

Q2

Quarterly Investment Report

Quarter ending
June 30, 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

The global economy remains on a turbulent path, heavily influenced by shifting U.S. tariff policies, a backdrop of tensions in the Middle East and ongoing war between Ukraine and Russia.

While tariffs are expected to decline over the coming months, they remain significantly elevated compared to U.S. pre-election levels. This uncertainty has dampened the U.S. economic outlook for 2025, though a rebound is anticipated, driven by potential tax cuts and tariff negotiations.

The U.S. economy has shown resilience despite policy volatility. However, the early part of 2025 saw a slight contraction, largely due to a surge in imports as businesses rushed to beat tariff deadlines. Domestic demand remained relatively strong, though signs of a slowdown from the previous year have started to show.

Overall, we are seeing consumer behaviour becoming more cautious and the housing market softening due to higher borrowing costs and uncertainty. Despite this, personal income growth has held up, supported by a stable job market and wage growth that continues to outpace inflation.

Inflation is expected to rise in the near-term as new sector-specific tariffs—targeting

pharmaceuticals, semiconductors, lumber, and copper—are implemented. This inflationary pressure is likely to prompt the U.S. Federal Reserve to cut interest rates, with two quarter-point reductions expected by year-end and further easing in 2026. These cuts should help lower borrowing costs and help to revitalize the housing sector.

However, rising long-term Treasury yields, driven by deficit-expanding tax cuts, may limit the decline in borrowing costs. The U.S. dollar has weakened as investors diversify globally, a trend that is expected to continue.

Globally, economic growth appears to be showing signs of slowing. While North American growth has been revised downward, stronger-than-expected performance in Europe and Asia has provided some balance. China's growth is expected to decline, though fiscal and monetary stimulus should cushion the impact of U.S. tariffs.

Canada's economy began 2025 on a strong note but is expected to contract due to the weight of U.S. tariffs, and the unemployment rate is projected to rise. Exports to the U.S. have dropped approximately 14% year-over-year, and consumer confidence has waned, particularly in housing and auto markets. Business investment showed early strength but is expected to decline as uncertainty persists. Inflation has softened due to lower energy prices and the removal of the carbon tax, but core inflation remains elevated, complicating the Bank of Canada's (BoC) policy decisions.

Quarterly Market Commentary continued

The BoC is expected to cut rates twice more in 2025, bringing the overnight rate to 2.25%, which should support housing and broader economic growth. Politically, the Canadian government is responding with increased spending, including modest tax cuts and infrastructure investments. A significant ramp-up in government spending is planned for 2026, aimed at transforming the economy, though fiscal restraint in other areas is anticipated.

Equities

The positive impact of BoC rate cuts and potential shift in fiscal and business policy following the Canadian federal election, could provide some economic offset to the uncertainty of trade negotiations with the U.S. The S&P/TSX Composite Index potential returns are supported by the strong financial position of the Financials and Resource sectors, reasonable valuations, and expected 2025 earnings growth.

U.S. equity markets rebounded recently driven by progress on tariff negotiations, first quarter earnings growth, and affirmation of AI spending plans. Market sentiment could further be supported by the potential for tax cuts and deregulation. While valuations have increased, equities continue to be supported by earnings growth.

International equities have rallied YTD as multiples rebounded from low levels and

Germany announced a major fiscal stimulus plan. However, this will take time to implement, 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 (EM) central banks, such as Mexico, South Korea, and China, have been cutting rates. EM might face challenges from potential changes to U.S. trade and tariff policies. China continues to struggle with challenges in its property sector, and now U.S. tariffs, but has announced stimulus measures that could provide some stabilization for its economy.

