

The background of the entire slide is a photograph of two hikers with large backpacks walking away from the camera on a grassy mountain trail. The sun is low on the horizon, creating a warm, golden glow. In the distance, there are snow-capped mountain peaks. A semi-transparent teal rectangle is overlaid on the left side of the image, containing the text for the report.

# Q1

## Quarterly Investment Report

Quarter ending  
March 31, 2025



PENSION PLAN

# 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.

## CSS FUND FACTS

# \$5.4 billion

APPROX. ASSETS  
UNDER MANAGEMENT

# 0.64%

BALANCED FUND MANAGEMENT  
EXPENSE RATIO (MER)

# 56,700

APPROX. EMPLOYEE MEMBERS

# 294

APPROX. EMPLOYER MEMBERS

Canadian economic growth is expected to run below trend in 2025 and 2026, before potentially finding greater balance in 2027.

Slowing population growth and the impact of tariffs are the drivers of projected lower growth. Consumer spending had been improving on lower interest rates, but this may act as a drag on growth as higher prices cut into spending power. This could lead to the unemployment rate moving above its long-run level over the medium-term. After a period of somewhat stable inflation, headline and core consumer price inflation are expected to remain above target through 2025 on trade tariffs, before starting to return to the 2% target over the longer term. In the U.S., the economy is forecast to run below its long-run trend rate of growth in 2025, as growth is slowed by tariffs, fiscal constraint and slower population growth.

Slower near-term growth may push the unemployment rate slightly higher, reaching 4.5% by the fourth quarter of 2025 before gradually returning to its long-run average of 4%. Inflation has slowed from its multi-decade highs, though progress towards the U.S. Federal Reserve's (the "Fed") 2% inflation target has stalled in recent months. Higher tariffs pose an upside risk to the medium-term inflation outlook. In Europe, in light of tariff developments, some fiscal offset could come

from Germany. Its economy is one of the most exposed to international trade and tolerance for further economic stagnation will be limited after several years already. In contrast, the U.K. and France have limited fiscal space, which may make it challenging to buffer the economy from tariffs. The Chinese economy has seen the biggest actual increase in U.S. tariffs to an additional 20%. And yet, it recently established a "roughly" 5% growth target for this year, which includes increased government stimulus.

Given the headwinds to the economy and ongoing structural issues, it remains to be seen whether the proposed stimulus measures will be sufficient to meet the growth target. As in 2024, if growth is seen as falling short, there will likely be more ad hoc spending measures to support the economy.

## Equities

The S&P TSX Composite Index ("TSX") has tailwinds from expected 2025 earnings growth and the positive impact Bank of Canada (BoC) rate cuts could have on consumers and businesses. Trade negotiations with the U.S. could create uncertainty. Within the S&P TSX Composite Index, the Financials sector is well-capitalized, and the Resource sectors generate attractive free cash flow, which in both cases supports distributions to shareholders.

The U.S. equity market valuation has contracted this year on concerns about the impact of U.S.



# Quarterly Market Commentary continued

trade policy uncertainty and some skepticism on the long-term development trajectory of AI and datacenters. This, combined with some broadening out of returns, can create opportunities. The U.S. market continues to generate positive earnings growth overall. International equities have rallied year-to-date as multiples rebounded from low levels and Germany announced a major fiscal stimulus plan. However, this will take time to implement, earnings growth is low, and tariff risks remain. Japanese equities look attractive on a relative basis with momentum building behind corporate reform but there may be volatility as the Bank of Japan looks to continue raising rates.

Emerging Markets central banks, Mexico, South Korea, and Chile have been cutting rates. EMs might face challenges from potential changes to U.S. trade and tariff policies. China continues to struggle with challenges in its property sector but has announced monetary stimulus that could provide some stabilization for its economy.

## Fixed Income

As positive momentum builds for the Canadian economy, headwinds are emerging due to U.S. trade policy uncertainty. The BoC can quickly lower its policy rate to provide support for the Canadian economy. This would result in a steepening of the yield curve as shorter rates would likely fall faster than longer rates.

Investment grade spreads remain tight overall and reflect a modest softening of the global economic backdrop. Canadian investment grade corporate bonds may be more attractive than U.S. investment grade corporates as spreads in Canada continue to be meaningfully wider.

