Quarterly Investment Report.

Quarter ending September 30, 2023

Q3

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.

Over the quarter, investors and markets alike continued to be consumed by questions of timing. When will we see inflation finally begin to recede, and when will economies truly enter the slowdown that indicators seem to have been anticipating for months now? Answers remain thin on the ground as indicators remain divided on what the exact path will be going forward, but we may have seen some early signs of movement during the quarter and believe we can expect market volatility to persist for the near term. In Canada, second quarter gross domestic product ("GDP") contracted by 0.2%, easing some concerns that growth had accelerated substantially abovetrend in early 2023 (which would have had negative inflation implications). This GDP contraction reflected a marked weakening in consumption growth and a decline in housing activity, but it also meant that the Bank of Canada ("BoC") was able to hold interest rates in their September announcement. This hold may not be a sign of ongoing relief from hawkish policy, however, as the BoC has stated that it remains concerned about core inflation and persistent inflationary pressures. Markets are still pricing in the potential for additional interest rate hikes before the year is out which could have a meaningful effect throughout the Canadian economy as the debt burden for Canadians remains high. The U.S. is currently in a resilient position with respect to the rest of the world, exhibiting modest economic growth, but it is not out of the woods yet. While U.S. equities rallied in the quarter, it was on the backs of a small number of mega-cap technology stocks. Core inflation still remains above the U.S. Federal Reserve's ("the Fed's") targets. Tightening credit conditions are weighing on economic activity, hiring and inflation, and the extent of the effects on growth are yet to be seen. Job numbers in August were strong but manufacturing activity continued to contract for the tenth consecutive month. Overall government and consumer spending has strengthened the U.S. economy, but the Fed is still on guard for shifts in the sand and isn't counting out additional interest rate hikes either. Global growth slowed in the second quarter of 2023, largely

CSS FUND FACTS

$4.9 billion
Approx. assets under management

0.52%
Balanced Fund management expense ratio (MER)

54,225
Approx. employee members

305
Approx. employer members

Continue

QUARTERLY MARKET COMMENTARY CONT'D

reflecting a significant deceleration in China. With ongoing weakness in the property sector combined with domestic consumer spending challenges, confidence in the growth prospects in China have diminished. New policies to support the real estate sector as well as the sales of electric vehicles have been announced, but there is skepticism about how meaningfully these moves will buoy consumer confidence.

Equities

Within Canadian Equities, the full effect of higher rates on the consumer and real estate market remains to be seen. As such, we anticipate that the Canadian economy will slow in 2023. However, strong free cash flows within the Energy sector, and relatively inexpensive Financials stocks, may present attractive opportunities. We remain concerned that U.S. earnings growth could be challenged as U.S. Federal Reserve rate hikes have slowed economic growth. The year-to-date returns on U.S. equities have been led by a few mega-cap stocks. Valuations for the rest of the U.S. equity market are reasonable, which offers some potential support for the stock market, even in a modest economic slowdown. International equity markets have rebounded strongly since the fall of 2022. International stocks continue to face similar concerns regarding corporate profits, rising rates, and slowing macroeconomic conditions, particularly in Europe. Given this view, we feel that further gains will be more limited. China continues to reopen its economy and the Chinese government remains focused on supporting growth but is challenged by the continued struggles in its property sector. We feel that the reopening is largely reflected in markets at this point, so we have moderated our exposure to China. Some emerging market central banks appear to have paused their rate hiking cycle, with Brazil and Chile recently cutting rates. We believe that there is potential for this to generate better economic growth along with relatively low equity valuations, and this increases the appeal of these markets, particularly relative to the Chinese market.

