
Q3
Quarterly Investment Report
Quarter ending
September 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 in 2025 is demonstrating notable resilience amid ongoing uncertainty and transformation. Financial markets have reached new highs, supported by robust equity returns across North America, Europe, and emerging markets, despite persistent headwinds from shifting trade policies, geopolitical tensions, and evolving fiscal and monetary strategies.

The global economy in 2025 is demonstrating notable resilience amid ongoing uncertainty and transformation. Financial markets have reached new highs, supported by robust equity returns across North America, Europe, and emerging markets, despite persistent headwinds from shifting trade policies, geopolitical tensions, and evolving fiscal and monetary strategies.

Inflation, while still a concern, is transitioning from the acute pressures of recent years to a more moderate and persistent regime. This environment is expected to support nominal Gross Domestic Product (GDP) growth and corporate earnings, though sector-specific risks—such as those in agriculture and from new tariffs—remain.

Investors are encouraged to focus on steady growth while remaining alert to inflationary and policy-driven risks. Interest rates are now closely linked to fiscal policy and economic outcomes. In Canada, expansionary fiscal measures are expected to offset economic weakness, with the Bank of Canada (BoC) likely to hold its policy rate steady. In the U.S., a significant rate-cutting cycle is anticipated, with the Federal Reserve expected to lower rates substantially over the next 18 months.

These shifts may influence asset prices and currency markets, with lower rates generally supporting equities and compressing fixed income yields. Growth prospects remain solid, but policy risks and the need for targeted stimulus are ever-present. Governments are adopting pro-growth agendas, increasing infrastructure spending, and implementing regulatory reforms. The ability to deliver timely and effective stimulus will be crucial for sustaining momentum.

Financial markets are experiencing broadening returns, with gains now coming from a wider range of sectors and regions. Fixed income continues to provide income and downside protection, while alternatives such as infrastructure and commodities offer diversification. The U.S. dollar (USD) is expected to remain under pressure as investors seek stability and value in other developed markets.

Quarterly Market Commentary continued

In summary, the outlook for 2025 is defined by resilience, adaptability, and opportunity, with diversified strategies key to navigating complexity and capturing growth.

Equities

The positive impact of BoC rate cuts and potential shifts in fiscal and business policy could provide some economic offset to the uncertainty of trade negotiations with the U.S. The S&P TSX Composite Index (TSX) potential returns are supported by the strong financial position of the Financials and Resource sectors and 2025 earnings growth expectations.

U.S. equities have rallied as technology spending and revenue growth remain robust. Earnings revisions have also shown improvement. U.S. equities could be further supported by "One Big Beautiful Bill" Act tax policies and the potential for further deregulation. While these benefits may be partially captured in valuations, equities continue to be supported by earnings growth.

International equities have rallied year-to-date (YTD) as multiples rebounded from low levels and Germany announced a major fiscal stimulus plan. That said, at this point, there appears to be less scope for further multiple expansion given earnings trends.

Japanese equities look attractive on a relative basis with momentum building behind corporate reform but there may be volatility as the Bank of Japan may look to continue raising rates.

Emerging Markets (EM) central banks, such as Mexico, South Korea, and China have cut rates this year. China continues to struggle with challenges in its property sector but has announced policies that could provide some stabilization for its economy.

Fixed Income

The BoC has the flexibility to adopt an accommodative policy stance to provide support to the economy if conditions deteriorate further. This would result in a steepening of the yield curve as shorter rates would likely fall faster than longer rates.

Credit spreads remain tight as all-in yields drive strong investor demand. Corporate credit fundamentals should be resilient to any near-term economic volatility. With risk premiums fairly flat across the yield curve, we continue to favour short to mid-term corporate bonds over longer term bonds.

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 EM are benefiting from a broad-based decline in the USD, valuations of USD-denominated EM bonds may be screening rich compared to 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 fully recovered from trade-policy related volatility and spreads are

Quarterly Market Commentary continued

now close to the tightest levels of the last five years. Nonetheless, credit quality remains robust and should combine with a benign lending backdrop to keep corporate defaults low.

