Quarterly Investment Report.

Quarter ending June 30, 2023

CSS PENSION PLAN

Strength in Numbers.

QUARTERLY MARKET COMMENTARY

*Commentary provided by TDAM, manager of the Plan's short-term, commercial mortgage, and real estate mandates. Returns in local currency unless otherwise stated.

Overall this quarter was characterized by dogged complexity in many leading market indicators. The global economy defied the odds and started 2023 with optimism, only to be hit by trouble in the U.S. banking sector. With financial markets on edge, expectations for the U.S. Federal Reserve ("Fed") funds rate recalibrated. This swapped one form of tightening for another, with tighter lending standards filtering throughout the economy. While the Fed chose not to raise rates in June, they affirmed their commitment to reducing inflation and suggested the possibility of further rate hikes this year if conditions do not improve. Developments in the labor market, where too much resilience is not necessarily a good thing with inflation far from the mark, may be a key factor in the Fed's decision making. The U.S. government was also able to reach an agreement on the debt ceiling over the quarter, which avoided the messy and uncharted waters of a default. However we could still see an impact in consumption and economic growth over the third quarter if we see an end to the moratorium on federal student loan repayments. The Bank of Canada ("BoC") came off a pause and hiked interest rates by 25 basis points in June. The BoC stated that this was due to a stronger-than[1]expected first quarter, with housing market activity and services demand up, as well as broad-based consumption growth (even accounting for the boost from population gains). Inflation remains sticky and though full-time jobs numbers did contract for a second straight month in May, it may be too soon to be certain if this is a trend or just a small chip in an otherwise very tight labor market. China's rebound, while strong in respect to consumer mobility and with PMI (Purchasing Manager's Index) activity reaching a ten year high, was still something of a disappointment and did not power global growth in the way that many were hoping it could. This was in part because we did not see the Chinese government stepping in with as significant a stimulus package as in the past. That said, in recent weeks we are seeing a slight shift in tone which could signal the potential for, if not modest support, then at least an increased level of attentiveness to consumer and business confidence.

Equities

The full effect of higher rates on the consumer and real estate market remains to be seen. As such, we anticipate that the Canadian economy will slow in 2023. However, strong free cash flows within the Energy sector, and relatively inexpensive Financials stocks, may present attractive opportunities. We remain concerned that U.S. earnings growth could be challenged as U.S. Federal Reserve rate hikes slow economic growth. The year-to-date returns on U.S. equities have been led by a few mega cap stocks. Valuations for the rest of the U.S. equity market are reasonable, which offers some

Continue

CSS FUND FACTS

$4.9 billion
Approx. assets under management

0.52%
Balanced Fund management expense ratio (MER)

54,225
Approx. employee members

305
Approx. employer members

QUARTERLY MARKET COMMENTARY CONT'D

potential support for the stock market, even in a modest economic slowdown. International equity markets have rebounded strongly since the fall of 2022. International stocks face similar concerns regarding corporate profits, rising rates, and slowing macroeconomic conditions. Given this view, we feel that further gains will be more limited. As China resumes its reopening plan, we expect to see an increase in demand for travel and leisure, luxury goods as well as energy and commodities. China is focused on economic growth this year and appears to be looking to implement modest stimulus measures. We believe global supply chains will return to some sense of normalcy. Chinese equities could see relative outperformance over the next 12-18 months. Emerging markets equities continue to be challenged by persistently high inflation, concerns over global central bank monetary tightening, and the prospect of recession in many western economies. We remain cautious of emerging markets remains while recognizing that low relative valuations may provide a good entry point in the coming months.

