Quarterly Investment Report.

Quarter ending June 30, 2022

PENSION PLAN

Strength in Numbers.

QUARTERLY MARKET COMMENTARY

*Commentary provided by TDAM, manager of the Plan's passive bond and short-term mandates. Returns in local currency unless otherwise stated.

After closing 2021 at all-time highs, global equity and bond markets have faced a tumultuous first half of 2022. Financial markets have plunged, with several major market indexes entering bear market territory during the quarter (bear markets are defined as a decline of more than 20%). Speculative assets like cryptocurrencies have also been decimated, with Bitcoin plunging to less than a third of its peak value, leaving investors with little place to hide from the market mauling.

The global macroeconomic outlook remains challenging. Economic growth is being restrained and the Russia/Ukraine war has driven substantial commodity price increases, fueled sizzling hot inflation, and exacerbated already tight supply chains. Additionally, North American labour markets have become incredibly strained, resulting in significant wage growth acceleration. As a result, central banks have been forced by inflation to raise rates aggressively despite growth uncertainty and the ongoing war in Ukraine. We are undoubtedly facing a tough road ahead. Inflation is at levels not seen in decades. Interest rates are gapping higher, putting the health of an already fragile economy into question and increasing the risks of recession.

Equities

Against the current inflationary backdrop, global equity markets will likely remain volatile and returns muted. Multiples for long-duration stocks (securities valued based on future forecasted cash flows), also known as growth stocks, may continue to come under pressure, while shorter-duration or large-cap stocks should be more resilient in the rising rate environment.

Exposure to profitable growth companies that have a solid track record of compounding profits, generating cash flows and maintain strong balance sheets may deliver more consistent performance over the longer term.

In Canada, Financials should benefit from higher rates and the Energy and Materials sectors could also perform well as commodity prices remain elevated. These sectors comprise a significant weight in the S&P/TSX Composite Index and companies in these sectors may continue to increase dividends and share buy backs, given their strong free cash flows and balance sheets.

U.S. companies may continue to deliver positive earnings, though earnings growth expectations may be on the aggressive side in certain sectors and could materially slow in future quarters. Quality areas of the market could provide better resiliency to a broad range of economic outcomes, while exposure to speculative growth sectors may need to be limited at this time.

Continue

CSS FUND FACTS

$5.3 billion
Approx. assets under management

0.43%
Balanced Fund management expense ratio (MER)

51,700
Approx. employee members

313
Approx. employer members

QUARTERLY MARKET COMMENTARY CONT'D

International markets have seen an acceleration in wage growth, but with inflation very high, real wages remain negative.

A contraction in gross domestic product ("GDP") readings, low business and consumer confidence, as well as regional geopolitical instability, lead us to believe international equities will continue to face significant headwinds in the coming months.

China's continued restrictive COVID-19 policies have been hugely disruptive to economic activity and have put additional stress on consumption in China, as well as on global supply chains. China's growth outlook may be materially impacted as a result.

Fixed income

Investors may not want to discount the role of fixed income based on current circumstances of rapidly rising rates. Bonds have historically been a hedge against equity risk and if the economy weakens to stall speed, we expect bonds to perform well as central banks may have to pivot to accommodation from the current aggressive tightening cycle.

Markets are typically forward looking, and this shift will likely start being priced in before it happens. This may imply that current fixed income investors will be able to realize higher income levels moving forward. However, the price return of fixed income, which results from changes in bond yields, will still likely be a drag on total returns as long as inflation remains elevated and central banks react with tightening measures.

We believe that following the asset class' dramatic repricing this year, opportunity is being restored in several segments of the fixed income market. As a result, all-in yields for fixed income have risen significantly and now are beginning to look historically attractive.

Domestic government bond yields have increased significantly as North American central banks hike rates to curb the impacts of persistent inflation and wage pressures in labour markets. Yields are at multi-year highs as the Bank of Canada ("BoC") moves toward a more 'neutral' monetary policy framework. Government bond yields have become more appealing due to their potential to generate stable and positive real returns over the longer term.