Uncertainty around trade policy and economic growth could cause spreads to widen, but we expect this to be 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. 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.

Most value adjustments in Canadian commercial real estate may likely complete. Office occupancy (especially in Toronto) should improve by 2026 as large users mandate returns to work. Despite U.S. tariff policy volatility, Canada's industrial market remains healthy.

Poor condo markets and lower immigration have temporarily pressured residential rental rates in Toronto and Vancouver due to housing shortages. Returns are starting to improve globally. U.S. and Asian Pacific markets have seen the capitalization rate stabilizing, while Europe continues to outperform.

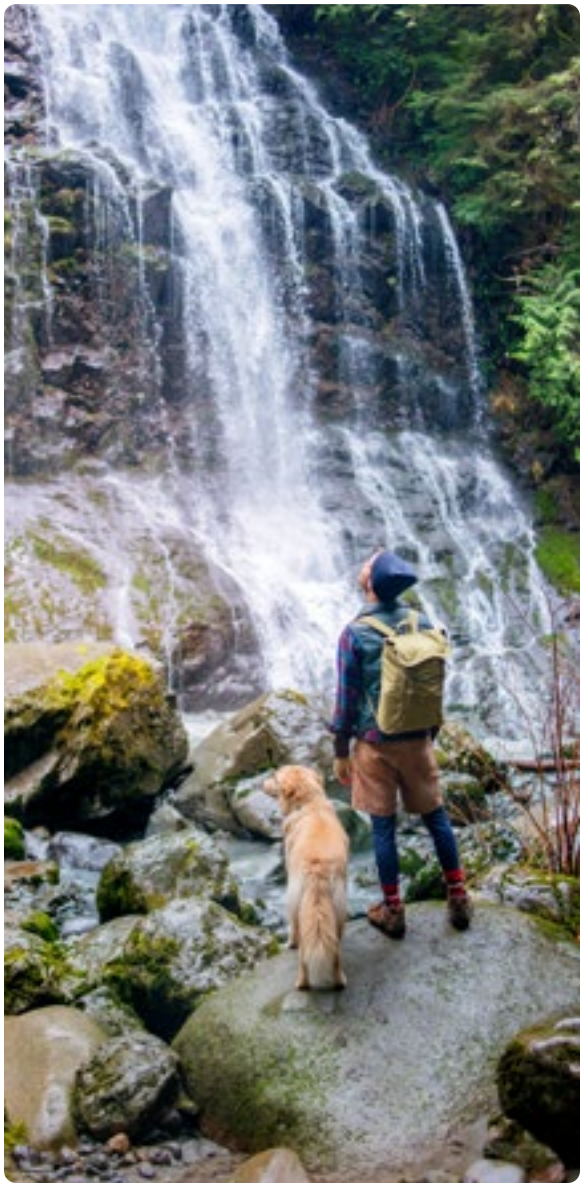
New capital raising and significant redemption recissions are also early indicators of the improved sentiment for continued recovery.

Infrastructure continues to offer stable returns and lower volatility due to its essential long-term nature. The persistent global infrastructure spending gap remains a key investment driver, reinforcing the need for increased investment.

Additionally, accelerating trends such as the electrification of industry and the expansion of digital infrastructure are significantly increasing demand for power generation assets, creating compelling investment opportunities.

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.

