Quarterly Investment Report.

Quarter ending December 31, 2022

CSS PENSION PLAN

Strength in Numbers.

QUARTERLY MARKET COMMENTARY

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

While the current uncertain macroeconomic backdrop may imply continued market volatility entering 2023, at TD Asset Management Inc. ("TDAM"), we believe that underlying market fundamentals remain relatively sound as corporations, particularly in North America, remain generally well capitalized. We are also beginning to see signs that inflation levels may be moderating in some economic categories, such as used cars, shelter, and commodity prices, which may suggest less hawkish global central banks in the coming months.

In broad terms, earnings for North American companies have been relatively positive, though most sectors continue to face challenges and we anticipate overall softer demand in 2023. Within equity markets, current forward estimates for earnings and revenues will likely need to be revised lower in the coming quarters and this may put added pressure on stocks globally in 2023. If markets trend lower in the coming quarters, our perspective remains that market drawdowns can provide opportunities. Broad selloffs often create dislocations within equity markets, where quality companies begin trading at valuation discounts, making them attractive long-term investments. While bond markets also saw broad declines in 2022, as rapidly rising yields drove bond prices down, today's starting yields offer attractive entry points for those able to look beyond near-term volatility. Yields across fixed income sectors are well above the lows of the past decade and offer solid potential for quality future returns. Additionally, we maintain a positive outlook for alternative assets which can provide long-term inflation protection and attractive absolute returns.

Equities

For most of 2022 the S&P/TSX Composite Index outperformed many global counterparts. However, entering 2023 there are headwinds that may make continued outperformance more challenging. For the Canadian Financials sector, while net interest margins may still have room to grow, we do not expect the magnitude of this tailwind to persist. Additionally, provisions for credit losses may need to be higher across the banks' balance sheets, which could act as a modest earnings headwind. Further, following significant outperformance by the Energy sector in 2022, we expect a more balanced energy market and moderate performance for the sector going forward. Forward earnings estimates have been lowered in most sectors, but further deterioration in forecasts is expected. However, many blue-chip U.S. equities have seen sharp compression of valuation multiples and are trading close to long-term historical averages. Any further...

Continue

CSS FUND FACTS

$4.9 billion
Approx. assets under management

0.52%
Balanced Fund management expense ratio (MER)

54,200
Approx. employee members

305
Approx. employer members

QUARTERLY MARKET COMMENTARY CONT'D

market weakness could be viewed as an opportunity to incrementally add to high quality compounders. We remain focused on quality in the market, specifically on companies with robust fundamentals, access to growth and sustainable free cash flow generation.

While inflationary pressures and geopolitical risks continue to cloud the outlook for global equities, we see some opportunity within International (European) markets as they appear inexpensive on a forward price-to-earnings basis relative to their history and in comparison, to U.S. equities. A weakening U.S. dollar ("USD") may also provide a tailwind for international stocks over the next 12-18 months.

In our view, China's outlook remains weak, however, we are hopeful that 2023 could see a sentiment reversal in China triggered by the government's possible easing of certain detrimental policies. These include the Zero-COVID-19 policy, the property-market crackdown, anti-trust campaigns over the Technology sector, and geopolitical tensions with the U.S. and Taiwan. Depressed valuations in select sectors may provide long term opportunity.

Emerging markets equities, similar to many global counterparts, are being challenged by persistently high inflation, concerns over global central bank monetary tightening, and the prospect of recession in many western economies. Our outlook for emerging markets remains cautious while recognizing that low valuations may provide a good entry point.

Fixed income

North American central banks are beginning to slow the pace of policy rate hikes as inflation pressures show signs of easing at the margins. As a result, yields have stabilized at multi-year highs and government bonds remain appealing due to their potential to generate positive nominal returns over the longer term.

With a slowing global economic outlook, investing in higher quality corporate bonds may provide good opportunity. Credit fundamentals are robust and all-in yields are attractive, although there may be limited upside from any further spread tightening in the near term. While their respective economies are more vulnerable to a downturn, corporate bond opportunities in Canada and Europe are modestly more compelling than U.S. opportunities due to a more attractive valuation.