Fixed Income

As inflation continues to normalize and economic data decelerates, the Bank of Canada (BoC) may feel that patience is required in its policy. However, an additional BoC rate hike before the end of the year is still on the table and this hike would still result in lower government bond yields if the economy continues to slow. That said, we do not anticipate a consistent decline in yields until there is visible weakness in the labour market. Over the longer term, government bonds continue to remain appealing due to their potential to generate positive nominal returns. Investment grade credit spreads have tightened and become less attractive, particularly in the U.S. relative to Canada and Europe. We continue to see the best opportunities in lower duration (5 year and under maturities) corporate bonds given their appealing all-in yields. We remain more cautious on longer duration corporate bonds due to the uncertain global economic outlook. Economic data across global markets has been mixed. While the UK and European economies are visibly slowing or contracting, other economies like the U.S. and Japan remain resilient and continue to exhibit above-potential

QUARTERLY MARKET COMMENTARY CONT'D

growth rates. While soft data points to broad-based headwinds for global economic growth and investors continue to expect global monetary policy to shift into easing mode in the next 12 to 18 months, the economic and inflation dynamics of each region will ultimately dictate how quickly each central bank will cut policy rates. The dispersion of returns within emerging markets has presented some opportunities.

Risk sentiment has improved in recent months, causing credit spreads for high yield bonds to tighten and become less attractive. All-in yields remain high, indicating strong potential returns, but we continue to expect financial conditions to tighten and drive a deterioration of corporate credit fundamentals. This may create a particularly challenging backdrop for corporations with elevated debt loads, increasing overall volatility and downside risk.

Alternative Investments

Commercial mortgages continue to provide accretive income while insulating investor returns from the increased volatility in interest rates. Within private debt, high credit quality and global diversification provides safety in a potentially recessionary environment. Incremental income and potential capital appreciation from interest rate moderation provide upside.

Canada's growing demographic profile continues to be supportive of domestic real estate, particularly multiunit residential. Office properties continue to experience leasing and valuation headwinds and a flight to quality, while fundamentals remain sound across the other property types. We also believe that high quality assets, with low leverage and portfolios that are globally diversified, should outperform in the current environment. Office fundamentals are faring better in the Asia Pacific than in North America. Multiunit residential, alternative real estate and a tilt to the Asia Pacific can provide global real estate portfolios with enhanced risk adjusted returns.

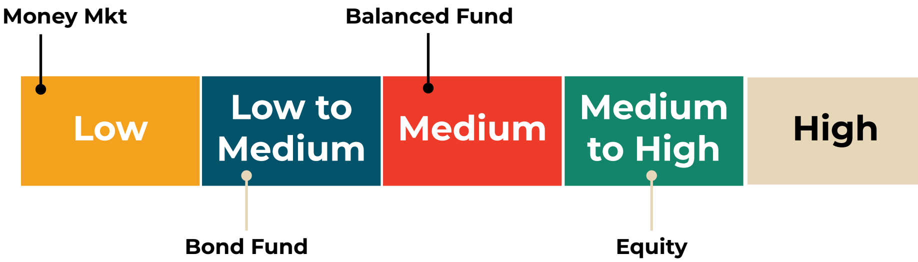
Within infrastructure, increases in cash flow from higher-than-expected inflation is buffering rising interest rates. Investor appetite remains strong, particularly for energy transition investments and critical infrastructure sectors that generate stable, growing cash flows.

