
Q3
Quarterly Investment Report
Quarter ending
September 30, 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)

55,000
APPROX. EMPLOYEE MEMBERS

300
APPROX. EMPLOYER MEMBERS

Global financial markets remained resilient through the third quarter of 2026, demonstrating an ability to absorb periods of volatility while continuing to advance on the back of solid economic fundamentals. Economic growth has generally remained positive across major regions, supported by healthy labour markets, steady consumer demand and a corporate sector that continues to deliver strong earnings growth. Investment related to artificial intelligence (AI), digital infrastructure and data centre expansion remains an important source of economic activity and capital spending, helping support business confidence and longer-term growth expectations.

That said, the market environment has become increasingly nuanced. Higher energy prices, evolving trade dynamics and ongoing geopolitical tensions continue to influence investor sentiment and inflation expectations. In response, central banks have generally maintained a cautious approach, balancing the need to contain inflation with the desire to preserve economic growth. Elevated borrowing costs are likely to remain a consideration for households, businesses and governments, contributing to greater differentiation in performance across regions and sectors.

Looking ahead, the overall outlook remains constructive. Corporate fundamentals remain broadly healthy, economic activity continues to expand and many areas of the market are benefiting from powerful secular trends. However, investors should expect periodic volatility as markets assess the sustainability of AI-related investment, the direction of inflation, the impact of higher interest rates and ongoing geopolitical developments. Risks remain, including elevated valuations in some areas of the market, tighter monetary conditions and uncertainty surrounding global trade and energy markets.

The current backdrop continues to support a balanced and disciplined investment approach. While near-term market fluctuations are likely, the combination of positive earnings growth, resilient economic conditions and ongoing innovation provides a supportive foundation for long-term investors. Maintaining diversified portfolios and focusing on quality assets remains an effective way to navigate uncertainty while participating in potential opportunities as they emerge.

Quarterly Market Commentary continued

Equities

Global equity markets remain in positive territory year-to-date, as strong earnings growth has offset modestly lower valuation multiples. Earnings participation has broadened across sectors and companies, while areas tied to AI and data centre spending continue to generate strong growth. Although volatility could persist around energy prices, interest rates and AI sentiment, the outlook remains constructive given positive global economic and earnings growth.

Canadian equities are supported by strong earnings growth, solid balance sheets and shareholder-friendly dividend and buyback policies. The federal government's pro-investment measures and efforts to streamline project permitting may support long-term growth, although U.S. trade negotiations remain a source of uncertainty. The S&P/TSX Composite Index's sector mix may also provide diversification relative to markets more heavily influenced by Information Technology.

U.S. equity returns have been driven by strong earnings growth as valuation multiples contracted. Information Technology sector growth remains robust, but momentum has broadened across sectors and small-cap companies. Probusiness tax and regulatory policies provide additional support, while changes in sentiment around AI spending, future returns and geopolitical developments remain key sources of volatility.

International equities may lag as earnings growth remains lower than in other markets. European companies could face additional pressure if energy costs remain elevated. Japan continues to benefit from corporate reform, a more pro-growth policy backdrop and AI-related spending, although rising policy rates may contribute to volatility. Emerging markets offer access to technology companies with strong earnings potential, but China continues to face weak domestic activity and property-market challenges.

Fixed Income

Renewed global energy-price volatility has increased the Bank of Canada's focus on upside inflation risks. While domestic policy remains anchored, further moves in Canadian yields are likely to reflect developments in U.S. rates and global term premiums. Even with rate volatility, today's higher yields continue to support attractive income and portfolio diversification opportunities.

Investment grade corporate spreads remain near cycle tights amid resilient earnings and solid fundamentals. AI-related capital expenditure (CapEx) and mergers and acquisitions (M&A) activity continue to drive elevated issuance, raising investor price sensitivity. Thus far, the heavy primary issuance has had a greater impact on yields than on spreads, but it has limited any spread compression and widened risk premiums for AI-related sectors.



Emerging market government bonds have outperformed recently and yields relative to developed market peers now appear fair to rich across many countries. Returns may also face headwinds from currency volatility amid the the U.S. Federal Reserve's (the Fed) interest rate hikes to combat inflation. Even so, we continue to see opportunities in select countries with attractive income levels, particularly in Latin America and Africa.

High yield credit fundamentals remain supportive and defaults low, but spreads near cycle tights provide limited compensation for downside risks tied to geopolitics, private credit dynamics, and rising policy rates that could create more restrictive lending conditions. As a result, we remain neutral and favour the higher quality portion of the sector.