Higher interest rates and a deteriorating economic backdrop will likely cause default rates for high yield bonds to rise from current low levels. This could result in further volatility and downside risk for credit spreads, despite the high potential return in the sector. However, solid credit fundamentals should prevent high yield bonds from experiencing the extreme dislocations seen in some prior recessionary periods. Investors are increasingly paying attention to the global economic slowdown narrative, so we are starting to see some reversal of the extreme bearish sentiment and positioning in the global bond market. As bond yields have risen considerably year-to-date ("YTD"), some markets now offer attractive incremental yields, net of currency hedges. Non-USD denominated bonds may also benefit from a potentially weakening U.S. currency.

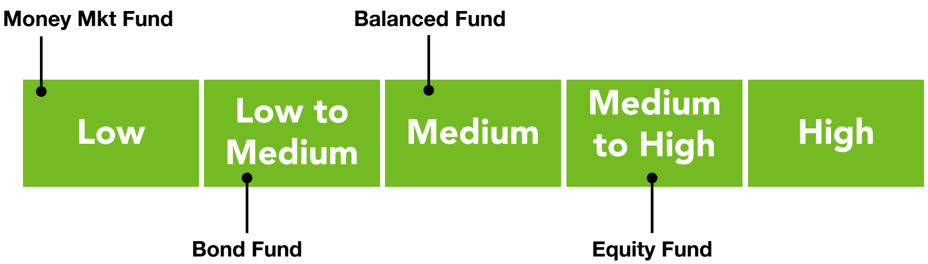
The dispersion of returns within emerging markets has presented some opportunities. We are comfortable maintaining a neutral outlook as yields are attractive in some regions where central banks have proactively hiked interest rates, while bond returns will likely decline in other regions where central banks are still early in normalizing monetary policy.

View historical unit prices for all CSS investment funds

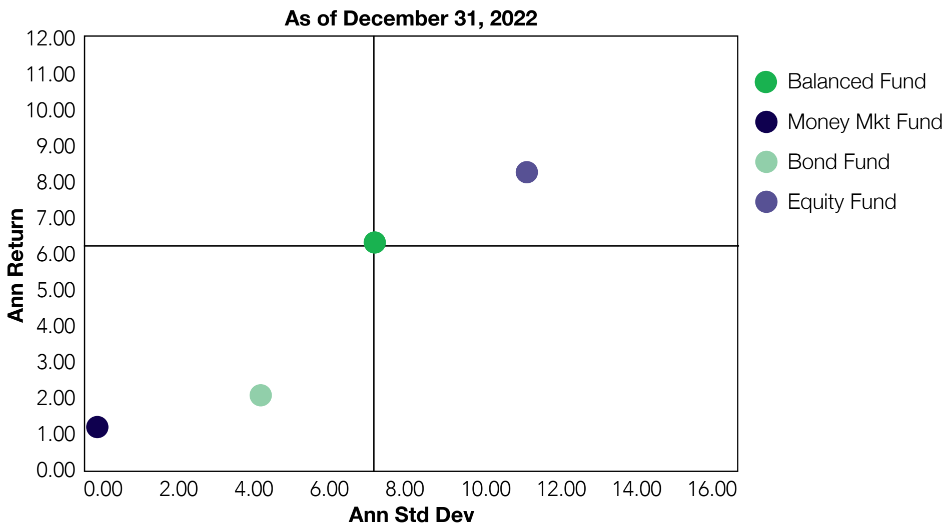
PERFORMANCE AND RISK METRICS | CSS funds