View historical unit prices for all CSS investment funds

PERFORMANCE AND RISK METRICS | CSS funds

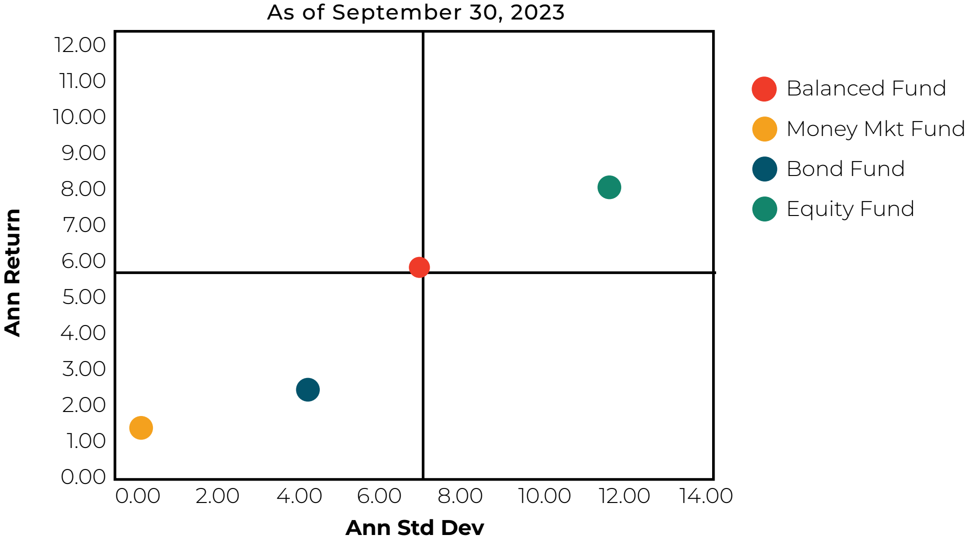
Comparative Risk

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



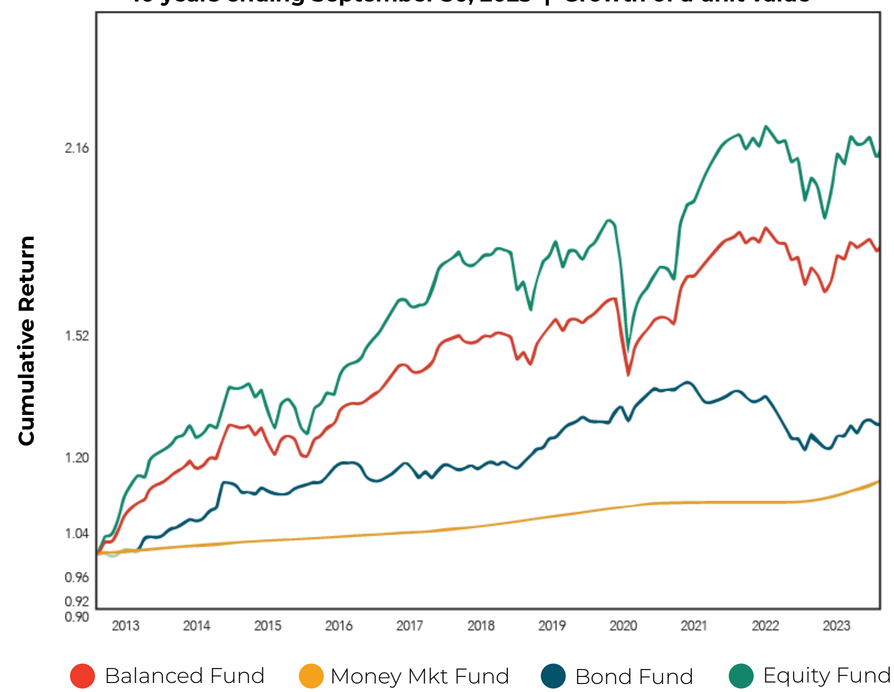
Realized Risk and Return of CSS

As of September 30, 2023



10-Year Cumulative Performance

10 years ending September 30, 2023 | Growth of a unit value



10-Year Cumulative Performance

Balanced Fund	Money Mkt	Bond Fund	Equity Fund
168%	114%	125%	196%

BALANCED FUND | DEFAULT STRATEGY

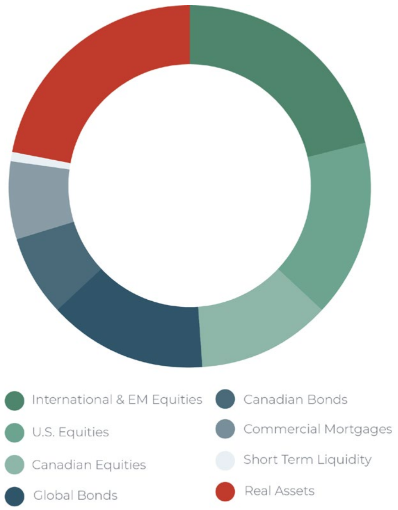
Who Should Invest?