Credit spreads have widened materially this year and while volatility in spreads will likely persist in the near-term, we believe maintaining exposure to companies with strong ratings is prudent and over time will contribute to favourable long-term total returns. At this stage of the economic cycle, we believe a conservative allocation to high quality investment grade corporate credit over high yield is warranted as financial conditions continue to tighten.

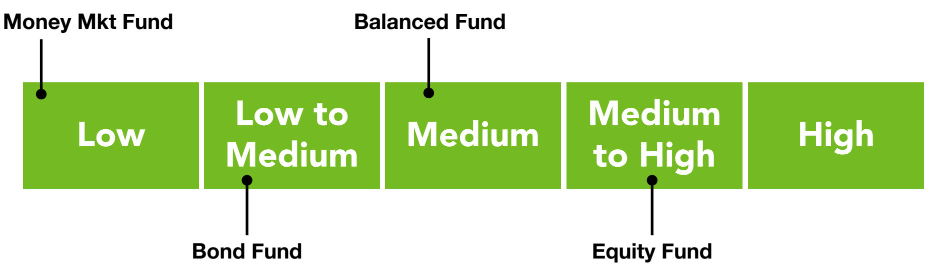
Emerging markets have had mixed results this year – hard currency bonds (mostly denominated in U.S. dollars) have struggled similar to U.S. corporate bonds; however local currency bonds have been more nuanced. In particular, local government bonds in eastern Europe have underperformed dramatically due to the Russia/Ukraine conflict, while local currency bonds in Latin America have outperformed due to the linkages of these economies to global commodity markets. This dispersion of returns within emerging markets has presented some opportunities and we were comfortable maintaining a neutral outlook to what we consider investment-grade countries, while avoiding more troubled regions such as Russia and eastern Europe.

View historical unit prices for all CSS investment funds

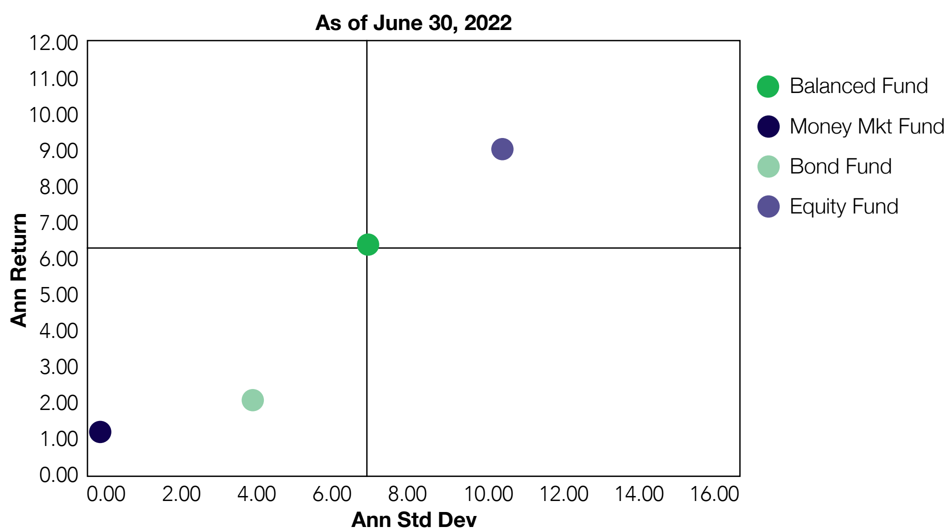
PERFORMANCE AND RISK METRICS | CSS funds