Fixed Income

Given the Bank of Canada's (BoC) recent decision to tighten monetary policy further, Canadian government bonds have underperformed global peers. However, despite the fact that government bond yields are now higher than they were at the start of this year, the income return they have generated has more than offset the negative price return. In other words, nominal total returns for government bonds remain positive. Better than expected economic data may have compelled the BoC to come off pause, however, the momentum in economic data is slowing. Therefore, over the longer term, government bonds continue to remain appealing due to their potential to generate positive nominal returns. With the stress experienced in the banking sector, investment grade credit spreads have become more attractive across Canada, the U.S., and Europe. We see compelling investment opportunities for lower duration (5-years and shorter) corporate bonds given appealing all-in yields but remain more cautious on longer duration corporate bonds given the continued uncertainty around the global economic backdrop. Higher interest rates and a deteriorating economic backdrop will likely cause default rates for high yield bonds to rise from currently low levels. Corporate earnings will likely continue to be under pressure in the near term, eroding credit fundamentals. This could result in further volatility and downside risk for credit spreads, despite the high potential returns in the sector Amidst stronger than expected inflation data within developed markets, central banks continue to tighten monetary policy. Although investor expectations for rate cuts by the end of the year have moderated, investors continue to expect global monetary policy to shift into easing mode within the next two to three quarters. The dispersion of returns within emerging markets has presented some opportunities. Emerging market bond yields are attractive in some regions where central banks have proactively hiked interest rates, while bond returns will likely decline in other regions where central banks are still early in normalizing monetary policy.

Alternative Investments

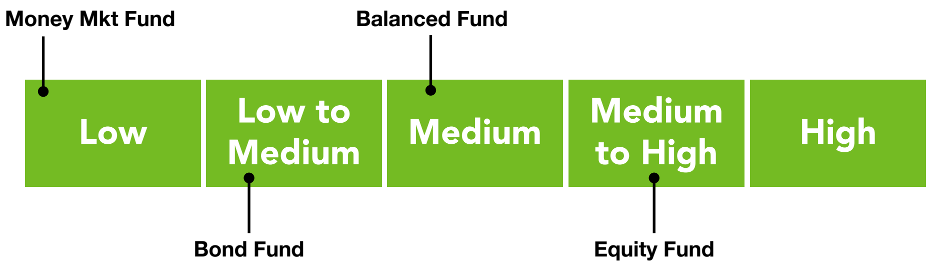
Canada's growing demographic profile continues to be supportive of domestic real estate, particularly multi-unit residential. Office properties continue to experience leasing and valuation headwinds and a flight to quality, while fundamentals remain sound across the other property types. We believe that high quality assets, with low leverage and portfolios that are globally diversified, should outperform in the current environment. Office fundamentals are stronger in the Asia Pacific than in North America. Multi-unit residential, alternative real estate and a tilt to Asia Pacific can provide global real estate portfolios with enhanced risk adjusted returns. Commercial mortgages continue to provide accretive income while insulating investor returns from the increased volatility in interest rates. Increases in cash flow from higher-than-expected inflation is buffering rising interest rates. Investor appetite remains strong, particularly for energy transition investments and critical infrastructure sectors that generate stable, growing cash flows.

View historical unit prices for all CSS investment funds

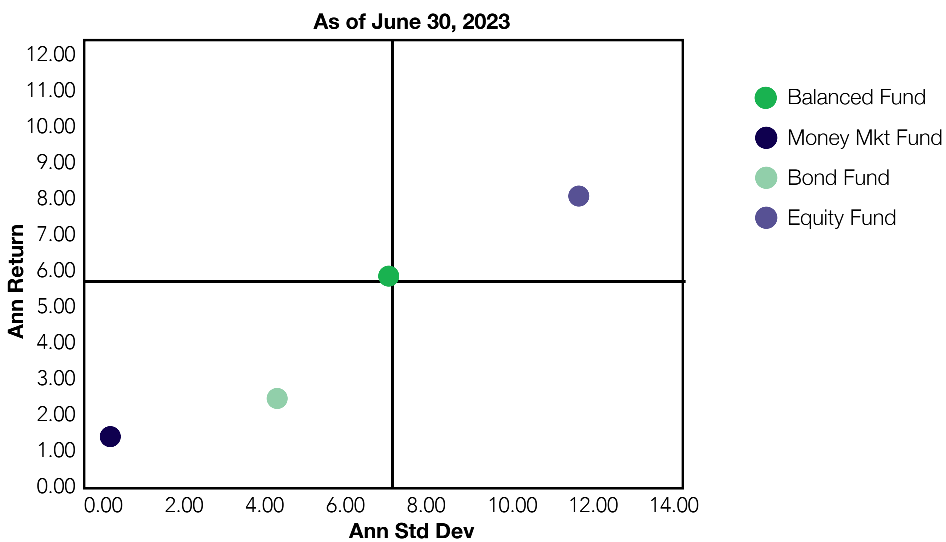
PERFORMANCE AND RISK METRICS | CSS funds