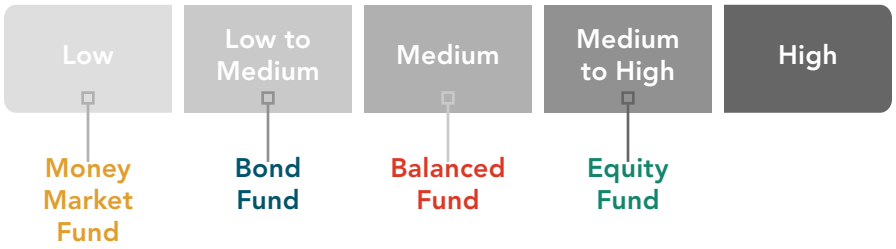


Performance and Risk Metrics

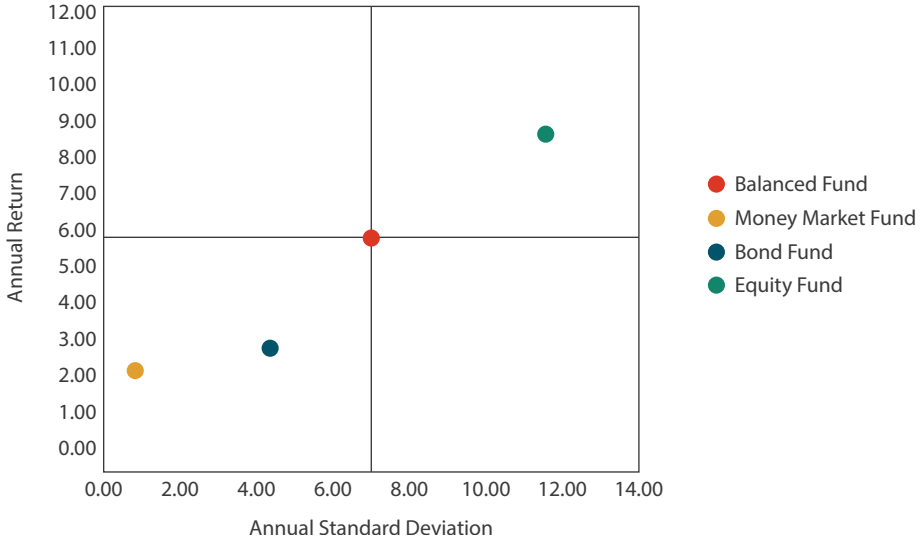
CSS FUNDS

Comparative Risk

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

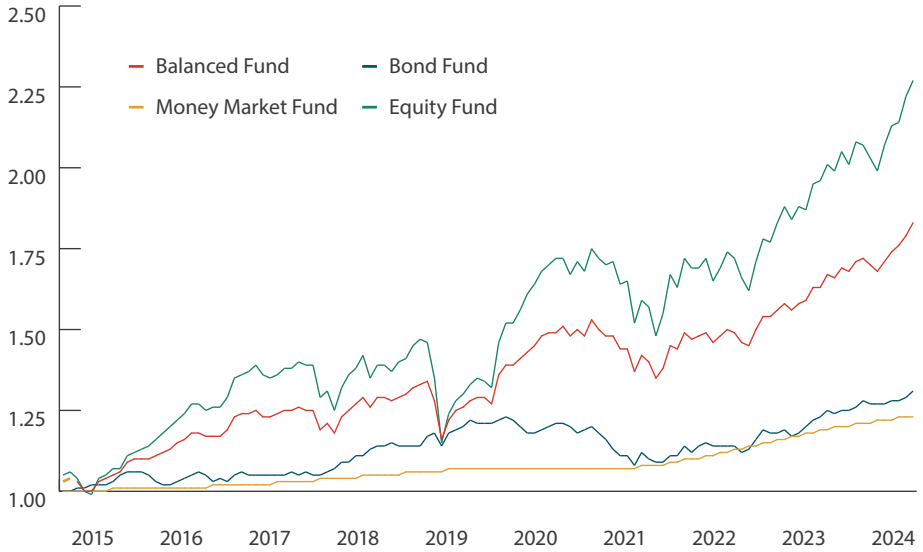


