

# Quarterly Investment Report.

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Quarter ending September 30, 2021



PENSION PLAN

Strength in Numbers.

# QUARTERLY MARKET COMMENTARY

The first three quarters of 2021 have not disappointed investors with an appetite for riskier assets. Both the S&P 500 Index and S&P/TSX Composite Index have gained over 15% for the year, while global markets have surged off the March 2020 collapse; the nadir of this health crisis. As the pandemic continues to impact many regions across the globe, the abundance of market liquidity provided by governments and central banks, has not only supported individuals and business, but has also fueled the tremendous equity market rally. Low real yields also remain a significant catalyst for global risk asset growth.

For most of the year equity markets have had a nice run with the S&P 500 Index delivering consecutive monthly gains, while hitting 53 record closes before the end of August. However, volatility returned in September and drove the index lower by 5% from its all-time closing high. While North American stocks remain near all-time highs, and economic and corporate growth indicators still positive, they are showing signs of slowing, and many have been ringing alarm bells over the potential for a more significant market correction.

In addition to worries over valuations, inflation pressures have persisted in market segments and are lingering longer than initially thought. Central banks appear to be turning less dovish, and fiscal impulses waning. The Delta and other emerging variants remain a concern, particularly as we enter the fall and winter seasons. Additionally, in September, the risk of a possible Evergrande Group led real estate meltdown in China triggered a sharp global selloff in equities, as investors feared the potential trickledown effects on global markets. While these potential headwinds should not be ignored, corporate balance sheets and profitability have remained strong, and despite the pace of economic growth moderating, slowing growth does not mean negative or no growth.

The underlying economic undercurrents are solid as global Manufacturing and Services PMI data remains broadly expansionary across the globe, despite cooling in recent months. The pandemic, while a continuing concern, should not lead to broad based shutdowns and policy makers appear ready to do 'whatever it takes' to mitigate possible economic shocks.

\*Commentary provided by TDAM, manager of the Plan's passive bond and short-term mandates. Returns in local currency unless otherwise stated.