Quarterly Market Commentary continued

Alternative investments

Private markets and alternative assets can benefit diversified portfolios, particularly over the long- term. They can provide inflation protection, attractive absolute returns and less-correlated income streams, while enhancing portfolio stability through diversification. Recent geopolitical developments have reinforced their role as potential sources of resilience, and ongoing value adjustments across private markets may create opportunities for long-term investors.

In Canadian commercial real estate, most value adjustments appear to be complete. Office occupancy, particularly in Toronto, has begun to improve as large employers mandate returns to the office. Canada's industrial market remains healthy despite U.S. tariff-policy volatility, while weak condominium markets and lower immigration have temporarily pressured rental rates in Toronto and Vancouver. Over the longer term, structural supply-demand imbalances may support multi-unit residential rental growth.

Global real estate returns are beginning to improve. Capitalization rates have stabilized in the U.S. and Asia-Pacific, while Europe continues to outperform. In Japan, healthy office, residential, retail and hotel fundamentals support rental growth despite rising rates. In Korea, financing costs are making performance increasingly income-driven, although operating fundamentals remain supportive.

Infrastructure continues to offer stable returns and lower volatility because of its essential, long-term nature. The global infrastructure spending gap remains a key investment driver. Electrification, digital infrastructure expansion and rising demand for power generation, energy storage and supporting assets are creating a broad set of potential opportunities.

Commodities have strengthened as supply disruptions affected energy, natural gas and select industrial inputs. Recent gains appear driven more by constrained supply than excess demand, reinforcing their potential role as a portfolio diversifier during periods of geopolitical stress. Together, real assets, private credit and infrastructure can complement public equities and bonds within a balanced portfolio.

Global private credit can provide premium income through diversified origination across corporate, real estate, infrastructure and specialty finance. Investment grade private debt may add an income ballast through high credit quality, global diversification and an illiquidity premium, while commercial mortgages can provide accretive income and some insulation from interest-rate volatility.