COMPARATIVE RISK

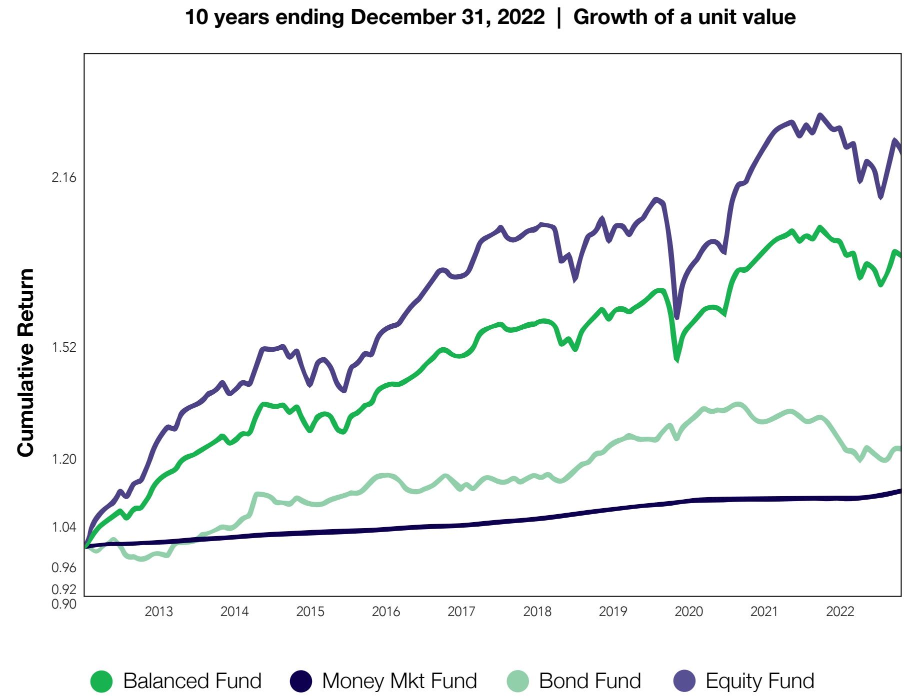
This chart indicates how we expect the annualized volatility of CSS' funds to compare over the long term.



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
182%	112%	122%	227%

BALANCED FUND | default strategy

MER ▶ 0.52%

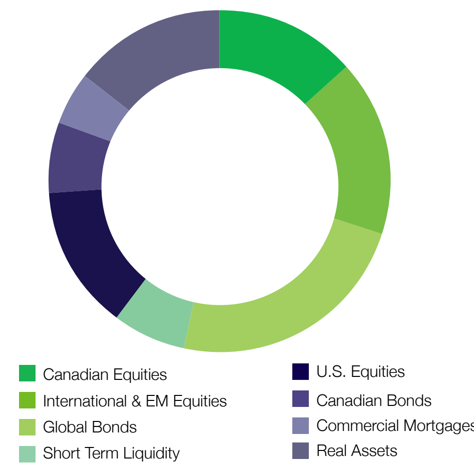
WHO SHOULD INVEST?