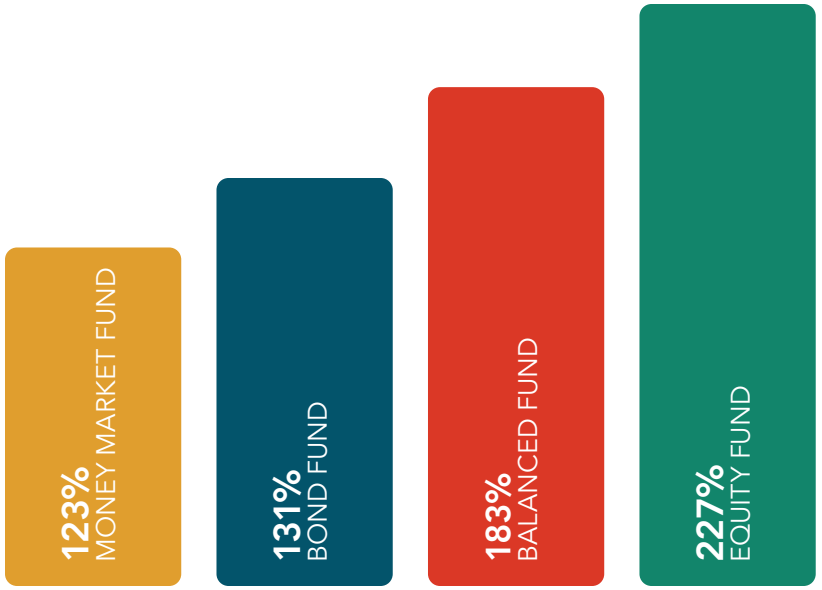
Realized Risk and Return of CSS



10-Year Cumulative Performance

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





Balanced Fund

MER 0.64%

DEFAULT STRATEGY

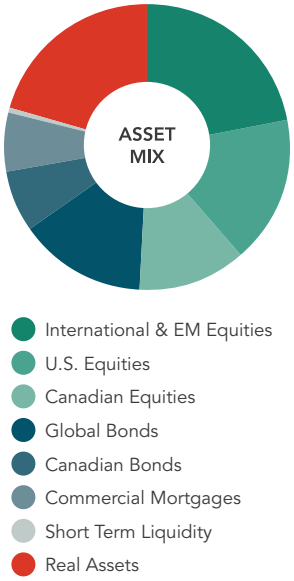
Who Should Invest?

