311 | 0.9 |
| | 100% | 35,563 | 100.0 | 34,294 | 100.0 |

*Includes PAUS

Performance Summary

| | Q2 2016 | Year to Date | 1 Year | 4 Years* |
|------------------|------------|-----------------|--------|----------|
| LAPP | 2.7% | 1.8% | 4.5% | 9.7% |
| Policy Benchmark | 3.0% | 2.6% | 4.4% | 9.7% |
| Excess Returns | (0.3) | (0.8) | 0.1 | 0.0 |

NOTE: Unaudited Performance net of fees.

Comparative Investment Performance by Calendar Years

| Asset Category | Asset/Sub-asset Category | 2016 | | Calendar Years | | |
|------------------------------------|---|--------------|---------------|----------------|---------------|---------------|
| | Benchmark | QTD | YTD | 2015 | 2014 | 2013 |
| Total | Fund | 2.7 | 1.8 | 7.9 | 11.4 | 11.3 |
| | Policy | 3.0 | 2.6 | 6.7 | 12.9 | 11.0 |
| | CPI (one month lag) | 1.3 | 1.3 | 1.4 | 2.0 | 0.9 |
| Fixed Income | Asset Category Total | 4.9 | 7.1 | 4.3 | 14.6 | (2.8) |
| | Asset Category Benchmark | 4.5 | 6.7 | 4.1 | 14.5 | (5.0) |
| | Short Term and Cash | 0.2 | 0.4 | 0.9 | 1.2 | 1.2 |
| | FTSE TMX Canada 91 day T Bill Index | 0.1 | 0.3 | 0.6 | 0.9 | 1.0 |
| | Universe Bonds | 3.2 | 4.8 | 4.1 | 9.8 | 0.6 |
| | FTSE TMX Canada Universe Bond Index | 2.6 | 4.0 | 3.5 | 8.8 | (1.2) |
| | Long Bonds | 5.9 | 8.4 | 4.1 | 18.8 | (5.0) |
| | FTSE TMX Canada L.T. Govt. Bond Index | 5.6 | 8.1 | 4.5 | 17.9 | (7.0) |
| | Private Debt & Loan | 1.1 | 2.3 | 6.1 | 7.0 | - |
| | FTSE TMX Canada Universe Bond Index | 2.6 | 4.0 | 3.5 | 8.8 | - |
| | Private Mortgages | 2.5 | 3.9 | 5.1 | 9.9 | 0.4 |
| | FTSE TMX Canada Universe Bond Index | 2.6 | 4.0 | 3.5 | 8.8 | (1.2) |
| Inflation Sensitive & Alternatives | Asset Category Total | 1.2 | 2.6 | 8.3 | 8.3 | 6.6 |
| | Asset Category Benchmark | 1.5 | 2.8 | 6.7 | 11.4 | 6.9 |
| | Real Return Bonds | 3.9 | 6.2 | 3.0 | 13.5 | (12.5) |
| | FTSE TMX Canada Real Return Bond Index | 3.7 | 5.8 | 2.8 | 13.2 | (13.1) |
| | Real Estate | 0.6 | 1.3 | 8.7 | 8.5 | 12.3 |
| | IPD Cdn Bnchmk: Portfolios Valued > C\$1.5bn ¹ | 0.6 | 1.7 | 8.0 | 7.1 | 10.9 |
| | Private Income | 0.7 | 3.4 | 13.9 | 7.3 | 4.2 |
| | Private Income Index ² | 1.6 | 3.0 | 5.8 | 20.7 | 17.7 |
| | Timberlands | 0.0 | (0.4) | 4.2 | (2.9) | 28.3 |
| | Timberlands Index ³ | 1.6 | 3.0 | 10.0 | 13.7 | 8.0 |
| Short Horizon | Asset Category Total | 2.7 | (1.8) | 11.2 | 12.7 | 27.3 |
| | Asset Category Benchmark | 2.8 | (0.6) | 8.2 | 12.2 | 24.8 |
| | Canadian Equity | 4.5 | 9.4 | (7.4) | 12.4 | 15.2 |
| | S&P/TSX Capped Composite Index | 5.1 | 9.8 | (8.3) | 10.6 | 13.0 |
| | Global Developed Equity | 2.0 | (6.3) | 21.8 | 13.4 | 36.4 |
| | MSCI World Index | 1.4 | (5.9) | 18.9 | 14.4 | 35.3 |
| | Emerging Markets | 0.9 | (0.9) | 6.2 | 10.4 | 5.4 |
| | MSCI Emerging Markets Index | 1.1 | (0.5) | 2.0 | 6.6 | 4.0 |
| | Small Cap Equity | 2.9 | (2.3) | 13.6 | 9.8 | 41.9 |
| | Small Cap Equity Index ⁴ | 7.2 | 5.7 | 7.7 | 6.6 | 29.3 |
| Long Horizon | Private Equity | (0.8) | (1.4) | (9.3) | 3.1 | 2.0 |
| | Private Equity Index ⁵ | 2.0 | 3.9 | 4.8 | 13.7 | 33.4 |
| Overlays | Overlays | (9.3) | (11.8) | 52.2 | (15.1) | (0.0) |