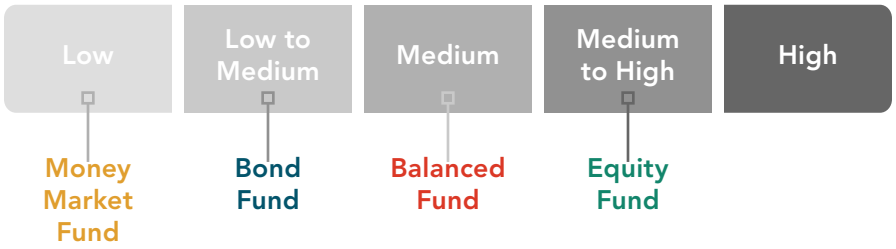


Performance and Risk Metrics

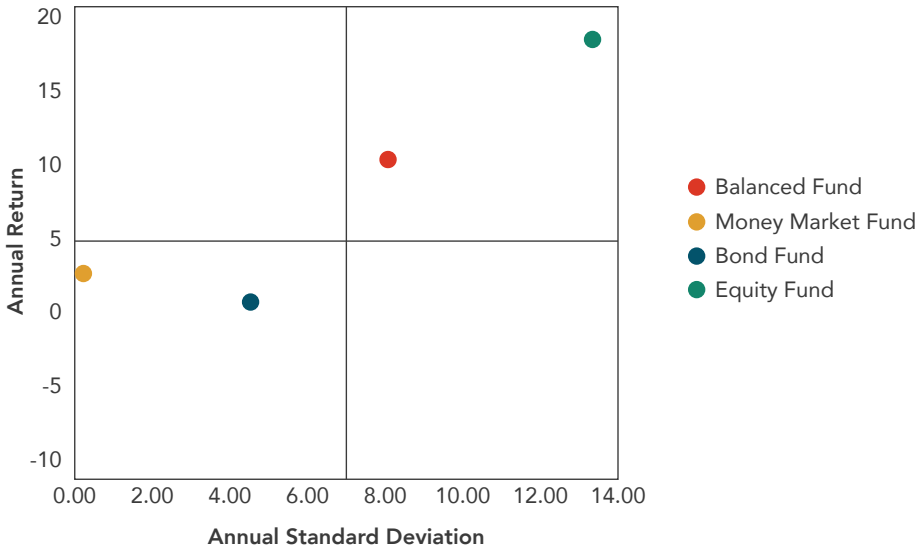
CSS FUNDS

Comparative Risk

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

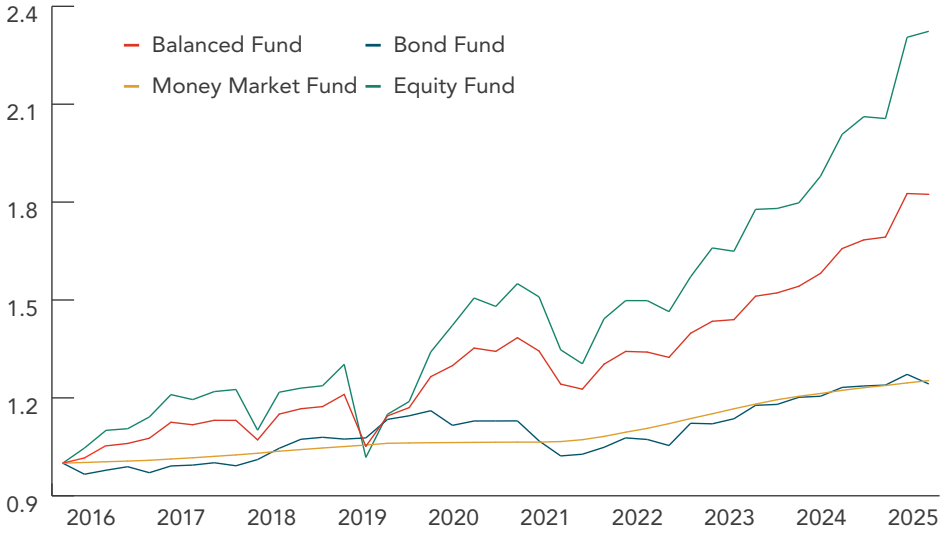


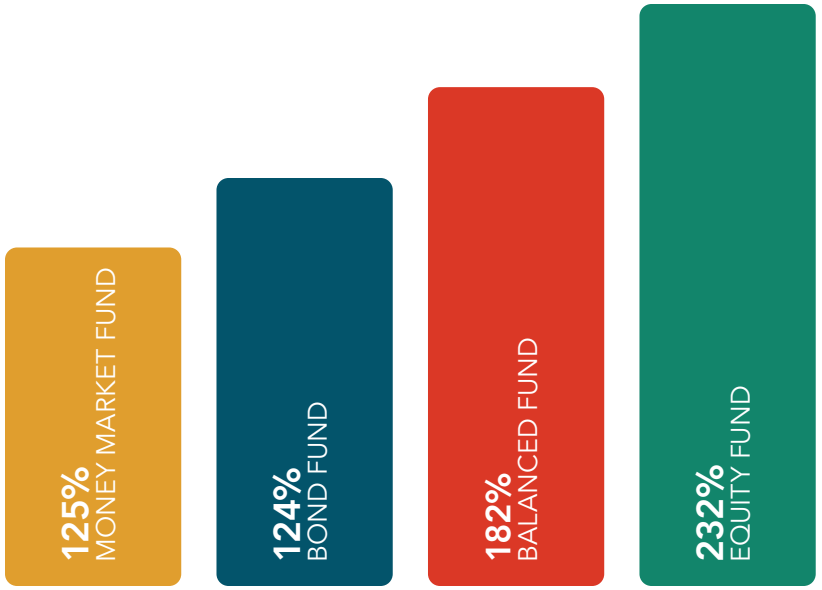
Realized Risk and Return of CSS



10-Year Cumulative Performance

10 years ending September 30, 2026 | Growth of a unit value





Balanced Fund

MER 0.63%

DEFAULT STRATEGY

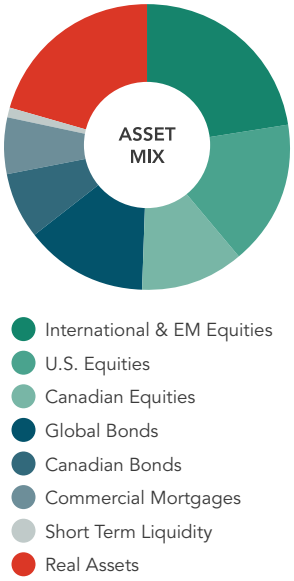
Who Should Invest?

