First Quarter | March 31, 2021 | Volume 24, Issue 1

CSS PENSION PLAN

Quarterly Update

CSS investment funds

First quarter returns

Over the first quarter of 2021, the unit price of the Balanced Fund increased from 26.339545000 to 27.042244000 for a gain of 2.67%. Over the same period, the Money Market Fund gained 0.04%, the Equity Fund increased by 6.07% and the Bond Fund lost -3.92%.

Investment performance

Balanced Fund

1 year returns (%)*		3 year returns (%)*		5 year returns (%)*		10 year returns (%)*	
CSS	**Index**	**CSS**	**Index**	**CSS**	**Index**	**CSS**	**Index**
23.52%	24.16%	5.14%	7.71%	6.77%	7.99%	6.85%	7.19%

Q1 2021

CSS = 2.67%

Index = **2.42**%

Money Market Fund

1 year returns (%)*		3 year returns (%)*		5 year returns (%)*		10 year returns (%)*	
CSS	**Index**	**CSS**	**Index**	**CSS**	**Index**	**CSS**	**Index**
0.73%	0.23%	1.51%	1.20%	1.32%	0.97%	1.18%	0.93%

Q1 2021

CSS = 0.04%

Index = 0.03%

Equity Fund

1 year returns (%)*		3 year returns (%)*		5 year returns (%)*		10 year returns (%)*	
CSS	**Index**	**CSS**	**Index**	**CSS**	**Index**	**CSS**	**Index**
39.77%	42.11%	5.98%	9.75%	9.11%	11.31%	8.68%	9.15%

Q1 2021

CSS = 6.07%

Index = 5.77%

Bond Fund

1 year returns (%)*		3 year returns (%)*		5 year returns (%)*		10 year returns (%)*	
CSS	**Index**	**CSS**	**Index**	**CSS**	**Index**	**CSS**	**Index**
3.51%	2.30%	3.91%	3.87%	2.95%	2.88%	3.97%	3.98%