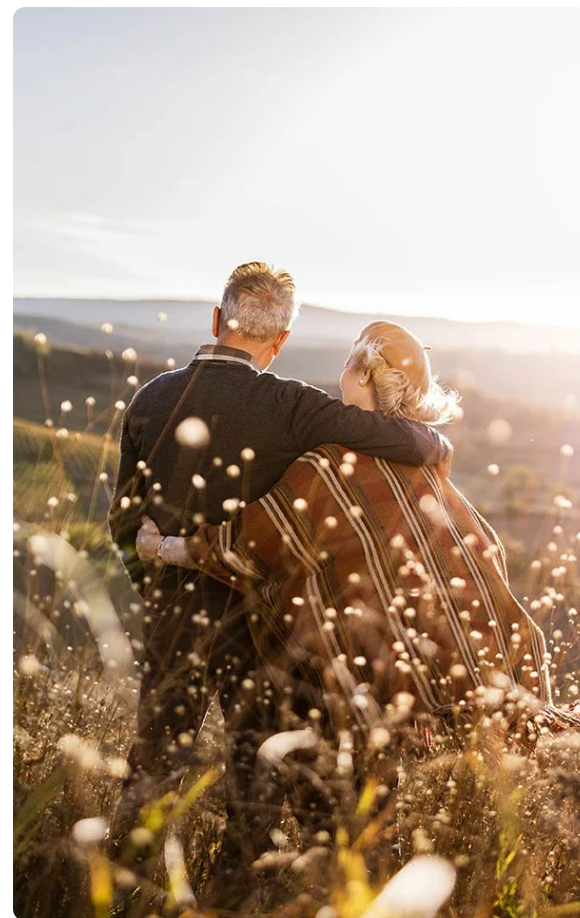
Global bond markets are grappling with the impact of U.S. tariff threats on inflation, fiscal deficits, global trade, and currency dynamics. Therefore, opportunities across developed market bonds are expected to vary over the next 12 to 18 months. The recent strengthening of the U.S. Dollar ("USD") has led to a challenging environment for emerging markets, particularly those with large U.S. denominated liabilities. Furthermore, the threat of tariffs along with sluggish economic growth outside of the U.S. will cause uncertainty to remain elevated.

All in yields appear attractive although spreads are near historically tight levels and provide little protection from a broader deterioration in credit conditions, weakening consumers or higher Treasury yields. While this is a concern, there may be limited scope for these negative drivers to materialize meaningfully in the near-term.

## Alternative investments

Commercial mortgages continue to provide accretive income while insulating investor returns from the increased volatility in interest rates. Private debt: High credit quality and

global diversification provides an income ballast in an uncertain economic environment. Incremental income and potential capital appreciation from interest rate moderation provide upside. We believe a significant portion of the value adjustments in the Canadian commercial real estate space have been taken.

