

Market Commentary

As at May 31, 2026

Fund Performance

PEPP's asset-allocation funds advanced in May, with aggressive strategies outperforming conservative ones amid very strong gains in global and emerging-market equities, while bonds faced volatility but ultimately delivered positive returns. Alternatives provided modest gains and diversification. The Accelerated Growth Fund rose 3.8 per cent, the Balanced Fund gained 2.9 per cent, the Conservative Fund added 1.8 per cent, and the Bond Fund increased 1.2 per cent. Relative to benchmarks, PEPP funds trailed benchmarks, as the solid gains achieved in the PEPP global large cap portfolio did not fully capture the outsized gains in a tech-led market environment.

Equity Markets

Public equities advanced in May, supported by notable dispersion across sectors where growth-oriented areas led while value and more defensive segments saw more modest gains or price declines. Performance showed concentration in higher-beta segments, consistent with sustained investor focus on growth and momentum themes amid periodic volatility. Geopolitical developments in the Middle East continued to influence sentiment and commodity prices but did not derail the broader risk-on tone. In Canada, the S&P/TSX Composite Index posted gains, led by the banks and miners, while the energy complex and more defensive segments such as consumer staples experienced price declines.

Fixed-Income

Canadian fixed-income delivered gains in May amid bond yield volatility. A mid-month spike in yields—driven by elevated oil prices feeding inflation worries and shifting rate expectations—put temporary pressure on bond prices. As oil prices eased later in the period, yields moderated, supporting bond buying and contributing to positive returns for the month. The 10-year Government of Canada yield ended the month at 3.4 per cent, down over 10 basis points from April. Credit spreads remained stable but tight.

Commodities

Commodity markets showed mixed performance in May. Oil prices climbed steadily through much of the month amid ongoing Middle East geopolitical tensions, with WTI peaking above US\$108 per barrel before reversing to close below US\$90 as ceasefire negotiations and other developments emerged. Gold declined moderately over the period, while copper futures advanced. The sector remained sensitive to supply constraints, robust demand for

Key Market Returns (in \$CAD terms)	May 2026	Plan YTD 2026
FTSE Canada Bonds	+1.4%	+1.5%
Money Market	+0.2%	+0.4%
TSX Composite	+2.5%	+6.4%
S&P 500	+6.6%	+14.9%
MSCI World	+5.9%	+13.3%
Emerging Markets	+11.1%	+24.3%
US Small Cap	+5.7%	+15.7%
EAFE Small Cap	+5.4%	+12.0%

electrification and construction projects, and broader macroeconomic and geopolitical pressures.

Alternatives

PEPP's Alternatives exposures continue to stabilize returns amid periods of public market volatility. These less liquid assets, where public market quotes are less readily available, typically show low correlation to equities and bonds, enhancing diversification. In May, alternatives posted low single-digit gains. Over the past 12 months, alternatives have delivered modest mid-single digit returns, contributing steady performance and fulfilling their diversification role even as public equities posted strong gains. This underscores their value in a balanced, long-term pension portfolio focused on risk-adjusted outcomes for DC plan members.