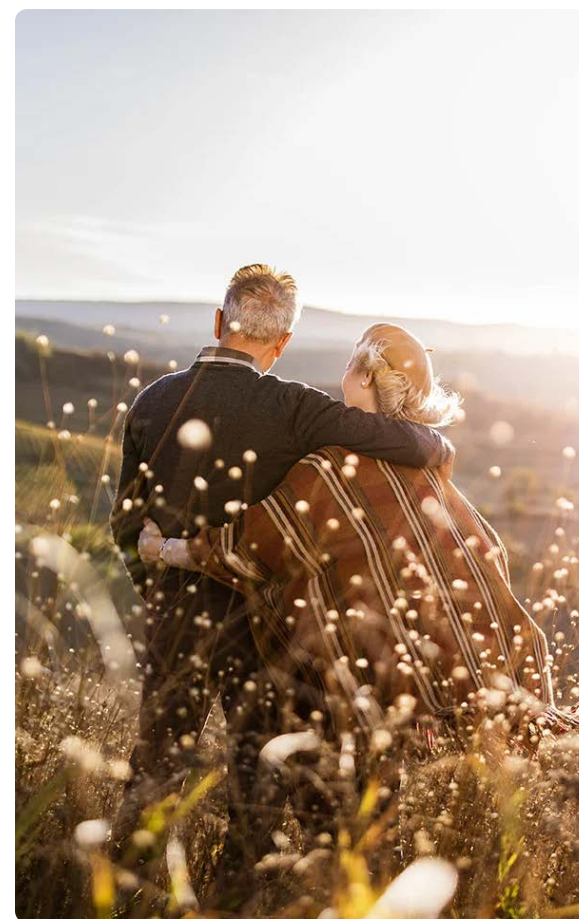
Fixed Income

The BoC can continue to remain on pause but has the flexibility to quickly lower its policy rate to provide support to the economy. This would result in a steepening of the yield curve as shorter rates would likely fall faster than longer rates.

Investment grade corporate bonds have held in well amidst the recent market turbulence, buoyed by solid fundamentals and attractive yields. With a high level of uncertainty around the global economic backdrop, there is potential for spreads to widen further from the current tight levels. U.S. policy uncertainty may manifest differently across countries with respect to growth and inflation expectations.

Therefore, opportunities across developed market bonds will likely vary substantially.

While emerging markets (EM) are benefiting from a broad-based decline in the U.S. dollar (USD), valuations of USD-denominated EM bonds are screening rich compared to



Quarterly Market Commentary continued

developed market corporate bonds. However, there continue to be opportunities to earn high levels of income in select local currency EM markets.

High yield bonds have been volatile due to the substantial uncertainties surrounding U.S. trade policies and their impacts on the global economy. As credit spreads remain tight relative to long term averages, we continue to be neutral on high yield bonds, with the risk of further spread widening offset by attractive all-in yields.

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.

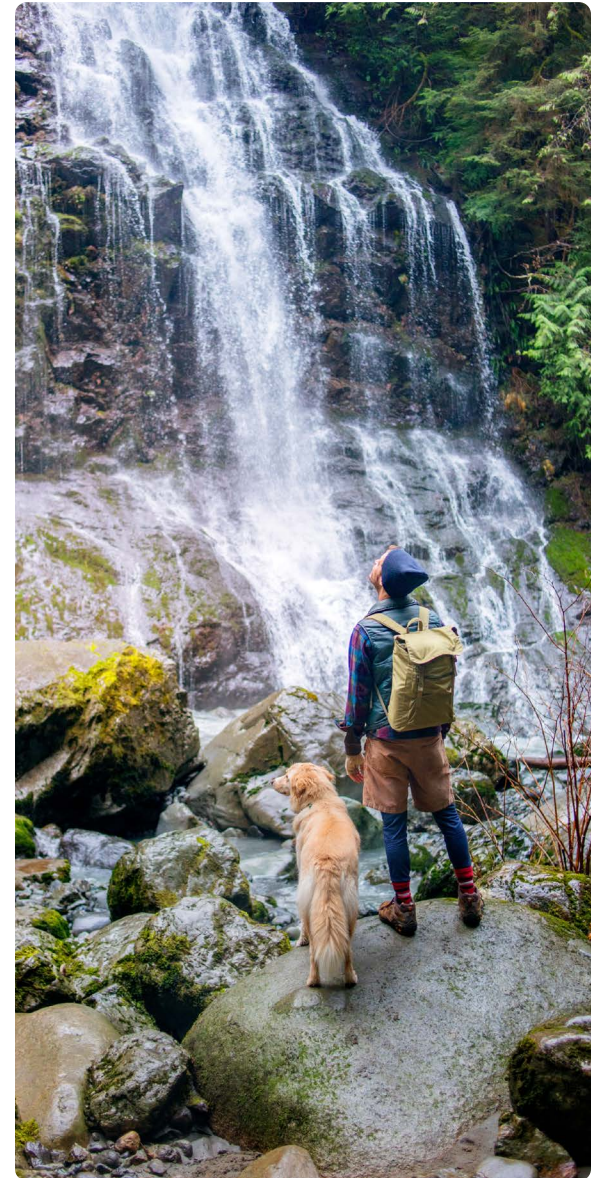
We believe a significant portion of the value adjustments in the Canadian commercial real estate space have been taken. Occupancy levels continue to improve, absent Class B & C office, due to recent extreme population growth and limited new supply. Immigration changes will impact market rents, but supply shortfall of the past, particularly in multi-family,

is providing continued predictable income growth.

