

Q1

Quarterly Investment Report

Quarter ending
March 31, 2026



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

\$5.7 billion

APPROX. ASSETS
UNDER MANAGEMENT

0.63%

BALANCED FUND MANAGEMENT
EXPENSE RATIO (MER)

58,000

APPROX. EMPLOYEE MEMBERS

300

APPROX. EMPLOYER MEMBERS

Global financial markets experienced a pullback over the first quarter of 2026 as volatility increased, marking a shift from the strong gains recorded in previous periods. This adjustment reflects a combination of moderating economic growth, renewed near term inflation pressures, and heightened geopolitical tensions.

While market conditions have become more unsettled, the magnitude of the equity decline has remained relatively contained by historical standards, suggesting a period of consolidation rather than a disorderly repricing of risk.

Inflation concerns this year appear largely driven by temporary supply side factors, particularly energy related disruptions that have pushed oil and natural gas prices higher. These pressures have spilled over into certain commodity markets but are not the result of overheating demand.

Importantly, longer term inflation expectations remain relatively well anchored. However, if elevated energy prices were to persist for an

extended period, broader economic impacts could emerge, including pressure on consumer purchasing power, corporate margins, and global growth expectations.

Economic growth is slowing, but it continues to do so from a position of relative resilience. Labour markets—especially in the United States—remain firm, corporate balance sheets are generally healthy, and economic activity has yet to show widespread signs of stress. Together, these conditions support the view that the global economy is moderating from earlier momentum rather than entering a broad based downturn.

That said, a more prolonged or expanded geopolitical conflict could test market resilience by tightening financial conditions and weighing on confidence, particularly in regions more exposed to energy imports.

Markets are adjusting to this evolving environment. In fixed income, expectations for interest rate cuts have been pushed further out, leading to higher yields and renewed volatility, but also improving income opportunities.

Overall, this environment underscores the importance of diversification and disciplined portfolio construction. As markets transition towards a more balanced phase, opportunities are emerging across asset classes as valuations adjust and return prospects evolve, even as downside risks remain elevated.

Quarterly Market Commentary continued

Equities

Global equity markets experienced increased volatility during the first quarter of 2026 as investors responded to moderating economic growth, shifting interest rate expectations, and heightened geopolitical tensions. Following a strong performance in 2025, markets gave back a portion of earlier gains, though the pullback has remained relatively contained.

This points to a period of consolidation rather than a fundamental deterioration in the equity outlook. Despite a more challenging macro backdrop, earnings fundamentals have remained resilient. Corporate balance sheets are generally healthy, labour markets—particularly in the United States—continue to show strength, and revenue growth has held up across many sectors. While inflation concerns resurfaced during the quarter, current pressures appear largely supply driven, led by energy related disruptions rather than excess demand. Longer term inflation expectations remain relatively well anchored, helping to support equity valuations.

In the U.S., equities faced pressure amid uncertainty around the timing of interest rate cuts, geopolitical risks, and questions surrounding the pace of artificial intelligence related growth. However, earnings expectations have remained intact, and market leadership has begun to broaden beyond a narrow group of dominant names. This widening participation across sectors and market capitalizations is an

encouraging sign as markets adjust to a more balanced environment.

Canadian equities have shown relative resilience, supported by energy exposure and stable earnings expectations across most industries. International developed markets present a more mixed picture, with cyclical softening in parts of Europe offset by improving corporate governance and currency dynamics in Japan. Emerging markets have experienced renewed volatility amid geopolitical tensions and U.S. dollar strength, though select regions continue to benefit from structural growth drivers and more attractive valuations.

Fixed Income

Fixed income markets experienced renewed volatility during the first quarter of 2026 as shifting interest rate expectations and elevated geopolitical risks reshaped the rate and credit environment. Expectations for near term policy rate cuts were pushed further out, leading to higher yields across many markets and challenging performance conditions for bonds. While this adjustment reduced the defensive benefits typically associated with fixed income in risk off periods, it also marked an important reset in valuations and income potential.

Inflation concerns resurfaced during the quarter, largely reflecting energy related supply disruptions rather than excess demand. Central banks remain cautious, balancing near term

inflation risks against signs of moderating growth, contributing to uncertainty around the future path of rates.