## CSS FUND FACTS

**\$5 Billion**

Total assets under management

**0.32%**

Average annual expense ratio

**49,948**

Total employee members as at December 31, 2020

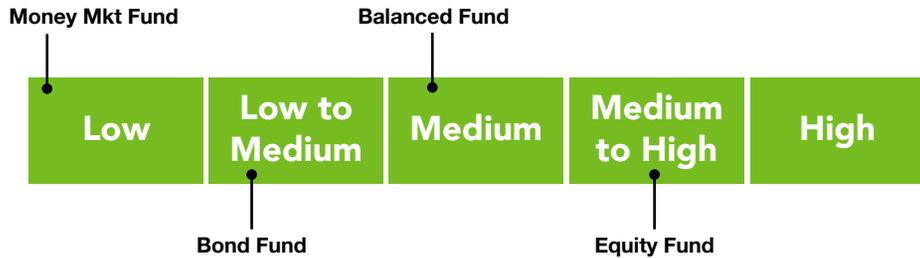
**319**

Employer members

# PERFORMANCE AND RISK METRICS | CSS funds

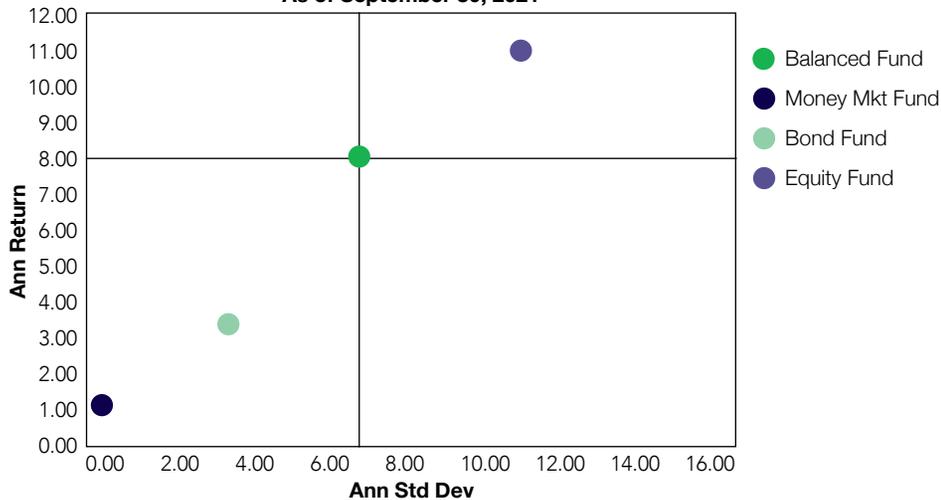
## COMPARATIVE RISK

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



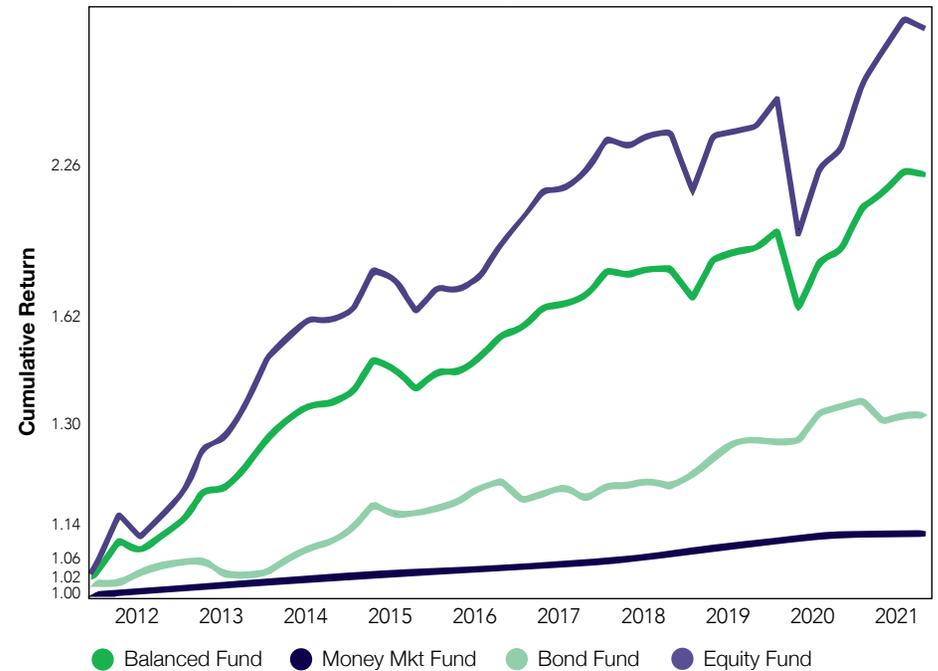
## Realized risk and return of CSS funds

As of September 30, 2021



## 10-YEAR CUMULATIVE PERFORMANCE

10 years ending September 30, 2021 | Growth of a unit value



## 10-year cumulative performance figures

Balanced Fund	Money Mkt Fund	Bond Fund	Equity Fund
216%	112%	139%	281%

# BALANCED FUND | default strategy

MER ▶ 0.43%

## 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



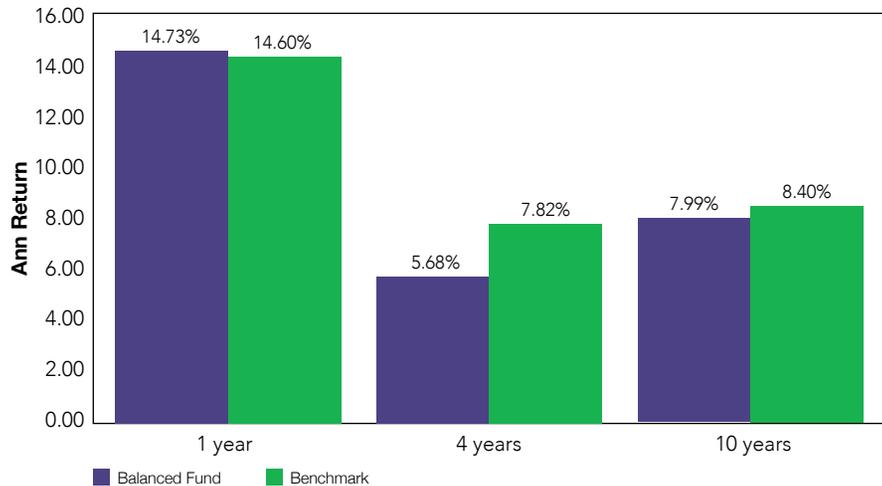
- Canadian Equities
- U.S. Equities
- International & EM Equities
- Canadian Bonds
- Other Fixed Income
- Short Term Liquidity
- Real Estate

