



# Market Commentary

As at December 31, 2025

## Fund Performance

December returns were mixed among the PEPP asset-allocation funds. Returns within the Plan's more aggressive funds outperformed those that are more conservatively structured as equity markets, in aggregate, edged higher while bond markets pulled back. Alternative investment holdings, meanwhile, remained broadly stable throughout the month with negligible deviation. The Accelerated Growth Fund gained 0.3 per cent, the Balanced Fund edged 0.1 per cent lower, the Conservative Fund retreated 0.6 per cent, and the Bond Fund declined 0.9 per cent. Relative to benchmarks, PEPP funds were slightly ahead, led by the large cap global equity portfolio and absolute return strategies in PEPP's income portfolio.

## Equity Markets

Public equities showed mixed performance in December, with some indices posting modest gains while others edged lower. Canadian markets continued to shine, outperforming both the U.S. and Europe amid tailwinds from metals and mining. U.S. indices consolidated near highs after a tech-led year, while international and emerging markets displayed resilience despite lingering China concerns. The month underscored ongoing dispersion — though with a touch of moderation compared to the year's extremes — closing out a year where Canada and emerging markets stood out as strong performers against a relatively more muted backdrop in the U.S.

## Commodities

Precious metals capped a remarkable year with strong December gains, gold pushing above \$4,500/oz intra-month on safe-haven and investment flows, while silver reached fresh records amid robust industrial and solar demand. Copper held firm near highs despite volatility, supported by ongoing supply constraints and long-term electrification prospects. WTI crude drifted lower amid ample supplies and softer global demand signals.

## Fixed-Income

Canada's main bond index posted a loss in December, ending a streak of positive returns. The 10-year Government of Canada bond ended the month yielding around 3.4 per cent, with the yield curve showing little change amid the Bank of Canada's hold at 2.25 per cent. Yields edged higher on resilient growth signals and US Fed caution, though consensus anticipates potential cuts in 2026 if labour softens.

## Market Review – December 2025

Equities delivered mixed performance but net gains, bonds retreated, and alternatives were generally flat, with the Plan's unhedged foreign currency exposure contributing a small negative impact amid U.S. dollar weakness. Market details:

- The FTSE Canada Universe Bond Index, which tracks broad Canadian bond market investments, fell 1.3 per cent, while money market investments gained 0.2 per cent.
- The S&P/TSX Composite Index advanced 1.3 per cent, while returns for Canadian small/mid cap stock indices ranged between 1.5 and 2.4 per cent.
- In the U.S., the unhedged S&P 500 Index edged higher by 0.1 per cent in U.S. dollars but fell 1.8 per cent in Canadian dollar terms as the U.S. dollar weakened versus the Canadian dollar. The unhedged Russell 2000 Index declined 2.4 per cent.
- In Canadian dollar terms, the MSCI ACWI Index fell 0.8 per cent, the MSCI World Index declined 1.0 per cent, the MSCI EAFE Small Cap Index gained 0.4 per cent, and the MSCI Emerging Market Index rose 1.1 per cent.

## Market Review – Plan Year 2025-26

Equity markets delivered strong returns, while fixed-income and alternatives posted modest gains. The Plan's foreign currency exposure contributed a modest drag amid U.S. dollar weakness. Market details:

- The FTSE Canada Universe Bond Index rose 0.6 per cent, while money market investments gained 2.0 per cent.
- The S&P/TSX Composite Index increased 29.7 per cent, while gains for Canadian small/mid cap stock indices ranged between 41.7 and 48.9 per cent.
- In the U.S., the S&P 500 Index advanced 23.1 per cent in U.S. dollars but gained 17.5 per cent in Canadian dollar terms as the U.S. dollar depreciated versus the Canadian dollar. The unhedged Russell 2000 Index rose 18.9 per cent.
- In Canadian dollar terms, the MSCI ACWI Index gained 18.7 per cent, the MSCI World Index rose 18.0 per cent, the MSCI EAFE Small Cap Index appreciated 21.7 per cent, and the MSCI Emerging Market Index rose 24.4 per cent.