- 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

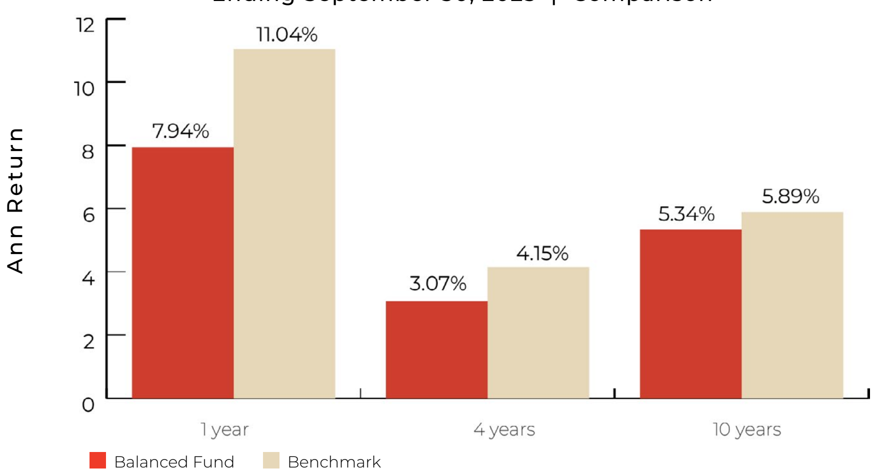
Asset Mix



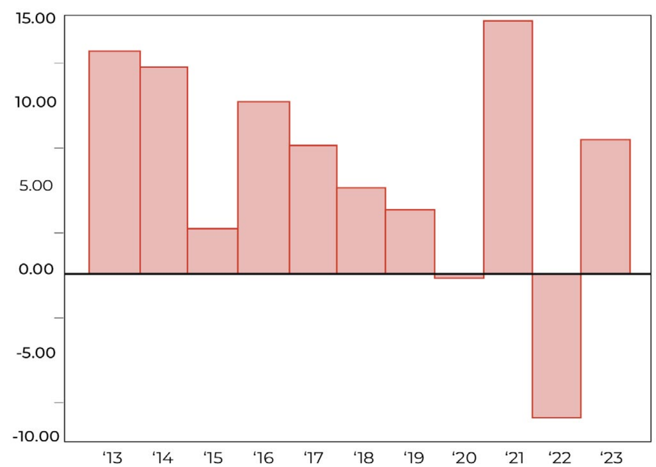
Asset class subgroups	
International Large/Mid Cap Equity	15.22%
Canadian Large Cap Equity	12.01%
U.S. Large Cap Equity	12.69%
Global Bonds	8.34%
Private Canadian Commercial Mortgages	6.94%
Canada Universe Bonds	7.27%
Private Canadian Real Estate	7.53%
Emerging Markets All Cap Equity	6.07%
Emerging Market Debt	5.80%
U.S. Small Cap Equity	3.03%
Private Global Real Estate	5.19%
Private Global Infrastructure	9.07%
Short Term Liquidity	0.83%
TOTAL	100.00%

Annualized Investment Performance to Benchmark

Ending September 30, 2023 | Comparison



Annual Returns History (Ending September 30, 2023)



EQUITY FUND

MER 0.43%

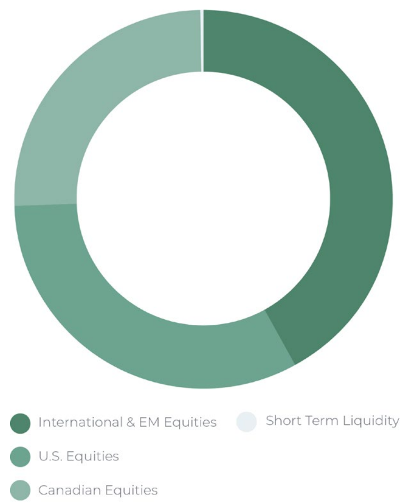
Who Should Invest?