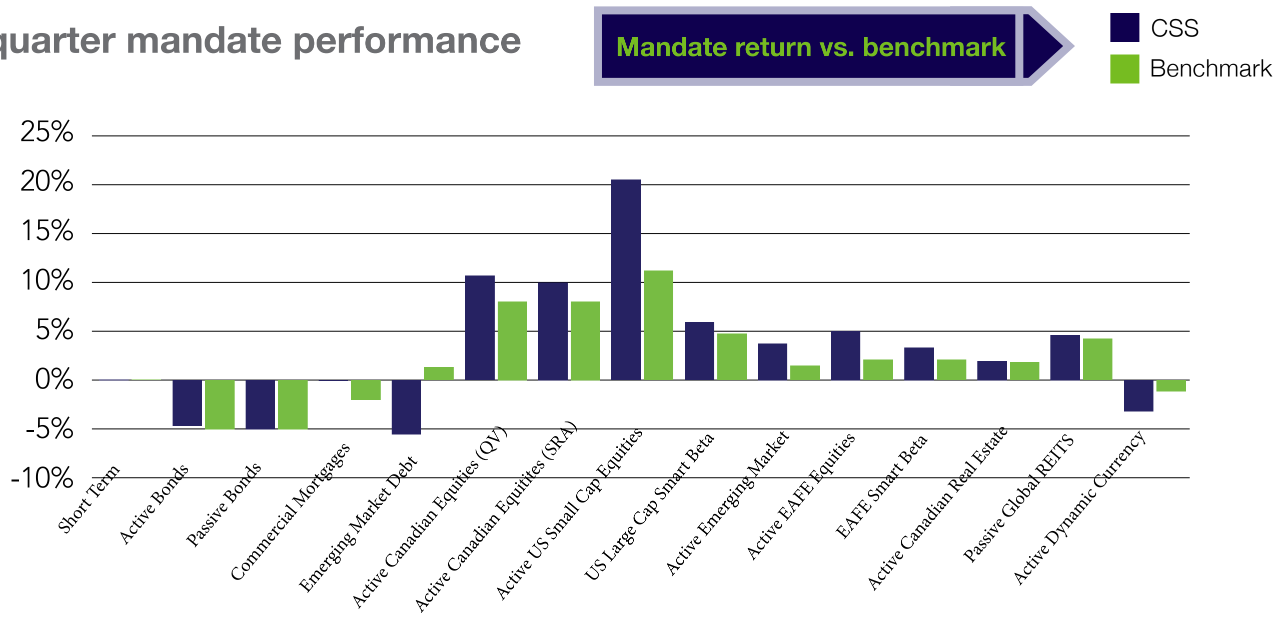
Q1 2021

CSS = -3.92%

Index = -3.65%

**Returns in Canadian dollars net of fees*

First quarter mandate performance



Market commentary*

Market Overview

It was just a little over a year ago, back in early March of 2020, that the potential economic and societal implications of a global health crisis began to seize our collective awareness. Major market indices plunged at record velocity. Then, in mere months, those same markets staged a dramatic recovery, faster than any market rally in history.

Though we are not completely beyond the health crisis, North American and other global equity markets are at or flirting with all time highs, and the focus is shifting from the pain of the COVID-19 pandemic to the eventual return to normalcy. Global central banks and governments provided critical support during the pandemic through highly responsive and effective monetary and fiscal policies. This and the remarkably rapid development of high efficacy vaccines were the primary catalysts behind the resiliency in markets and what has been a V-shaped economic recovery.

To that we layer on lockdowns that are now easing in parts of the world and labour markets that are gradually improving. Economic indicators are pointing to robust global gross domestic product (GDP) growth (the U.S. Federal Reserve is forecasting as much as 6.5% growth in 2021 for example) and corporate fundamentals are stronger than most would have predicted.

It can be argued that the 'wall of worry' has now shifted abruptly from concern over economic growth to concern over inflation. The expected swift pace of the economic recovery may come at the price of rising costs for the goods and services that people rely on every day. The significant increase in government spending that helped maintain financial stability for many during the pandemic has contributed to a sharp increase in money supply in the economy. Combine this with protracted low interest rates and markets are grappling with whether this will be the precursor to uncontrolled inflation.

Equities

While elevated bouts of volatility can be expected for equities over the coming months, this should not adversely impact the improving corporate and economic landscape, even should rates rise modestly higher from current levels. Intermittent declines in equity prices over the quarter were not associated with negative economic or corporate news, but by positive trends in data that have triggered inflationary pressures, which could moderate over the intermediate term.

Markets could see broader participation compared to 2020, as the reopening trade gathers steam. Cyclical and value-oriented sectors (i.e. Financials, Energy and Industrials) may outperform as the pent-up spending surge and inventory rebuild is likely to contribute to an extended growth cycle for these sectors.

There is optimism that the upturn in economic activity will gain momentum throughout the year, underpinned by a combination of accelerated vaccine rollouts, accommodative financial and monetary conditions, strong household balance sheets, and eventual jobs recovery in sectors of the economy that are still being hit hard by the pandemic.

Fixed income

Bond yields have climbed due to rising inflation expectations driven by positive global economic developments. Government bond yields may continue to be volatile near-term but should remain subdued around current or modestly higher levels over a longer horizon. Ultimately if rates continue to rise, expectations are for this to occur in an orderly fashion. This view is supported by global central banks affirming continued ultra-accommodative policy and backed by the U.S. Federal Reserve's (the Fed) aggressive bond-buying program that should help keep rates relatively contained. Over the longer term, on an inflation-adjusted basis, government bonds will likely continue to deliver very low or negative real returns.

Credit spreads remain narrow as market liquidity provided by unprecedented monetary and fiscal support has clearly benefitted the corporate bond market. The improving economic outlook has also been positive for corporate creditworthiness and companies' ability to service debt. However, while the turnaround in the economy continues to be supportive of corporate credit, some volatility can be expected, and signs of this occurred with modest spread widening recently. This is a natural response to higher yielding government bonds, and while there could be some bumps in the road, dramatic negative consequences for the credit market are not anticipated. Investment grade corporate bonds continues to offer relative value over government bonds.