Global real estate: Returns are starting to improve globally. U.S. and APAC markets have seen the capitalization rate stabilizing while Europe continues to outperform. New capital raising and significant redemption recissions are also early indicators of the improved sentiment for continued recovery.

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.

Gold continues to benefit from demand from central banks and investors as they seek a safe-haven in uncertain times. Despite the economic uncertainty, metals prices have held-in YTD as markets are currently balanced. Oil has weakened as OPEC+ looks to slowly return supply, but also to manage member commitments and might adjust as market conditions warrant.

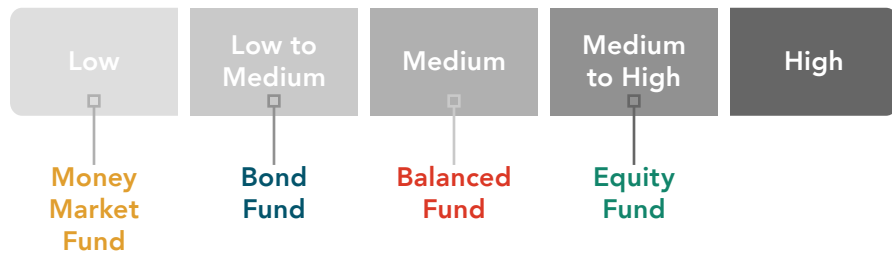