- 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

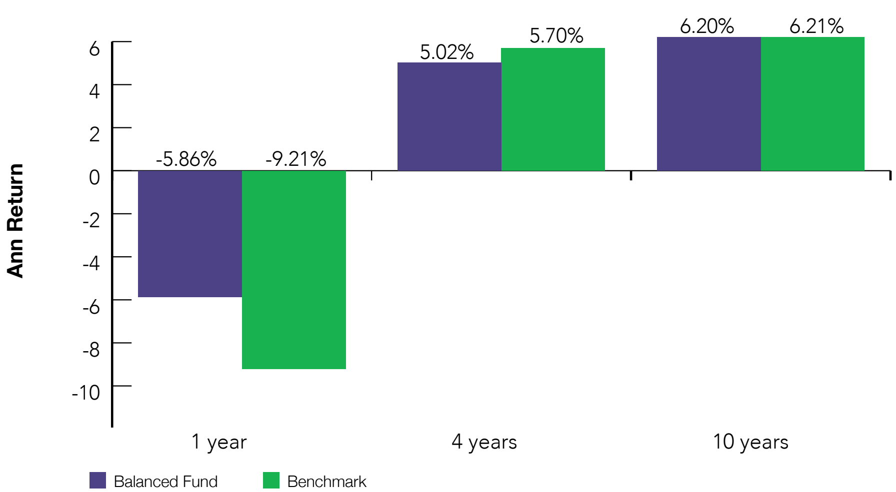
ASSET MIX



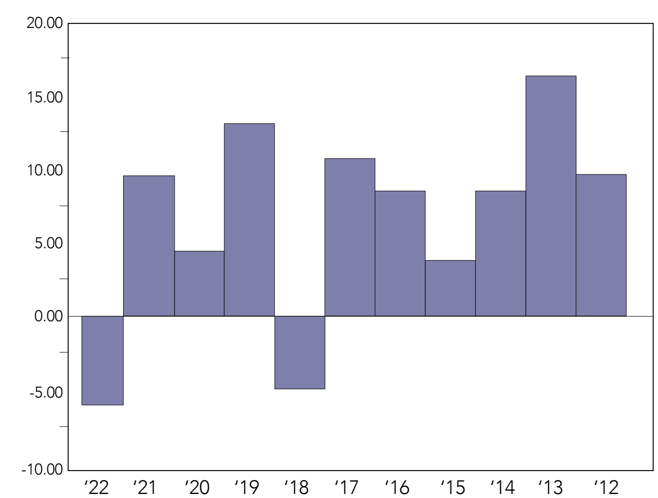
Asset class subgroups	
International Large/Mid Cap Equity	16.67%
Canadian Large Cap Equity	13.53%
U.S. Large Cap Equity	13.40%
Global Bonds	8.15%
Private Canadian Commercial Mortgages	6.62%
Canada Universe Bonds	6.84%
Private Canadian Real Estate	7.72%
Emerging Markets All Cap Equity	6.81%
Emerging Market Debt	5.54%
U.S. Small Cap Equity	3.13%
Global REITS	1.16%
Private Global Real Estate	0.73%
Private Global Infrastructure	4.68%
Short Term Liquidity	5.00%
TOTAL	100%

Annualized Investment Performance to Benchmark

Ending December 31, 2022 | Comparison



Annual returns history (ending December 31, 2022)



EQUITY FUND

MER ▶ 0.43%

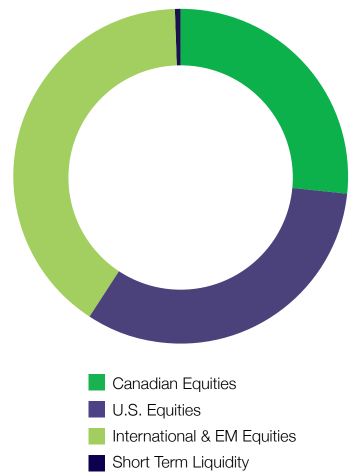
WHO SHOULD INVEST?

- 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

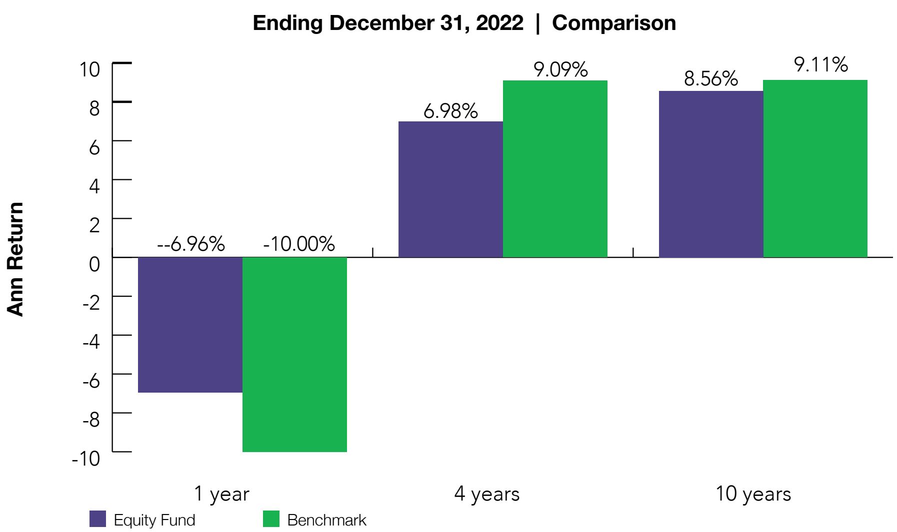
- Long-term returns consistent with global equity markets
- Annualized volatility expected to average 18 – 20%
- Periodic losses are expected

