Q4

Quarterly Investment Report

Quarter ending
December 31, 2024

CSS 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 succeeded in a "soft landing" in 2024, although some countries stuck the landing better than others.

To the surprise of many U.S. equity markets rose at breakneck speed, and never looked back after Donald Trump won the U.S. presidential election. Expectations that the U.S. Congress' "red wave" (broad support for the Republican party) would be good for business, outweighed concerns of renewed tariff wars.

Policies are expected to come fast and furious in 2025, including changes to immigration policy, regulations, taxes, combined with the overlay of tariffs that will no longer be reserved only as a tool to address trade irritants on goods and services.

Fortunately, both the U.S. and Canadian economies are exiting 2024 in a stronger position than expected. As such, TD Economics' forecasts were set to be revised higher for 2025 but backed away from this view due to tariff risks, as well as a tightening U.S. labour force. Likewise, areas that could become growth-enhancers, like corporate tax changes, are not incorporated into their forecasts in the absence of specific guidance from the U.S. Congress, which holds the purse on these decisions. That leaves some upside risk to the economic outlook.

The U.S. economy remains the envy of its peers, on track to grow by a healthy 2.7% in 2024. At the same time, inflation has cooled, and the job market has softened slightly. An unemployment rate at 4.2% is bang on the U.S. Federal Reserve's long-run trend estimate. The incoming administration in Washington has inherited a solid economic backdrop and President-elect Trump will have every desire to keep the economy and stock market humming. This suggests some incentive to curb the most extreme policies proposed on the campaign trail, but there will likely be follow-through on priorities related to border control and tariffs.

Across the pond, Europe's economic outlook has dimmed relative to last quarter, as the forecasted improvement in the latter half of 2024 has not transpired. Lower inflation has boosted real incomes, but consumers are still reluctant to spend. Now, we are layering on a potential hit from some U.S. tariffs on European exports. Fiscal policy is also a wildcard in Europe as challenges balancing the budget have toppled the Prime Minister in France. Conversely, Germany's economic malaise could improve next year if a new government loosens borrowing rules.

Equities

The BoC has cut rates significantly since the spring as inflation has subsided and the economy showed signs of slowing. We believe that these cuts are supportive of consumers and businesses, which should allow economic

Quarterly Market Commentary continued

growth to reaccelerate. This contributes to the expected S&P TSX Composite Index (“TSX”) 2025 earnings growth of ~11%, which creates a supportive backdrop for returns. Within the TSX, banks could benefit from the stabilization of credit and resource companies generally have low leverage and attractive free cash flow.

S&P 500 Index 2024 returns were driven by both multiple expansion and earnings growth. While mega-cap technology firms have been a significant contributor to returns, partly driven by AI opportunities, most sectors finished the year in positive territory. The S&P 500 Index is expected to generate ~12.5% earnings growth in 2025. While the Technology sector is a key source of growth, earnings are expected to accelerate outside of technology.

The incoming U.S. administration appears to offer some potential business friendly policies, but could create uncertainty in terms of trade, etc.

International Equities returns might lag due to weak economic activity and political instability, particularly in the EU. Japanese equities look attractive on a relative basis, with momentum building behind a corporate reform agenda aimed at boosting profitability and valuation multiples. The Japanese stock market and yen might experience additional volatility depending on how the Bank of Japan continues with its process of raising rates versus the U.S. Federal Reserve (the “Fed”) potentially cutting rates further. Emerging Markets (‘EM”) central banks, including China, Chile and Mexico, have been cutting rates.

EMs might face challenges from potential changes to U.S. trade and tariff policies. China continues to struggle with challenges in its property sector but has recently announced monetary stimulus that could provide some stabilization for its economy.