COMPARATIVE RISK

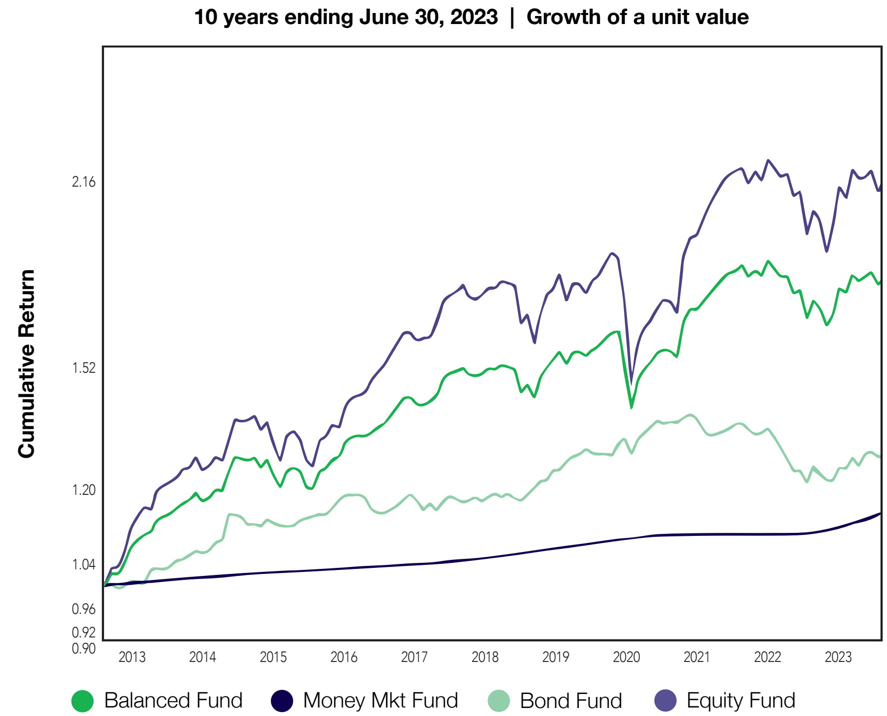
This chart indicates how we expect the annualized volatility of CSS' funds to compare over the long term.



Realized risk and return of CSS funds



10-YEAR CUMULATIVE PERFORMANCE



10-year cumulative performance figures

Balanced Fund	Money Mkt Fund	Bond Fund	Equity Fund
177%	114%	127%	213%

BALANCED FUND | default strategy

MER ▶ 0.52%

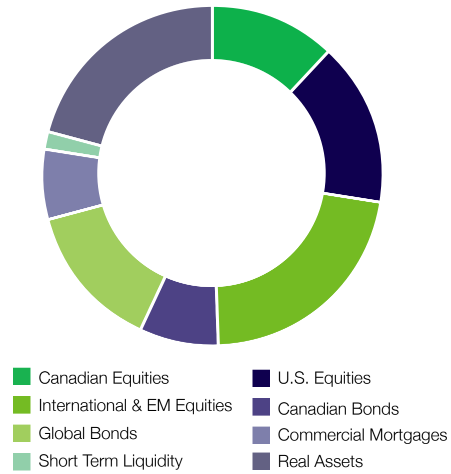
WHO SHOULD INVEST?