Government bond markets reflected this tension, with yields moving higher as investors reassessed the timing and pace of monetary easing. While price volatility has increased, higher yields have improved the longer term return outlook for bonds, particularly for investors seeking income and diversification. Yield curves have remained relatively flat, signaling continued caution around growth prospects.

In credit markets, spreads widened modestly amid increased issuance, tighter financial conditions, and heightened scrutiny of leveraged structures. Investment grade corporate bonds were affected by these technical pressures, though underlying credit fundamentals remain generally sound. Corporate balance sheets are healthy, default rates remain contained, and higher all in yields have improved compensation for credit risk, creating opportunities where spread widening reflects volatility rather than deteriorating fundamentals.

Alternative investments

Alternative assets continued to play an important role during the first quarter of 2026 as markets navigated heightened geopolitical uncertainty, shifting interest rate expectations, and increased volatility across public markets.

Quarterly Market Commentary continued

In this environment, alternatives have benefited from their focus on income generation, diversification, and resilience, though performance and fundamentals have varied across strategies and regions.

Within private and real assets, fundamentals remain mixed but broadly supportive. Commercial mortgage markets have seen some widening in spreads following an extended period of compression, reflecting greater caution among lenders. While this adjustment has introduced short term valuation pressure, it has also improved risk compensation for new capital and reinforced the importance of disciplined underwriting.

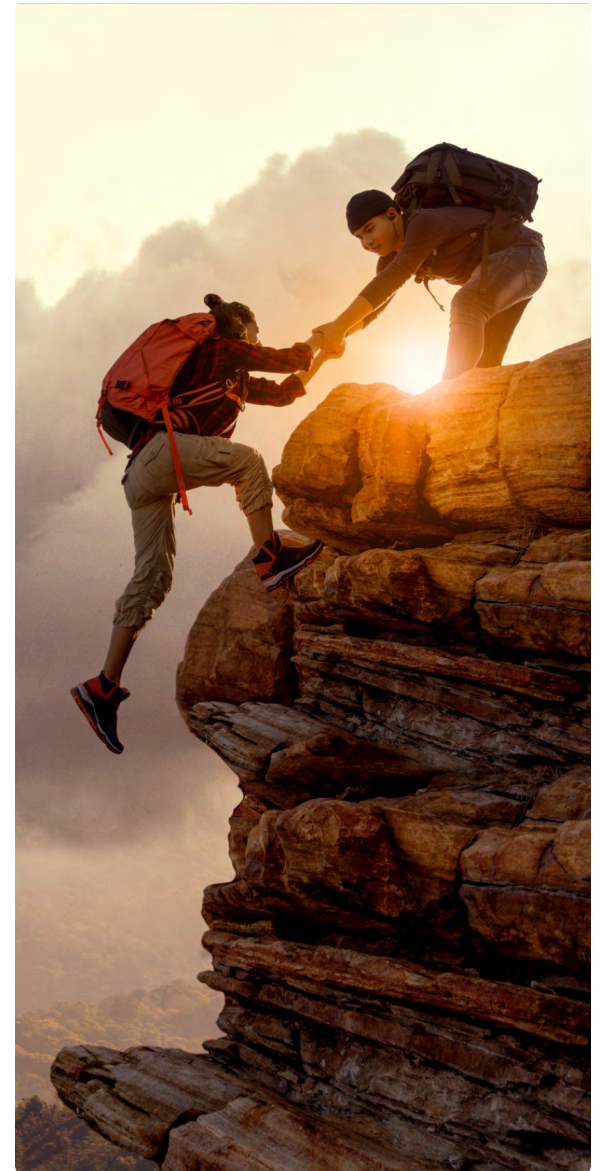
Income generation in this segment remains relatively stable. Real estate markets continue to adjust to higher interest rate levels, with performance diverging by property type and region. Domestic real estate fundamentals have shown improvement in certain office markets as leasing activity stabilizes, while retail assets remain supported by strong tenant demand. These gains have been partially offset by softer conditions in segments exposed to housing and condominium markets.

Globally, real estate conditions are uneven, with selective recovery across U.S. and European markets alongside pockets of cyclical softness elsewhere. Long term demand drivers such as logistics, residential supply constraints, and demographic trends remain intact.

Infrastructure assets have continued to demonstrate resilience, supported by regulated cash flows, long duration contracts, and inflation linked revenue structures. Ongoing investment in energy transition and essential services has reinforced the sector's defensive characteristics and longer term growth potential.