- 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

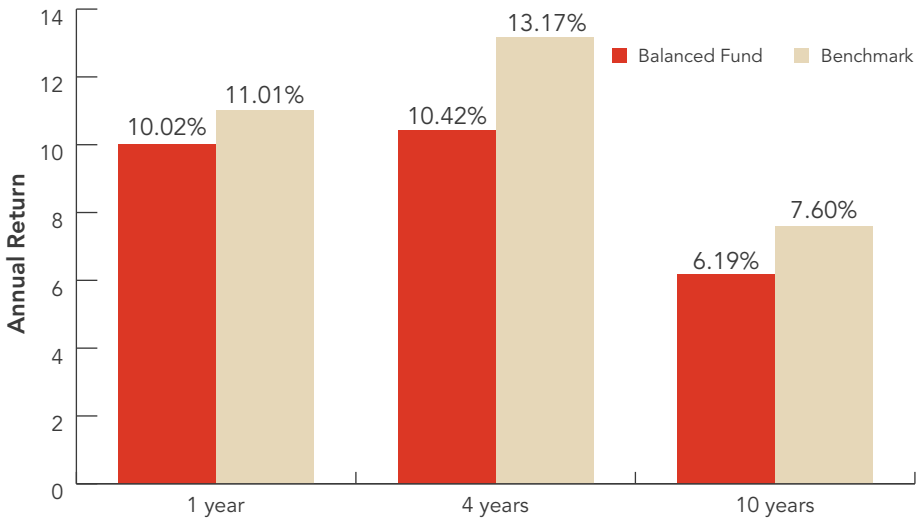


Asset Class Subgroups

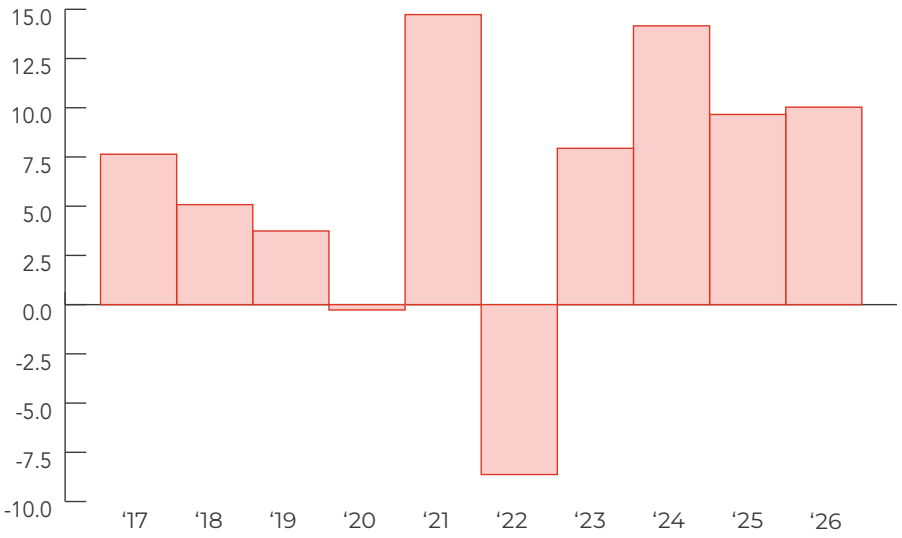
International Large/Mid Cap Equity	16.25%
Canadian Large Cap Equity	11.74%
U.S. Large Cap Equity	13.24%
Global Bonds	7.64%
Private Canadian Commercial Mortgages	6.51%
Canada Universe Bonds	7.50%
Private Canadian Real Estate	4.75%
Emerging Markets All Cap Equity	6.38%
Emerging Market Debt	6.13%
U.S. Small Cap Equity	3.18%
Private Global Real Estate	5.35%
Private Global Infrastructure	10.42%
Short Term Liquidity	0.91%
TOTAL	**100.00%**

Annualized Investment Performance to Benchmark

Ending September 30, 2026 Comparison



Annual Returns History (ending September 30, 2026)



Equity Fund

MER 0.42%

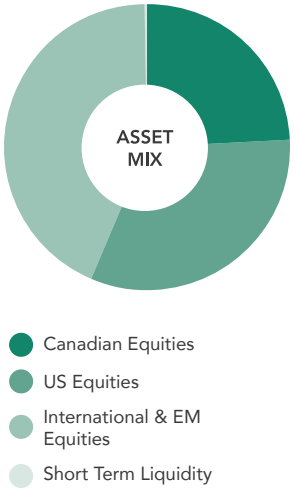
Who Should Invest?