- Suitable for members who are seeking growth with moderate volatility/risk
- Those seeking diversified exposure to global equities, fixed income and alternatives
- Medium to long-term investors

FUND OBJECTIVES

- Targeted investment returns of inflation plus four percent
- Moderate long-term volatility
- Periodic annual losses are expected

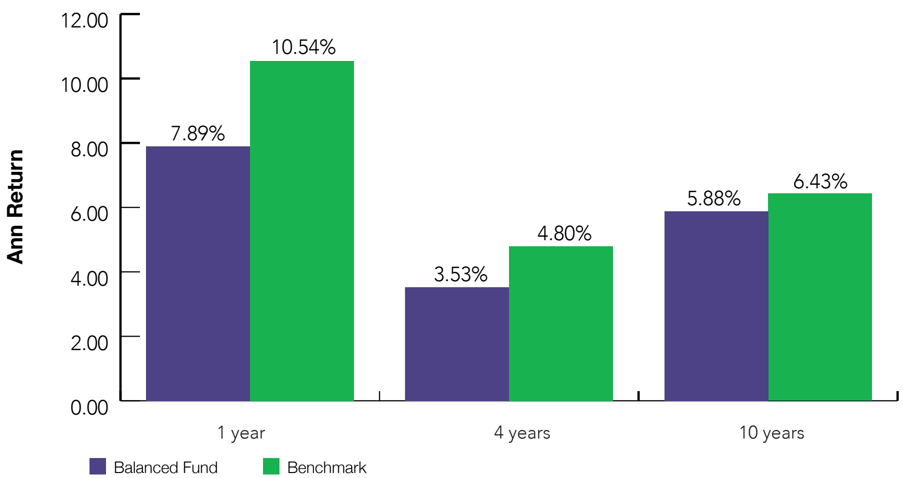
ASSET MIX



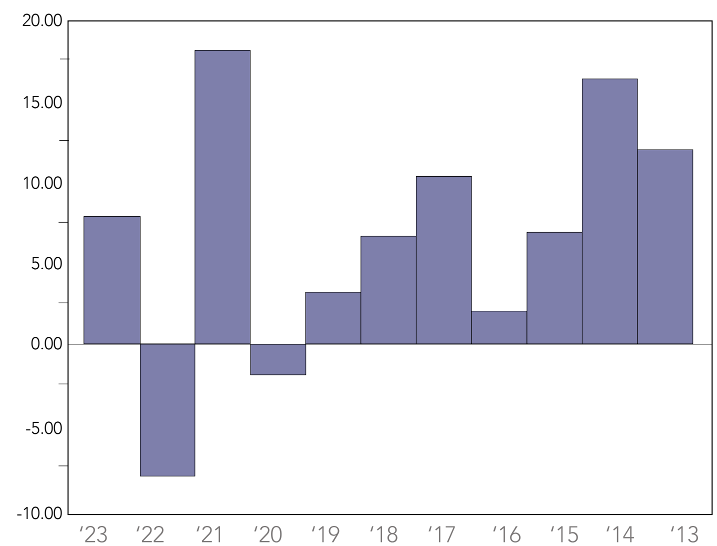
Asset class subgroups	
International Large/Mid Cap Equity	15.86%
Canadian Large Cap Equity	11.98%
U.S. Large Cap Equity	12.55%
Global Bonds	8.22%
Private Canadian Commercial Mortgages	6.77%
Canada Universe Bonds	7.44%
Private Canadian Real Estate	7.34%
Emerging Markets All Cap Equity	6.07%
Emerging Market Debt	5.78%
U.S. Small Cap Equity	3.08%
Private Global Real Estate	4.86%
Private Global Infrastructure	8.55%
Short Term Liquidity	1.49%
TOTAL	100.00%

Annualized Investment Performance to Benchmark

Ending June 30, 2023 | Comparison



Annual returns history (ending June 31, 2023)



EQUITY FUND

MER ▶ 0.43%

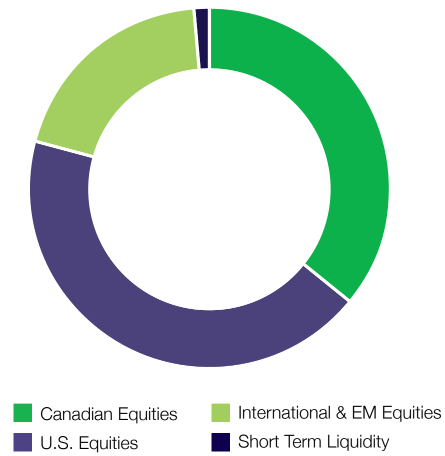
WHO SHOULD INVEST?