Fixed Income

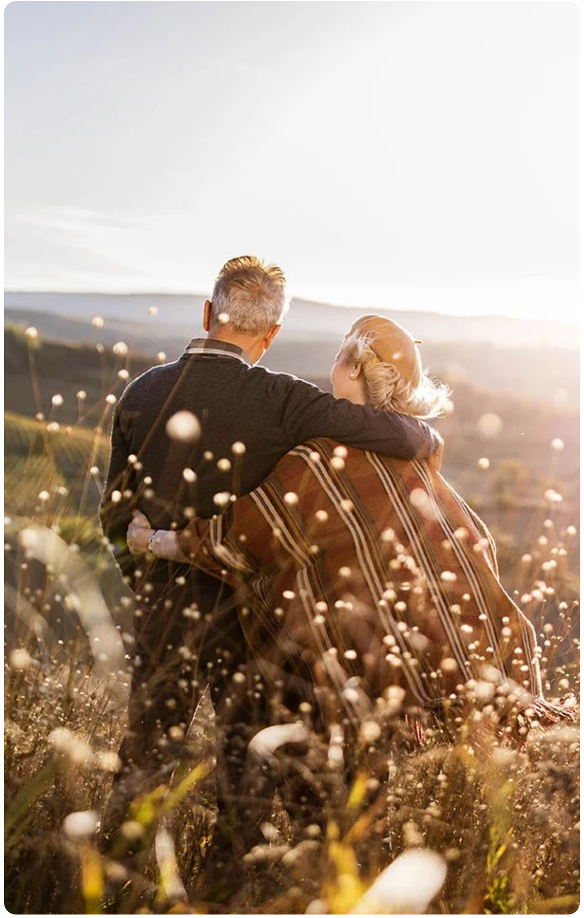
We believe the BoC has room to reduce its policy rate further, however, we expect that it will be more measured in how quickly it cuts the policy rate given U.S. economic resilience, a stronger growth outlook, and higher expected political volatility at home and abroad over the next 12 to 18 months.

As the easing cycle progresses, we expect yields on shorter government bonds, which are more sensitive to the monetary policy cycle, to fall faster than that of longer government bonds.

As investors anticipate stronger growth following the U.S. federal election as well as more macroeconomic and political uncertainty, global bond markets are grappling with what implications this will have for inflation, fiscal deficits, global trade, and currency dynamics.

Therefore, we expect opportunities across developed market bonds to vary over the next 12 to 18 months. The recent strengthening of the U.S. Dollar has led to a challenging environment for emerging markets, particularly those with large U.S.- denominated liabilities.

Furthermore, the threat of tariffs along with sluggish economic growth outside of the U.S.



Quarterly Market Commentary continued

will cause uncertainty to remain elevated and will likely impact growth expectations across many emerging market regions. However, we continue to believe that there will be tactical opportunities in countries with high and stable monetary policy rates, sound fiscal policy and resilient growth fundamentals.

All-in yields remain relatively attractive and high yield credit spreads have tightened to levels not seen since 2007, in part absorbing the bulk of the recent sell off in Treasuries. At near-historic lows, spreads remain expensive and provide little protection from a deterioration in credit conditions, a weakening consumer or further increases in Treasury yields. While the overall quality of the high yield universe has been improving, there still remain companies with challenged capital structures that will become increasingly unsustainable with slowing growth and/or rising interest rates

Alternative investments

Commercial mortgages continue to provide accretive income while insulating investor returns from the increased volatility in interest rates.

High credit quality, in Private Debt 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. Moving forward we see more reason for confidence in the multi-unit residential, retail and industrial spaces, while the flight-to-quality within office continues.

Within Global Real Estate, we believe the majority of the value adjustments have occurred in the U.S., UK and Nordic countries, while other regions, such as Australia, are in the midst of value adjustments. Moderating risk-free rates have been reflected in lower discount rates which has led to strong valuations for infrastructure assets.

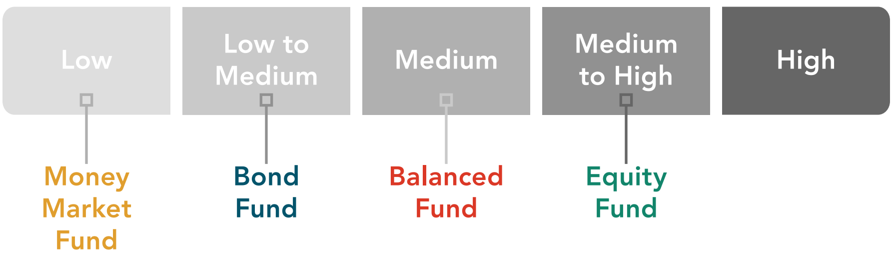
We have seen a shift in focus from core infrastructure assets to core-plus and value add as investors seek greater growth and higher return potential from their infrastructure allocations.