- 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

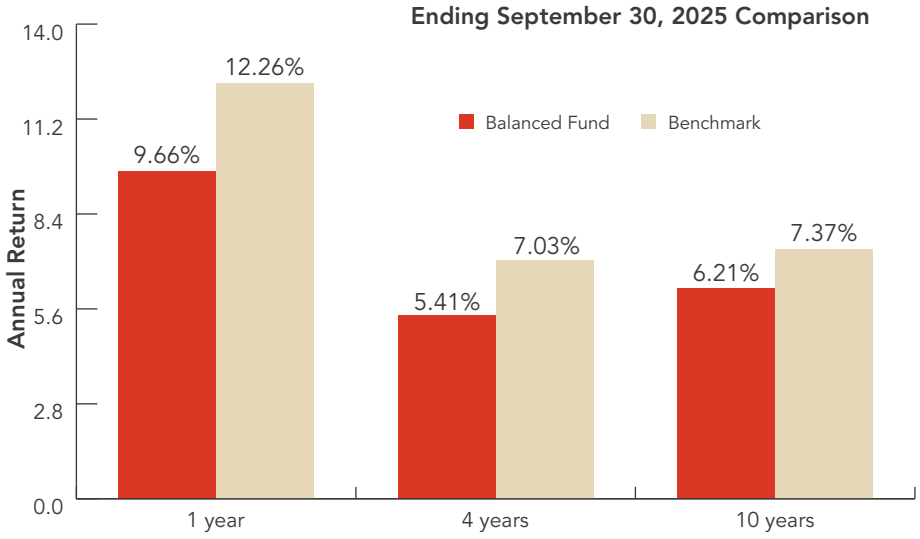
Asset Mix



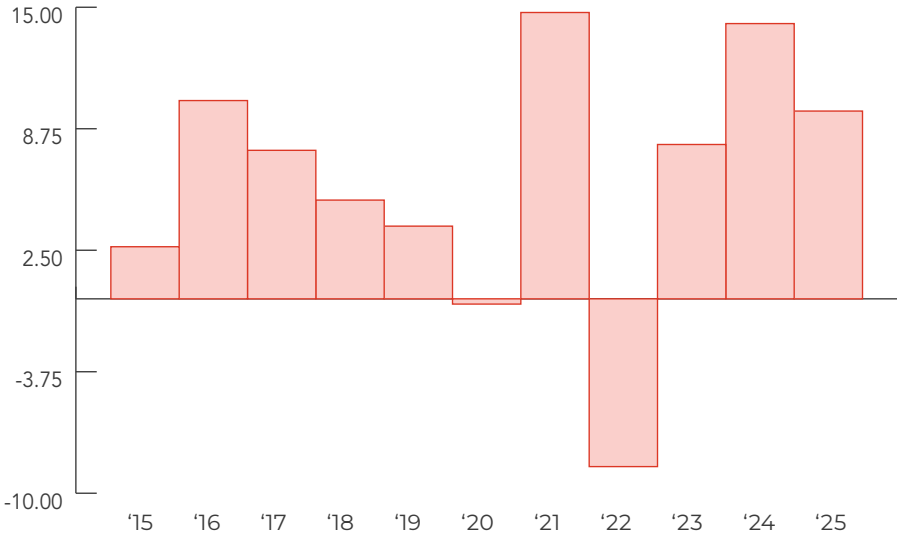
Asset Class Subgroups

International Large/Mid Cap Equity	15.86%
Canadian Large Cap Equity	12.39%
U.S. Large Cap Equity	13.62%
Global Bonds	7.97%
Private Canadian Commercial Mortgages	6.55%
Canada Universe Bonds	7.08%
Private Canadian Real Estate	5.54%
Emerging Markets All Cap Equity	6.21%
Emerging Market Debt	6.22%
U.S. Small Cap Equity	3.04%
Private Global Real Estate	5.11%
Private Global Infrastructure	9.74%
Short Term Liquidity	0.69%
TOTAL	**100.00%**

Annualized Investment Performance to Benchmark



Annual Returns History (ending September 30, 2025)



Equity Fund

MER 0.43%

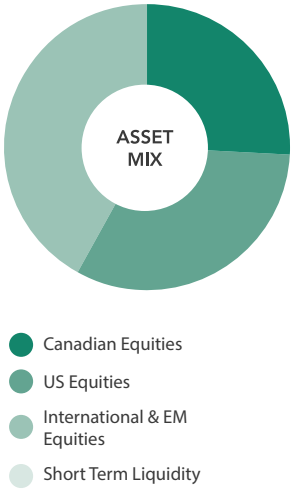
Who Should Invest?