- 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

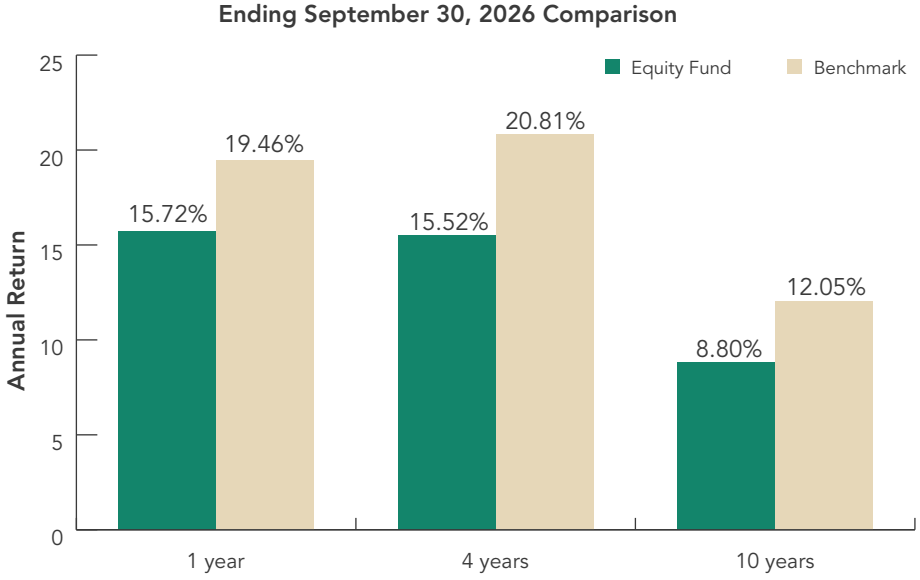
Asset Mix



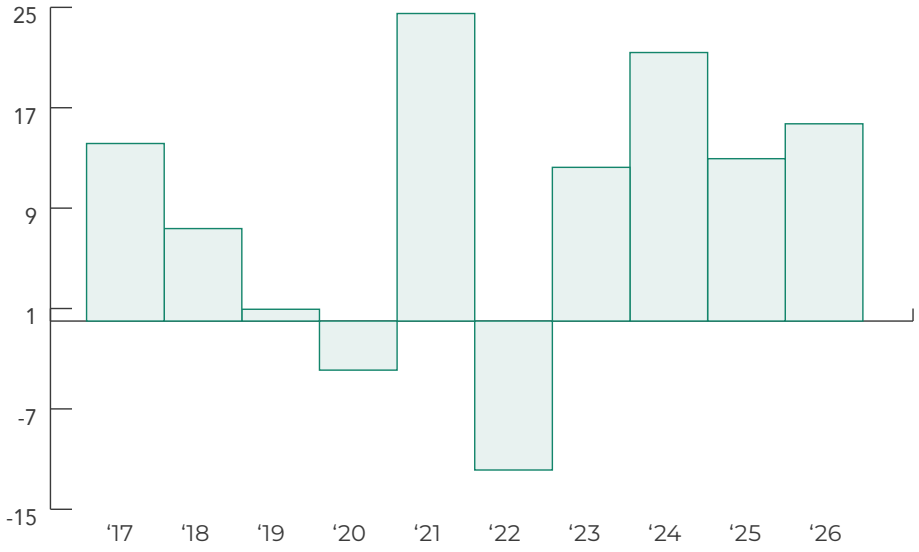
Asset Class Subgroups

International Large/Mid Cap Equity	31.90%
Canadian Large Cap Equity	24.37%
US Large Cap Equity	26.51%
Emerging Markets All Cap Equity	11.44%
US Small Cap Equity	5.76%
Short Term Liquidty	0.02%
TOTAL	**100.00%**

Annualized Investment Performance to Benchmark



Annual Returns History (ending September 30, 2026)



Bond Fund

MER 0.41%

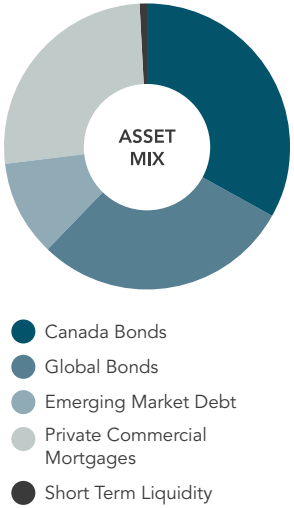
Who Should Invest?