Performance and Risk Metrics

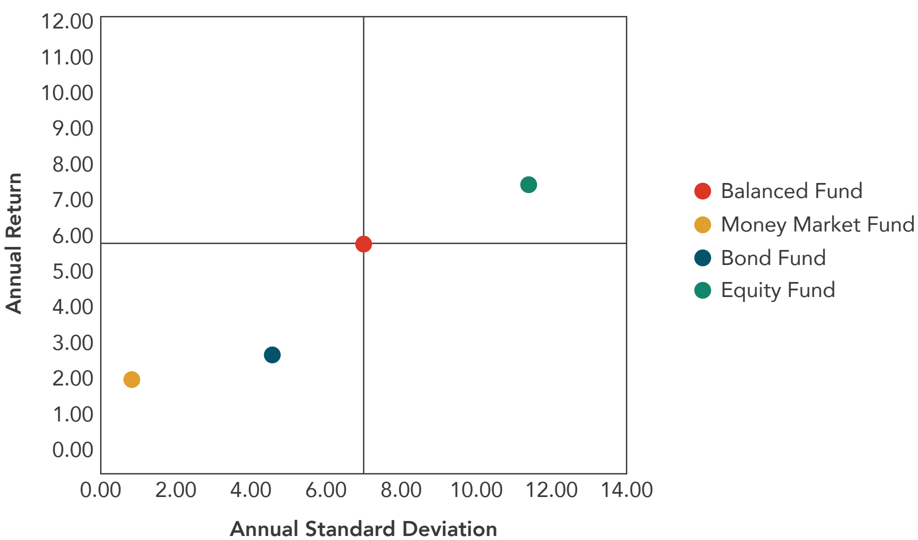
CSS FUNDS

Comparative Risk

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

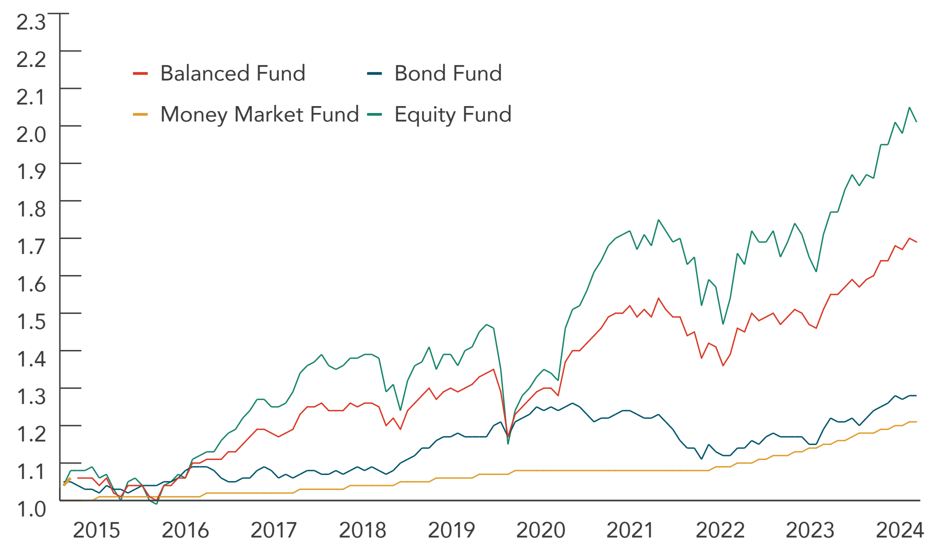


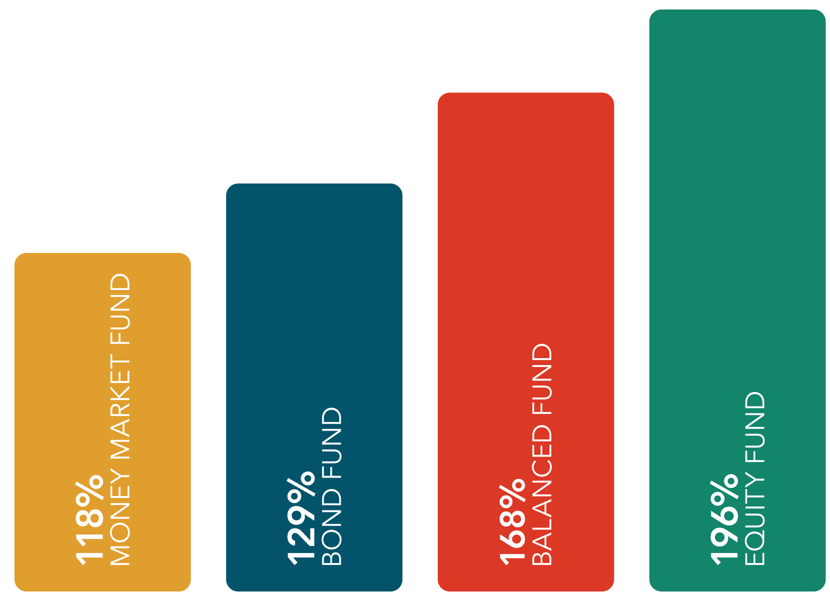
Realized Risk and Return of CSS



10-Year Cumulative Performance

10 years ending December 31, 2024 | Growth of a unit value





Balanced Fund MER 0.64%

DEFAULT STRATEGY

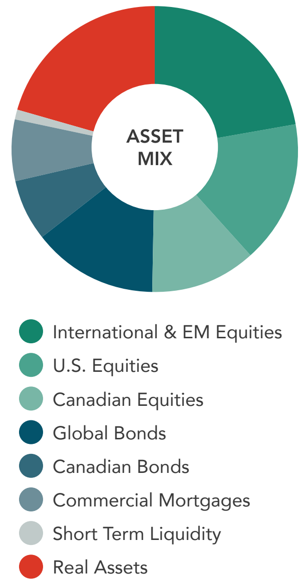
Who Should Invest?