COMPARATIVE RISK

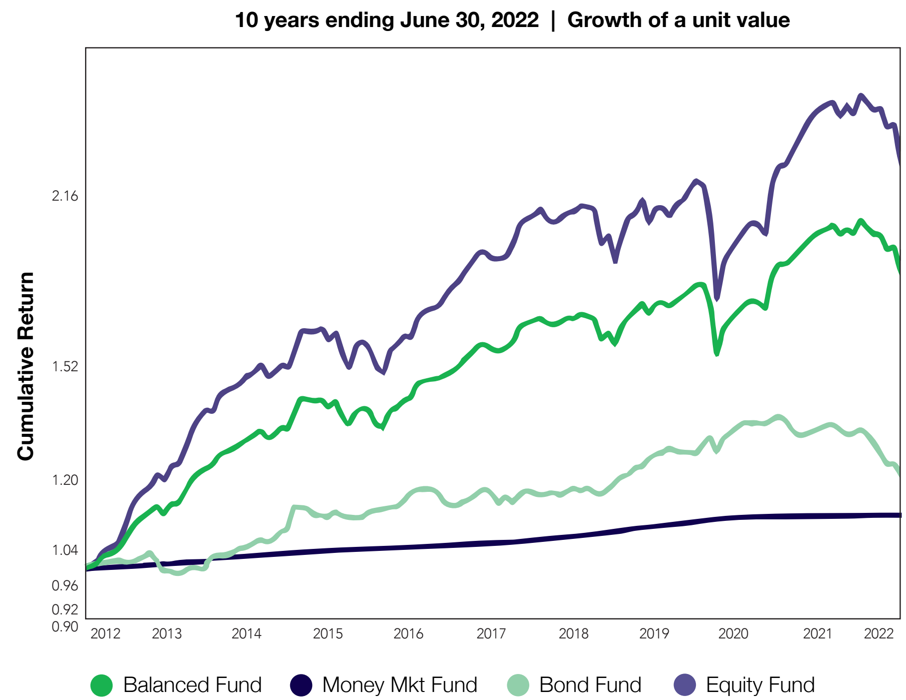
This chart indicates how we expect the annualized volatility of CSS' funds to compare over the long term.



Realized risk and return of CSS funds



10-YEAR CUMULATIVE PERFORMANCE



10-year cumulative performance figures

Balanced Fund	Money Mkt Fund	Bond Fund	Equity Fund
184%	111%	121%	230%

BALANCED FUND | default strategy

MER ▶ 0.43%

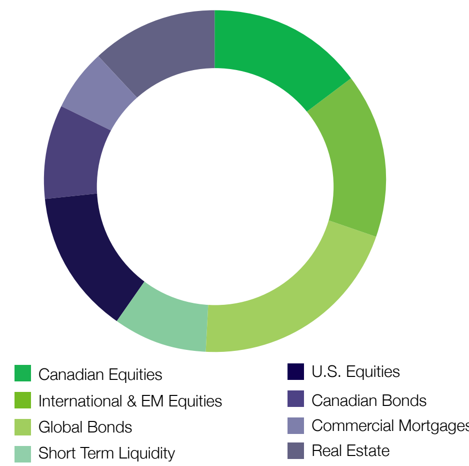
WHO SHOULD INVEST?

- 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

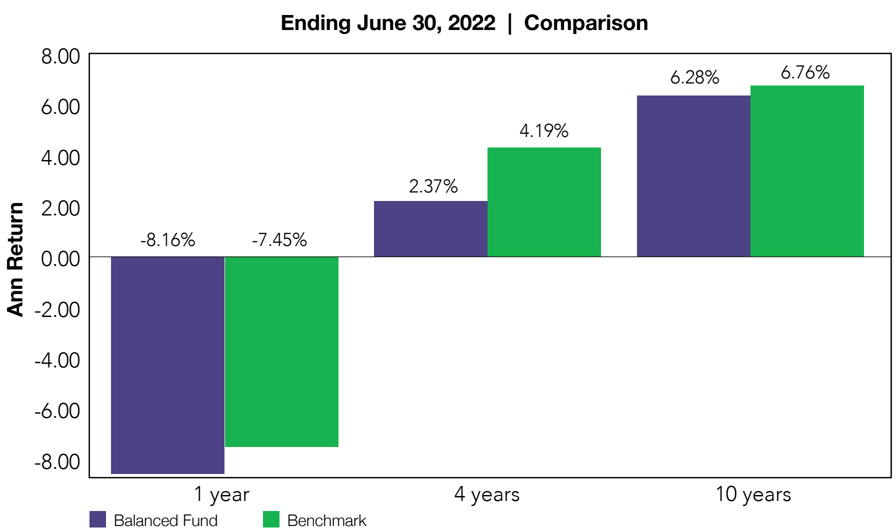
- Targeted investment returns of inflation plus four percent
- Moderate long-term volatility
- Periodic annual losses are expected