Performance and Risk Metrics

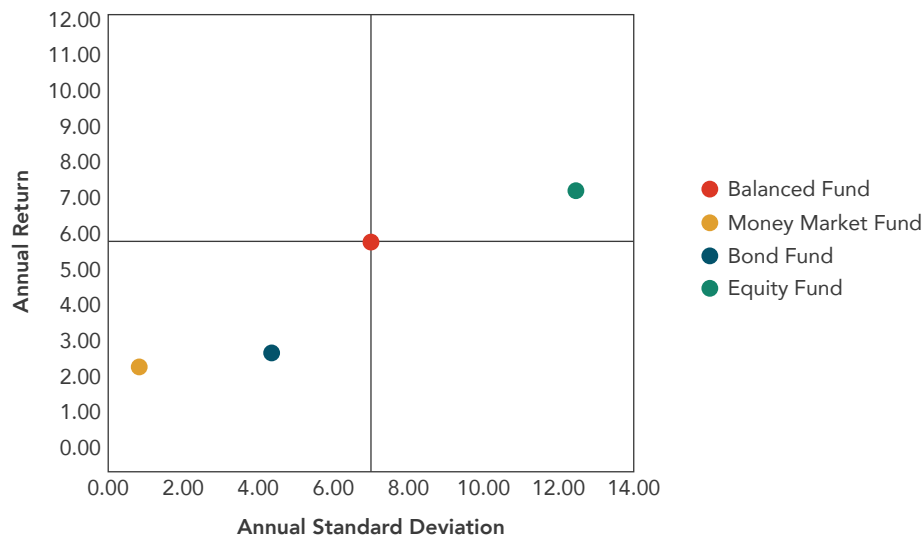
CSS FUNDS

Comparative Risk

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

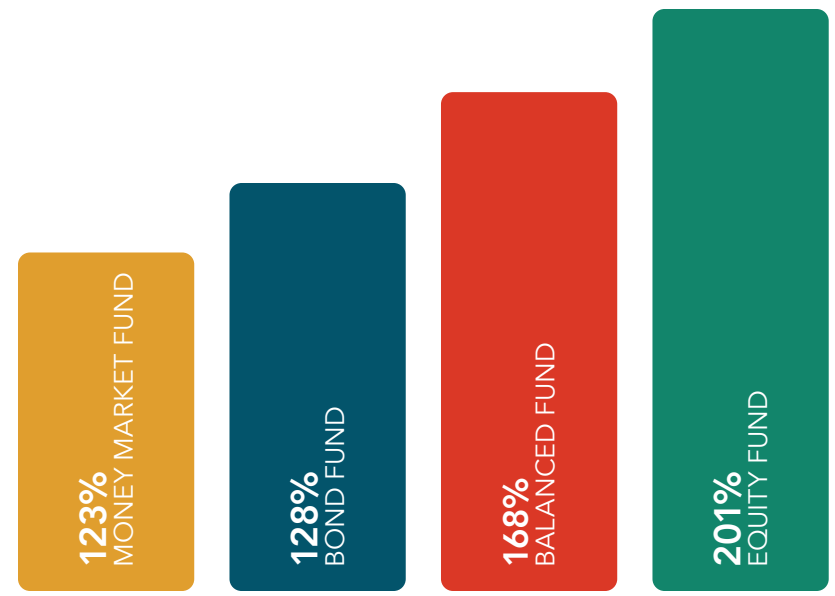
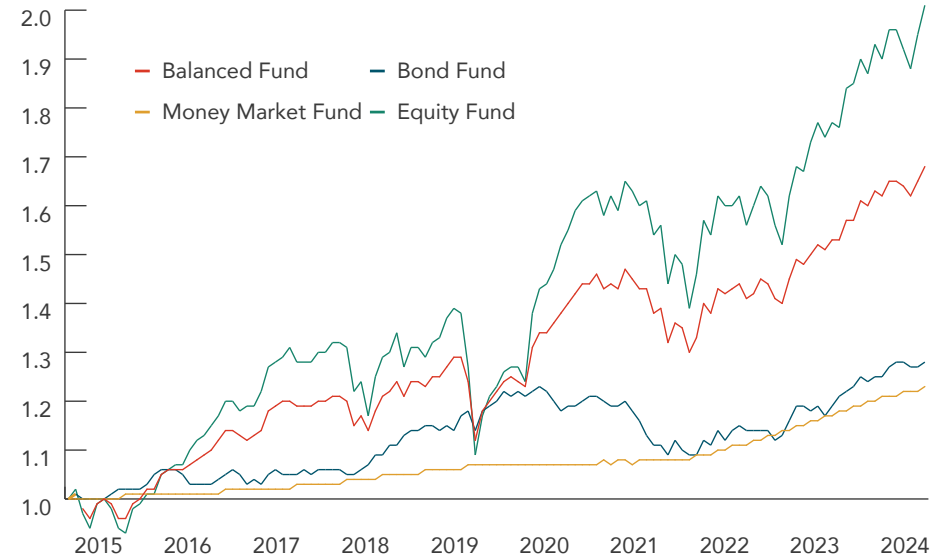


Realized Risk and Return of CSS



10-Year Cumulative Performance

10 years ending June 30, 2025 | Growth of a unit value



Balanced Fund

MER 0.64%

DEFAULT STRATEGY

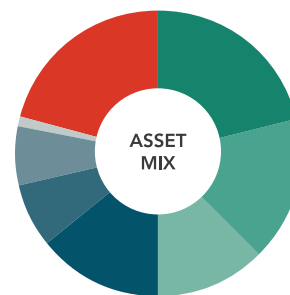
Who Should Invest?

- ▶ 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



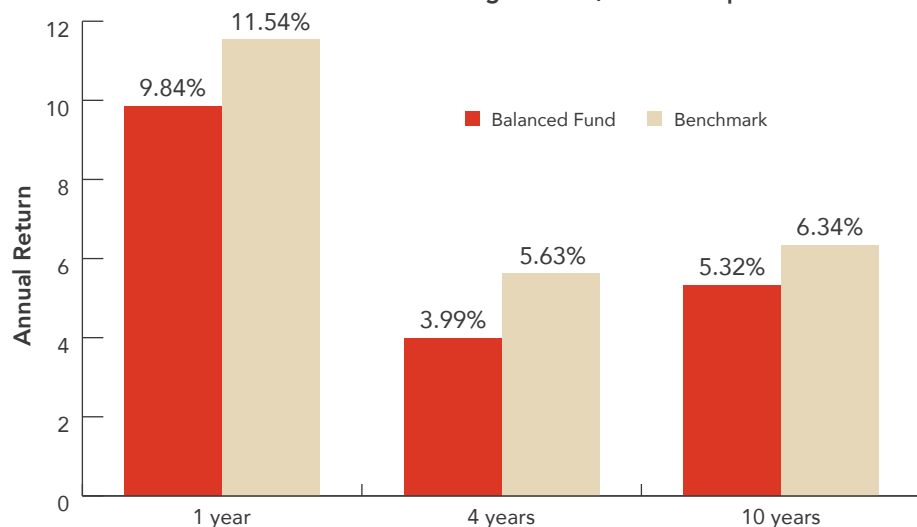
- International & EM Equities
- U.S. Equities
- Canadian Equities
- Global Bonds
- Canadian Bonds
- Commercial Mortgages
- Short Term Liquidity
- Real Assets