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

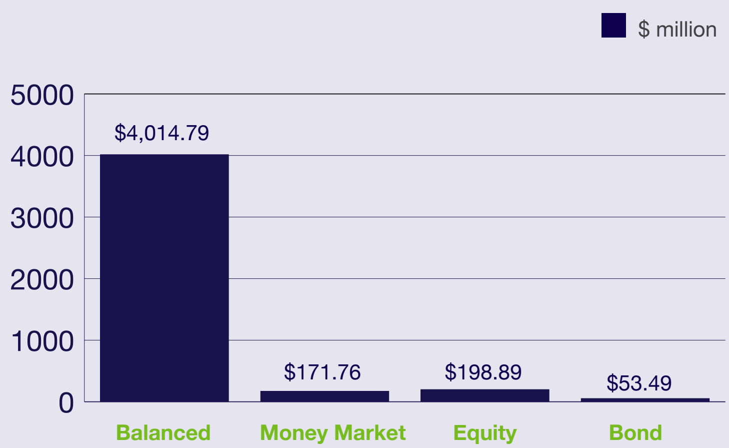
Plan updates

Investment funds

We offer four funds to CSS members for the investment of their pension savings: The Balanced Fund, Money Market Fund, Bond Fund and Equity Fund. Details on the number of members using, and total dollars invested in each fund as of April 27, 2021 appear below.

Fund	Members*	Average age	$ Millions	MER (2020)
Balanced	41,643	47.51	$4,014.79	0.43%
Money Market	1,395	61.35	$171.76	0.14%
Equity	2,906	41.45	$198.89	0.46%
Bond	693	52.13	$53.49	0.31%

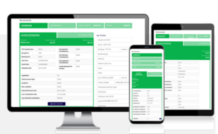
**Some members are invested in more than one fund*



Investors generally tend to reduce risk by decreasing the percentage of their retirement savings invested in equities as they age and approach retirement for two reasons:

- older investors have less time to make up market losses;
- retirees need steadier returns to provide regular retirement income.

Keep track of your account year-round with myCSSPEN



Stay connected to your future year-round with myCSSPEN online account access for members. With myCSSPEN, you can check the value of your account, project your retirement income, change your investments, generate a report from your accout and more.

To register for myCSSPEN, visit [www.csspen.com.](www.csspen.com)

Online resources

Retirement Income Options (RIO)

In lieu of the in-person RIO workshops, we have created an online version of the workshop consisting of the five modules below (Note: The modules have been updated for 2021).

The online workshop is designed to provide members who are nearing retirement (ages 50 and older) with in-depth information about the retirement income options available to them, including pensions, annuities, Variable Benefit payments, LIFs and PRRIFs*. It will also provide you with an overview of CPP and OAS benefits, as well as personal savings vehicles available from financial institutions such as RRSPs and TFSAs.

The online workshop will provide you with the same information that you would expect to receive during the in-person workshop.

For more information visit www.csspen.com/forms-and-resources/rio-workshops

**PRRIFs available in SK and MB only.*

2021 modules

- *Module 1 - Federal Programs: CPP and OAS*
- *Module 2 - Personal Savings*
- *Module 3 (SK member version) - CSS Pension Plan*
- *Module 3 (AB member version) - CSS Pension Plan*
- *Module 3 (MB member version) - CSS Pension Plan*
- *Module 4 (SK member version) - Choosing*
- *Module 4 (AB member version) - Choosing*
- *Module 4 (MB member version) - Choosing*
- *Module 5 - Uncertainty of Returns Risk*

Online account statements

You can now access your 2020 annual statement online through the *My Documents* area of your myCSSPEN profile. Retired members of CSS are also able to access their 2020 T4A slips online.

You can securely view, print or save your account statements at your convenience. **Follow these steps to register or log in to myCSSPEN to access your documents online:**

1. Visit members.csspen.com
2. Select the "Register" button (skip to number 5 if you are already registered for myCSSPEN)
3. Enter your **Member ID** (available in the top right corner of your annual statement), **birthdate** and **last 3 digits of your SIN** to begin the registration process
4. Follow the steps to complete your registration
5. Log in to myCSSPEN. Annual statement and T4A documents will be available in the *My Documents* area of your profile

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