Commodities strengthened during the quarter, driven primarily by supply disruptions in energy, natural gas, and select industrial inputs. These price increases appear more closely tied to constrained supply than excess demand, underscoring commodities' role as a potential diversifier during periods of geopolitical stress.

Private credit markets have attracted increased scrutiny amid tighter financial conditions, but fundamentals remain generally sound. While stress has emerged in more leveraged areas, diversified strategies focused on credit quality and lower leverage continue to offer attractive income opportunities.

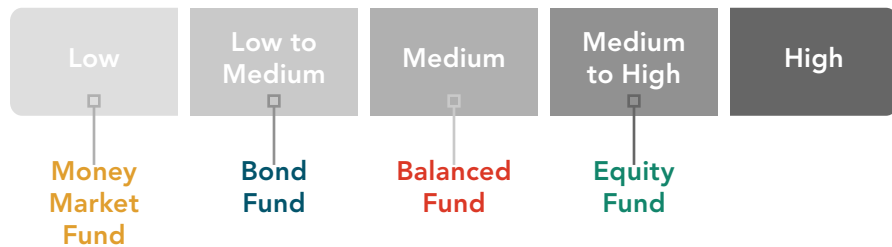


Performance and Risk Metrics

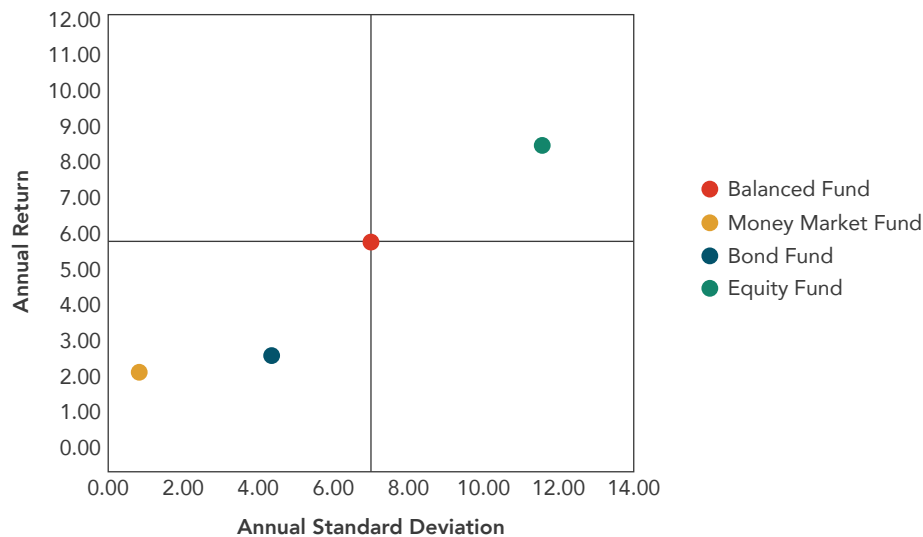
CSS FUNDS

Comparative Risk

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

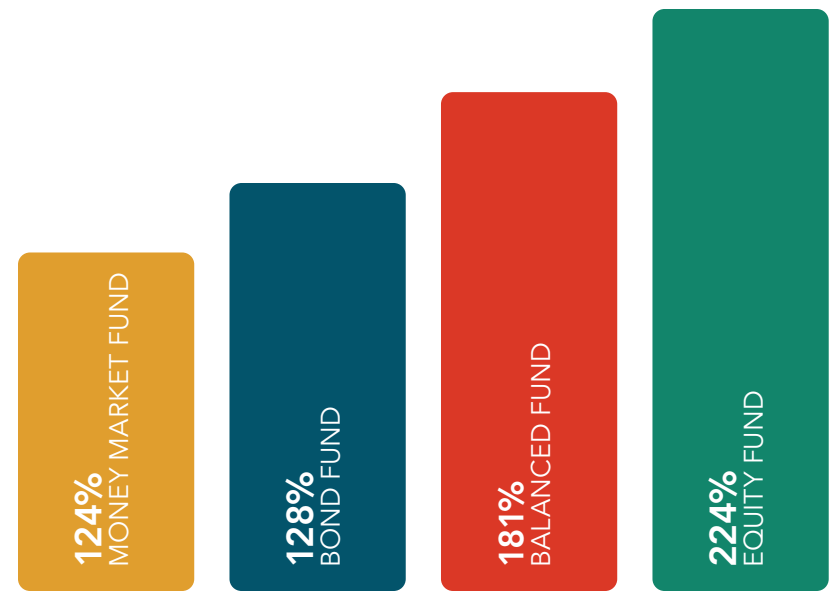
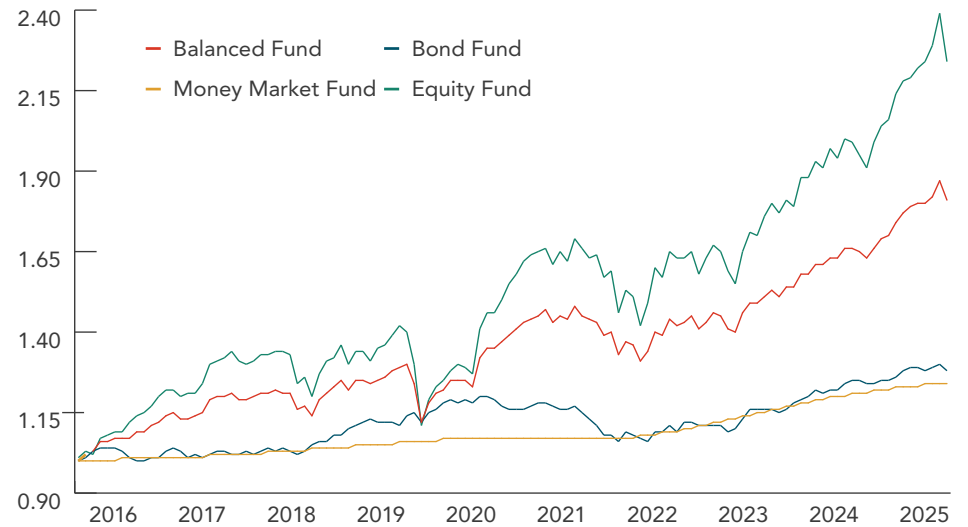


Realized Risk and Return of CSS



10-Year Cumulative Performance

10 years ending March 31, 2026 | Growth of a unit value



Balanced Fund

MER 0.63%

DEFAULT STRATEGY

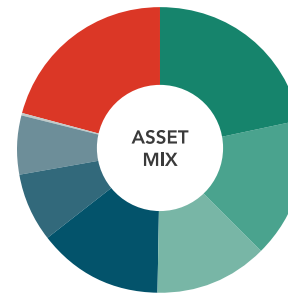
Who Should Invest?

- ▶ 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

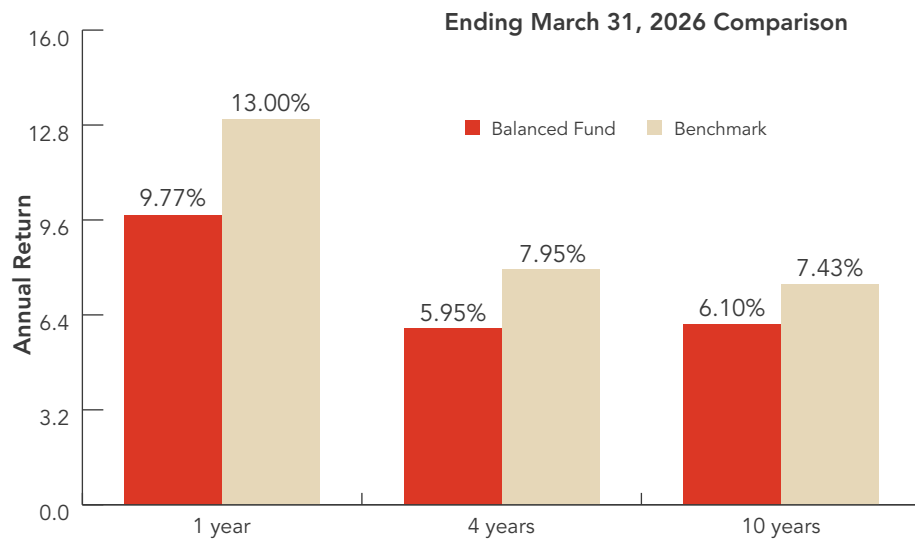


- International & EM Equities
- U.S. Equities
- Canadian Equities
- Global Bonds
- Canadian Bonds
- Commercial Mortgages
- Short Term Liquidity
- Real Assets

