

Market Commentary



As at February 28, 2026

Fund Performance

PEPP's asset-allocation funds advanced in February, with aggressive strategies outperforming conservative ones amid very strong gains in Canadian and emerging-market equities that outpaced bonds and other global equity markets. Alternatives appreciated moderately during the month. The Accelerated Growth Fund rose 2.6 per cent, the Balanced Fund gained 2.1 per cent, the Conservative Fund added 1.6 per cent, and the Bond Fund increased 1.4 per cent. Relative to benchmarks, PEPP funds slightly trailed, primarily due to Canadian equity holdings lagging the outsized returns in the gold sub-sector.

Equity Markets

In aggregate, public equities advanced in February, with Canadian and emerging markets leading on commodity and materials strength. In the U.S., defensives like utilities and staples led gains alongside commodity-linked cyclicals such as energy and materials, while tech and consumer discretionary lagged. International developed markets showed steady progress amid supportive policy and trade stabilization. The month highlighted rotation toward defensives and commodity-linked areas, building on 2026's early broadening trend.

Commodities

Precious metals delivered strong gains in February, with gold and silver surging on safe-haven demand and geopolitical tensions. Copper advanced modestly on persistent supply constraints and long-term electrification trends. Energy markets rebounded modestly on supply discipline and resilient consumption, though natural gas remained volatile and weak. Geopolitical tensions developing after February-end, including U.S. strikes on Iran, lifted oil sentiment early in March. Overall, the month reflected commodity resilience amid selective strength in metals and energy.

Fixed-Income

Canada's main bond index delivered solid gains in February amid moderating inflation signals. The 10-year Government of Canada bond ended the month yielding 3.1 per cent, down 30 basis points on the month, with the yield curve flattening over the mid-to-long end, as the Bank of Canada held its policy rate at 2.25 per cent. Yields declined on weaker-than-expected growth data that supported market expectations for measured easing later in 2026 if labour conditions soften further.

Market Review – February 2026

Equities and bonds advanced, alternatives edged higher, with the Plan's unhedged foreign currency exposure contributing a small positive lift. Market details:

- The FTSE Canada Universe Bond Index, which tracks broad Canadian bond market investments, rose 1.7 per cent, while money market investments gained 0.2 per cent.
- The S&P/TSX Composite Index advanced 7.7 per cent, while the S&P/TSX SmallCap Index surged 12.6 per cent.
- In the U.S., the unhedged S&P 500 Index fell 0.8 per cent in USD terms but limited its decline to 0.2 per cent in CAD terms as the U.S. dollar strengthened against the Canadian dollar. The unhedged Russell 2000 Index advanced 1.3 per cent.
- In Canadian dollar terms, the MSCI ACWI Index rose 1.8 per cent, the MSCI World Index gained 1.3 per cent, the MSCI EAFE Small Cap Index advanced 5.4 per cent, and the MSCI Emerging Market Index delivered 6.1 per cent.

Market Review – Plan Year 2025-26

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

- The FTSE Canada Universe Bond Index rose 2.9 per cent, while money market investments gained 2.4 per cent.
- The S&P/TSX Composite Index advanced 40.9 per cent, while the S&P/TSX SmallCap Index surged 82.1 per cent.
- In the U.S., the S&P 500 Index advanced 24.0 per cent in U.S. dollars but gained 17.6 per cent in Canadian dollar terms as the U.S. dollar depreciated versus the Canadian dollar. The unhedged Russell 2000 Index rose 25.5 per cent.
- In Canadian dollar terms, the MSCI ACWI Index gained 23.1 per cent, the MSCI World Index rose 20.9 per cent, the MSCI EAFE Small Cap Index appreciated 34.2 per cent, and the MSCI Emerging Market Index rose 42.1 per cent.