### Asset class subgroups

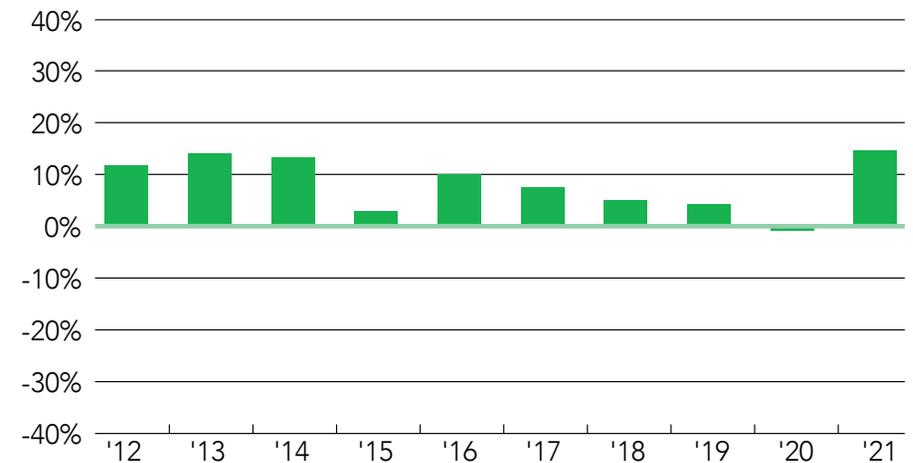
International Large Cap Equity	17.55%
Canadian Large Cap Equity	15.65%
U.S. Large Cap Equity	14.71%
Canada Core Plus Bonds	9.83%
Private Canadian Commercial Mortgages	7.89%
Canada Universe Bonds	7.98%
Private Canadian Real Estate	7.42%
Emerging Markets All Cap Equity	6.41%
Emerging Market Debt	5.89%
U.S. Small Cap Equity	3.54%
Global REITS	2.84%
Short Term Liquidity	0.29%
<b>TOTAL</b>	<b>100%</b>

## Annualized Investment Performance to Benchmark

Ending September 30, 2021 | Comparison



## Annual returns history (ending September 30, 2021)



# EQUITY FUND

MER ▶ 0.46%

## 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



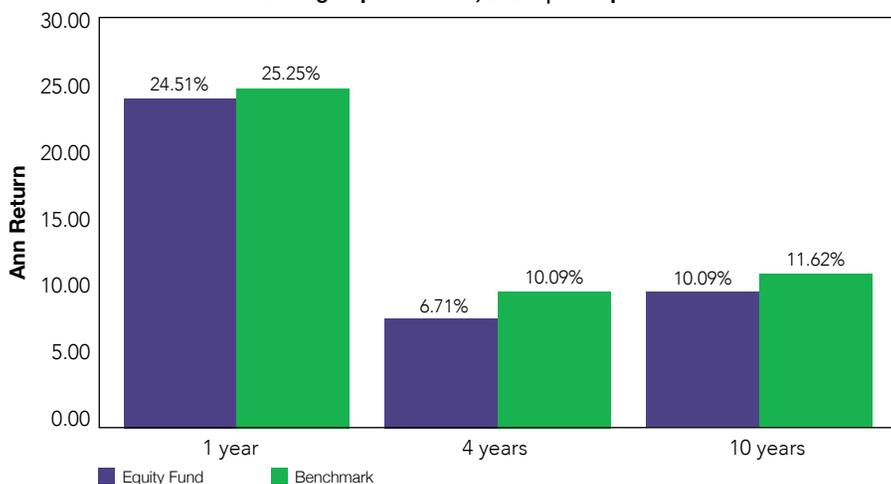
- Canadian Equities
- U.S. Equities
- International & EM Equities
- Short Term Liquidity