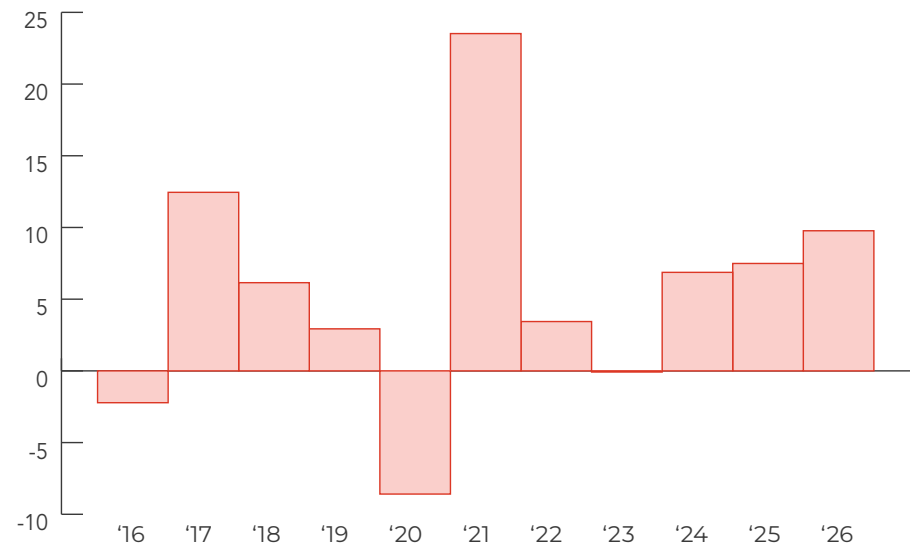
Asset Class Subgroups

International Large/Mid Cap Equity	16.22%
Canadian Large Cap Equity	12.67%
U.S. Large Cap Equity	12.81%
Global Bonds	8.00%
Private Canadian Commercial Mortgages	6.74%
Canada Universe Bonds	7.52%
Private Canadian Real Estate	4.92%
Emerging Markets All Cap Equity	5.70%
Emerging Market Debt	6.33%
U.S. Small Cap Equity	2.99%
Private Global Real Estate	5.40%
Private Global Infrastructure	10.33%
Short Term Liquidity	0.37%
TOTAL	100.00%

Annualized Investment Performance to Benchmark



Annual Returns History (ending March 31, 2026)



Equity Fund

MER 0.42%

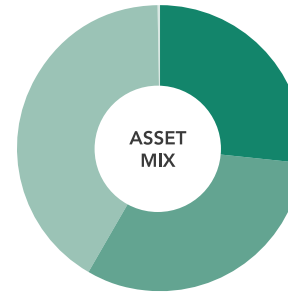
Who Should Invest?

- ▶ 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

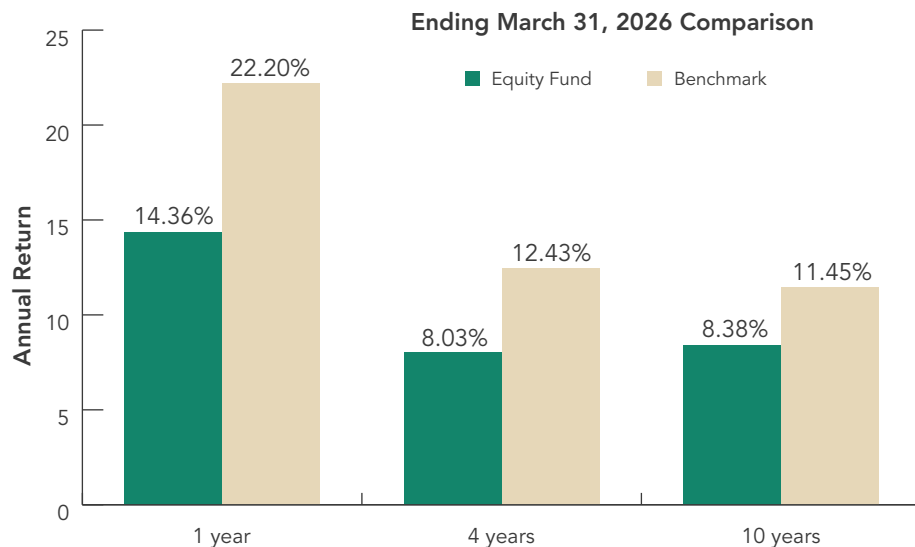


- Canadian Equities
- US Equities
- International & EM Equities
- Short Term Liquidity