- 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

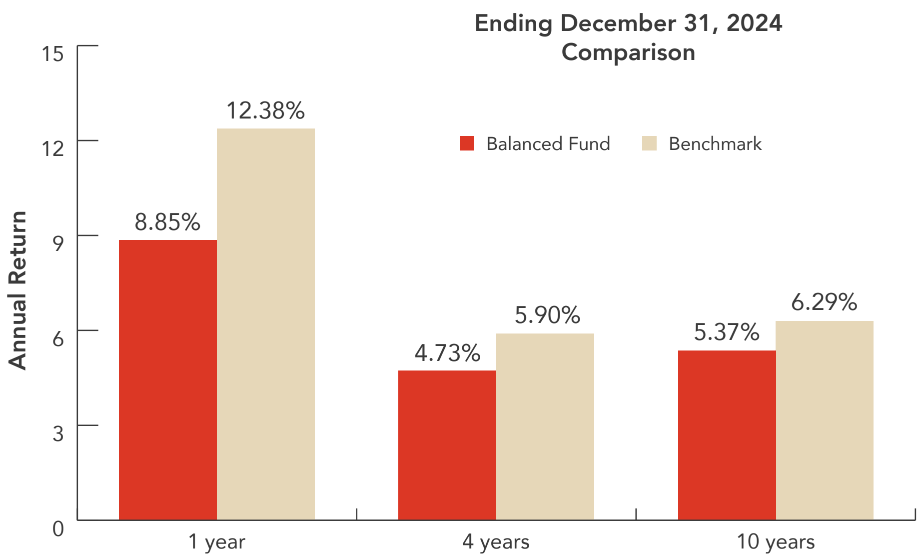
Asset Mix



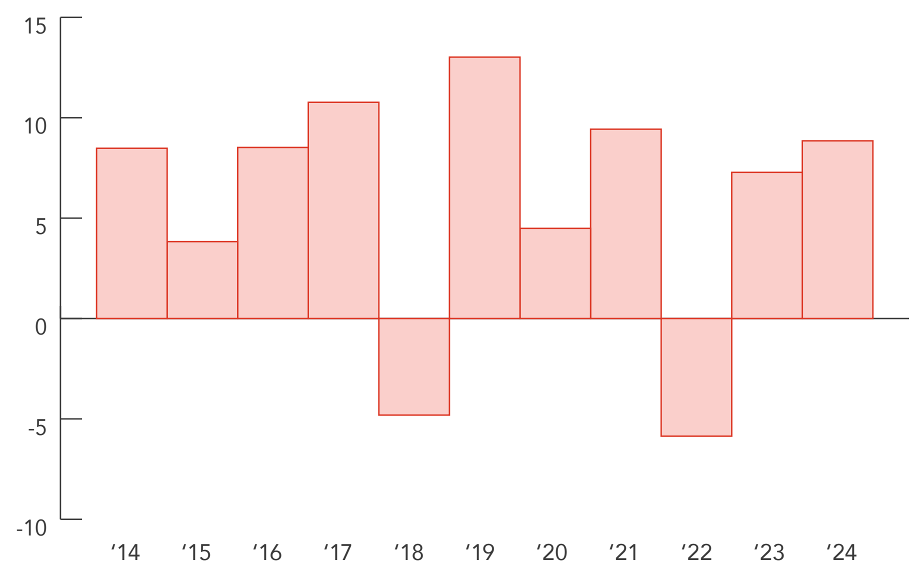
Asset Class Subgroups

International Large/Mid Cap Equity	16.34%
Canadian Large Cap Equity	11.90%
U.S. Large Cap Equity	13.08%
Global Bonds	7.77%
Private Canadian Commercial Mortgages	6.95%
Canada Universe Bonds	7.16%
Private Canadian Real Estate	6.25%
Emerging Markets All Cap Equity	5.98%
Emerging Market Debt	6.25%
U.S. Small Cap Equity	3.13%
Private Global Real Estate	5.16%
Private Global Infrastructure	8.94%
Short Term Liquidity	1.07%
TOTAL	**100.00%**

Annualized Investment Performance to Benchmark



Annual Returns History (ending December 31, 2024)



Equity Fund

MER 0.43%

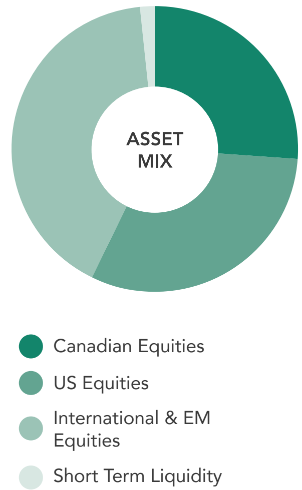
Who Should Invest?