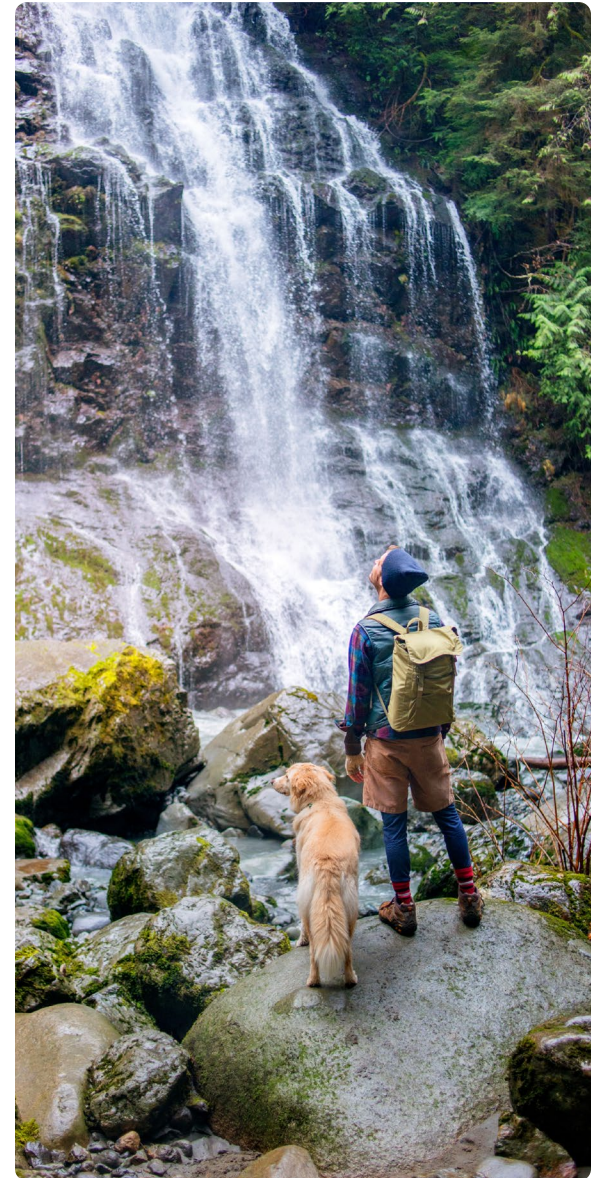


# Quarterly Market Commentary continued

Occupancy levels continue to improve, absent Class B & C office, due to recent extreme population growth and limited new supply. Immigration changes will impact market rents, but supply shortfall of the past, particularly in multi-family, is providing continued predictable income growth.

Global real estate: We believe the majority of the value adjustments have occurred in the U.S., UK and Nordic countries, while other regions, such as Australia, are in the midst of value adjustments.

Moderating risk-free rates have been reflected in lower discount rates which has led to strong valuations for infrastructure assets. We have seen a shift in focus from core infrastructure assets to core-plus and value add as investors seek greater growth and higher return potential from their infrastructure allocations.