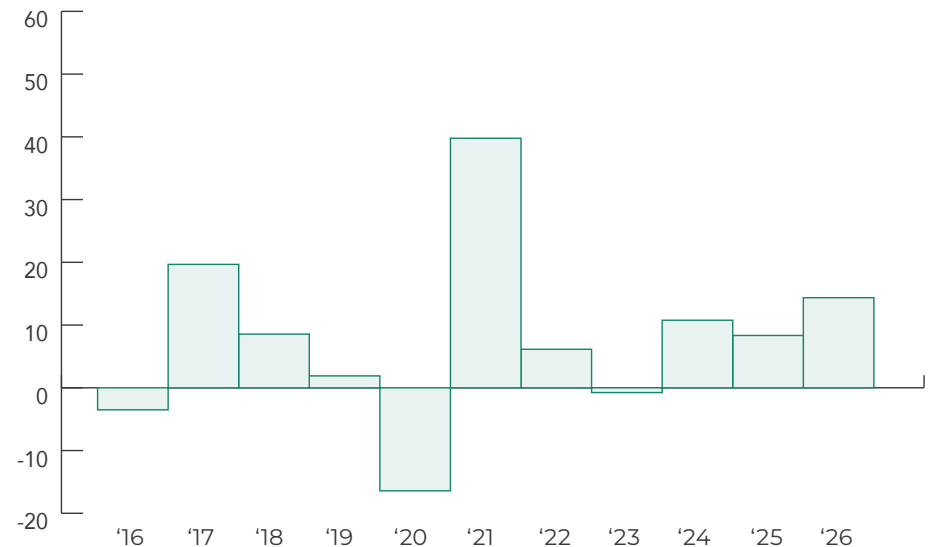
Asset Class Subgroups

International Large/Mid Cap Equity	31.74%
Canadian Large Cap Equity	26.92%
US Large Cap Equity	26.17%
Emerging Markets All Cap Equity	10.09%
US Small Cap Equity	5.83%
Short Term Liquidity	-0.76%
TOTAL	100.00%

Annualized Investment Performance to Benchmark



Annual Returns History (ending March 31, 2026)



Bond Fund

MER 0.41%

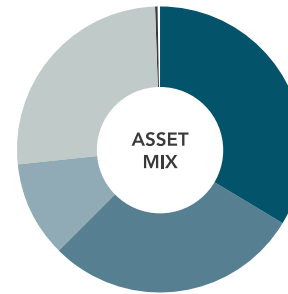
Who Should Invest?

- ▶ 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



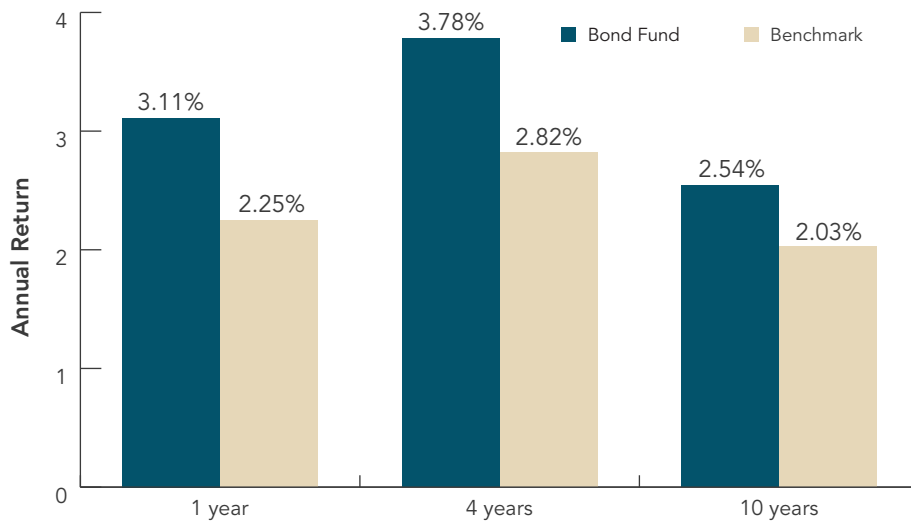
- Canada Bonds
- Global Bonds
- Emerging Market Debt
- Private Commercial Mortgages
- Short Term Liquidity