- 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

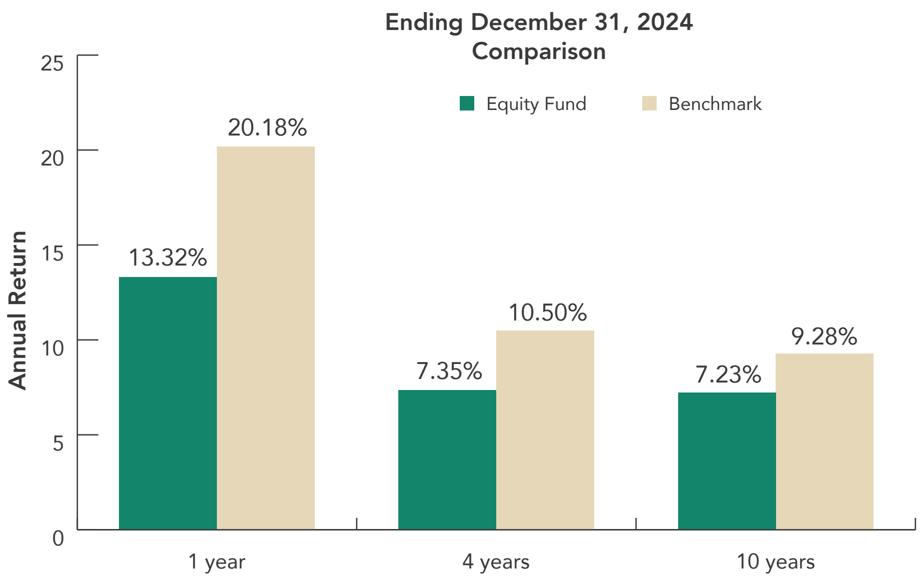
Asset Mix



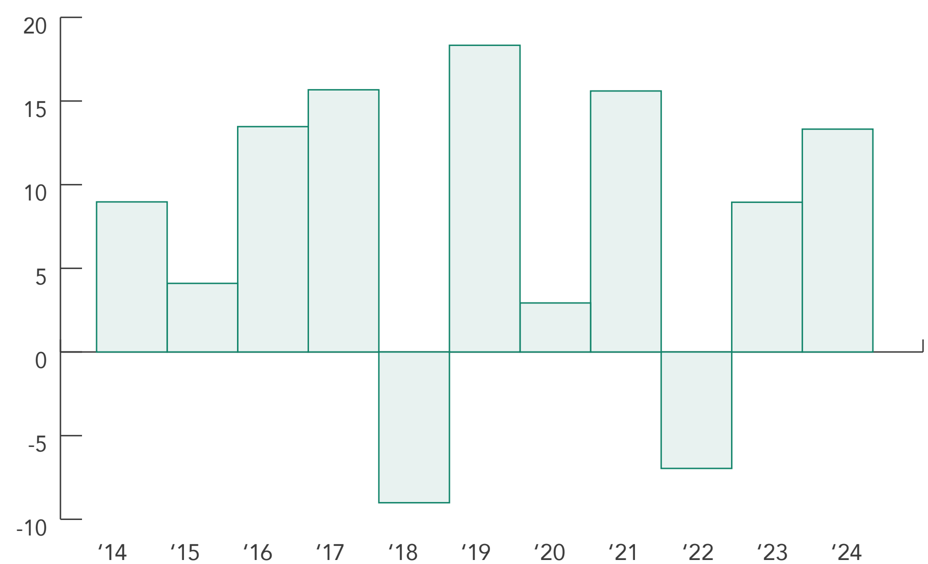
Asset Class Subgroups

International Large/Mid Cap Equity	30.27%
Canadian Large Cap Equity	25.62%
US Large Cap Equity	26.72%
Emerging Markets All Cap Equity	9.85%
US Small Cap Equity	5.97%
Short Term Liquidty	1.57%
TOTAL	**100.00%**

Annualized Investment Performance to Benchmark



Annual Returns History (ending December 31, 2024)



Bond Fund

MER 0.48%

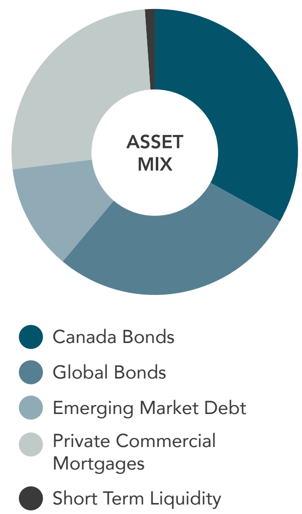
Who Should Invest?