### Asset class subgroups

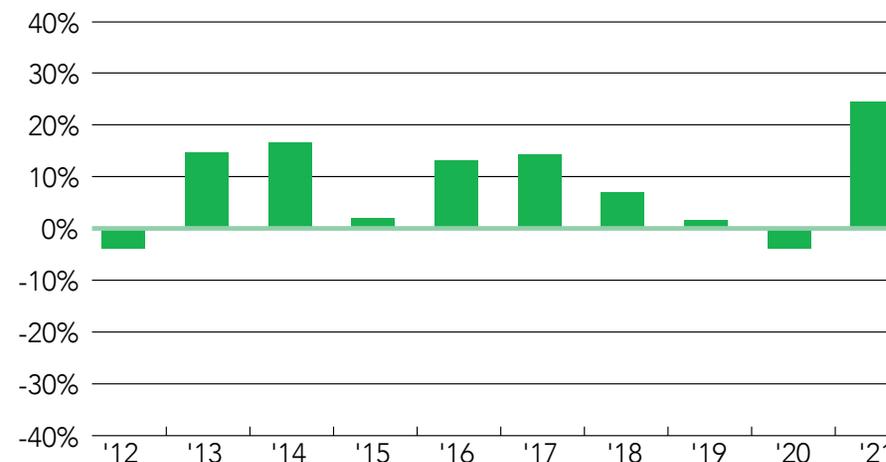
International Large/Mid-Cap Equity	30.37%
Canadian Large Cap Equity	26.57%
U.S. Large Cap Equity	26.08%
Emerging Markets All Cap Equity	11.11%
U.S. Small Cap Equity	6.29%
Short Term Liquidity	-0.43%
<b>TOTAL</b>	<b>100%</b>

## Annualized Investment Performance to Benchmark

Ending September 30, 2021 | Comparison



## Annual returns history (ending September 30, 2021)



# BOND FUND

MER ▶ 0.31%

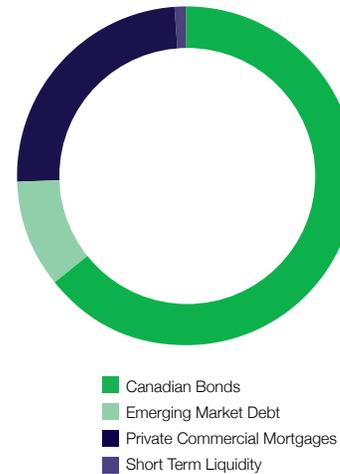
## WHO SHOULD INVEST?

