

# Quarterly Investment Report.

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Quarter ending December 31, 2021



PENSION PLAN

Strength in Numbers.

# QUARTERLY MARKET COMMENTARY

**2** 021 did not disappoint those investors with an appetite for riskier assets. The performance of North American equity markets has been impressive, driven by the strength and resilience of the U.S. and Canadian economies. Low interest rates and aggressive government support benefited individuals and corporations, helping to ease some of the pressures experienced during the ongoing global health crisis. International markets were mixed, as optimism over the economic recovery wavered throughout much of the year.

Inflation continued to be on the minds of many. While inflation is expected to moderate from current elevated levels, there are some signs that more persistent inflationary pressures are here to stay. For instance, wage increases experienced in both Canada and the U.S. may lead to further price gains for consumers as demand for goods and services rises. Energy has also been a significant contributor to the current inflationary pressures.

This is due to supply/demand imbalances and an underinvestment in capital by oil producers, as investors are shying away from fossil fuels due to environmental and social concerns.

The COVID-19 pandemic lingers on, impacting regions across the globe; especially with the new Omicron variant as hospitalizations increase leading to further restrictions in mobility and business closures. The markets have largely discounted these effects due to improved treatments and vaccinations; however, this could pose a risk to global economic growth in the coming quarters. Economic growth at the moment continues to be robust in many countries, especially in the U.S., and central bankers are now shifting their policies towards normalization from accommodation.