- Suitable for members who are looking to improve long-term returns by taking on more investment risk
- Individuals with longer term investment horizons, such as younger members, may find this fund suitable provided they can tolerate the additional volatility
- Medium to high level of investment risk

FUND OBJECTIVES

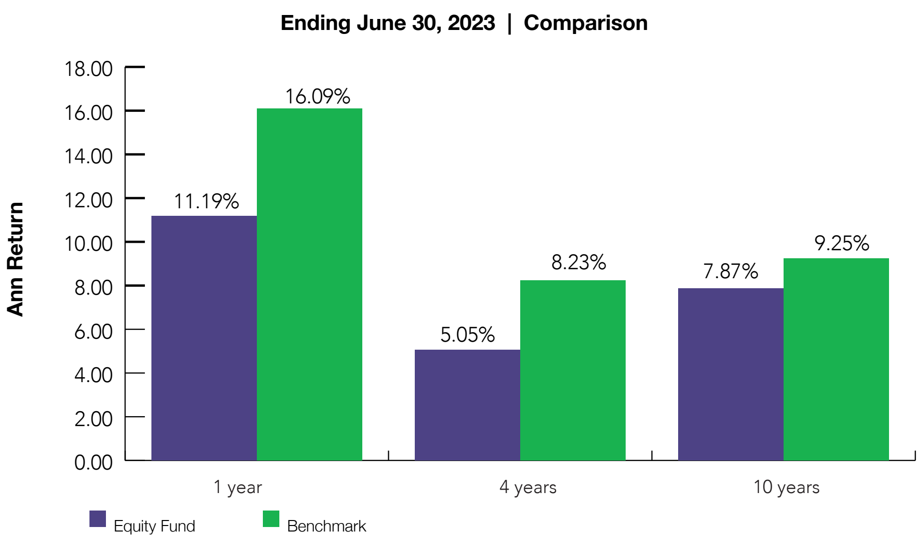
- Long-term returns consistent with global equity markets
- Annualized volatility expected to average 18 – 20%
- Periodic losses are expected

ASSET MIX

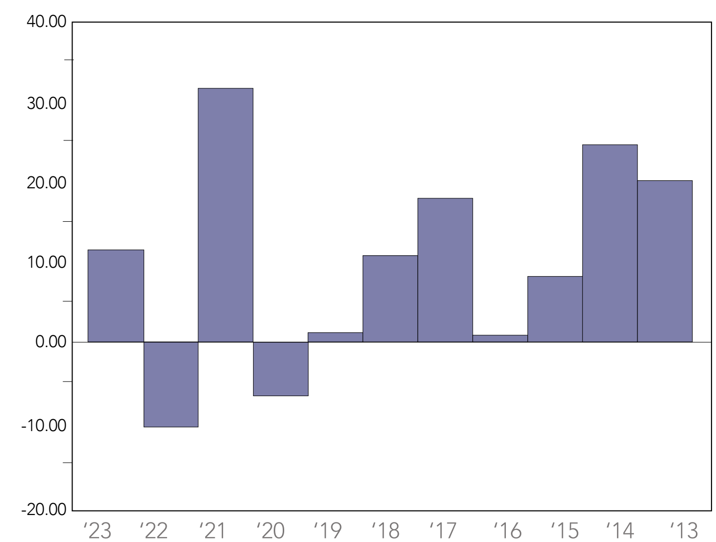


Asset class subgroups	
International Large/Mid-Cap Equity	31.19%
Canadian Large Cap Equity	26.98%
U.S. Large Cap Equity	26.38%
Emerging Markets All Cap Equity	10.46%
U.S. Small Cap Equity	5.86%
Short Term Liquidity	-0.89%
TOTAL	100.00%