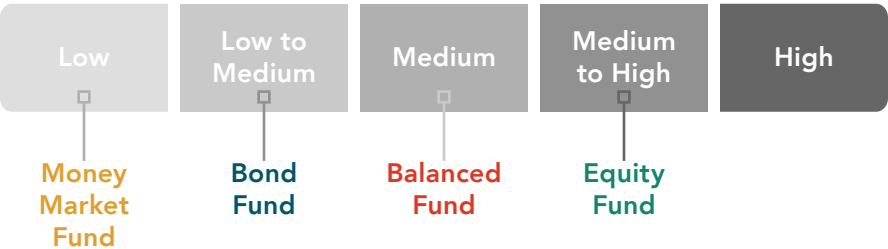


# Performance and Risk Metrics

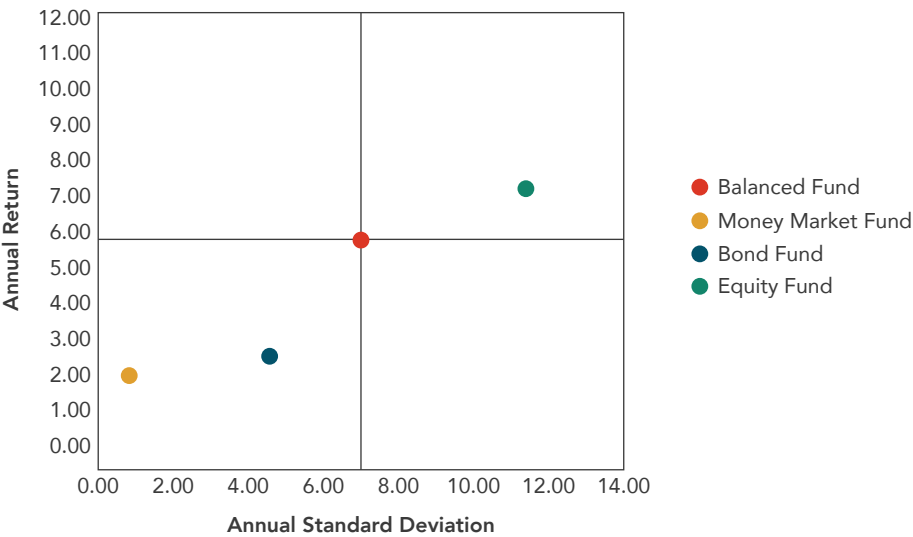
## CSS FUNDS

### Comparative Risk

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

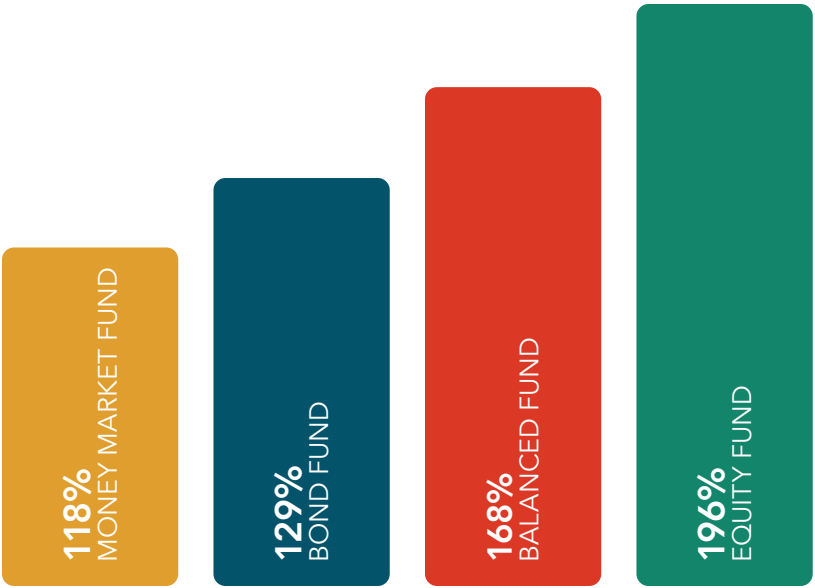
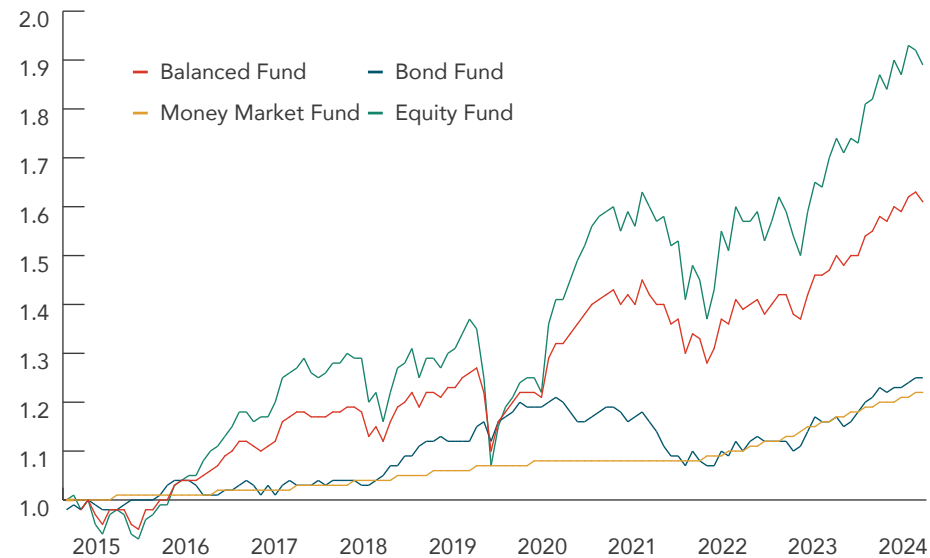


### Realized Risk and Return of CSS



### 10-Year Cumulative Performance

10 years ending March 31, 2025 | Growth of a unit value



# Balanced Fund

**MER 0.64%**

## DEFAULT STRATEGY

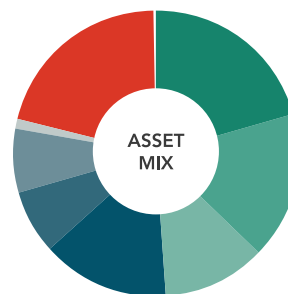
### Who Should Invest?

- ▶ 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



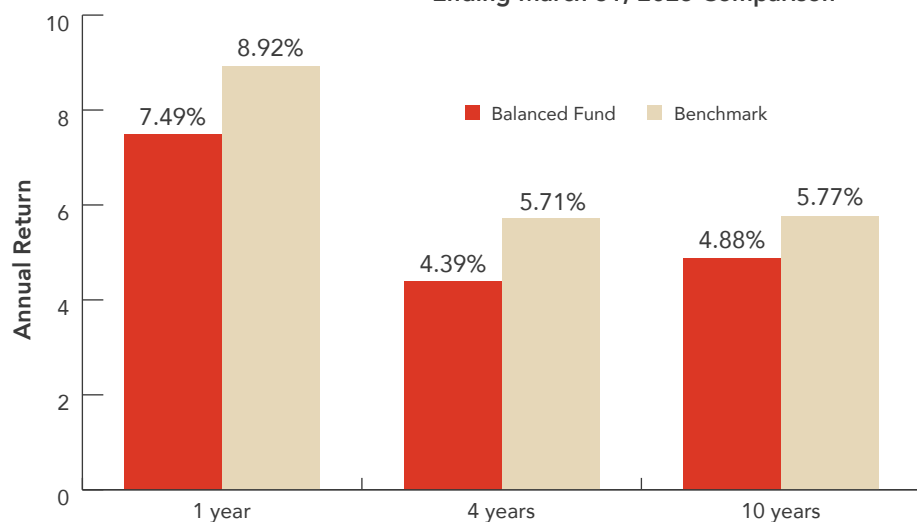
- International & EM Equities
- U.S. Equities
- Canadian Equities
- Global Bonds
- Canadian Bonds
- Commercial Mortgages
- Short Term Liquidity
- Real Assets