ASSET MIX

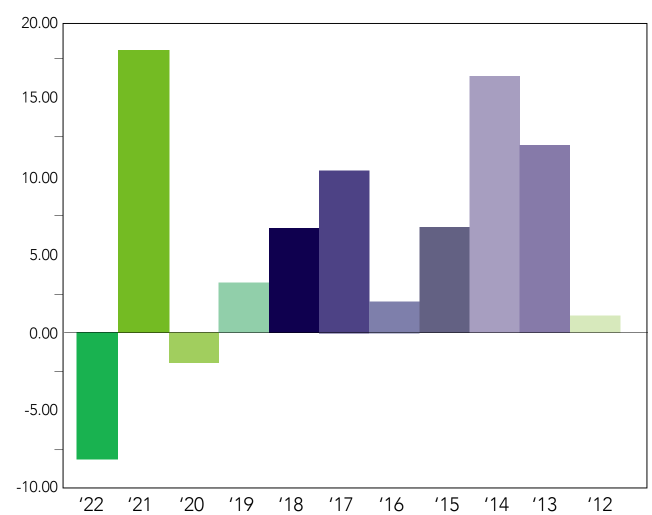


Asset class subgroups	
International Large/Mid Cap Equity	14.77%
Canadian Large Cap Equity	14.84%
U.S. Large Cap Equity	12.67%
Global Bonds	7.82%
Private Canadian Commercial Mortgages	8.76%
Canada Universe Bonds	9.11%
Private Canadian Real Estate	9.25%
Emerging Markets All Cap Equity	5.57%
Emerging Market Debt	5.67%
U.S. Small Cap Equity	3.03%
Global REITS	2.47%
Short Term Liquidity	6.03%
TOTAL	100%

Annualized Investment Performance to Benchmark



Annual returns history (ending June 30, 2022)



EQUITY FUND

MER ▶ 0.46%

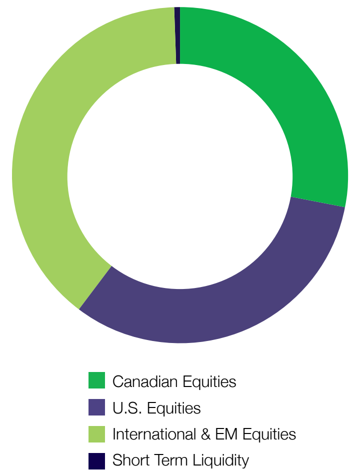
WHO SHOULD INVEST?

- 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

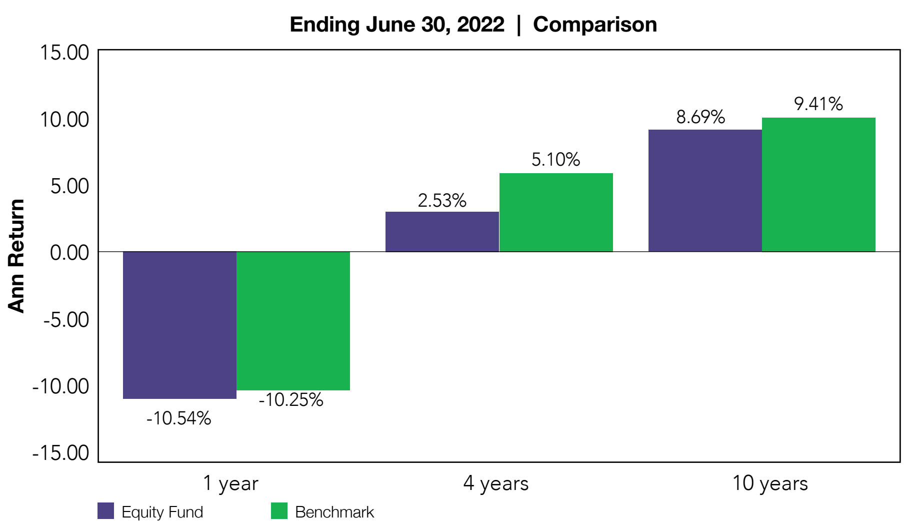
- Long-term returns consistent with global equity markets
- Annualized volatility expected to average 18 – 20%
- Periodic losses are expected