- 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

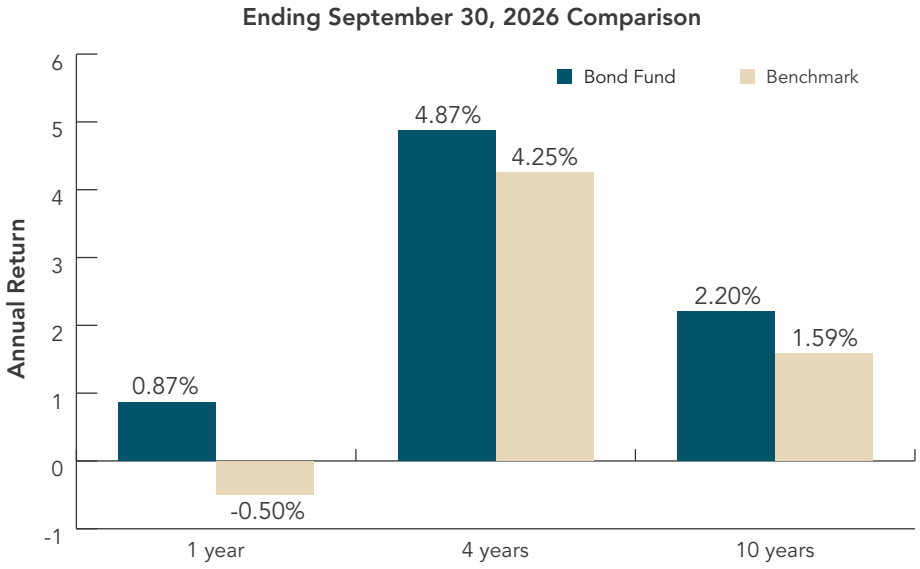
Asset Mix



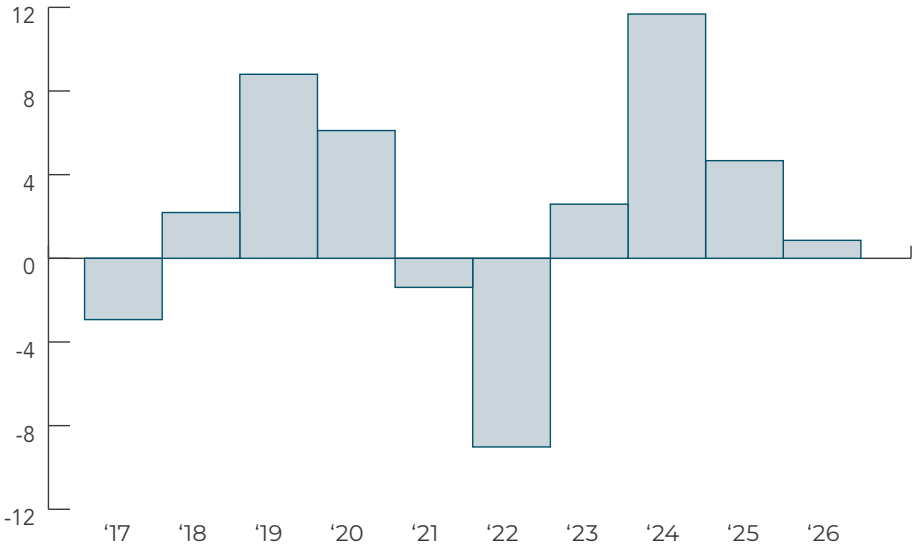
Asset Class Subgroups

Core Plus Canada Bonds	33.24%
Global Bonds	29.01%
Emerging Market Debt	10.87%
Private Commercial Mtges	26.26%
Short Term Liquidity	0.62%
TOTAL	**100.00%**

Annualized Investment Performance to Benchmark



Annual Returns History (ending September 30, 2026)



Money Market Fund

MER 0.16%

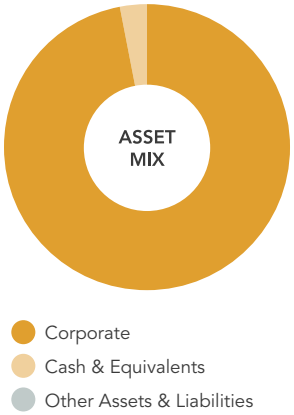
Who Should Invest?