Asset Class Subgroups

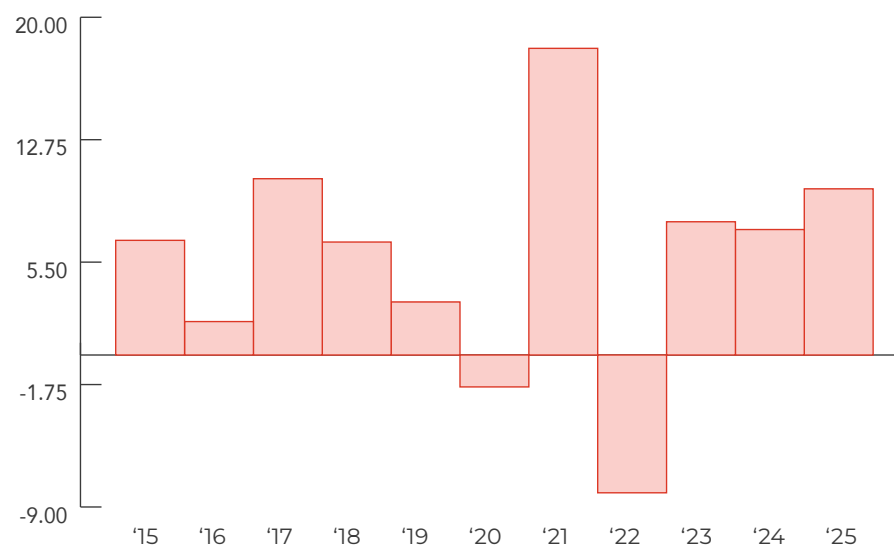
International Large/Mid Cap Equity	15.25%
Canadian Large Cap Equity	12.45%
U.S. Large Cap Equity	13.62%
Global Bonds	7.94%
Private Canadian Commercial Mortgages	6.69%
Canada Universe Bonds	7.24%
Private Canadian Real Estate	5.80%
Emerging Markets All Cap Equity	6.02%
Emerging Market Debt	6.29%
U.S. Small Cap Equity	2.82%
Private Global Real Estate	5.20%
Private Global Infrastructure	9.73%
Short Term Liquidity	0.96%
TOTAL	100.00%

Annualized Investment Performance to Benchmark

Ending June 30, 2025 Comparison



Annual Returns History (ending June 30, 2025)



Equity Fund

MER 0.43%

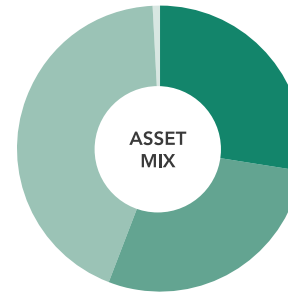
Who Should Invest?

- ▶ 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



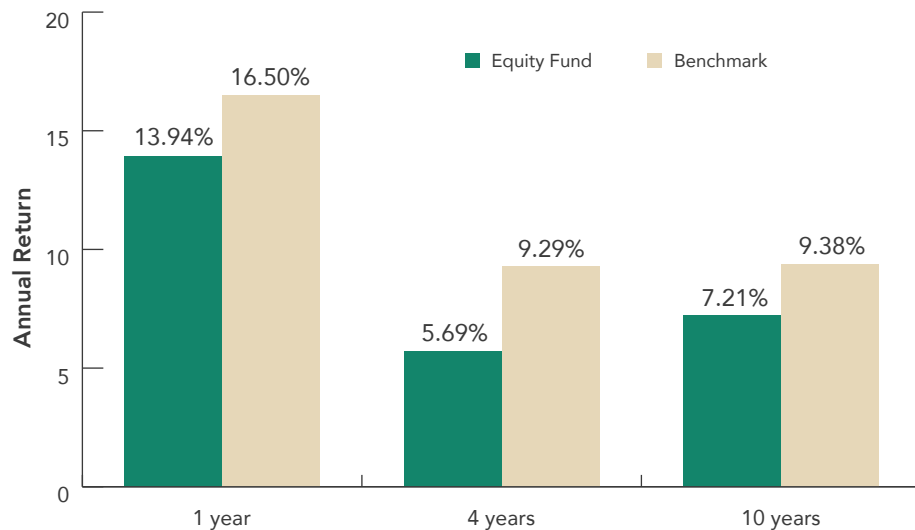
- Canadian Equities
- US Equities
- International & EM Equities
- Short Term Liquidity