## Asset Class Subgroups

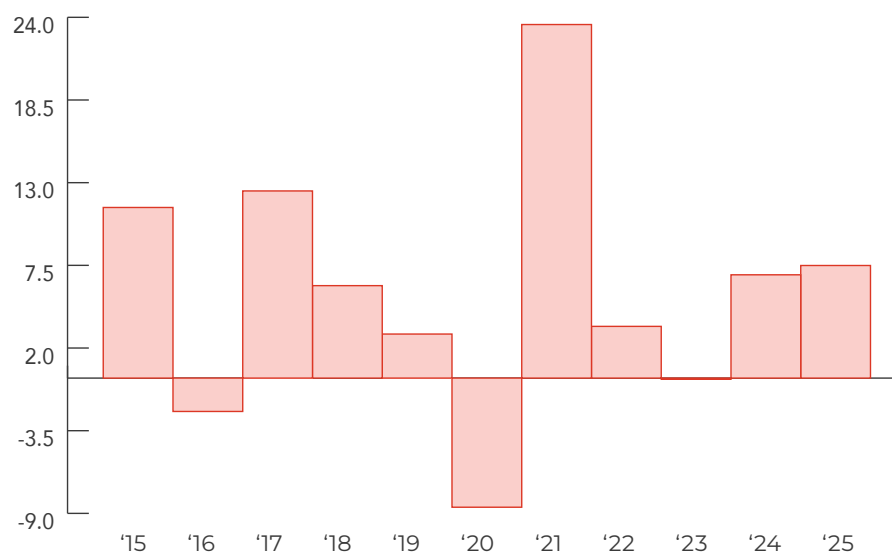
International Large/Mid Cap Equity	14.81%
Canadian Large Cap Equity	11.80%
U.S. Large Cap Equity	13.98%
Global Bonds	8.22%
Private Canadian Commercial Mortgages	7.20%
Canada Universe Bonds	7.32%
Private Canadian Real Estate	5.86%
Emerging Markets All Cap Equity	5.79%
Emerging Market Debt	6.13%
U.S. Small Cap Equity	2.78%
Private Global Real Estate	5.26%
Private Global Infrastructure	9.75%
Short Term Liquidity	1.10%
<b>TOTAL</b>	<b>100.00%</b>

## Annualized Investment Performance to Benchmark

Ending March 31, 2025 Comparison



## Annual Returns History (ending March 31, 2025)



# Equity Fund

MER 0.43%

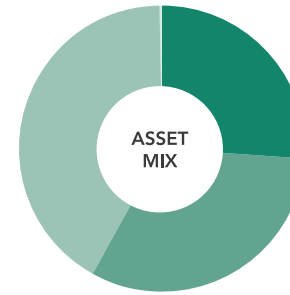
## Who Should Invest?

- ▶ 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

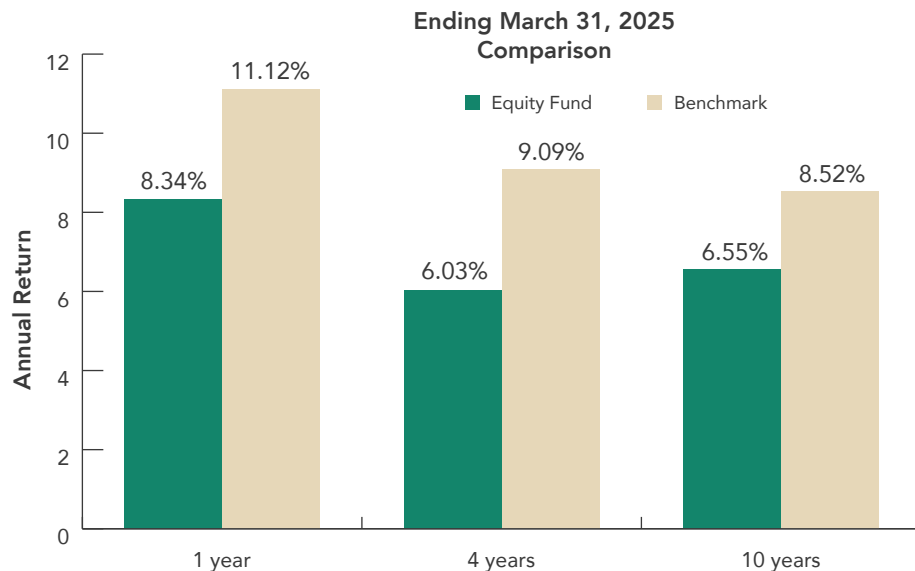


- Canadian Equities
- US Equities
- International & EM Equities
- Short Term Liquidity