ASSET MIX

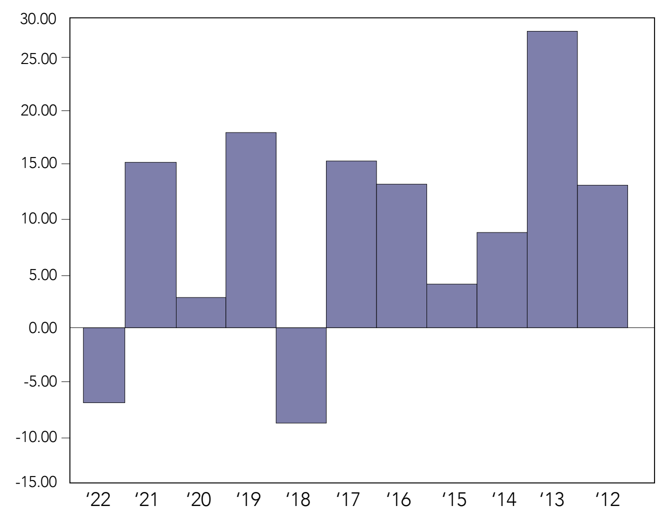


Asset class subgroups	
International Large/Mid-Cap Equity	30.02%
Canadian Large Cap Equity	27.09%
U.S. Large Cap Equity	26.61%
Emerging Markets All Cap Equity	10.55%
U.S. Small Cap Equity	6.12%
Short Term Liquidity	-0.41%
TOTAL	100%

Annualized Investment Performance to Benchmark



Annual returns history (ending December 31, 2022)



BOND FUND

MER ▶ 0.48%

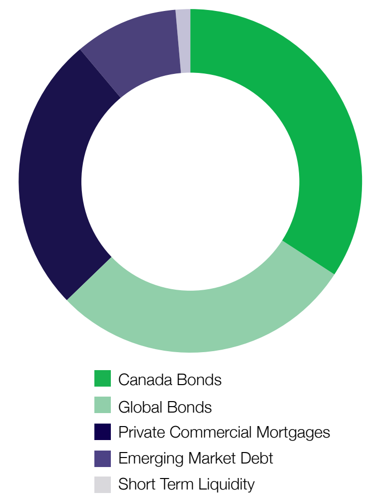
WHO SHOULD INVEST?

- 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

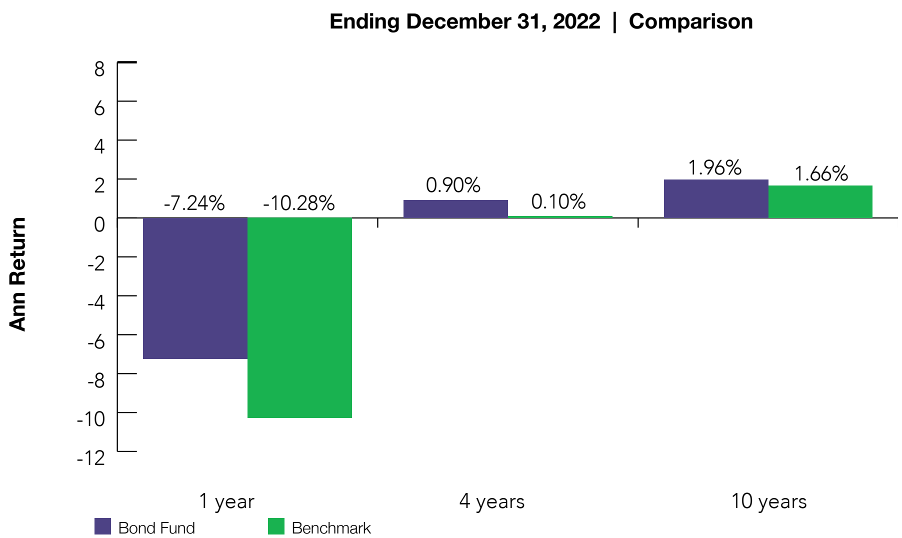
- The objective of the Bond Fund is to provide a modest long-term return with a risk of occasional short-term losses