Asset Class Subgroups

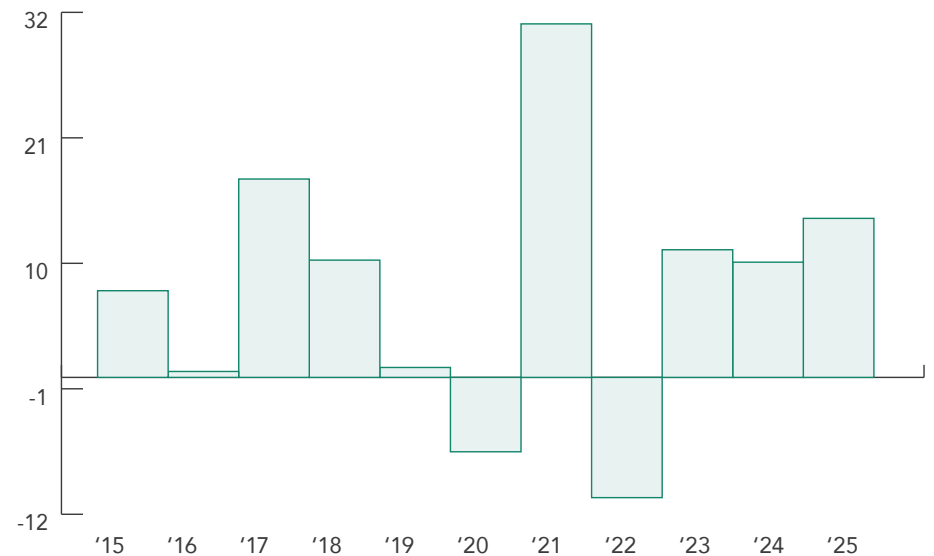
International Large/Mid Cap Equity	30.59%
Canadian Large Cap Equity	26.32%
US Large Cap Equity	25.99%
Emerging Markets All Cap Equity	10.75%
US Small Cap Equity	5.73%
Short Term Liquidity	0.61%
TOTAL	100.00%

Annualized Investment Performance to Benchmark

Ending June 30, 2025 Comparison



Annual Returns History (ending June 30, 2025)



Bond Fund

MER 0.48%

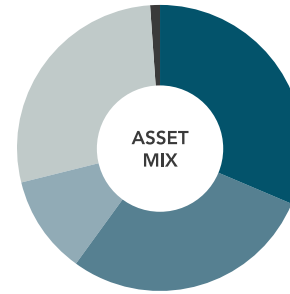
Who Should Invest?

- ▶ 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



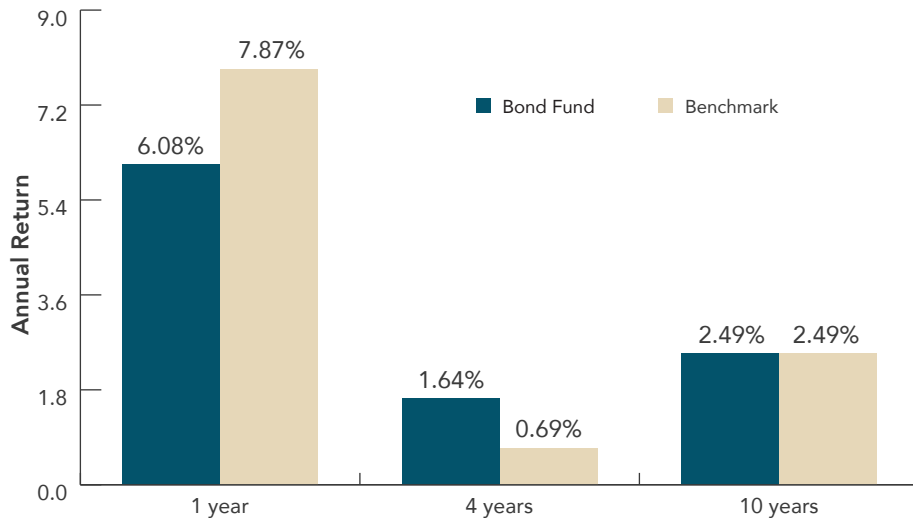
- Canada Bonds
- Global Bonds
- Emerging Market Debt
- Private Commercial Mortgages
- Short Term Liquidity