- 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

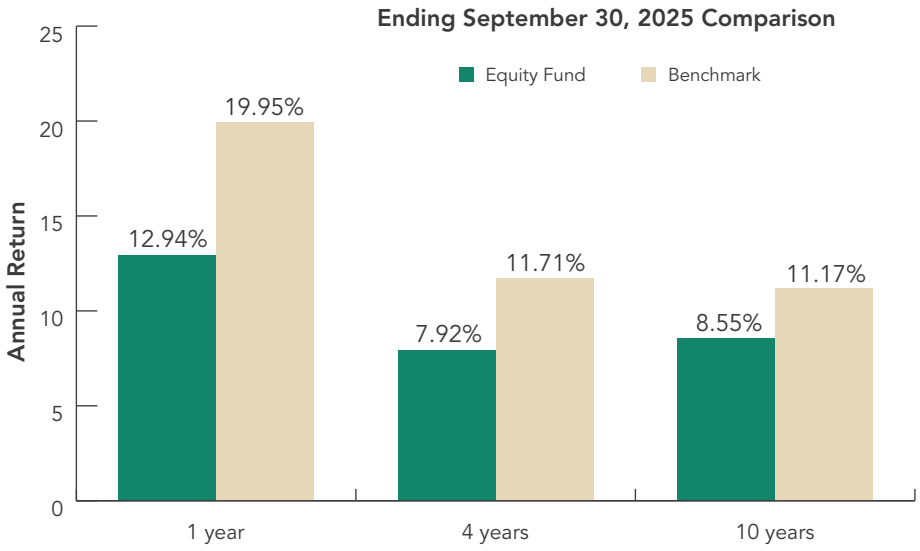
Asset Mix



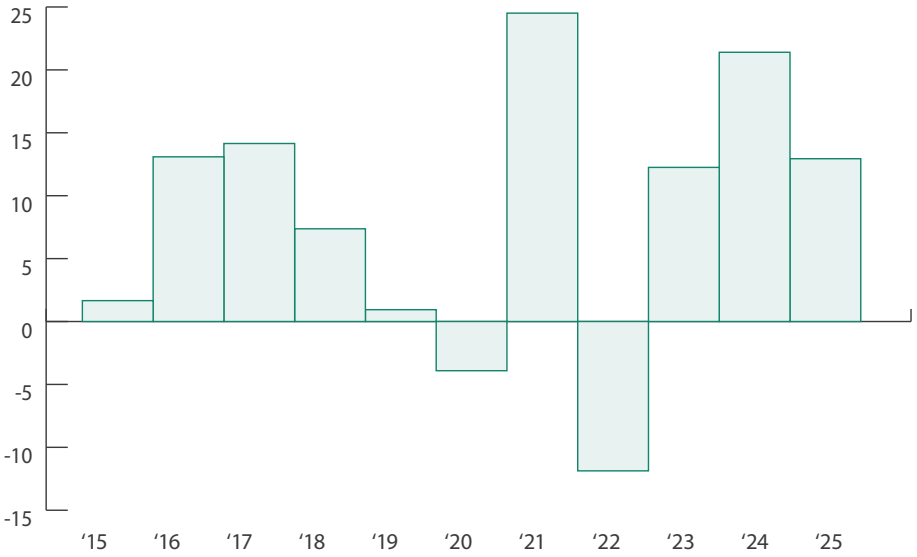
Asset Class Subgroups

International Large/Mid Cap Equity	31.09%
Canadian Large Cap Equity	26.06%
US Large Cap Equity	26.27%
Emerging Markets All Cap Equity	10.88%
US Small Cap Equity	6.06%
Short Term Liquidty	-0.37%
TOTAL	**100.00%**

Annualized Investment Performance to Benchmark



Annual Returns History (ending September 30, 2025)



Bond Fund

MER 0.48%

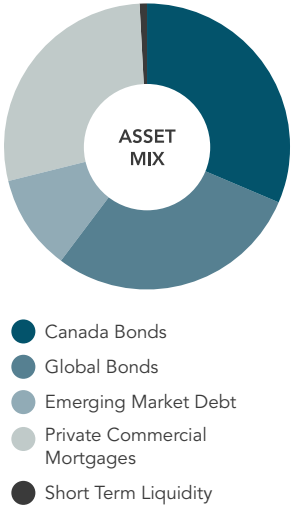
Who Should Invest?

- 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

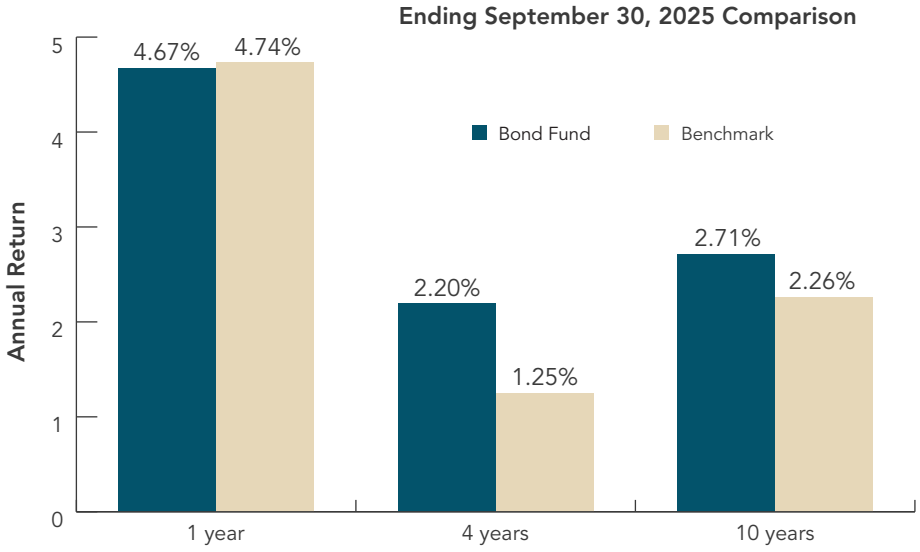
Asset Mix



Asset Class Subgroups

Core Plus Canada Bonds	31.43%
Global Bonds	28.99%
Emerging Market Debt	10.89%
Private Commercial Mtges	28.04%
Short Term Liquidity	0.65%
TOTAL	**100.00%**