ASSET MIX

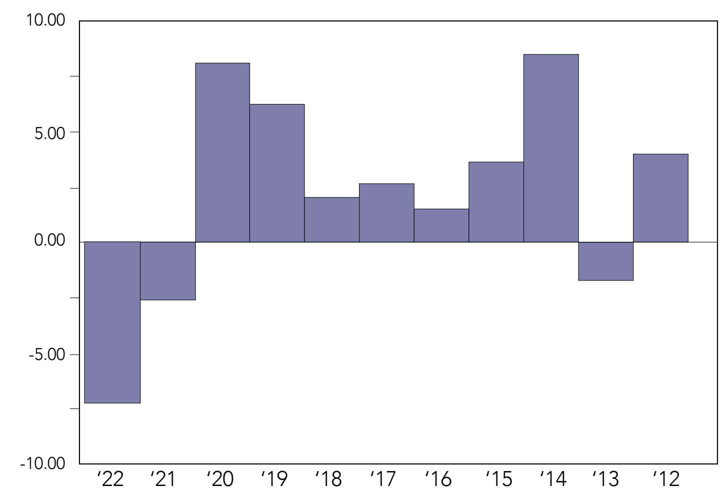


Asset class subgroups	
Core Plus Canada Bonds	34.21%
Global Bonds	28.81%
Private Commercial Mortgages	26.07%
Emerging Market Debt	9.79%
Short Term Liquidity	1.13%
TOTAL	100%

Annualized Investment Performance to Benchmark



Annual returns history (ending December 31, 2022)



MONEY MARKET FUND

MER ▶ 0.17%

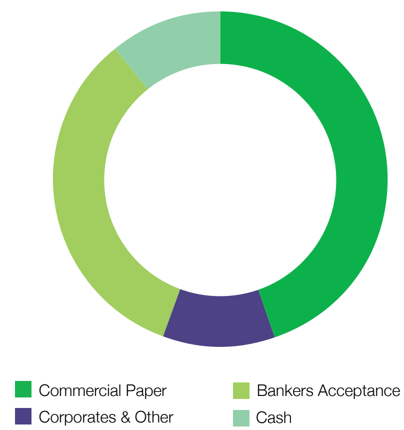
WHO SHOULD INVEST?

