

# Market Commentary

As at December 31, 2024

December returns among the PEPP asset-allocation funds were negative, with the more aggressive funds experiencing greater price losses than conservatively structured funds. Equity and bond markets declined, while the market value of PEPP's alternative investments appreciated. The Accelerated Growth Fund decreased 0.9 per cent, the Balanced Fund lost 0.5 per cent, the Conservative Fund fell 0.2 per cent, and the Bond Fund declined 0.3 per cent. On a relative-return basis, PEPP's Canadian equity portfolio and the alternatives group outperformed their benchmark, while the global large cap equity portfolio lagged benchmark performance.

In more detail, within the equity market, there was a relatively wide dispersion of return outcomes in December, as several sectors suffered high single-digit losses while other segments advanced. Within the U.S. market, the large cap bellwether for growth, the Russell 1000 Growth Index rose 0.9 per cent in the month, a stark contrast to the Russell 1000 Value Index which retreated by nearly 7.0 per cent. In Canada, market declines within the S&P/TSX Composite Index were led by gold mining stocks, shares of Shopify, the banking segment, and the railways. The top-performing major sector in Canada was Consumer Staples which also declined but by less than one per cent. In Canadian fixed-income markets, bonds declined as longer-dated securities underperformed shorter duration bonds, while narrowing credit spreads helped corporate bonds outperform government issues. The yield on the benchmark Government of Canada 10-year bond rose 14 basis points in December, closing the year with a 3.2 per cent bond yield. The Bank of Canada's target overnight rate ended the year at 3.25 per cent as the central bank made 1.75 percentage points of cuts to their key policy rate over the latter half of 2024.

## Market Review – December 2024

In aggregate, equity and fixed-income markets declined, PEPP's alternative investments appreciated in market value, while the Plan's foreign currency position had a net positive influence on returns in December. Market details:

- The FTSE Canada Universe Bond Index, which tracks broad Canadian bond market investments, decreased 0.7 per cent, while money market investments gained 0.3 per cent.

- The S&P/TSX Composite Index retreated 3.3 per cent, while losses for Canadian small/mid cap stock indices ranged between 2.9 and 3.3 per cent.
- In the U.S., the unhedged S&P 500 Index declined 2.4 per cent in U.S. dollars but gained 0.3 per cent in Canadian dollar terms as the U.S. dollar appreciated versus the Canadian dollar. The unhedged Russell 2000 Index fell 5.8 per cent.
- The unhedged MSCI ACWI Index gained 0.3 per cent, the unhedged MSCI World Index edged 0.1 per cent higher, while the unhedged MSCI EAFE Small Cap Index gained 0.4 per cent. The unhedged MSCI Emerging Market Equity Index advanced 2.6 per cent.

## Market Review – Plan Year 2024-25

Equity and fixed-income markets advanced, PEPP's 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 5.5 per cent, while money market investments gained 3.6 per cent.
- The S&P/TSX Composite Index increased 14.1 per cent, while gains for Canadian small/mid cap stock indices ranged between 10.1 and 15.2 per cent.
- In the U.S., the S&P 500 Index advanced 13.1 per cent in U.S. dollars and appreciated 20.3 per cent in Canadian dollar terms as the U.S. dollar appreciated versus the Canadian dollar. The unhedged Russell 2000 Index gained 12.8 per cent.
- The unhedged MSCI ACWI Index gained 16.0 per cent, the unhedged MSCI World Index rose 16.3 per cent, and the unhedged MSCI EAFE Small Cap Index appreciated 6.6 per cent. The unhedged MSCI Emerging Market Equity Index advanced 12.5 per cent.