\*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

**\$5.3 billion**

Approx. assets under management

**0.32%**

Average annual expense ratio

**51,700**

Approx. employee members

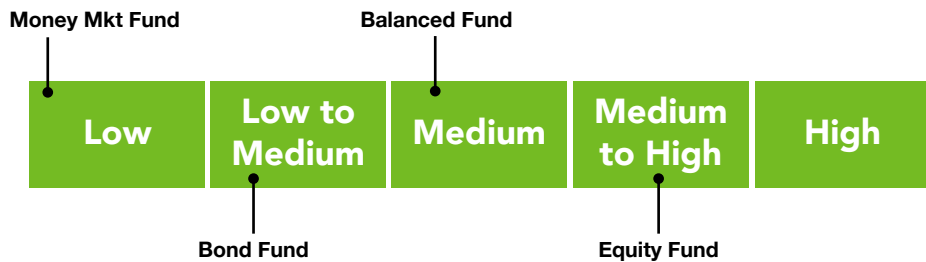
**313**

Approx. employer members

# PERFORMANCE AND RISK METRICS | CSS funds

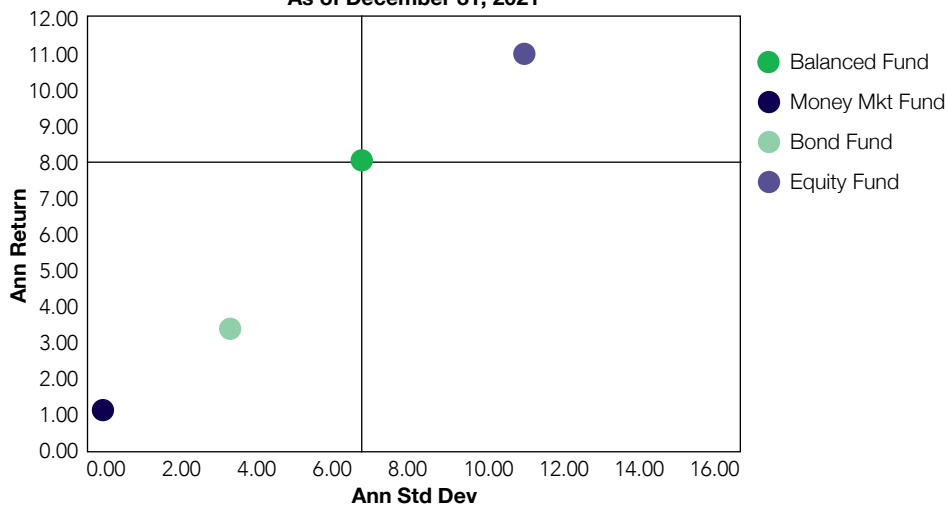
## COMPARATIVE RISK

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



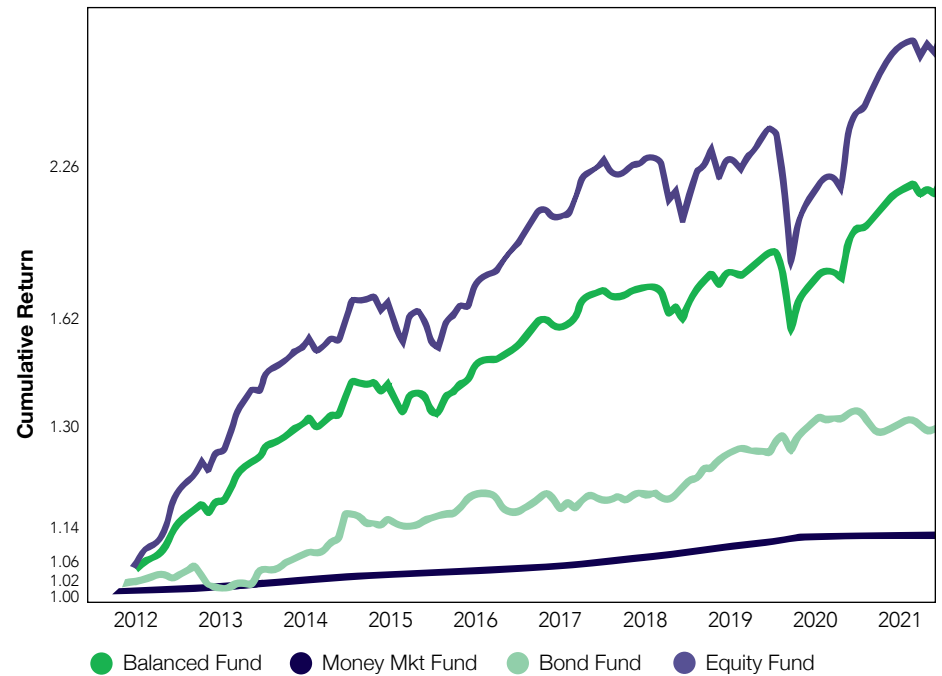
## Realized risk and return of CSS funds

As of December 31, 2021



## 10-YEAR CUMULATIVE PERFORMANCE

10 years ending December 31, 2021 | Growth of a unit value



## 10-year cumulative performance figures

Balanced Fund	Money Mkt Fund	Bond Fund	Equity Fund
213%	112%	136%	277%

# BALANCED FUND | default strategy

MER ▶ 0.43%

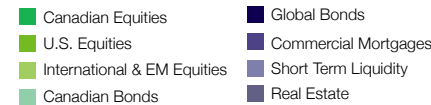
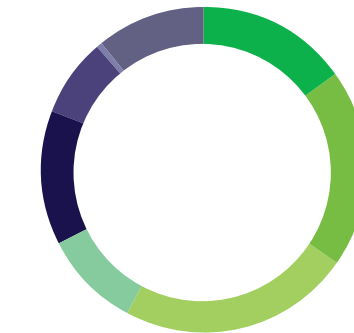
## WHO SHOULD INVEST?