- 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

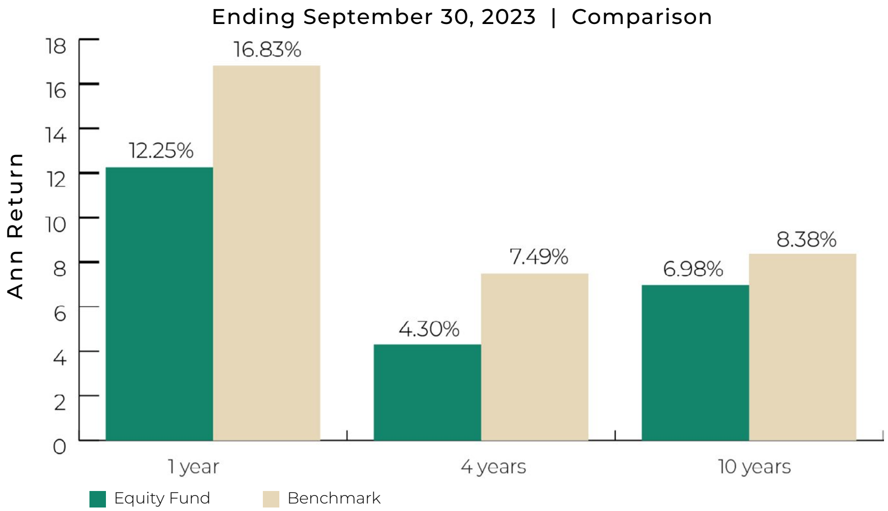
- Long-term returns consistent with global equity markets
- Annualized volatility expected to average 18 – 20%
- Periodic losses are expected

Asset Mix

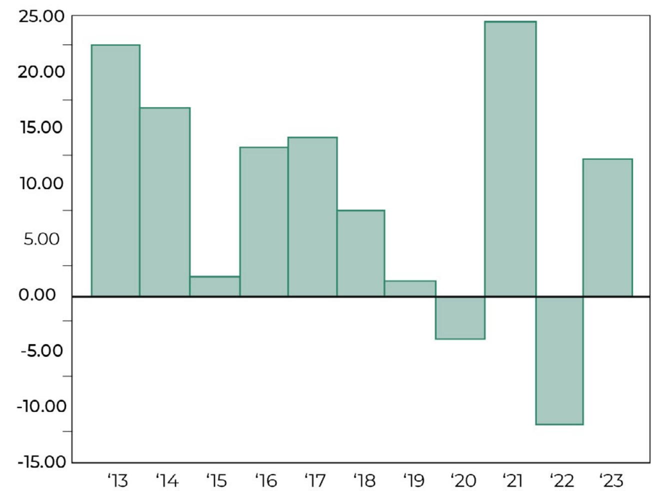


Asset Class Subgroups	
International Large/Mid-Cap Equity	31.52%
Canadian Large Cap Equity	25.42%
U.S. Large Cap Equity	26.75%
Emerging Markets All Cap Equity	10.58%
U.S. Small Cap Equity	5.81%
Short Term Liquidity	-0.08%
TOTAL	100.00%

Annualized Investment Performance to Benchmark



Annual Returns History (Ending September 30, 2023)



BOND FUND

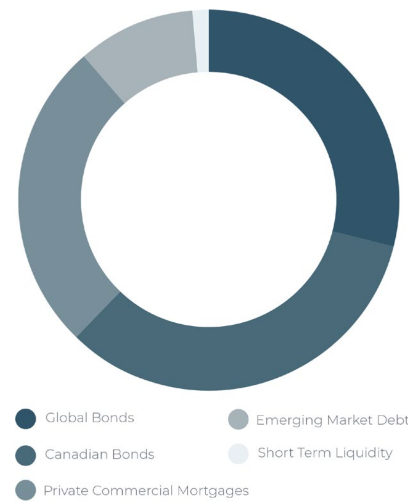
Who Should Invest?