- 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

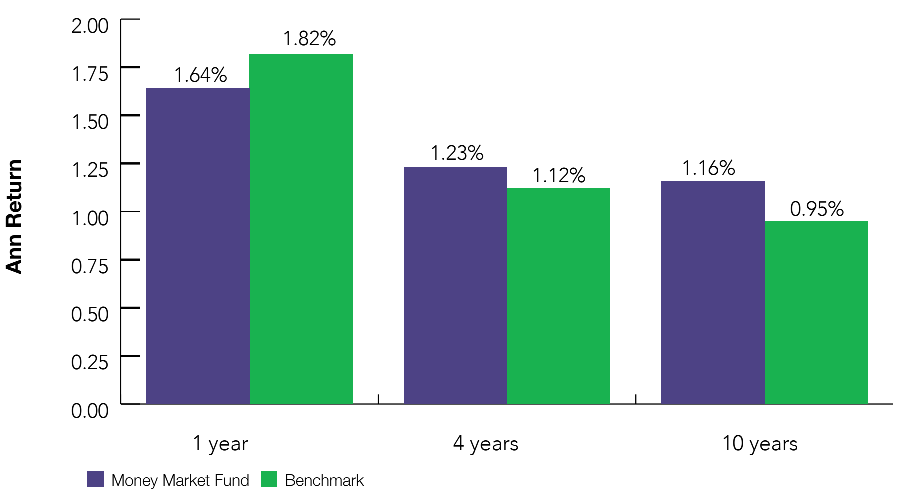
ASSET MIX



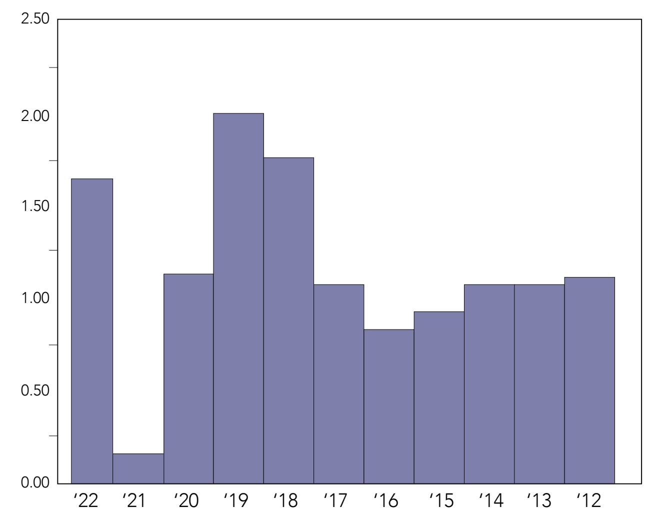
Asset class subgroups	
Commercial Paper	42.97%
Corporates & Other	10.44%
Bankers Acceptance	32.26%
Cash	10.33%
TOTAL	100%

Annualized Investment Performance to Benchmark

Ending December 31, 2022 | Comparison



Annual returns history (ending December 31, 2022)



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	8.62%	17.12%	
Canadian Equities	Active	Scheer Rowlett & Associates	S&P TSX Composite index	4.91%	9.97%	
U.S. Large Cap Equities	Systematic	Scientific Beta Multifactor	S&P 500 Total Return index	13.40%	26.61%	
U.S. Small Cap Equities	Active	Hilldsale Investment Management	Russell 2000 Total Return index	3.13%	6.12%	
International Equities	Active	Sprucegrove Investment Management	MSCI EAFE Net index	8.10%	15.04%	
International Equities	Systematic	JP Morgan Diversified Multifactor	MSCI EAFE Net index	8.57%	14.99%	
Emerging Equities	Active	Wellington Emerging Market Opportunities	MSCI EM IMI index	6.81%	10.55%	
Canada Core Plus Bonds	Active	Wellington Canada Universe Bonds Plus	FTSE Canada Universe Bond Index	6.84%		34.21%
Global Bonds	Active	Wellington Opportunistic Fixed Income	Bloomberg Barclay's Global Aggregate Index	8.15%		28.81%
Private Commercial Mortgages	Active	TD Greystone	60% Short bond + 40% mid bond + 50 bps	6.62%		26.07%
Emerging Market Debt	Active	Blackrock Flexi Dynamic Bond Fund	JP Morgan JEMBI Sovereign Index	5.54%		9.79%
Short Term	Active	TDAM Short Term Investments	FTSE Canada 91 day T-bill index	5.00%	-0.41%	1.13%
Global REITS	Passive	Blackrock Global REIT	FTSE EPRA NAREIT Liquid index	1.16%		
Canada Private Real Estate	Active	TD Greystone	CPI + 4%	7.72%		
Global Private Real Estate	Active	TD Greystone	CPI + 4%	0.73%		
Global Private Real Estate	Active	UBS Asset Management	CPI + 4%	0.00%		
Global Private Infrastructure	Active	JP Morgan IIF	CPI + 4%	4.68%		
Global Private Infrastructure	Active	IFM	CPI + 4%	0.00%		
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.