- 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

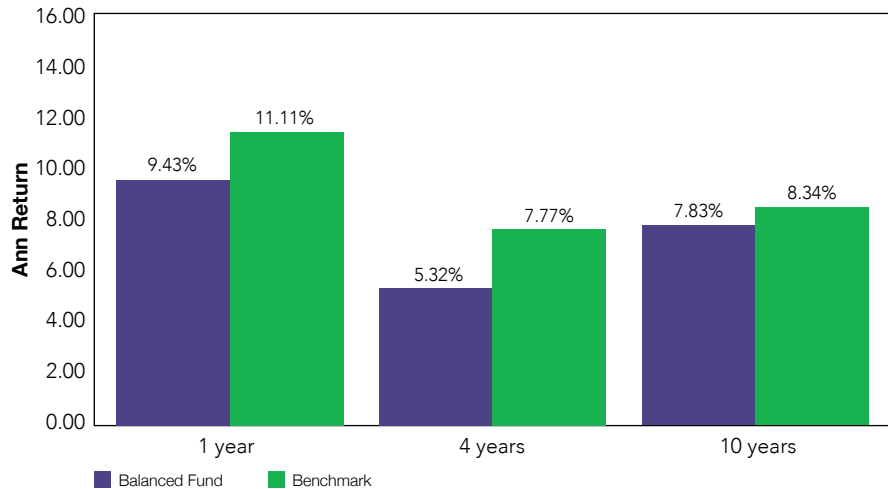


### Asset class subgroups

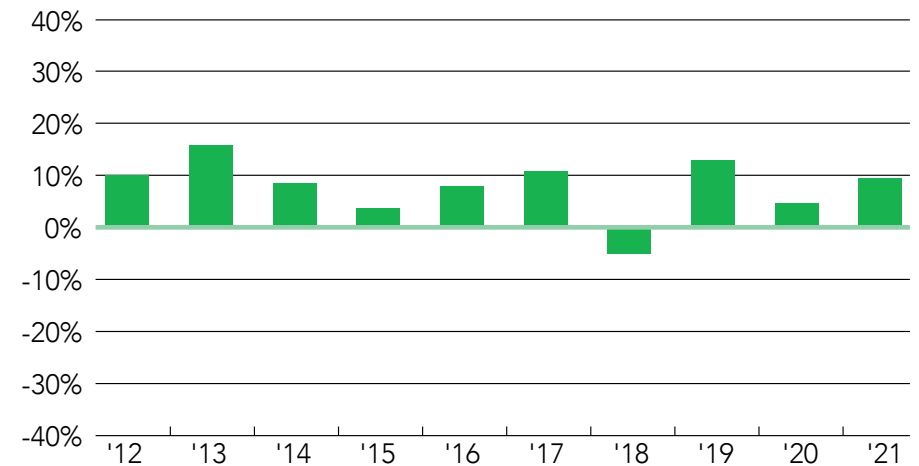
International Large Cap Equity	17.22%
Canadian Large Cap Equity	15.27%
U.S. Large Cap Equity	15.69%
Global Bonds	9.76%
Private Canadian Commercial Mortgages	7.86%
Canada Universe Bonds	7.77%
Private Canadian Real Estate	7.53%
Emerging Markets All Cap Equity	5.99%
Emerging Market Debt	5.39%
U.S. Small Cap Equity	3.80%
Global REITS	3.04%
Short Term Liquidity	0.67%
<b>TOTAL</b>	<b>100%</b>

## Annualized Investment Performance to Benchmark

Ending December 31, 2021 | Comparison



## Annual returns history (ending December 31, 2021)





# EQUITY FUND

MER ▶ 0.46%

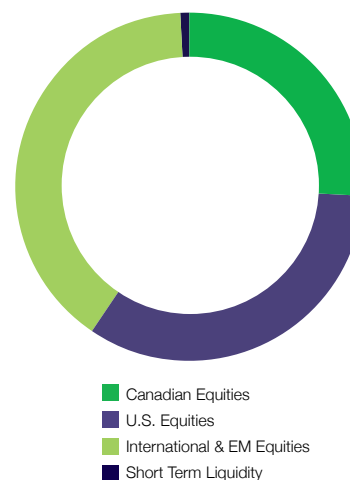
## WHO SHOULD INVEST?

