

Market Commentary

As at March 31, 2026

Fund Performance

Returns across PEPP's investment funds were negative in March, with more aggressive allocations experiencing larger drawdowns as equity market-value losses outpaced those in bonds. The Accelerated Growth Fund declined 4.7%, the Balanced Fund fell 3.4%, the Conservative Fund dropped 2.2%, and the Bond Fund decreased 1.7%. PEPP's diversified exposure to alternative investments provided meaningful downside moderation, delivering a small positive return that helped cushion member outcomes in an otherwise challenging month.

Equity Markets

Public equities slid last month as conflict intensified between the U.S., Israel, and Iran. Broad-based losses drove major North American, European, and Asian indices down mid-to-high single digits. The Canadian benchmark (the S&P/TSX Composite), a top performer in 2025, likewise retreated but fared better than some peers on Energy strength. Within the S&P 500, Technology titans dragged the index lower in March, yet the headline decline masked even steeper percentage losses in Consumer, Industrials, and Health Care sectors. This dispersion highlights the concentration risk in mega-cap names; headline returns often diverge from diversified portfolio outcomes.

Fixed-Income

Canadian fixed income faced pressure from energy-driven inflation and global risk repricing. Yields rose across the curve—with the 10-year benchmark ending March at 3.50%—as markets priced in stickier inflation from higher oil. The Bank of Canada held its policy rate at 2.25% in mid-March, signaling caution amid elevated uncertainty. Consequently, the broader bond market saw modest negative returns, while longer-duration and real-yield-sensitive segments faced even more selling pressure.

Commodities

The S&P GSCI, a U.S.-dollar-denominated composite of commodity sector returns, surged 24.5 per cent in March as WTI crude topped US\$100/bbl on U.S.–Israel–Iran conflict risks and Strait of Hormuz disruptions. Precious metals traded inversely to the escalation, falling as the energy shock lifted inflation expectations, raised bond yields, and reduced rate-cut hopes, outweighing safety flows. Mining equities—standout outperformers over the past year—saw amplified March losses, reflecting high operating leverage and sensitivity to rising input costs.

Key Market Returns	March 2026	Plan YTD 2026
FTSE Canada Bonds	-2.0%	+0.8%
Money Market	+0.2%	+2.5%
TSX Composite	-4.3%	+34.8%
S&P 500 (in CAD)	-2.8%	+14.3%
MSCI World (in CAD)	-4.1%	+15.9%
Emerging Markets (in CAD)	-11.0%	+26.5%
US Small Cap (in CAD)	-2.8%	+22.0%
EAFE Small Cap (in CAD)	-8.8%	+22.4%

Alternatives

PEPP's alternative investments are designed to steady the ship in rough markets. With low correlation to stocks and bonds, they enhance diversification and help stabilize overall Plan performance. These assets, where public market quotes are less readily available, provided low-single-digit positive returns in March as volatility returned and public markets moved lower, protecting value amid the broader market pressure. Over the Plan year, while equities posted strong gains, Alternatives contributed modest low-single-digit appreciation as intended, fulfilling their diversification role without chasing equity upside.