Annualized Investment Performance to Benchmark



Annual returns history (ending June 30, 2023)



BOND FUND

MER 0.48%

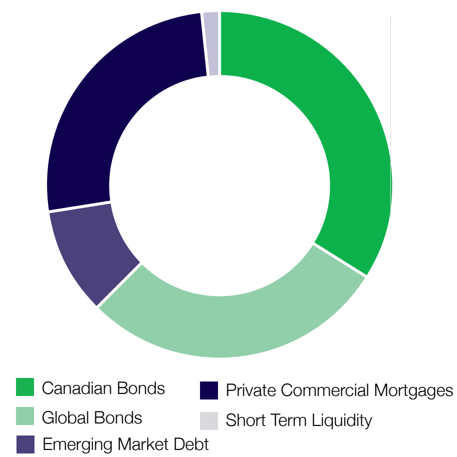
WHO SHOULD INVEST?

- Suitable for members who wish to adjust the amount of their pension funds allocated to fixed income in order to reduce risk
- Members in or approaching retirement can use the Bond Fund to reduce the overall risk of their retirement portfolio where appropriate
- Medium to long-term investors

FUND OBJECTIVES

- The objective of the Bond Fund is to provide a modest long-term return with a risk of occasional short-term losses

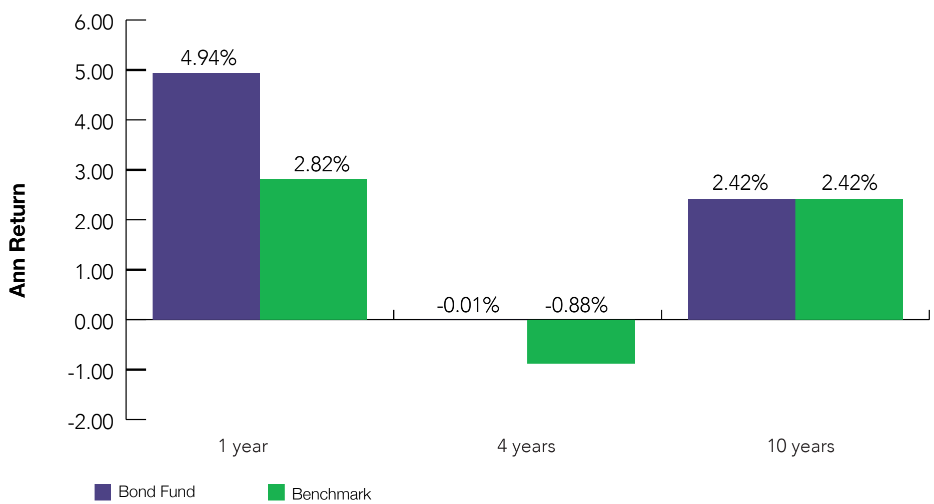
ASSET MIX



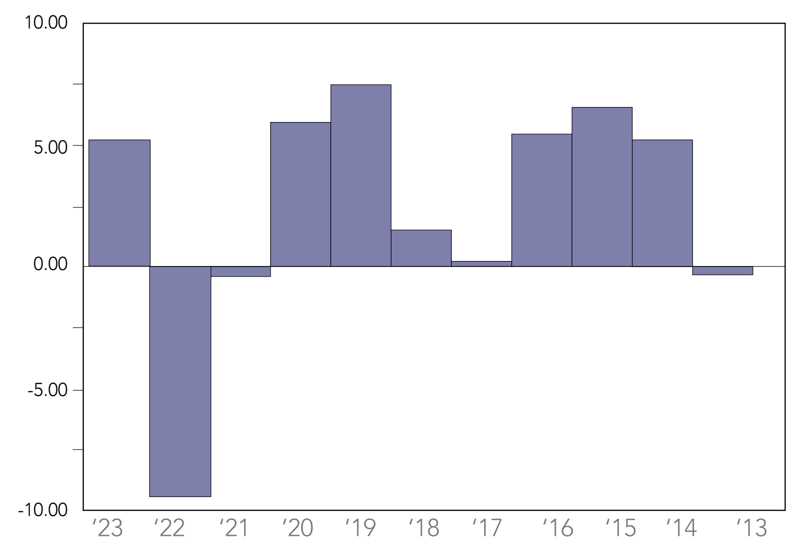
Asset class subgroups	
Core Plus Canada Bonds	34.07%
Global Bonds	28.49%
Emerging Market Debt	10.08%
Private Commercial Mortgages	25.93%
Short Term Liquidity	1.44%
TOTAL	100.00%