Annualized Investment Performance to Benchmark



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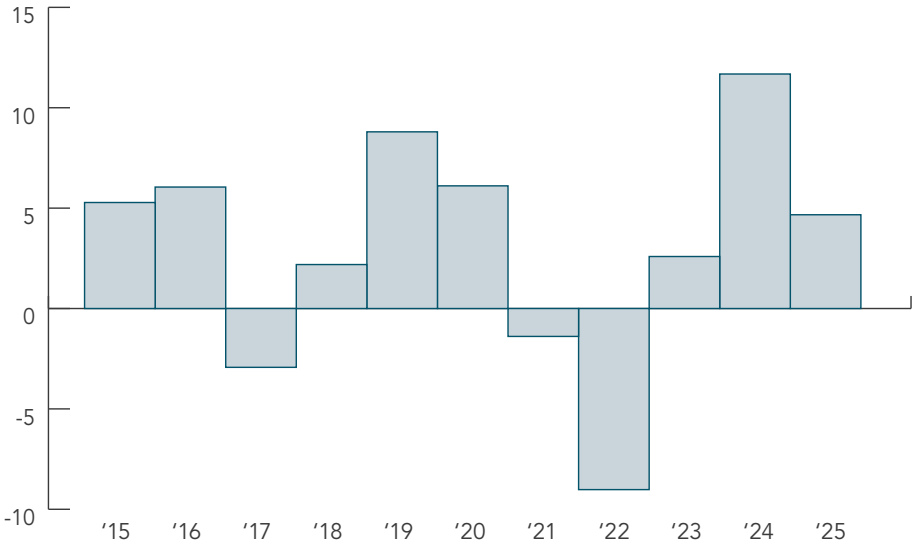


Money Market Fund

MER 0.18%

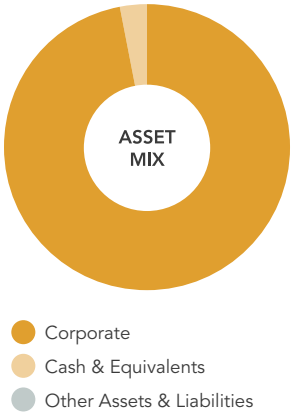
Who Should Invest?