- 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

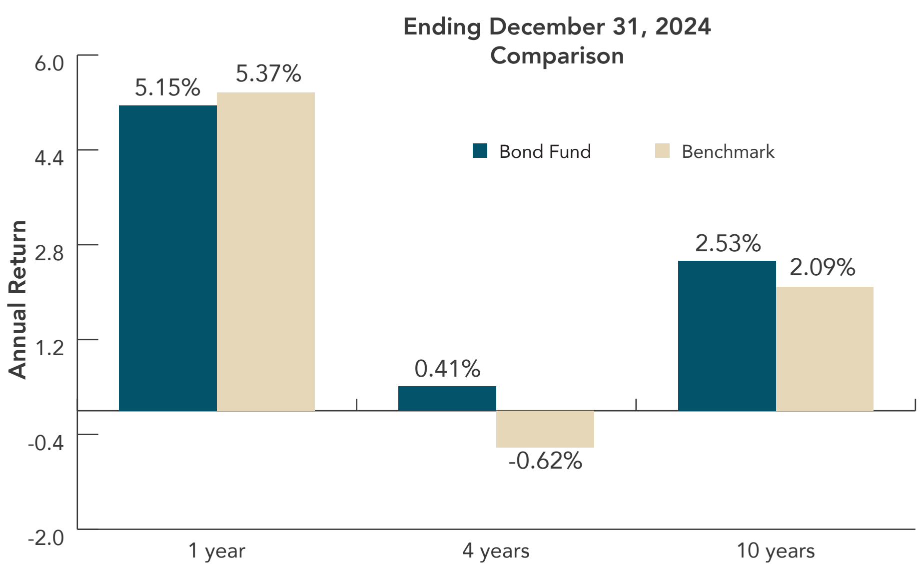
Asset Mix



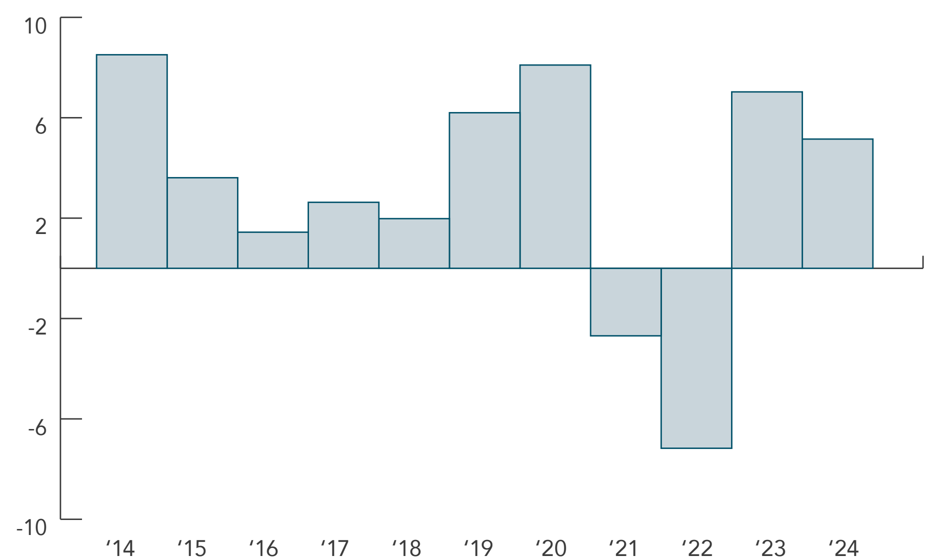
Asset Class Subgroups

Core Plus Canada Bonds	33.16%
Global Bonds	28.07%
Emerging Market Debt	11.84%
Private Commercial Mtges	26.03%
Short Term Liquidity	0.90%
TOTAL	**100.00%**

Annualized Investment Performance to Benchmark



Annual Returns History (ending December 31, 2024)



Money Market Fund

MER 0.18%

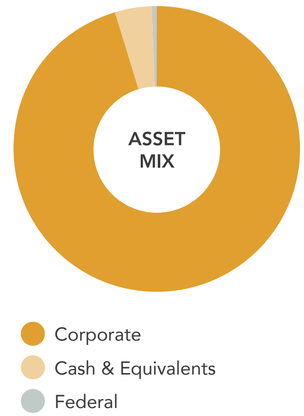
Who Should Invest?