Asset Class Subgroups

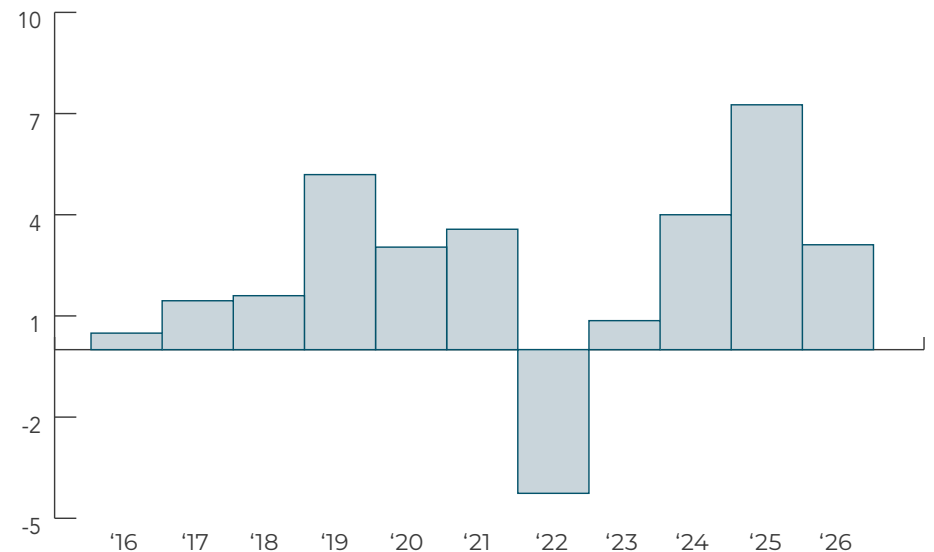
Core Plus Canada Bonds	33.64%
Global Bonds	29.04%
Emerging Market Debt	10.74%
Private Commercial Mtges	26.04%
Short Term Liquidity	0.55%
TOTAL	100.00%

Annualized Investment Performance to Benchmark

Ending March 31, 2026 Comparison



Annual Returns History (ending March 31, 2026)



Money Market Fund MER 0.16%

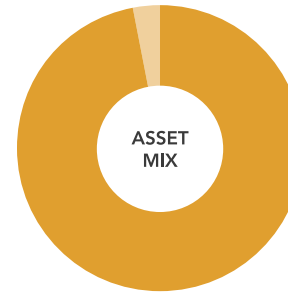
Who Should Invest?

- ▶ 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



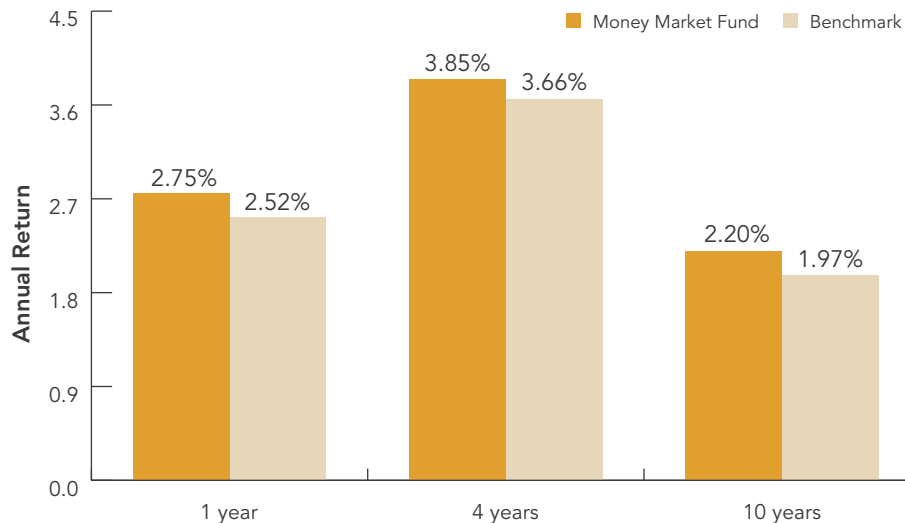
- Corporate
- Cash & Equivalents
- Other Assets & Liabilities