- 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

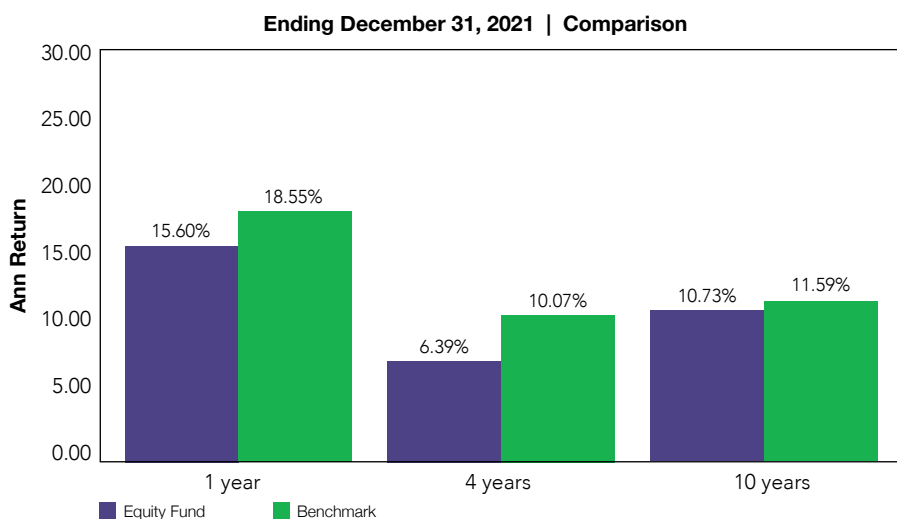
- Long-term returns consistent with global equity markets
- Annualized volatility expected to average 18 – 20%
- Periodic losses are expected

## ASSET MIX

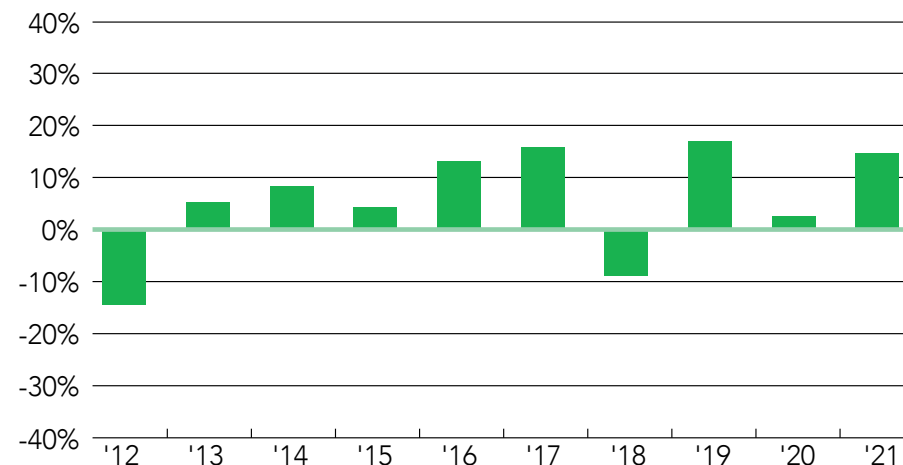


Asset class subgroups	
International Large/Mid-Cap Equity	29.51%
Canadian Large Cap Equity	26.05%
U.S. Large Cap Equity	27.06%
Emerging Markets All Cap Equity	10.24%
U.S. Small Cap Equity	6.48%
Short Term Liquidity	0.65%
TOTAL	100%

## Annualized Investment Performance to Benchmark



## Annual returns history (ending December 31, 2021)



# BOND FUND

MER ▶ 0.31%

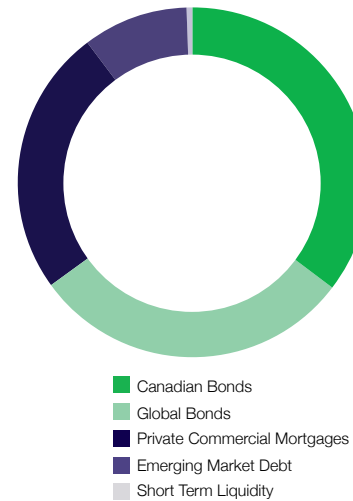
## WHO SHOULD INVEST?