ASSET MIX

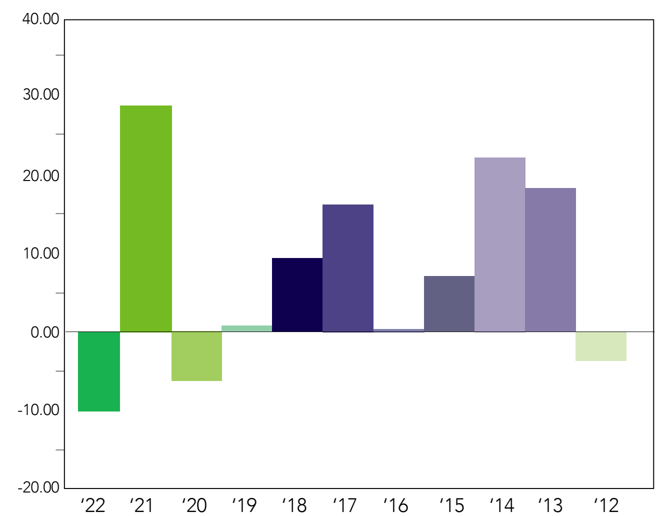


Asset class subgroups	
International Large/Mid-Cap Equity	29.49%
Canadian Large Cap Equity	28.54%
U.S. Large Cap Equity	26.24%
Emerging Markets All Cap Equity	10.11%
U.S. Small Cap Equity	6.12%
Short Term Liquidity	-0.50%
TOTAL	100%

Annualized Investment Performance to Benchmark



Annual returns history (ending June 30, 2022)



BOND FUND

MER 0.31%

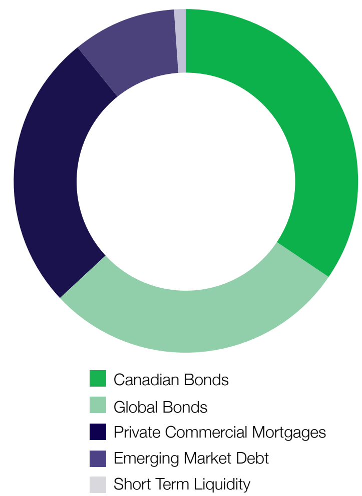
WHO SHOULD INVEST?