- 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

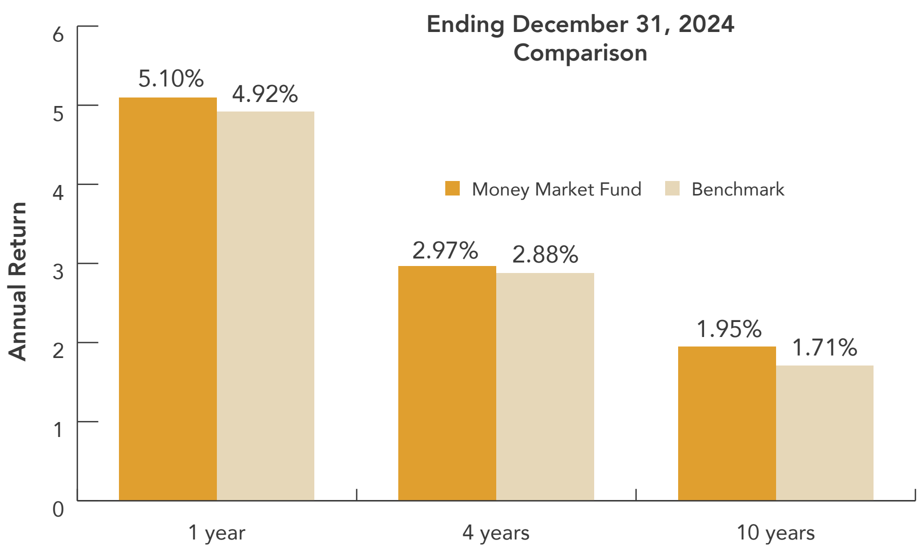
Asset Mix



Asset Class Subgroups

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

Annualized Investment Performance to Benchmark



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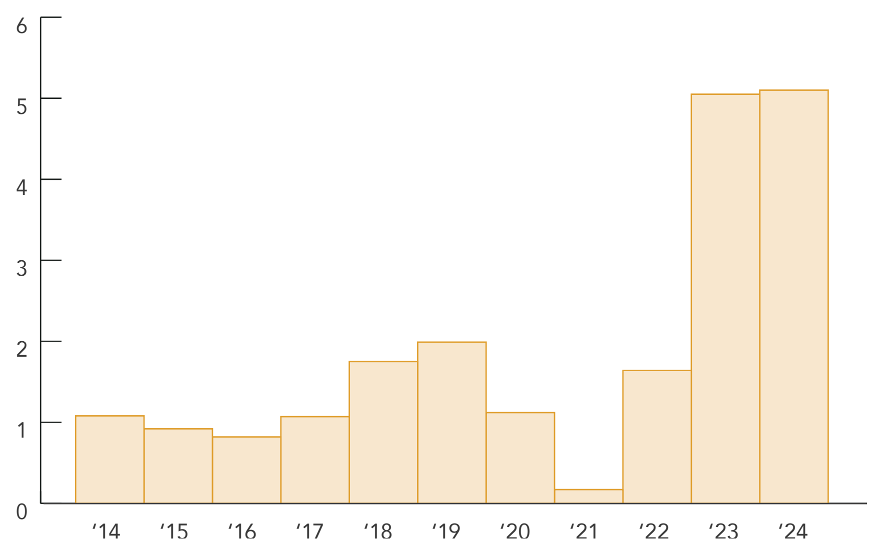

Exposure to Underlying Managers/Funds

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	7.98%	16.17%	
Canadian Equities	Active	Scheer Rowlett & Associates	S&P TSX Composite index	3.93%	9.45%	
U.S. Large Cap Equities	Systematic	Scientific Beta Multifactor	S&P 500 Total Return index	11.99%	24.62%	
U.S. Large Cap Equities	Passive	TDAM US Equity	S&P 500 Total Return index	1.09%	2.10%	
U.S. Small Cap Equities	Active	Hilldsale Investment Management	Russell 2000 Total Return index	3.13%	5.97%	
International Equities	Active	Sprucegrove Investment Management	MSCI EAFE Net index	7.88%	15.03%	
International Equities	Systematic	JP Morgan Diversified Multifactor	MSCI EAFE Net index	8.46%	15.24%	
Emerging Equities	Active	Wellington Emerging Market Opportunities	MSCI EM IMI index	5.98%	9.85%	
Canada Core Plus Bonds	Active	Wellington Canada Universe Bonds Plus	FTSE Canada Universe Bond Index	7.16%		33.16%
Global Bonds	Active	Wellington Opportunistic Fixed Income	Bloomberg Barclay's Global Aggregate Index	7.77%		28.07%
Private Commercial Mortgages	Active	TD Greystone	60% Short bond + 40% mid bond + 50 bps	6.95%		26.03%
Emerging Market Debt	Active	Blackrock Flexi Dynamic Bond Fund	JP Morgan JEMBI Sovereign Only	6.25%		11.84%
Short Term	Active	TDAM Short Term Investments	FTSE Canada 91 day T-bill index	1.07%	1.57%	0.90%
Canada Private Real Estate	Active	TD Greystone	CPI + 4%	6.25%		
Global Private Real Estate	Active	TD Greystone	CPI + 4%	1.53%		
Global Private Real Estate	Active	UBS Asset Management	CPI + 4%	3.64%		
Global Private Infrastructure	Active	JP Morgan IIF	CPI + 4%	5.23%		
Global Private Infrastructure	Active	IFM	CPI + 4%	3.71%		
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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