Comparative Investment Performance by Annualized Years

| Asset Category | Asset/Sub-asset Category | 2016 | Annualized Years | | | |
|--|--|---------------|------------------|--------------|--------------|-------------|
| | Benchmark | YTD | 1 | 2 | 3 | 4 |
| Total | Fund | 1.8 | 4.5 | 6.9 | 9.9 | 9.7 |
| | Policy | 2.6 | 4.4 | 7.1 | 10.2 | 9.7 |
| | CPI (one month lag) | 1.3 | 1.5 | 1.2 | 1.5 | 1.3 |
| Fixed Income | Asset Category Total | 7.1 | 8.9 | 8.9 | 8.6 | 6.3 |
| | Asset Category Benchmark | 6.7 | 8.4 | 8.8 | 8.0 | 5.2 |
| | Short Term and Cash | 0.4 | 0.8 | 0.9 | 1.0 | 1.1 |
| | FTSE TMX Canada 91 day T Bill Index | 0.3 | 0.5 | 0.7 | 0.8 | 0.8 |
| | Universe Bonds | 4.8 | 6.2 | 6.5 | 6.7 | 5.7 |
| | FTSE TMX Canada Universe Bond Index | 4.0 | 5.2 | 5.7 | 5.6 | 4.1 |
| | Long Bonds | 8.4 | 9.9 | 10.5 | 10.0 | 7.0 |
| | FTSE TMX Canada L.T. Govt. Bond Index | 8.1 | 10.2 | 10.6 | 9.4 | 5.9 |
| | Private Debt & Loan | 2.3 | 5.6 | 5.8 | - | - |
| | FTSE TMX Canada Universe Bond Index | 4.0 | 5.2 | 5.7 | - | - |
| Inflation Sensitive & Alternatives | Private Mortgages | 3.9 | 6.4 | 6.6 | 6.6 | 5.3 |
| | FTSE TMX Canada Universe Bond Index | 4.0 | 5.2 | 5.7 | 5.6 | 4.1 |
| | Asset Category Total | 2.6 | 9.2 | 7.9 | 8.3 | 7.9 |
| | Asset Category Benchmark | 2.8 | 6.9 | 6.9 | 8.8 | 8.5 |
| | Real Return Bonds | 6.2 | 5.6 | 5.8 | 6.7 | 2.4 |
| | FTSE TMX Canada Real Return Bond Index | 5.8 | 5.3 | 5.5 | 6.3 | 2.0 |
| | Real Estate | 1.3 | 8.3 | 8.0 | 8.7 | 9.8 |
| IPD Cdn Bnchmk: Portfolios Valued > C#1.5bn ¹ | 1.7 | 7.2 | 7.0 | 7.8 | 9.0 | |
| Private Income | Private Income | 3.4 | 16.4 | 11.3 | 8.5 | 7.8 |
| | Private Income Index ² | 3.0 | 7.9 | 6.7 | 13.3 | 13.0 |
| | Timberlands | (0.4) | 2.3 | 2.4 | 9.1 | 6.6 |
| Timberlands Index ³ | 3.0 | 8.2 | 8.7 | 11.3 | 10.1 | |
| Short Horizon | Asset Category Total | (1.8) | 0.3 | 6.0 | 12.9 | 14.3 |
| | Asset Category Benchmark | (0.6) | (0.2) | 5.4 | 11.9 | 12.9 |
| | Canadian Equity | 9.4 | 0.6 | 0.2 | 9.6 | 9.6 |
| | S&P/TSX Capped Composite Index | 9.8 | (0.2) | (0.7) | 8.3 | 8.2 |
| | Global Developed Equity | (6.3) | 1.8 | 9.6 | 15.2 | 17.5 |
| | MSCI World Index | (5.9) | 1.1 | 9.7 | 14.8 | 16.6 |
| | Emerging Markets | (0.9) | (7.3) | 4.2 | 7.8 | 8.2 |
| | MSCI Emerging Markets Index | (0.5) | (8.5) | 0.9 | 5.6 | 5.7 |
| Small Cap Equity | Small Cap Equity | (2.3) | (1.3) | 5.6 | 14.9 | 17.5 |
| | Small Cap Equity Index ⁴ | 5.7 | 3.7 | 4.9 | 13.1 | 13.9 |
| Long Horizon | Private Equity | (1.4) | (10.6) | (6.9) | (2.9) | 0.3 |
| | Private Equity Index ⁵ | 3.9 | 3.0 | 7.5 | 13.3 | 16.1 |
| Overlays | Overlays | (11.8) | 12.0 | 10.2 | 10.4 | 11.3 |

1. *IPD Large Institutional Index: one quarter lag.*
2. *Private Income Index: S&P Global Infrastructure (Hedged C\$)+1%*
3. *Timberlands Index: 50% DEX Real Return Bond/50% MSCI World (Hedged C\$)+1.5%*
4. *Small Cap Equity Index: 1/3 S&P/TSX Small + 2/3 MSCI Small Cap.*
5. *Private Equity Index: MSCI World (Hedged C\$)+3%.*