- 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

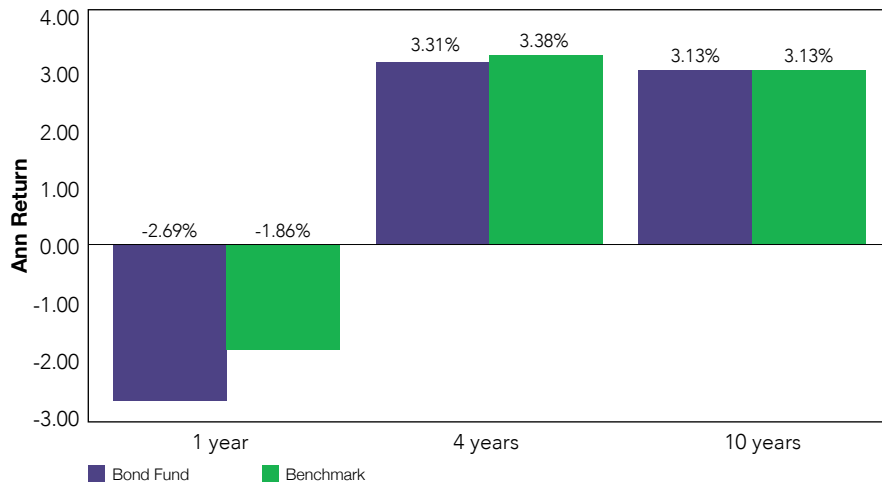


### Asset class subgroups

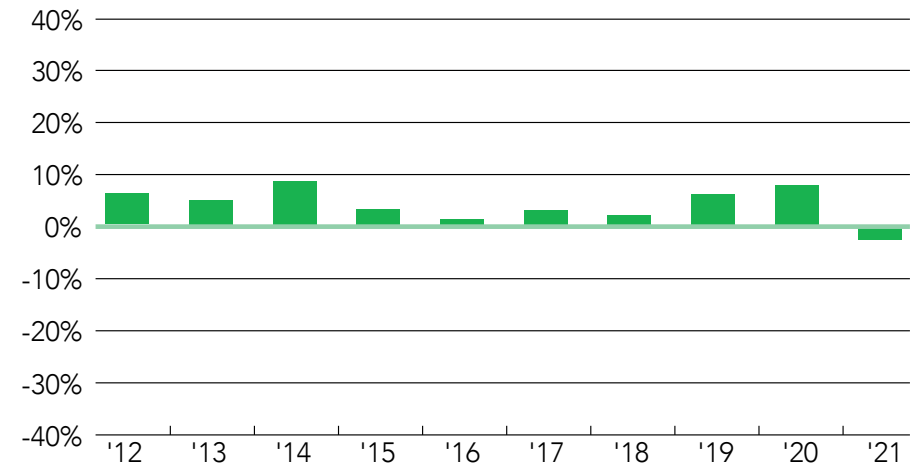
Core Plus Canada Bonds	35.43%
Global Bonds	29.78%
Private Commercial Mortgages	24.66%
Emerging Market Debt	9.63%
Short Term Liquidity	0.50%
TOTAL	100%

## Annualized Investment Performance to Benchmark

Ending December 31, 2021 | Comparison



## Annual returns history



# MONEY MARKET FUND

MER ▶ 0.13%

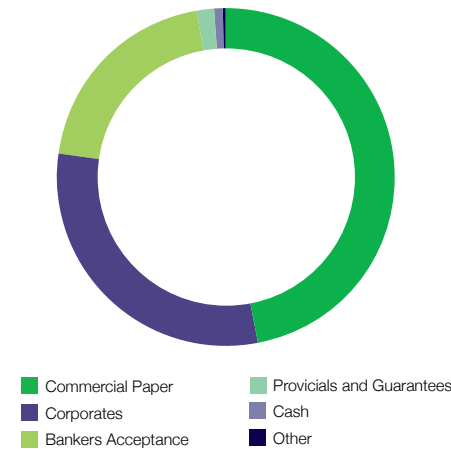
## WHO SHOULD INVEST?

