

Market Commentary

As at June 30, 2026

Fund Performance

PEPP's asset-allocation funds delivered positive returns in June, with aggressive strategies outperforming conservative ones amid rotational leadership in global equities. This environment enabled PEPP's diversified equity portfolio to achieve meaningful relative improvement, with several active managers posting outperformance and driving positive aggregate monthly alpha. While the Plan continues to navigate a challenging multi-quarter stretch of negative alpha overall, June served as a constructive reminder of the benefits of diversification across styles, geographies, and asset classes. As the second half of 2026 begins, the focus remains on thoughtful long-term positioning rather than chasing short-term momentum.

Equity Markets

Public equities advanced modestly in June, as leadership broadened beyond the narrow mega-cap growth and AI infrastructure names that had dominated earlier in 2026. Value-oriented and quality growth exposures participated more meaningfully, reducing the extreme concentration risk that had penalized diversified active strategies. This was particularly evident in the U.S. small cap space, where high-quality, valuation-disciplined portfolios captured strong absolute returns relative to the broad Russell 2000 index, validating the Plan's diversified structural allocations.

Fixed-Income

Canadian fixed-income markets showed modest volatility in June, with yields trending lower. The 10-year Government of Canada yield closed the month at 3.4 per cent. Easing oil prices following the U.S.–Iran ceasefire supported the decline, even as May CPI accelerated to 3.2 per cent year-over-year. Credit spreads remained tight, supported by stable policy rates, resilient corporate earnings, and persistent demand for higher-yielding assets.

Commodities

Commodity markets reversed sharply in June as investors reduced geopolitical risk premiums. WTI crude lost nearly \$20 per barrel, gold prices fell to an eight-month low, while base metals likewise declined. Tentative steps toward a U.S.–Iran ceasefire—including an interim agreement to reopen the Strait of Hormuz—shifted the market narrative from fears of disrupted oil supply toward expectations of normalization, though this outlook remains contingent on the durability of the arrangement. While oil and gold sold off sharply, lumber futures remained resilient near \$620 per thousand board feet

Key Market Returns (in \$CAD terms)	June 2026	Plan YTD 2026
FTSE Canada Bonds	+0.5%	+2.0%
Money Market	+0.2%	+0.6%
TSX Composite	+0.5%	+7.0%
S&P 500	+2.1%	+17.3%
MSCI World	+2.3%	+15.9%
Emerging Markets	+1.6%	+26.4%
US Small Cap	+6.9%	+23.7%
EAFE Small Cap	-0.7%	+11.2%

— insulated from geopolitical risk, with prices driven by subdued North American housing demand and traders front-running uncertain U.S. tariffs.

Alternatives

PEPP's Alternatives exposures continued to stabilize returns amid 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 June, alternatives posted low single-digit gains. Over the trailing 12 months, alternatives have delivered high single-digit returns, contributing steady performance and fulfilling their diversification role even as public equities posted exceptionally strong gains over the same period. This underscores their value in a balanced, long-term pension portfolio focused on superior outcomes for DC plan members.