- 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

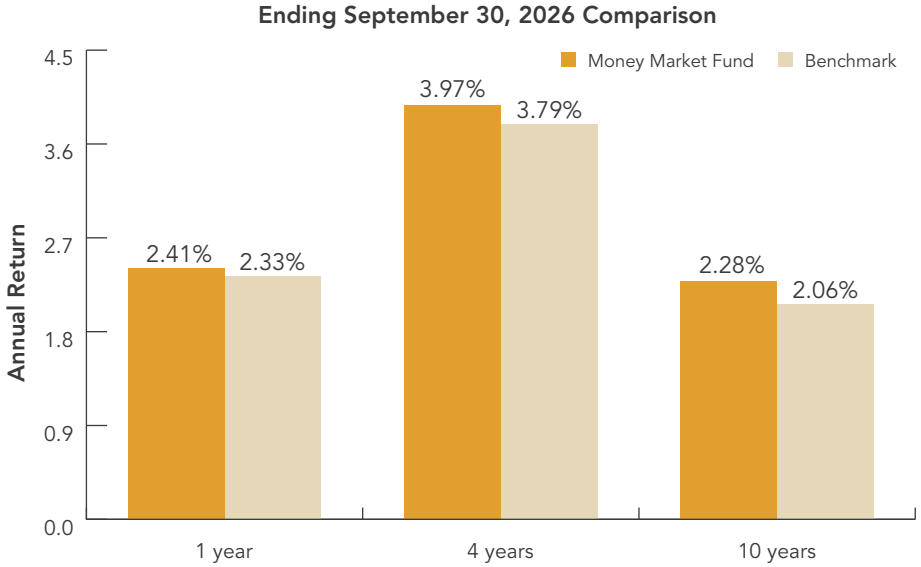
Asset Mix



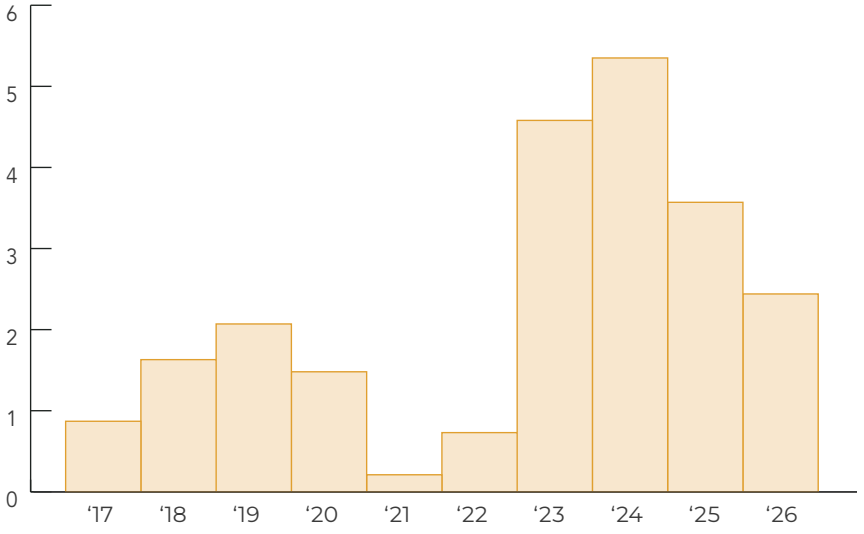
Asset Class Subgroups

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

Annualized Investment Performance to Benchmark



Annual Returns History (ending September 30, 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	7.81%	15.07%	
Canadian Equities	Active	Scheer Rowlett & Associates	S&P TSX Composite index	3.92%	9.30%	
U.S. Large Cap Equities	Systematic	Scientific Beta Multifactor	S&P 500 Total Return index	6.38%	12.84%	
U.S. Large Cap Equities	Active	GMO	S&P 500 Total Return index	6.85%	13.67%	
U.S. Small Cap Equities	Active	Hilldsale Investment Management	Russell 2000 Total Return index	3.18%	5.76%	
International Equities	Active	Sprucegrove Investment Management	MSCI EAFE Net index	8.11%	15.67%	
International Equities	Systematic	JP Morgan Diversified Multifactor	MSCI EAFE Net index	8.14%	16.23%	
Emerging Equities	Active	Wellington Emerging Market Systematic	MSCI EM IMI index	6.38%	11.44%	
Canada Core Plus Bonds	Active	Wellington Canada Universe Bonds Plus	FTSE Canada Universe Bond Index	7.50%		33.24%
Global Bonds	Active	Wellington Opportunistic Fixed Income	Bloomberg Barclay's Global Aggregate Index	7.64%		29.01%
Private Commercial Mortgages	Active	TD Greystone	60% Short bond + 40% mid bond + 50 bps	6.51%		26.26%
Emerging Market Debt	Active	Blackrock Flexi Dynamic Bond Fund	JP Morgan JEMBI Sovereign Only	6.13%		10.87%
Short Term	Active	TDAM Short Term Investments	FTSE Canada 91 day T-bill index	0.91%	0.02%	0.62%
Canada Private Real Estate	Active	TD Greystone	CPI + 4%	4.75%		
Global Private Real Estate	Active	TD Greystone	CPI + 4%	2.09%		
Global Private Real Estate	Active	UBS Asset Management	CPI + 4%	3.26%		
Global Private Infrastructure	Active	JP Morgan IIF	CPI + 4%	6.24%		
Global Private Infrastructure	Active	IFM	CPI + 4%	4.18%		
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