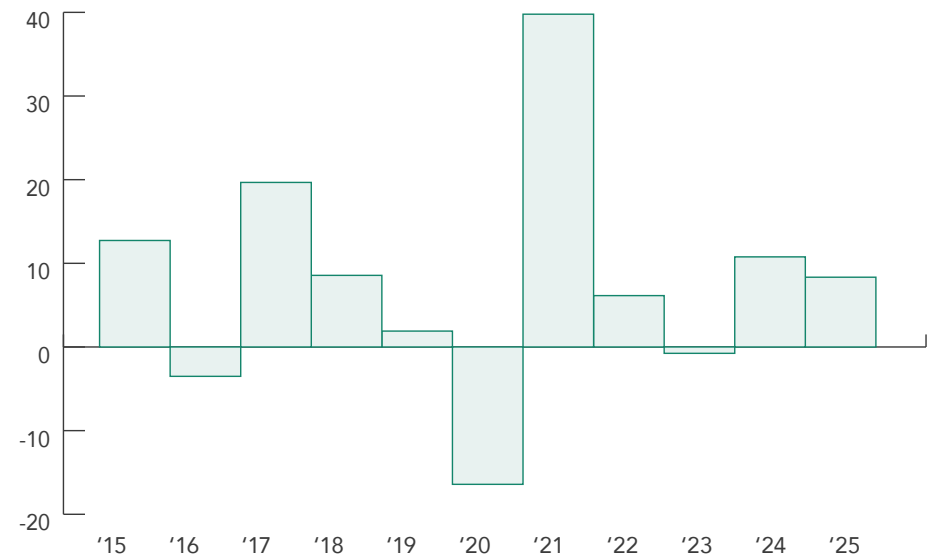
## Asset Class Subgroups

International Large/Mid Cap Equity	30.27%
Canadian Large Cap Equity	25.65%
US Large Cap Equity	27.80%
Emerging Markets All Cap Equity	10.45%
US Small Cap Equity	5.75%
Short Term Liquidity	0.07%
<b>TOTAL</b>	<b>100.00%</b>

## Annualized Investment Performance to Benchmark



## Annual Returns History (ending March 31, 2025)



# Bond Fund

MER 0.48%

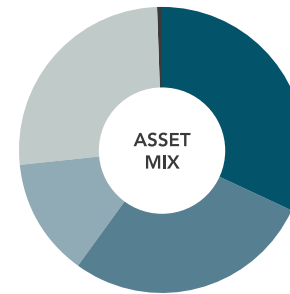
## Who Should Invest?

- ▶ 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



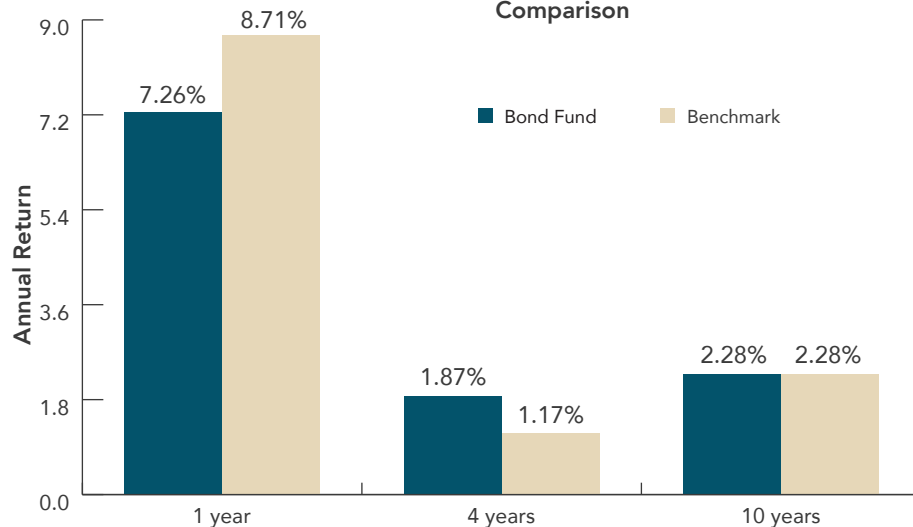
- Canada Bonds
- Global Bonds
- Emerging Market Debt
- Private Commercial Mortgages
- Short Term Liquidity