- 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\*

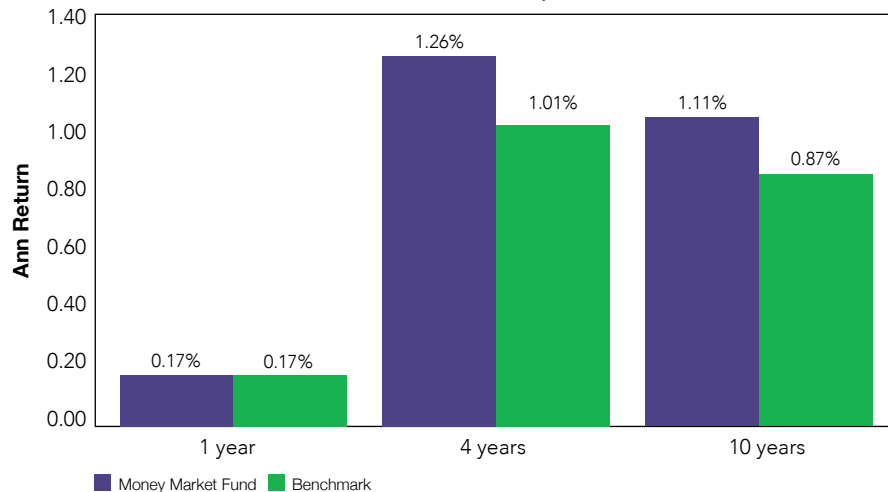


\*As of December 31, 2021

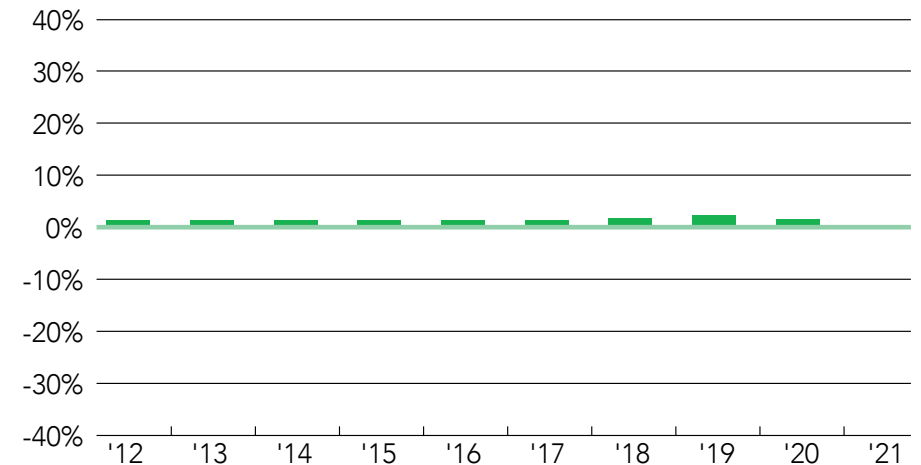
Asset class subgroups	
Commerical Paper	47.00%
Corporates	30.40%
Bankers Acceptance	20.00%
Provincials and Guarantees	1.60%
Cash	0.80%
Other	0.20%
TOTAL	100%

## Annualized Investment Performance to Benchmark

Ending December 31, 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 Composite	9.79%	17.05%	
Canadian Equities	Active	Scheer Rowlett & Associates	S&P TSX Composite	5.48%	9.01%	
U.S. Large Cap Equities	Systematic	Scientific Beta Multifactor	S&P 500 Index	15.69%	27.06%	
U.S. Small Cap Equities	Active	Hilldsale Investment Management	Russell 2000 Index	3.80%	6.48%	
International Equities	Active	Sprucegrove Investment Management	MSCI EAFE Index	8.93%	14.98%	
International Equities	Systematic	JP Morgan Diversified Multifactor	MSCI EAFE Index	8.29%	14.53%	
Emerging Equities	Active	Wellington Emerging Market Opportunities	MSCI EM IMI Index	5.99%	10.24%	
Canada Core Plus Bonds	Active	Wellington Canada Universe Bonds Plus	FTSE Canada Universe Bond Index	9.76%		35.43%
Global Bonds	Active	Wellington Opportunistic Fixed Income	Bloomberg Barclay's Global Aggregate Index	7.77%		29.78%
Private Commercial Mortgages	Active	TD Greystone	60% Short Bond + 40% Mid-Bond + 50 bps	7.86%		24.66%
Emerging Market Debt	Active	Blackrock Flexi Dynamic Bond Fund	CDOR + 5%	5.39%		9.63%
Short Term	Active	TDAM Short Term Investments	FTSE Canada 91-Day T-bill Index	0.67%	0.65%	0.50%
Global REITS	Passive	Blackrock Global REIT	FTSE EPRA NAREIT Liquid Index	3.04%		
Canada Direct Real Estate	Active	TD Greystone	CPI + 4%	7.53%		
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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