- 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

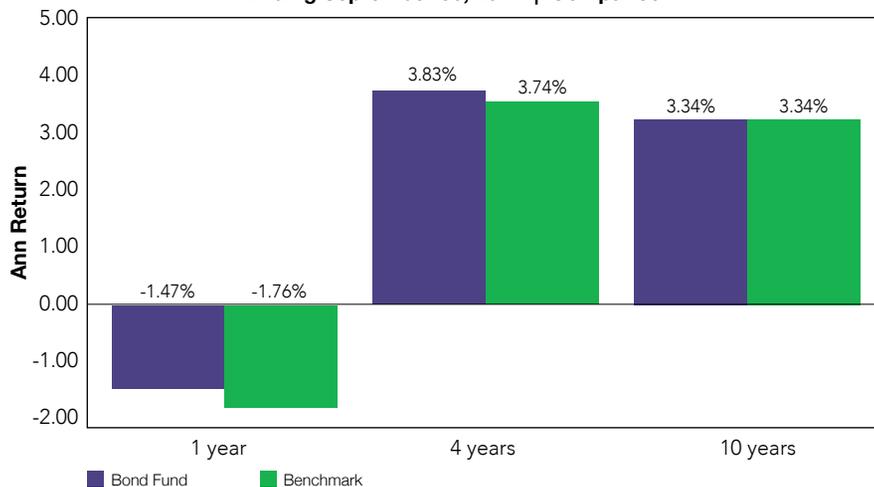


### Asset class subgroups

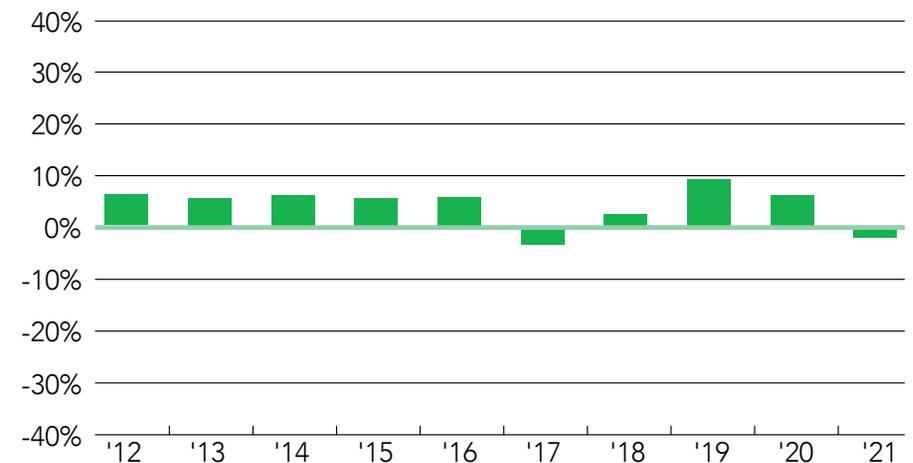
Core Plus Canada Bonds	34.90%
Canada Universe Bonds	29.52%
Emerging Market Debt	10.25%
Private Commercial Mortgages	24.34%
Short Term Liquidity	0.99%
TOTAL	100%

## Annualized Investment Performance to Benchmark

Ending September 30, 2021 | Comparison



## Annual returns history



# MONEY MARKET FUND

MER ▶ 0.14%

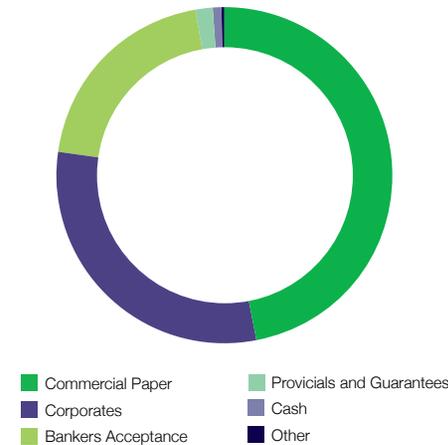
## WHO SHOULD INVEST?

