PENSION PLAN

The risks of market timing

The aim of every investor is to buy low and sell high. It's simple to say - but very hard to do.

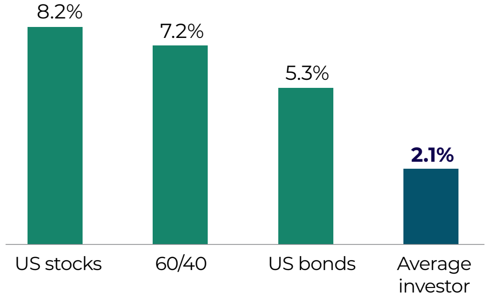
What is market timing?

"Market timing" is the strategy of moving pension funds among the Plan's investment options in response to short-term market conditions. The aim is to be fully invested when markets are rising and safely out of the markets just before the market begins to decline. There's just one problem - it can't be done consistently.

Why is market timing difficult to do?

No matter how long or how hard you study investment markets, it is almost impossible to forecast the peaks and valleys of market performance accurately. Markets can move suddenly, and by large amounts, in response to unforeseen events. Not only do you have to predict when to exit the markets, you must also predict when to re-enter the markets. In fact, largely because of market timing, the average investor has far underperformed the market, as the chart below illustrates.

Market timing hurts investor outcomes*



The risk is real...

Mistiming the market's highs and lows could seriously impact your investment returns.

When you miss the initial stages of a market rally, your return can be reduced dramatically – far out of proportion to the time missed. Much of the market's long-term return comes in sudden, short bursts that are difficult to predict.

Missing top-performing days can hurt your return*

Hypothetical investment of $100,000
in the S&P 500 Index over 20 years (1996)

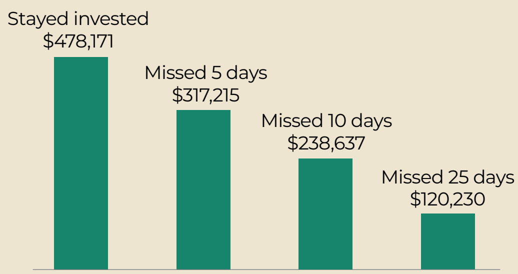


Chart above: The return of the S&P 500 over this 20-year period, assuming that you remained fully invested through the market's ups and downs, was $478,171. If you compare this return to the result when some of the market's best days are removed from the calculation, something striking appears. **If you missed only the 25 best days during this period, your return for the whole 20 years falls to $120,230.** It is *time in* the markets - not *timing* the markets - that gives you the best chance of investment success.

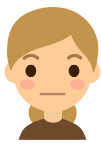
**Data source: iShares by BlackRock: www.ishares.com/us/lp/2018-investor-start-here. Past performance does not guarantee future results.*

Patience pays...

When short-term losses occur, a patient, disciplined, long-term investor will maintain a long-term focus and "stay the course." An anxious investor, on the other hand, will find short-term losses much more painful. As a result, the anxious investor may succumb to an urge to "sell out" and switch to lower risk investments, at least until markets improve.

Although the anxious investor switches to lower risk investments for greater security, the switch also involves potential risks. By selling the existing investment in a "down" market the anxious investor may lock in a loss. Further, the anxious investor may not move back to the original investment in time to catch the beginning of the next market rally, compromising future investment growth.

Anxious investor vs. Long-term investor



Anxious investor

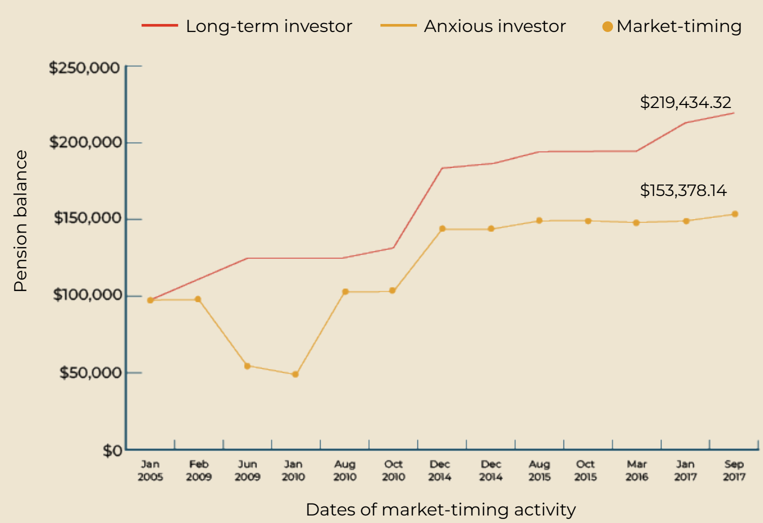
- By selling out after a market decline begins, the anxious investor may lock-in a loss
- The anxious investor could miss the initial stages of the next market rally

Long-term investor

- The long-term investor stays the course when short-term losses occur
- The long-term investor may hit some of the best days, which can sometimes follow the worst days

Real-life example of an anxious investor

The example to the right shows the impact of actual market-timing activities by a CSS Pension Plan member. Assuming a starting balance of $100,000, the anxious investor transferred back and forth between the Plan's Balanced Fund (BF) and Money Market Fund (MMF) over the span of 12 years. The result? The member has $66,056.18 less in pension funds compared to the outcome she would have had if she stayed invested for the long term. Had the anxious investor remained invested in the Balanced Fund through the market's ups and downs, she would have an end balance of $219,434.32.

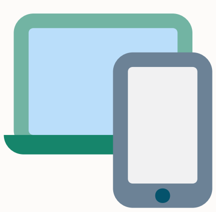


Assumptions

Starting balance: $100,000.00
Savings over 12 years
Actual BF and MMF returns on dates of market-timing activities

Want more information about investing with the Plan?

Visit the CSS Pension Plan's website (*www.csspension.com*) to learn more about making investment decisions and to use our online tools and calculators. You can also contact our office to speak to a Retirement and Pension Advisor who can assist you with making decisions about your funds in the Plan.



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