## Asset Class Subgroups

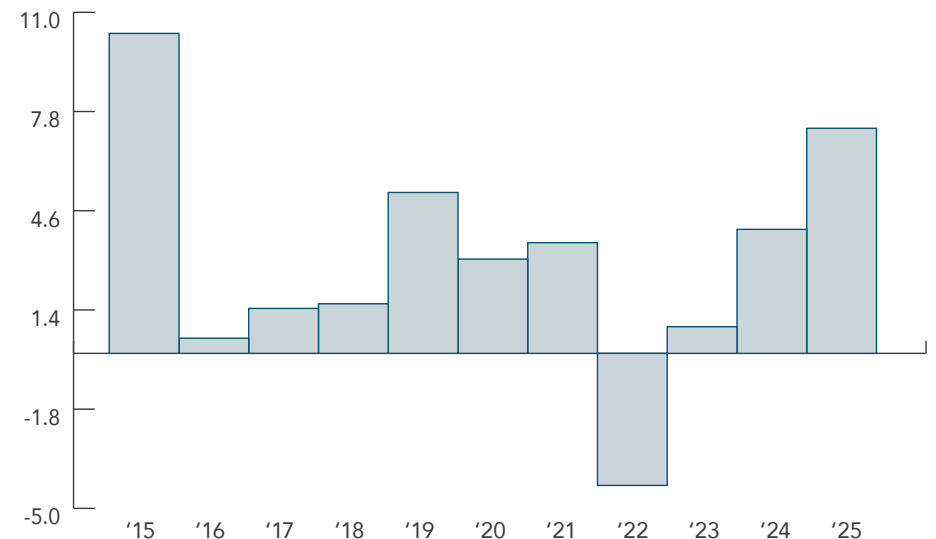
Core Plus Canada Bonds	32.21%
Global Bonds	27.98%
Emerging Market Debt	13.19%
Private Commercial Mtges	26.21%
Short Term Liquidity	0.40%
<b>TOTAL</b>	<b>100.00%</b>

## Annualized Investment Performance to Benchmark

Ending March 31, 2025  
Comparison



## Annual Returns History (ending March 31, 2025)





# Money Market Fund MER 0.18%

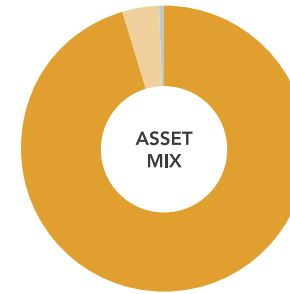
## Who Should Invest?