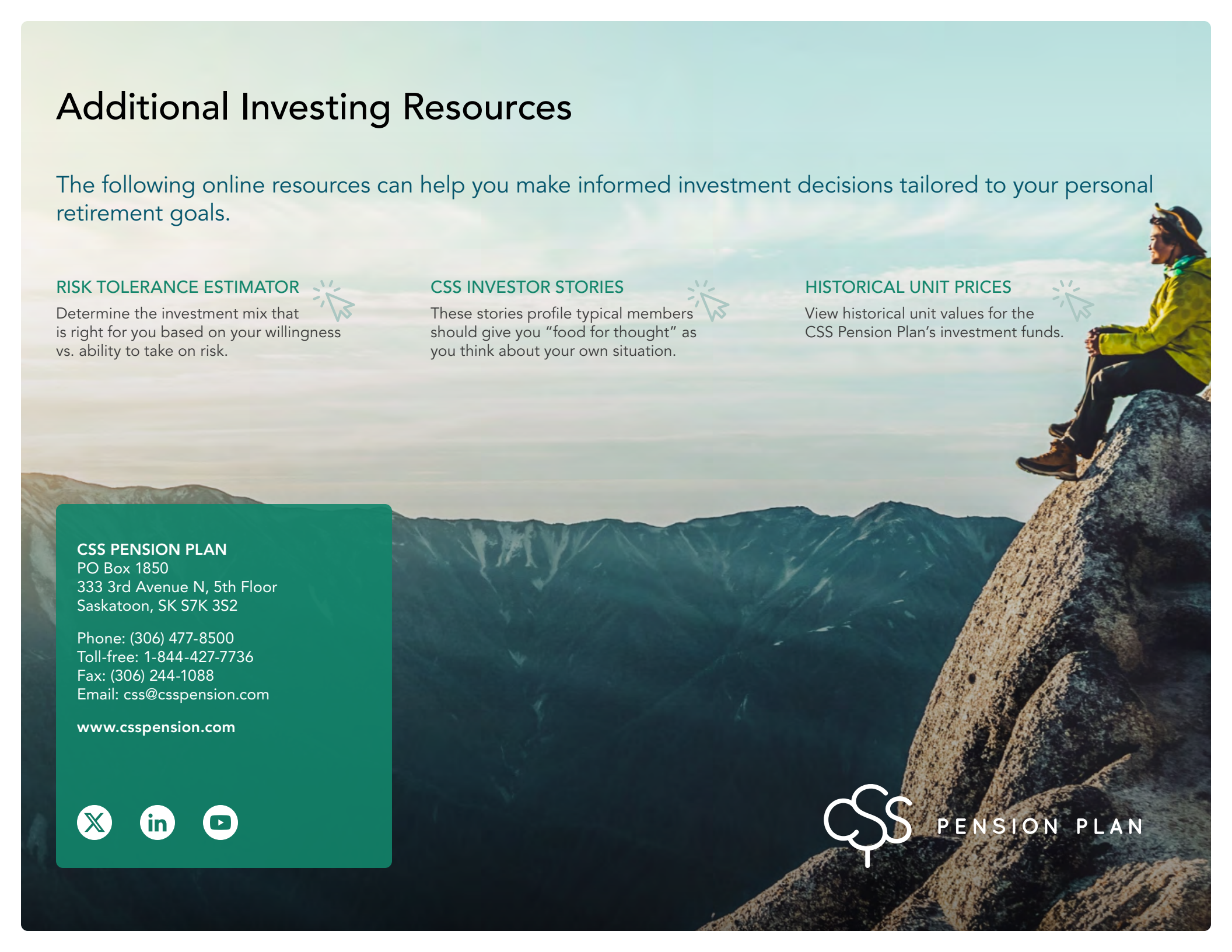
Determine the investment mix that is right for you based on your willingness vs. ability to take on risk.

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.



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