Asset Class Subgroups

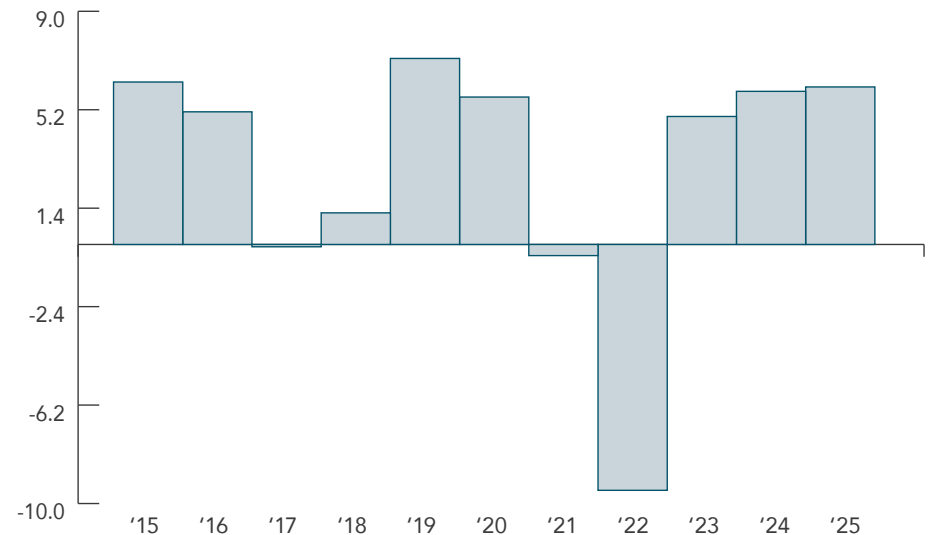
Core Plus Canada Bonds	31.61%
Global Bonds	28.61%
Emerging Market Debt	10.97%
Private Commercial Mtges	27.91%
Short Term Liquidity	0.89%
TOTAL	100.00%

Annualized Investment Performance to Benchmark

Ending June 30, 2025 Comparison



Annual Returns History (ending June 30, 2025)



Money Market Fund MER 0.18%

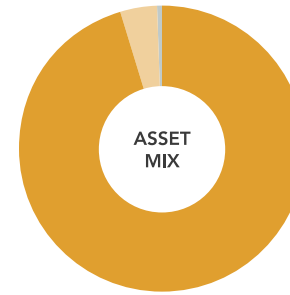
Who Should Invest?

