

Market Commentary



As at June 30, 2025

June returns for PEPP's asset allocation funds were positive, with more aggressive funds showing stronger gains than their conservative counterparts, reflecting a robust equity market performance. The Accelerated Growth Fund gained 2.4 per cent, the Balanced Fund rose 1.6 per cent, the Conservative Fund advanced 0.7 per cent, and the Bond Fund increased 0.3 per cent. This performance was aligned with June's market trends, where equity gains continued, building on May's market rally, unlike the bond market which ended the month mostly flat and the alternatives portfolio which edged lower. On a relative basis, most funds narrowly trailed benchmarks, led by a moderate performance gap from the infrastructure portfolio. The Plan's infrastructure assets have significant U.S. dollar exposure and in June, the U.S. dollar weakened versus CAD, yielding a minor negative currency translation effect.

In more detail, global equity indices, including the MSCI ACWI, advanced strongly, with the headline MSCI Emerging Markets index delivering market-leading gains. This advancement was propelled by a tech-fueled resurgence in growth stocks and a cyclical upswing in sectors like metals, energy, and diversified mining, while defensive sectors like utilities and consumer staples lagged, reflecting a risk-on preference. Small-cap markets in Canada, the US, and EAFE posted notable gains, signaling investor appetite for riskier assets. Japan's Nikkei 225 propelled by semiconductor and AI-driven tech stocks, bolstered by easing US-China trade tensions, though unresolved US tariff negotiations pose risks to its export-driven economy. In Canada, equity markets showed divergence, with uranium and banking sectors advancing, led by names like Shopify, while pipelines, rails, and consumer staples declined. Growth-oriented stocks, especially in technology and small-caps, outshone value names. Commodities presented a mixed outlook, with oil and copper leading, offset by softer agricultural trends, and uranium gaining notable traction amid rising nuclear energy interest this month. In fixed-income markets, Canadian bonds remained range-bound, with the benchmark Government of Canada 10-year yield closing June around 3.3 per cent, near the upper end of its 12-month range amid evolving global rate expectations.

Market Review – June 2025

Equity markets delivered solid gains, fixed-income markets were mostly flat, and alternative investments edged lower in June. Market details:

- The FTSE Canada Universe Bond Index, which tracks broad Canadian bond market investments, edged 0.1 per cent higher, while money market investments gained 0.2 per cent.
- The S&P/TSX Composite Index advanced 2.9 per cent, while returns for Canadian small/mid cap stock indices ranged between 5.8 and 6.2 per cent.
- In the U.S., the unhedged S&P 500 Index increased 5.1 per cent in U.S. dollars but gained only 4.1 per cent in Canadian dollar terms as the U.S. dollar weakened versus the Canadian dollar. The unhedged Russell 2000 Index rose 4.5 per cent.
- The unhedged MSCI ACWI Index advanced 3.6 per cent, the unhedged MSCI World Index increased 3.4 per cent, while the unhedged MSCI EAFE Small Cap Index gained 3.4 per cent. The unhedged MSCI Emerging Market Equity Index rose 5.2 per cent higher.

Market Review – Plan Year 2025-26

Equity markets advanced, fixed-income markets and PEPP's alternative investments declined, while the Plan's foreign currency position had a net negative influence on returns on a Plan year-to-date basis as the U.S. dollar weakened. Market details:

- The FTSE Canada Universe Bond Index declined 0.6 per cent, while money market investments gained 0.7 per cent.
- The S&P/TSX Composite Index increased 8.5 per cent, while gains for Canadian small/mid cap stock indices ranged between 11.8 and 12.5 per cent.
- In the U.S., the S&P 500 Index advanced 10.9 per cent in U.S. dollars but saw a more modest 5.1 per cent gain in Canadian dollar terms as the U.S. dollar depreciated markedly versus the Canadian dollar. The unhedged Russell 2000 Index rose 2.8 per cent.
- The unhedged MSCI ACWI Index gained 5.8 per cent, likewise the unhedged MSCI World Index rose 5.8 per cent, and the unhedged MSCI EAFE Small Cap Index appreciated 10.7 per cent. The unhedged MSCI Emerging Market Equity Index rose 6.3 per cent.