Annualized Investment Performance to Benchmark

Ending June 30, 2023 | Comparison



Annual returns history (ending June 30, 2023)



MONEY MARKET FUND

MER ▶ 0.17%

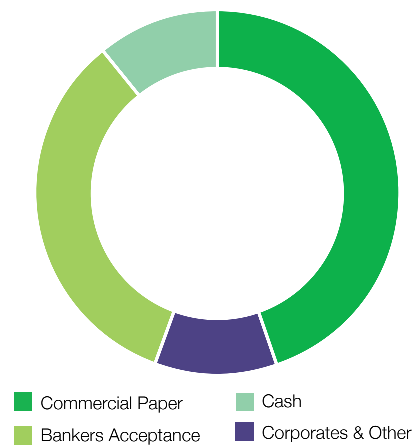
WHO SHOULD INVEST?

- Suitable for members in need of liquidity and preservation of capital
- Retirees can use the fund as a liquidity reserve or spending reserve during retirement
- Members can use the fund to reduce risk
- Short-term investors (not recommended as a long-term investment)

FUND OBJECTIVES

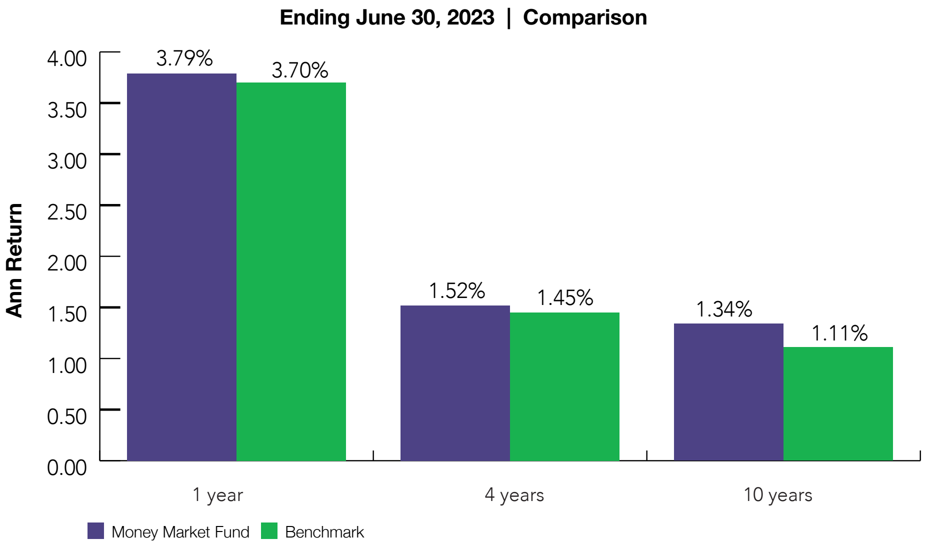
- Provide preservation of capital and liquidity while providing a modest rate of return with limited volatility
- The likelihood of losses are limited but not zero
- Returns are expected to be similar to 91-Day Treasury Bills