- ▶ 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

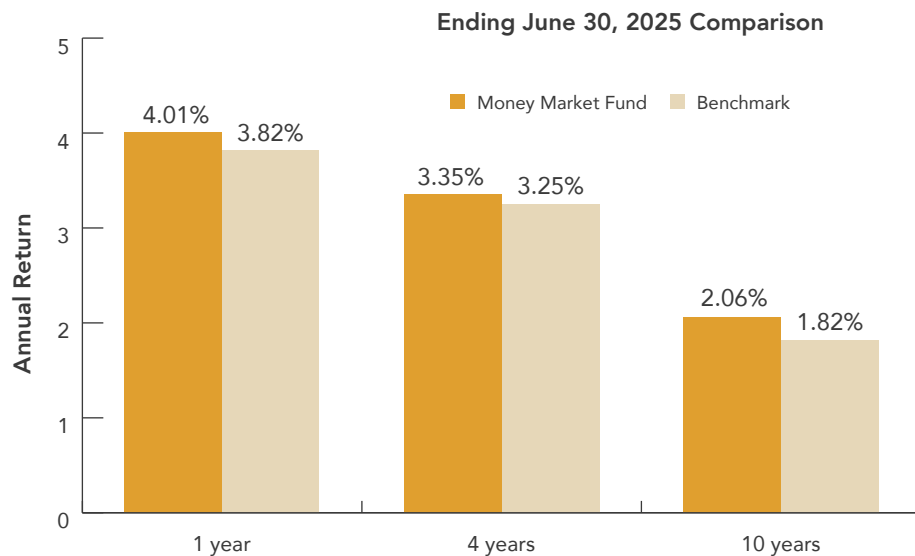


- Corporate
- Cash & Equivalents
- Federal

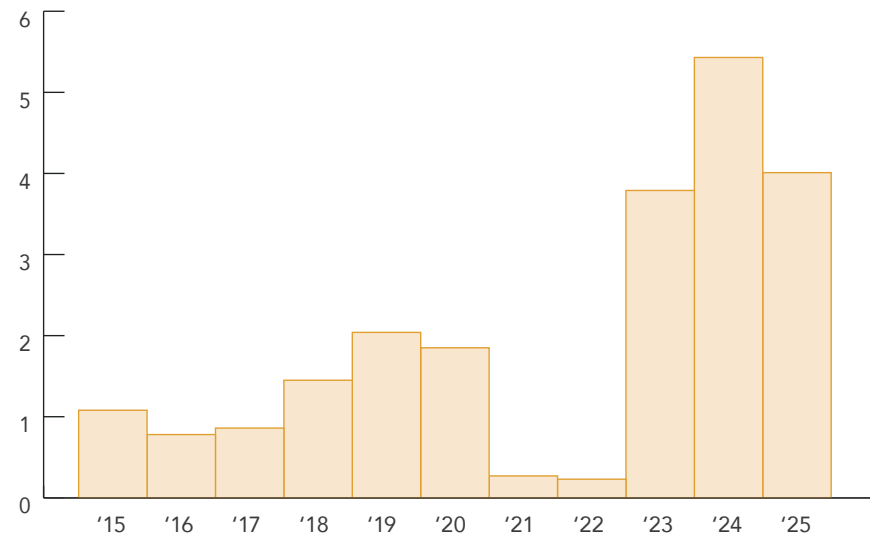
Asset Class Subgroups

Cash and Cash Equivalents	4.1%
Corporate	95.5%
Federal	0.4%
TOTAL	100%

Annualized Investment Performance to Benchmark



Annual Returns History (ending June 30, 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	8.27%	16.30%	
Canadian Equities	Active	Scheer Rowlett & Associates	S&P TSX Composite index	4.18%	10.02%	
U.S. Large Cap Equities	Systematic	Scientific Beta Multifactor	S&P 500 Total Return index	11.44%	21.54%	
U.S. Large Cap Equities	Passive	TDAM US Equity	S&P 500 Total Return index	2.18%	4.45%	
U.S. Small Cap Equities	Active	Hilldsale Investment Management	Russell 2000 Total Return index	2.82%	5.73%	
International Equities	Active	Sprucegrove Investment Management	MSCI EAFE Net index	7.89%	14.60%	
International Equities	Systematic	JP Morgan Diversified Multifactor	MSCI EAFE Net index	7.36%	15.99%	
Emerging Equities	Active	Wellington Emerging Market Opportunities	MSCI EM IMI index	6.02%	10.75%	
Canada Core Plus Bonds	Active	Wellington Canada Universe Bonds Plus	FTSE Canada Universe Bond Index	7.24%		31.61%
Global Bonds	Active	Wellington Opportunistic Fixed Income	Bloomberg Barclay's Global Aggregate Index	7.94%		28.61%
Private Commercial Mortgages	Active	TD Greystone	60% Short bond + 40% mid bond + 50 bps	6.69%		27.91%
Emerging Market Debt	Active	Blackrock Flexi Dynamic Bond Fund	JP Morgan JEMBI Sovereign Only	6.29%		10.97%
Short Term	Active	TDAM Short Term Investments	FTSE Canada 91 day T-bill index	0.96%	0.61%	0.89%
Canada Private Real Estate	Active	TD Greystone	CPI + 4%	5.80%		
Global Private Real Estate	Active	TD Greystone	CPI + 4%	1.59%		
Global Private Real Estate	Active	UBS Asset Management	CPI + 4%	3.61%		
Global Private Infrastructure	Active	JP Morgan IIF	CPI + 4%	5.69%		
Global Private Infrastructure	Active	IFM	CPI + 4%	4.04%		
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

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