- 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

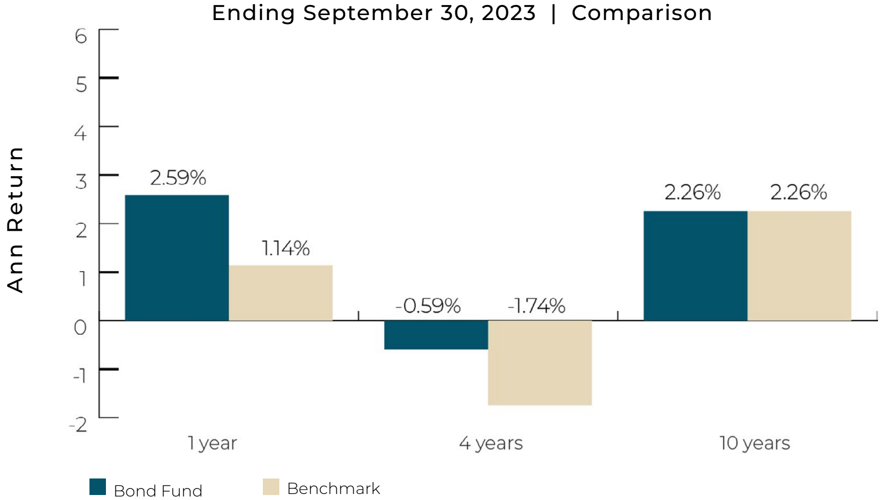
Asset Mix



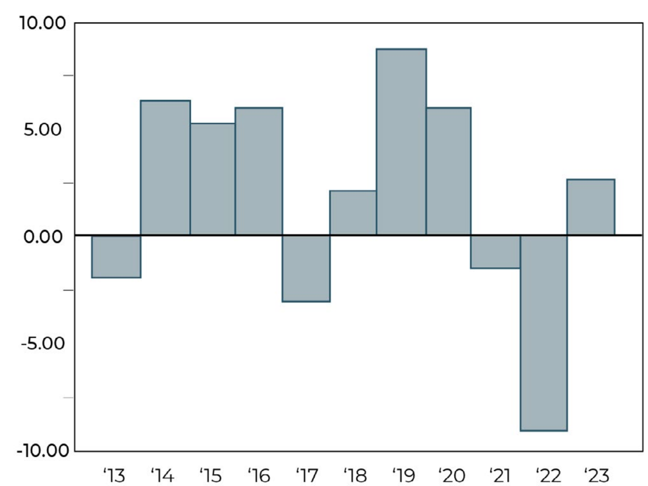
Asset Class Subgroups	
Core Plus Canada Bonds	33.42%
Global Bonds	28.91%
Emerging Market Debt	10.11%
Private Commercial Mortgages	26.44%
Short Term Liquidity	1.12%
TOTAL	100.00%

Annualized Investment Performance to Benchmark

Ending September 30, 2023 | Comparison



Annual Returns History (Ending September 30, 2023)



MONEY MARKET FUND

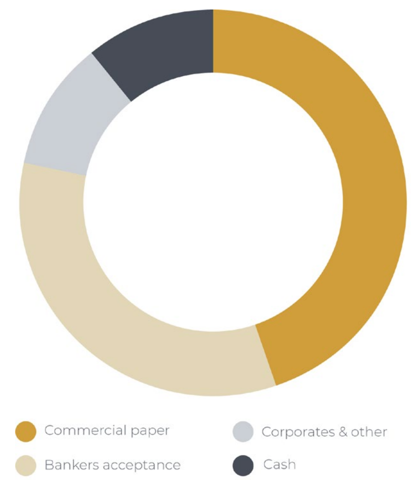
Who Should Invest?