- ▶ 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

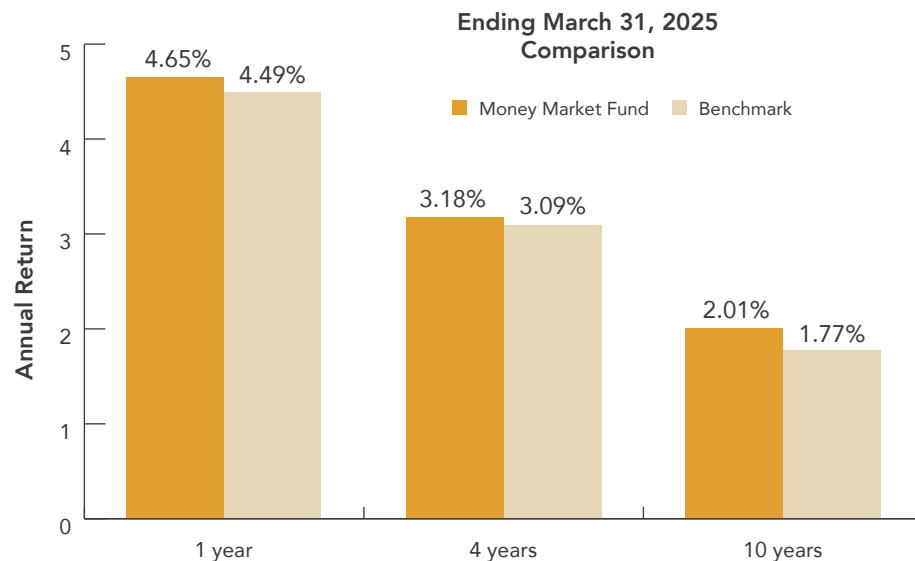


- Corporate
- Cash & Equivalents
- Federal

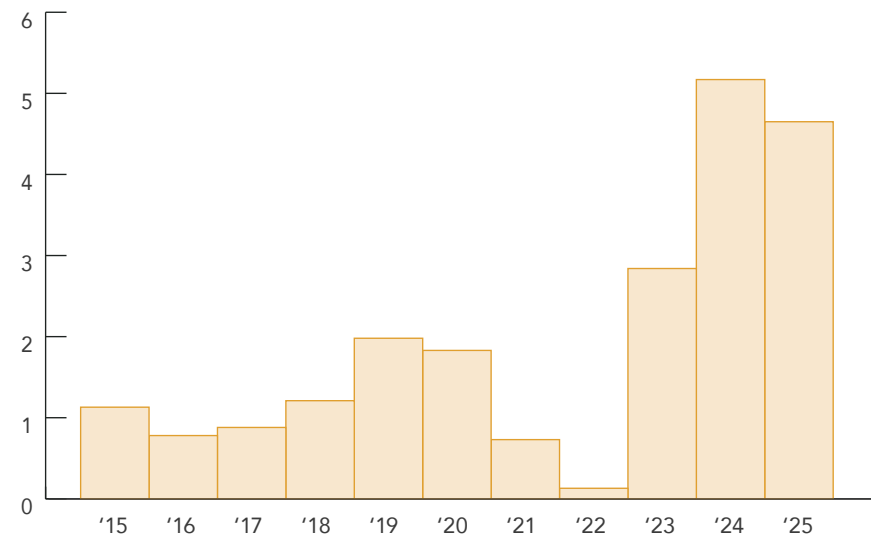
## Asset Class Subgroups

Cash and Cash Equivalents	4.1%
Corporate	95.5%
Federal	0.4%
<b>TOTAL</b>	<b>100%</b>

## Annualized Investment Performance to Benchmark



## Annual Returns History (ending March 31, 2025)



# 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	7.83%	16.13%	
Canadian Equities	Active	Scheer Rowlett & Associates	S&P TSX Composite index	3.97%	9.52%	
U.S. Large Cap Equities	Systematic	Scientific Beta Multifactor	S&P 500 Total Return index	11.70%	25.63%	
U.S. Large Cap Equities	Passive	TDAM US Equity	S&P 500 Total Return index	2.27%	2.18%	
U.S. Small Cap Equities	Active	Hilldsale Investment Management	Russell 2000 Total Return index	2.78%	5.75%	
International Equities	Active	Sprucegrove Investment Management	MSCI EAFE Net index	7.84%	14.74%	
International Equities	Systematic	JP Morgan Diversified Multifactor	MSCI EAFE Net index	6.97%	15.53%	
Emerging Equities	Active	Wellington Emerging Market Opportunities	MSCI EM IMI index	5.79%	10.45%	
Canada Core Plus Bonds	Active	Wellington Canada Universe Bonds Plus	FTSE Canada Universe Bond Index	7.32%		32.21%
Global Bonds	Active	Wellington Opportunistic Fixed Income	Bloomberg Barclay's Global Aggregate Index	8.22%		27.98%
Private Commercial Mortgages	Active	TD Greystone	60% Short bond + 40% mid bond + 50 bps	7.20%		26.21%
Emerging Market Debt	Active	Blackrock Flexi Dynamic Bond Fund	JP Morgan JEMBI Sovereign Only	6.13%		13.19%
Short Term	Active	TDAM Short Term Investments	FTSE Canada 91 day T-bill index	1.10%	0.07%	0.40%
Canada Private Real Estate	Active	TD Greystone	CPI + 4%	5.86%		
Global Private Real Estate	Active	TD Greystone	CPI + 4%	1.59%		
Global Private Real Estate	Active	UBS Asset Management	CPI + 4%	3.68%		
Global Private Infrastructure	Active	JP Morgan IIF	CPI + 4%	5.73%		
Global Private Infrastructure	Active	IFM	CPI + 4%	4.03%		
Dynamic Currency Overlay	Active	Mackenzie Financial	Custom			
				<b>100%</b>	<b>100%</b>	<b>100%</b>

# Additional 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.

## CSS 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.

### CSS PENSION PLAN

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PENSION PLAN