- 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

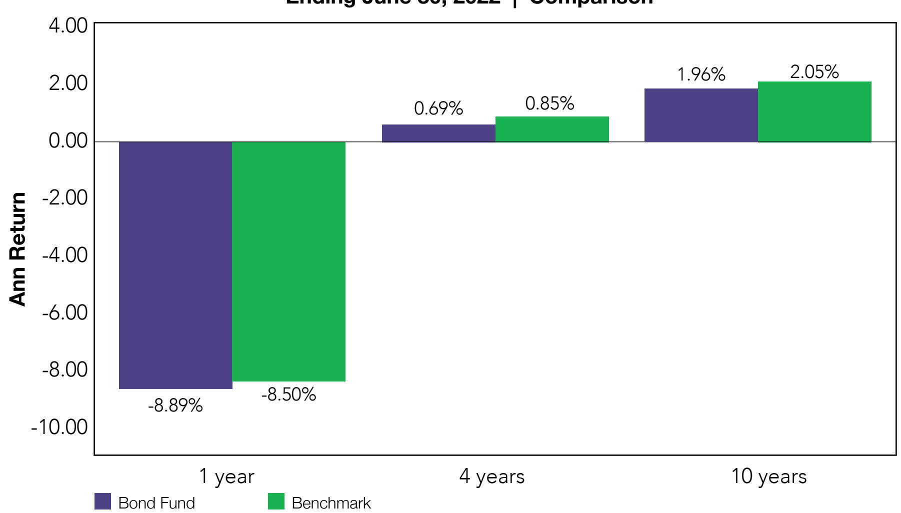
ASSET MIX



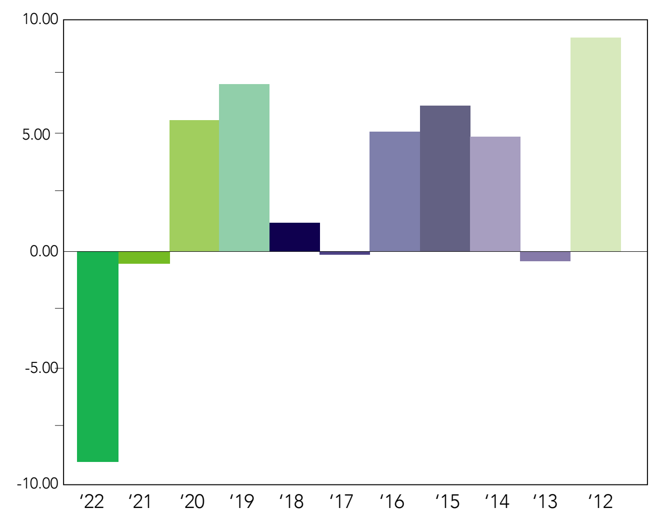
Asset class subgroups	
Core Plus Canada Bonds	34.49%
Global Bonds	28.59%
Private Commercial Mortgages	9.77%
Emerging Market Debt	26.27%
Short Term Liquidity	0.88%
TOTAL	100%

Annualized Investment Performance to Benchmark

Ending June 30, 2022 | Comparison



Annual returns history (ending June 30, 2022)



MONEY MARKET FUND

MER ▸ 0.13%

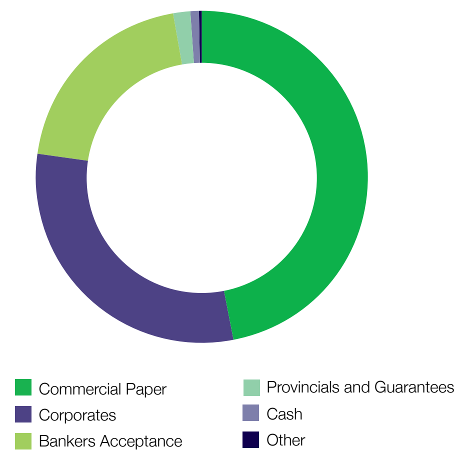
WHO SHOULD INVEST?