Asset Class Subgroups

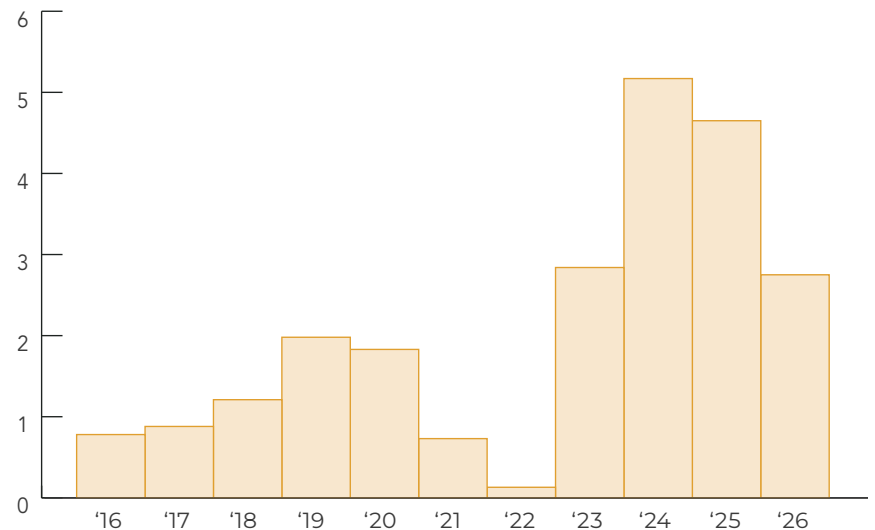
Cash and Cash Equivalents	3.00%
Corporate	97.09%
Other Assets and Liabilities	-0.09%
TOTAL	100%

Annualized Investment Performance to Benchmark

Ending March 31, 2026 Comparison



Annual Returns History (ending March 31, 2026)



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	8.36%	16.44%	
Canadian Equities	Active	Scheer Rowlett & Associates	S&P TSX Composite index	4.31%	10.49%	
U.S. Large Cap Equities	Systematic	Scientific Beta Multifactor	S&P 500 Total Return index	6.03%	13.46%	
U.S. Large Cap Equities	Active	GMO	S&P 500 Total Return index	6.78%	12.71%	
U.S. Small Cap Equities	Active	Hilldsale Investment Management	Russell 2000 Total Return index	2.99%	5.83%	
International Equities	Active	Sprucegrove Investment Management	MSCI EAFE Net index	8.09%	15.06%	
International Equities	Systematic	JP Morgan Diversified Multifactor	MSCI EAFE Net index	8.13%	16.69%	
Emerging Equities	Active	Wellington Emerging Market Opportunities	MSCI EM IMI index	5.70%	10.09%	
Canada Core Plus Bonds	Active	Wellington Canada Universe Bonds Plus	FTSE Canada Universe Bond Index	7.52%		33.64%
Global Bonds	Active	Wellington Opportunistic Fixed Income	Bloomberg Barclay's Global Aggregate Index	8.00%		29.04%
Private Commercial Mortgages	Active	TD Greystone	60% Short bond + 40% mid bond + 50 bps	6.74%		26.04%
Emerging Market Debt	Active	Blackrock Flexi Dynamic Bond Fund	JP Morgan JEMBI Sovereign Only	6.33%		10.74%
Short Term	Active	TDAM Short Term Investments	FTSE Canada 91 day T-bill index	0.37%	-0.76%	0.55%
Canada Private Real Estate	Active	TD Greystone	CPI + 4%	4.92%		
Global Private Real Estate	Active	TD Greystone	CPI + 4%	1.94%		
Global Private Real Estate	Active	UBS Asset Management	CPI + 4%	3.46%		
Global Private Infrastructure	Active	JP Morgan IIF	CPI + 4%	6.16%		
Global Private Infrastructure	Active	IFM	CPI + 4%	4.16%		
Dynamic Currency Overlay	Active	Mackenzie Financial	Custom			
				100%	100%	100%

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

PO Box 1850
333 3rd Avenue N, 5th Floor
Saskatoon, SK S7K 3S2

Phone: (306) 477-8500
Toll-free: 1-844-427-7736
Fax: (306) 244-1088
Email: css@csspension.com

www.csspension.com



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