



# Market Commentary

As at March 31, 2025

March returns among the PEPP asset-allocation funds were negative, with the more aggressive funds experiencing greater price declines than conservatively structured funds. The Accelerated Growth Fund moved 2.0 per cent lower, the Balanced Fund lost 1.3 per cent, the Conservative Fund fell 0.5 per cent, and the Bond Fund declined 0.2 per cent. This performance pattern among the PEPP funds broadly reflected the market action in the month, as price declines were more pronounced in equity markets than debt markets. PEPP's alternative investment holdings, on the other hand, achieved positive returns in the month which helped protect value for the Plan. On a relative-return basis, PEPP funds fared better than their benchmarks, with outperformance achieved by the more value-oriented managers within PEPP's equity portfolio along with positive excess returns in the small cap Canadian portfolio.

In more detail, the bellwether S&P 500 Index suffered a mid-single digit decline, with the Information Technology sector bearing the heaviest losses amid tariff uncertainties and supply chain disruptions, while defensive sectors like Utilities and Energy offered resilience. Within the index, significant detractors included Nvidia, down 13 per cent, and Apple, which fell 8 per cent, reflecting broader tech sector weakness. In terms of style factors, the Russell 1000 Growth Index declined 8.4 per cent, while the Russell 1000 Value Index fared better, losing 2.8 per cent. In commodities, the S&P Goldman Sachs Commodity Index (GSCI) saw gains: WTI oil closed at \$71 per barrel, marking a modest increase amid tariff-related demand concerns; natural gas futures edged higher, with ending month Henry Hub spot prices closing at a 16-month high; and gold surged past \$3,100 per ounce, driven by safe-haven demand. In Canada, the S&P/TSX Composite Index lost ground, with technology stocks mirroring U.S. declines, though it outperformed global indices as energy stocks gained alongside oil prices, and gold miners achieved strong monthly gains on the precious metal's strength. In fixed income, the Government of Canada 10-year bond yield edged higher to 3.0 per cent, resulting in a slight decline in bond prices, particularly among longer-dated securities with greater interest-rate sensitivity.

## Market Review – March 2025

Equity markets declined, fixed-income markets dipped, alternative investments rose, while the euro appreciated notably, netting to a slight

positive currency impact on the Plan in March despite mixed currency movements. Market details:

- The FTSE Canada Universe Bond Index, which tracks broad Canadian bond market investments, fell 0.3 per cent, while money market investments gained 0.3 per cent.
- The S&P/TSX Composite Index declined 1.5 per cent, while returns for Canadian small/mid cap stock indices ranged between 0.4 and 2.6 per cent.
- In the U.S., the unhedged S&P 500 Index decreased 5.6 per cent in U.S. dollars and declined 6.0 per cent in Canadian dollar terms as the U.S. dollar weakened versus the Canadian dollar. The unhedged Russell 2000 Index retreated 7.2 per cent.
- The unhedged MSCI ACWI Index lost 4.3 per cent, the unhedged MSCI World Index fell 4.8 per cent, while the unhedged MSCI EAFE Small Cap Index rose 0.2 per cent. The unhedged MSCI Emerging Market Equity Index edged 0.3 per cent higher.

## 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 7.6 per cent, while money market investments gained 4.5 per cent.
- The S&P/TSX Composite Index increased 15.8 per cent, while gains for Canadian small/mid cap stock indices ranged between 11.1 and 15.8 per cent.
- In the U.S., the S&P 500 Index advanced 8.3 per cent in U.S. dollars and appreciated 14.9 per cent in Canadian dollar terms as the U.S. dollar appreciated versus the Canadian dollar. The unhedged Russell 2000 Index gained 1.9 per cent.
- The unhedged MSCI ACWI Index gained 14.3 per cent, the unhedged MSCI World Index rose 14.2 per cent, and the unhedged MSCI EAFE Small Cap Index appreciated 10.5 per cent. The unhedged MSCI Emerging Market Equity Index advanced 15.7 per cent.