- 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\*

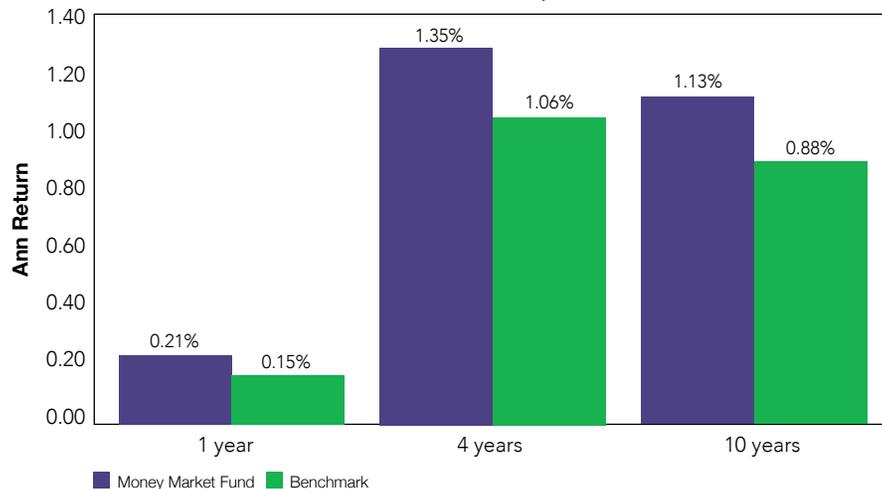


\*As of December 31, 2020

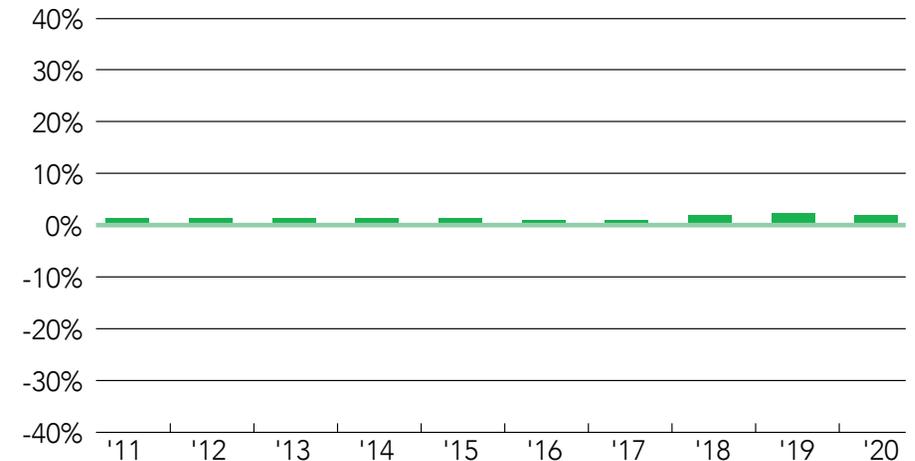
Asset class subgroups	
Commerical Paper	47.00%
Corporates	30.40%
Bankers Acceptance	20.00%
Provincials and Guarantees	1.60%
Cash	0.80%
Other	0.20%
TOTAL	100%

## Annualized Investment Performance to Benchmark

Ending September 30, 2021 | Comparison



## Annual returns history



# 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 300 Index	9.82%	16.72%	
Canadian Equities	Active	Scheer Rowlett & Associates	S&P TSX 300 Index	5.83%	9.86%	
U.S. Large Cap Equities	Systematic	Scientific Beta Multifactor	S&P 500 Index	14.71%	26.08%	
U.S. Small Cap Equities	Active	Hilldsale Investment Management	Russell 2000 Index	3.54%	6.29%	
International Equities	Active	Sprucegrove Investment Management	MSCI EAFE Index	9.03%	15.33%	
International Equities	Systematic	JP Morgan Diversified Multifactor	MSCI EAFE Index	8.52%	15.05%	
Emerging Equities	Active	Wellington Emerging Market Opportunities	MSCI EM IMI Index	6.41%	11.11%	
Canada Core Plus Bonds	Active	Wellington Canada Universe Bonds Plus	FTSE Canada Universe Bond Index	9.83%		34.90%
Canada Bonds	Passive	TDAM Canada Bond Index	FTSE Canada Universe Bond Index	7.98%		29.52%
Private Commercial Mortgages	Active	TD Greystone	60% Short Bond + 40% Mid-Bond + 50 bps	7.89%		24.34%
Emerging Market Debt	Active	Blackrock Flexi Dynamic Bond Fund	CDOR + 5%	5.89%		10.25%
Short Term	Active	TDAM Short Term Investments	FTSE Canada 91-Day T-bill Index	0.29%	-0.43%	0.99%
Global REITS	Passive	Blackrock Global REIT	FTSE EPRA NAREIT Liquid Index	2.84%		
Canada Direct Real Estate	Active	TD Greystone	CPI + 4%	7.42%		
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.



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