



Market Commentary

As at September 30, 2025

Fund Performance

PEPP's asset allocation funds delivered their fifth consecutive month of positive returns since the April 2025 tariff shock. The Accelerated Growth Fund gained 2.8 per cent, the Balanced Fund increased 2.3 per cent, and the Bond Fund rose 1.5 per cent, as equities, bonds, and PEPP's alternative investments rose in September. On a relative return basis, the allocation funds trailed benchmarks in the month. Gains in the equity portfolio lagged the broader market as value and quality styles underperformed in a growth-led and speculative rally driven by tech strength and selective Canadian small-cap resilience. PEPP's recent lagging of benchmarks reflects a focus on resilience over short-term gains, prioritizing long-term stability for retirement security.

Equity Markets

Public equities surged in September, led by Canadian small caps and emerging markets. The S&P/TSX Small Cap Index rose 8.9 per cent, propelled by gold and mining stocks, outpacing broader Canadian markets. U.S. markets advanced, led by technology stocks fueled by AI infrastructure demand. Emerging markets climbed sharply on China stimulus and global trade tension relief. Major European equity indices posted modest gains, lagging North American peers amid tariff jitters and an ECB pause on easing.

Commodities

Investors flocked to precious metals due to economic unease, with silver jumping 17 per cent and gold futures closing the month above \$3,850/oz on inflation worries and stock market volatility. Uranium prices climbed, bolstered by the World Nuclear Association's forecast of demand doubling by 2040 for AI data centers and clean energy. Canadian natural gas prices at AECO hit record lows, even going negative due to Montney oversupply, while U.S. benchmark prices stayed steady, pressuring producers despite Kitimat LNG advances.

Fixed-Income

Canada's main bond index gained for a second straight month, buoyed by easing rate expectations. The Bank of Canada cut its key policy rate by 25 basis points to 2.5% on September 17, citing softening growth, rising unemployment, and muted inflation risks amid U.S. tariff pressures.

Market Review – September 2025

Equities surged, driven by Canadian small caps and emerging markets, while bonds and alternatives gained steadily. Market details:

- The FTSE Canada Universe Bond Index, which tracks broad Canadian bond market investments, rose 1.9 per cent, while money market investments gained 0.3 per cent.
- The S&P/TSX Composite Index advanced 5.4 per cent, while returns for Canadian small/mid cap stock indices ranged between 8.0 and 8.9 per cent.
- In the U.S., the unhedged S&P 500 Index increased 3.6 per cent in U.S. dollars and gained 5.2 per cent in Canadian dollar terms as the U.S. dollar strengthened versus the Canadian dollar. The unhedged Russell 2000 Index rose 4.6 per cent higher.
- In Canadian dollar terms, the MSCI ACWI Index advanced 5.2 per cent, the MSCI World Index gained 4.8 per cent, the MSCI EAFE Small Cap Index gained 3.2 per cent, and the MSCI Emerging Market Index surged 8.8 per cent.

Market Review – Plan Year 2025-26

Equity markets delivered very strong returns, fixed-income markets and PEPP's alternative investments delivered small gains, 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 rose 0.9 per cent, while money market investments gained 1.4 per cent.
- The S&P/TSX Composite Index increased 22.1 per cent, while gains for Canadian small/mid cap stock indices ranged between 30.9 and 35.1 per cent.
- In the U.S., the S&P 500 Index advanced 20.0 per cent in U.S. dollars but gained 16.3 per cent gain in Canadian dollar terms as the U.S. dollar depreciated versus the Canadian dollar. The unhedged Russell 2000 Index rose 18.2 per cent.
- In Canadian dollar terms, the MSCI ACWI Index gained 16.6 per cent, the MSCI World Index rose 16.1 per cent, the MSCI EAFE Small Cap Index appreciated 20.4 per cent, and the MSCI Emerging Market Index rose 20.6 per cent.