- 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

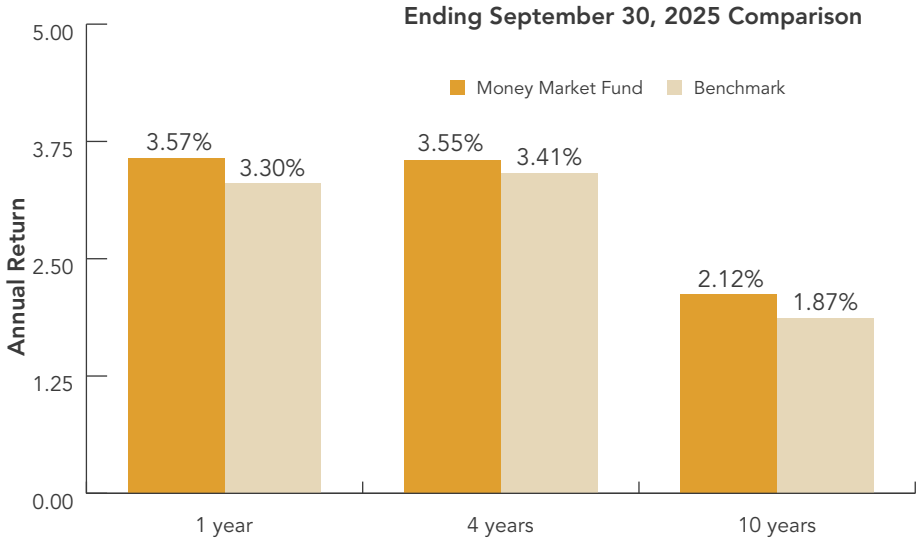
Asset Mix



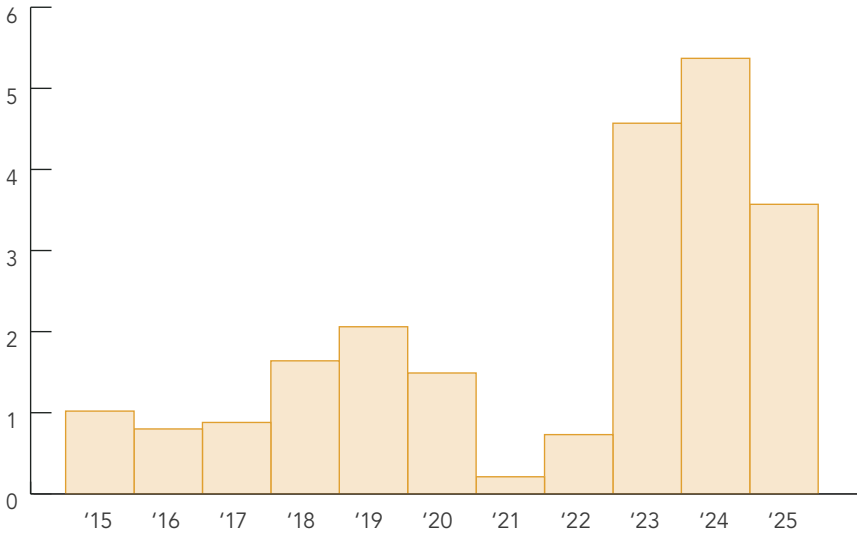
Asset Class Subgroups

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, 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	8.02%	15.72%	
Canadian Equities	Active	Scheer Rowlett & Associates	S&P TSX Composite index	4.37%	10.35%	
U.S. Large Cap Equities	Systematic	Scientific Beta Multifactor	S&P 500 Total Return index	6.49%	13.08%	
U.S. Large Cap Equities	Active	GMO	S&P 500 Total Return index	7.12%	13.19%	
U.S. Small Cap Equities	Active	Hilldsale Investment Management	Russell 2000 Total Return index	3.04%	6.06%	
International Equities	Active	Sprucegrove Investment Management	MSCI EAFE Net index	8.30%	15.08%	
International Equities	Systematic	JP Morgan Diversified Multifactor	MSCI EAFE Net index	7.56%	16.01%	
Emerging Equities	Active	Wellington Emerging Market Opportunities	MSCI EM IMI index	6.21%	10.88%	
Canada Core Plus Bonds	Active	Wellington Canada Universe Bonds Plus	FTSE Canada Universe Bond Index	7.08%		31.43%
Global Bonds	Active	Wellington Opportunistic Fixed Income	Bloomberg Barclay's Global Aggregate Index	7.97%		28.99%
Private Commercial Mortgages	Active	TD Greystone	60% Short bond + 40% mid bond + 50 bps	6.55%		28.04%
Emerging Market Debt	Active	Blackrock Flexi Dynamic Bond Fund	JP Morgan JEMBI Sovereign Only	6.22%		10.89%
Short Term	Active	TDAM Short Term Investments	FTSE Canada 91 day T-bill index	0.69%	-0.37%	0.65%
Canada Private Real Estate	Active	TD Greystone	CPI + 4%	5.54%		
Global Private Real Estate	Active	TD Greystone	CPI + 4%	1.64%		
Global Private Real Estate	Active	UBS Asset Management	CPI + 4%	3.46%		
Global Private Infrastructure	Active	JP Morgan IIF	CPI + 4%	5.77%		
Global Private Infrastructure	Active	IFM	CPI + 4%	3.97%		
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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