

Market Commentary

As at October 31, 2024

October returns were predominantly positive among the PEPP asset-allocation funds, as the Plan's more aggressive options outperformed the more conservatively structured funds. Equity markets were mixed, bond markets retreated, while PEPP's alternative investment holdings appreciated in market value. The Accelerated Growth Fund gained 0.4 per cent, the Balanced Fund rose 0.2 per cent, the Conservative Fund edged 0.1 per cent lower, and the Bond Fund declined 0.8 per cent. On a relative return basis, most PEPP funds outperformed in the month, as the Plan's alternatives portfolio delivered above-benchmark returns.

In equity markets, results were mixed as most international equity indices fell in the month of October. However, Canadian investors with asset holdings denominated in foreign currencies, generally benefited from favourable currency translation, as major currencies such as the U.S. dollar and the Euro appreciated against the Canadian dollar. Favourable currency translation, therefore, offset foreign equity losses resulting in net flat returns in the PEPP equity portfolio in the month.

Within the bellwether S&P 500 index, Health Care and Information Technology were the biggest detractors from performance while the Financials sector had positive returns and was the top favourable contributor to index results. In Canada, equity markets were positive in October, with gains led by energy companies and gold mining stocks, while TD bank was the biggest single-name detractor from index performance followed by the railways and application software companies. In fixed-income, bonds ended their five-month winning streak, as Canada's main benchmark bond index declined 1.0 per cent in October. The benchmark Government of Canada 10-year bond ended the month yielding nearly 3.3 per cent, up over 25 basis points from the beginning of the year.

Market Review – October 2024

Alternative investments appreciated in market value, fixed-income markets declined, equity markets were mixed, while the Plan's foreign currency position had a net positive influence on returns in October. Market details:

- The FTSE Canada Universe Bond Index, which tracks broad Canadian bond market investments, decreased 1.0 per cent, while money market investments gained 0.4 per cent.

- The S&P/TSX Composite Index rose 0.9 per cent, while returns for Canadian small/mid cap stock indices ranged between 1.4 and 1.6 per cent.
- In the U.S., the unhedged S&P 500 Index declined 0.9 per cent in U.S. dollars but gained 2.2 per cent in Canadian dollar terms as the U.S. dollar appreciated versus the Canadian dollar. The unhedged Russell 2000 Index rose 1.7 per cent.
- The unhedged MSCI ACWI Index increased 0.9 per cent, the unhedged MSCI World Index rose 1.1 per cent, while the unhedged MSCI EAFE Small Cap Index fell 3.3 per cent. The unhedged MSCI Emerging Market Equity Index declined 1.3 per cent.

Market Review – Plan Year 2024-25

Equity and fixed-income markets advanced, alternative investments appreciated, while the Plan's foreign currency position had a net positive influence on returns on a Plan year-to-date basis. Market details:

- The FTSE Canada Universe Bond Index gained 4.5 per cent, while money market investments gained 3.0 per cent.
- The S&P/TSX Composite Index increased 10.9 per cent, while gains for Canadian small/mid cap stock indices ranged between 10.9 and 12.9 per cent.
- In the U.S., the S&P 500 Index advanced 9.4 per cent in U.S. dollars and appreciated 12.7 per cent in Canadian dollar terms as the U.S. dollar appreciated versus the Canadian dollar. The unhedged Russell 2000 Index gained 7.3 per cent.
- The unhedged MSCI ACWI Index gained 10.8 per cent, the unhedged MSCI World Index rose 10.5 per cent, and the unhedged MSCI EAFE Small Cap Index appreciated 5.5 per cent. The unhedged MSCI Emerging Market Equity Index advanced 13.1 per cent.