ASSET MIX

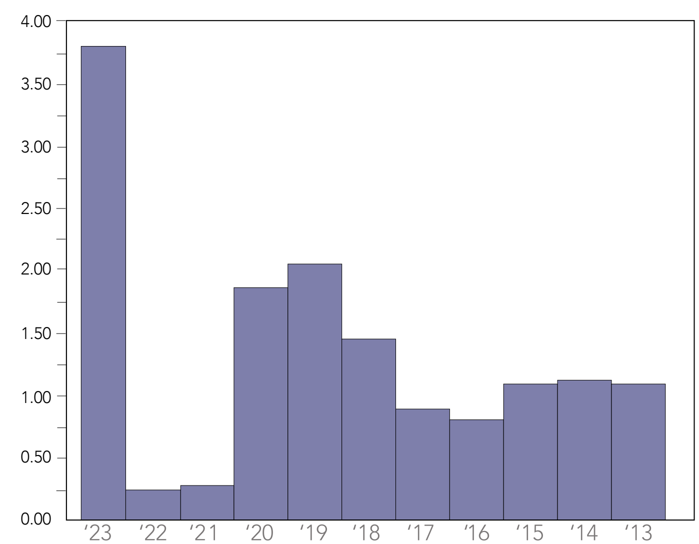


Asset class subgroups	
Commercial Paper	42.97%
Corporates & Other	10.44%
Bankers Acceptance	32.26%
Cash	10.33%
TOTAL	100.00%

Annualized Investment Performance to Benchmark



Annual returns history (ending June 30, 2023)



EXPOSURE TO UNDERLYING MANAGERS/FUNDS

ASSET CLASS	INVESTMENT APPROACH	MANAGER/FUND NAME	BENCHMARK	EXPOSURE BALANCED FUND	EXPOSURE EQUITY FUND	EXPOSURE BOND FUND
Canadian Equities	Active	QV Investors	S&P TSX Composite Index	7.76%	16.80%	
Canadian Equities	Active	Scheer Rowlett & Associates	S&P TSX Composite Index	4.22%	10.18%	
U.S. Large Cap Equities	Systematic	Scientific Beta Multifactor	S&P 500 Total Return Index	12.55%	26.38%	
U.S. Small Cap Equities	Active	Hilldsale Investment Management	Russell 2000 Total Return Index	3.08%	5.86%	
International Equities	Active	Sprucegrove Investment Management	MSCI EAFE Net Index	8.36%	16.03%	
International Equities	Systematic	JP Morgan Diversified Multifactor	MSCI EAFE Net Index	7.50%	15.17%	
Emerging Equities	Active	Wellington Emerging Market Opportunities	MSCI EM IMI Index	6.07%	10.46%	
Canada Core Plus Bonds	Active	Wellington Canada Universe Bonds Plus	FTSE Canada Universe Bond Index	7.44%		34.07%
Global Bonds	Active	Wellington Opportunistic Fixed Income	Bloomberg Barclay's Global Aggregate Index	8.22%		28.49%
Private Commercial Mortgages	Active	TD Greystone	60% Short bond + 40% mid bond + 50 bps	6.77%		25.93%
Emerging Market Debt	Active	Blackrock Flexi Dynamic Bond Fund	JP Morgan JEMBI Sovereign Only	5.78%		10.08%
Short Term	Active	TDAM Short Term Investments	FTSE Canada 91 day T-bill index	1.49%	-0.89%	1.44%
Canada Private Real Estate	Active	TD Greystone	CPI + 4%	7.34%		
Global Private Real Estate	Active	TD Greystone	CPI + 4%	0.69%		
Global Private Real Estate	Active	UBS Asset Management	CPI + 4%	4.17%		
Global Private Infrastructure	Active	JP Morgan IIF	CPI + 4%	4.83%		
Global Private Infrastructure	Active	IFM	CPI + 4%	3.72%		
Dynamic Currency Overlay	Active	Mackenzie Financial	Custom			
				100%	100%	100%

INVESTING RESOURCES

The following online resources can help you make informed investment decisions tailored to your personal retirement goals.

Risk Tolerance Estimator

Determine the investment mix that is right for you based on your willingness vs. ability to take on risk.

Investor stories

These stories profile typical members should give you “food for thought” as you think about your own situation.

Historical unit prices

View historical unit values for the CSS Pension Plan’s investment funds.

PENSION PLAN

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Strength in Numbers.