

# Market Commentary

As at January 31, 2025

Returns among the PEPP asset allocation funds were positive with the more aggressive funds achieving higher returns than conservatively structured funds. The Accelerated Growth Fund gained 3.5 per cent, the Conservative Fund advanced 1.6 per cent, and the Bond Fund rose 1.1 per cent. This return differentiation among the funds is consistent with the general market action in the month, characterized by equities netting higher market gains than bonds. PEPP's alternative investment holdings, meanwhile, appreciated moderately in January. On a relative return basis, the Plan outperformed benchmarks due to a strong relative showing in PEPP's actively managed equity portfolio. The positive returns achieved in both the PEPP fixed-income group and the PEPP alternatives portfolio were on par with their respective benchmarks.

In more detail, markets rallied in January amid reduced inflation expectations, positive corporate earnings, and continued optimism for the U.S. economy. Within the bellwether S&P 500 Index, equity returns broadened beyond technology names. Ten of the eleven major sectors advanced in the month, with Financials being top-contributing while Information Technology was the lone sector decliner, led lower by stock price retracement in the shares of Nvidia. In the last week of January, the market was stunned by the unveiling of DeepSeek, an artificial intelligence (AI) open-source model that could deliver cheaper alternatives to U.S.-based AI models. In Canada, gold miners, banks, shares of Shopify, and the rail companies led the index higher, while Consumer Staples and Utilities detracted from performance with price declines. In commodities, futures' prices were broadly positive as spot prices for crude oil, gold, and copper moved higher. In fixed-income, Canada's primary benchmark bond index rallied, delivering a 1.2 per cent return in the month. The yield on the benchmark Government of Canada 10-year bond, fell by 16 basis points to 3.1 per cent as at the close of January.

## Market Review – January 2025

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

- The FTSE Canada Universe Bond Index, which tracks broad Canadian bond market investments, increased 1.2 per cent, while money market investments gained 0.3 per cent.
- The S&P/TSX Composite Index advanced 3.5 per cent, while gains for Canadian small/mid cap stock indices ranged between 0.5 and 0.7 per cent.
- In the U.S., the unhedged S&P 500 Index increased 2.8 per cent in U.S. dollars but gained 3.3 per cent in Canadian dollar terms as the U.S. dollar appreciated versus the Canadian dollar. The unhedged Russell 2000 Index rose 3.1 per cent.
- The unhedged MSCI ACWI Index gained 3.8 per cent, the unhedged MSCI World Index rose 4.0 per cent, while the unhedged MSCI EAFE Small Cap Index advanced 3.9 per cent. The unhedged MSCI Emerging Market Equity Index increased 2.3 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 6.8 per cent, while money market investments gained 4.0 per cent.
- The S&P/TSX Composite Index increased 18.1 per cent, while gains for Canadian small/mid cap stock indices ranged between 10.8 and 15.8 per cent.
- In the U.S., the S&P 500 Index advanced 16.2 per cent in U.S. dollars and appreciated 24.2 per cent in Canadian dollar terms as the U.S. dollar appreciated versus the Canadian dollar. The unhedged Russell 2000 Index gained 16.3 per cent.
- The unhedged MSCI ACWI Index gained 20.4 per cent, the unhedged MSCI World Index rose 21.0 per cent, and the unhedged MSCI EAFE Small Cap Index appreciated 10.8 per cent. The unhedged MSCI Emerging Market Equity Index advanced 15.1 per cent.