- 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*

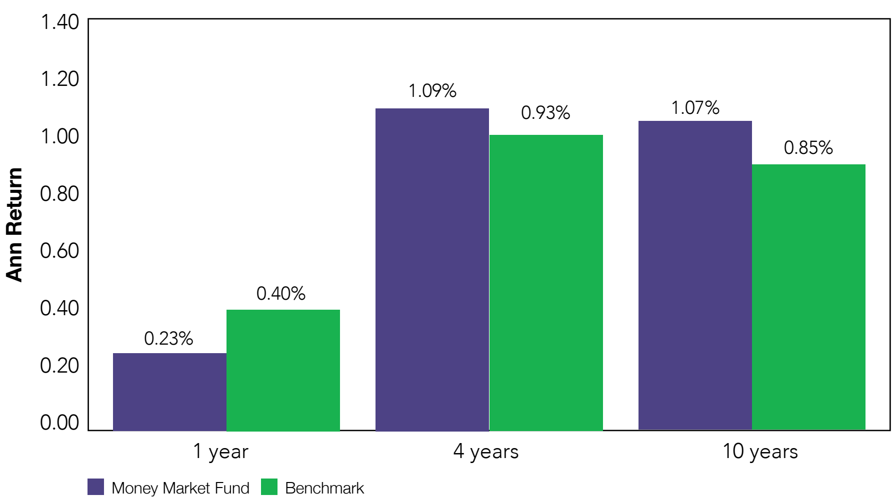


*As of March 31, 2022

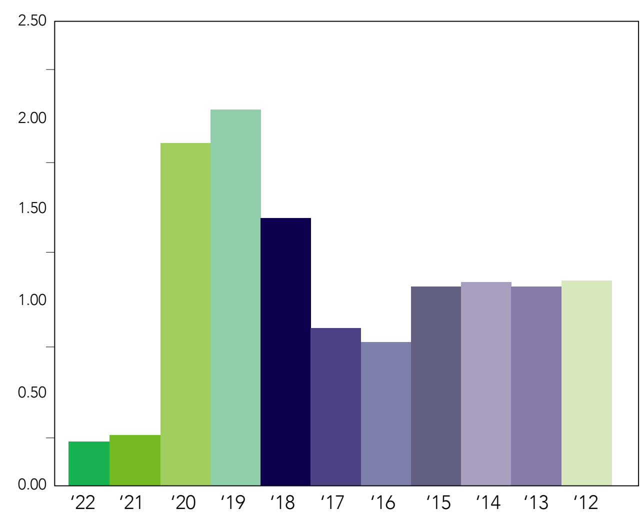
Asset class subgroups	
Commercial Paper	47.00%
Corporates	30.40%
Bankers Acceptance	20.00%
Provincials and Guarantees	1.60%
Cash	0.80%
Other	0.20%
TOTAL	100%

Annualized Investment Performance to Benchmark

Ending March 31, 2022 | Comparison



Annual returns history (ending June 30, 2022)



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	9.39%	18.76%	
Canadian Equities	Active	Scheer Rowlett & Associates	S&P TSX Composite Index	5.46%	9.78%	
U.S. Large Cap Equities	Systematic	Scientific Beta Multifactor	S&P 500 Total Return Index	12.67%	26.24%	
U.S. Small Cap Equities	Active	Hilldsale Investment Management	Russell 2000 Index Total Return Index	3.03%	6.12%	
International Equities	Active	Sprucegrove Investment Management	MSCI EAFE Net Index	7.57%	14.82%	
International Equities	Systematic	JP Morgan Diversified Multifactor	MSCI EAFE Net Index	7.20%	14.67%	
Emerging Equities	Active	Wellington Emerging Market Opportunities	MSCI EM IMI Index	5.57%	10.11%	
Canada Core Plus Bonds	Active	Wellington Canada Universe Bonds Plus	FTSE Canada Universe Bond Index	9.11%		34.49%
Global Bonds	Active	Wellington Opportunistic Fixed Income	Bloomberg Barclay's Global Aggregate Index	7.82%		28.59%
Private Commercial Mortgages	Active	TD Greystone	60% Short Bond + 40% Mid-Bond + 50 bps	8.76%		26.27%
Emerging Market Debt	Active	Blackrock Flexi Dynamic Bond Fund	CDOR + 5%	5.67%		9.77%
Short Term	Active	TDAM Short Term Investments	FTSE Canada 91-Day T-bill Index	6.03%	-0.50%	0.88 %
Global REITS	Passive	Blackrock Global REIT	FTSE EPRA NAREIT Liquid Index	2.47%		
Canada Direct Real Estate	Active	TD Greystone	CPI + 4%	9.25%		
Dynamic Currency Overlay	Active	Mackenzie Financial	Custom			
				100%	100%	100%

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.

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.

PENSION PLAN

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Strength in Numbers.