- 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

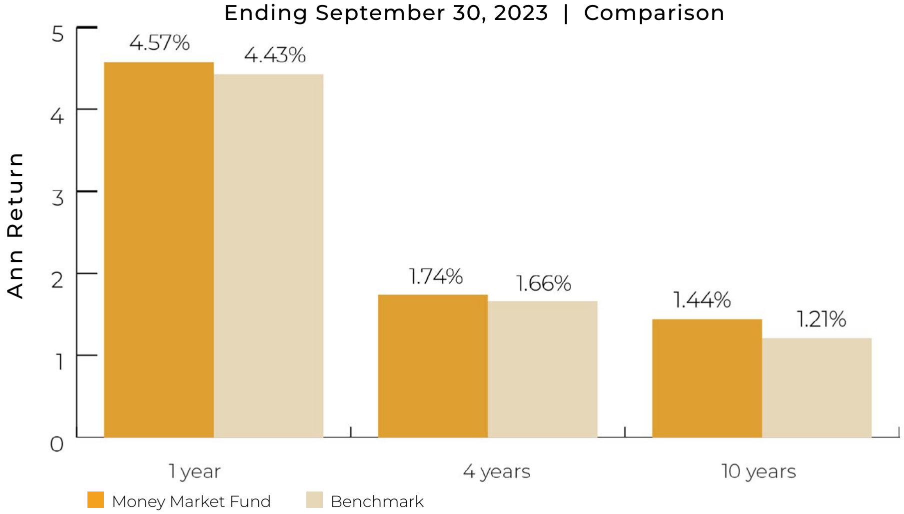
Asset Mix



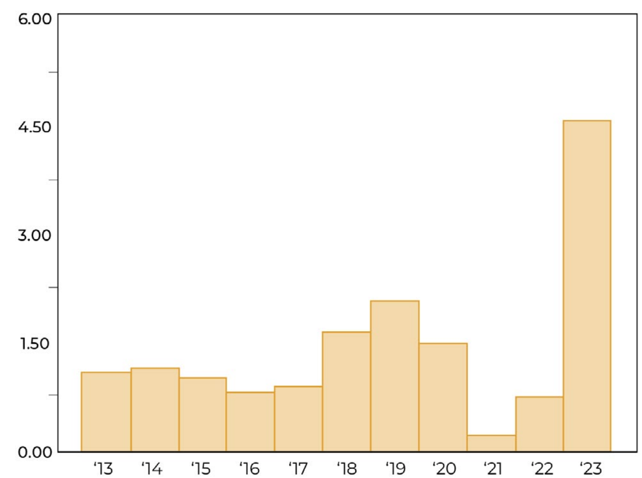
ASSET CLASS SUBGROUPS	
Commercial Paper	42.97%
Corporates & Other	10.44%
Bankers Acceptance	32.26%
Cash	10.33%
TOTAL	100.00%

Annualized Investment Performance to Benchmark

Ending September 30, 2023 | Comparison



Annual Returns History (Ending September 30, 2023)



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	7.71%	16.69%	
Canadian Equities	Active	Scheer Rowlett & Associates	S&P TSX Composite Index	4.30%	8.73%	
U.S. Large Cap Equities	Systematic	Scientific Beta Multifactor	S&P 500 Total Return Index	12.69%	26.75%	
U.S. Small Cap Equities	Active	Hilldsale Investment Management	Russell 2000 Total Return Index	3.03%	5.81%	
International Equities	Active	Sprucegrove Investment Management	MSCI EAFE Net Index	7.50%	15.76%	
International Equities	Systematic	JP Morgan Diversified Multifactor	MSCI EAFE Net Index	7.73%	15.76%	
Emerging Equities	Active	Wellington Emerging Market Opportunities	MSCI EM IMI Index	6.07%	10.58%	
Canada Core Plus Bonds	Active	Wellington Canada Universe Bonds Plus	FTSE Canada Universe Bond Index	7.27%		33.42%
Global Bonds	Active	Wellington Opportunistic Fixed Income	Bloomberg Barclay's Global Aggregate Index	8.34%		28.91%
Private Commercial Mortgages	Active	TD Greystone	60% Short bond + 40% mid bond + 50 bps	6.94%		26.44%
Emerging Market Debt	Active	Blackrock Flexi Dynamic Bond Fund	JP Morgan JEMBI Sovereign Only	5.80%		10.11%
Short Term	Active	TDAM Short Term Investments	FTSE Canada 91 day T-bill index	0.83%	-0.08%	1.12%
Canada Private Real Estate	Active	TD Greystone	CPI + 4%	7.53%		
Global Private Real Estate	Active	TD Greystone	CPI + 4%	0.97%		
Global Private Real Estate	Active	UBS Asset Management	CPI + 4%	4.22%		
Global Private Infrastructure	Active	JP Morgan IIF	CPI + 4%	5.21%		
Global Private Infrastructure	Active	IFM	CPI + 4%	3.86%		
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.

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