

Market Commentary

As at August 31, 2026

Fund Performance

August returns among the PEPP asset allocation funds were positive at the more aggressive end of the risk spectrum and progressively less favourable toward the conservative end. The Accelerated Growth Fund advanced 1.0 per cent, the Balanced Fund gained 0.5 per cent, the Conservative Fund ended flat, and the Bond Fund fell 0.4 per cent. This return differentiation among the options reflects the market action in the month, characterized by price gains in equities and a modest retracement in bonds. Alternative investment holdings edged lower in market value amid US dollar weakness. Large-cap global equity exposures provided the greatest positive contribution to the Plan's absolute performance, while PEPP Funds lagged benchmarks largely due to the transitory, lagged effects of private market benchmarks.

Equity Markets

Following July's value-led recoupment, August saw gains concentrated across technology and commodity-linked sectors, with growth style regaining favour. Canadian indices outpaced global peers as metals and mining equities advanced alongside firm copper prices and renewed precious-metals demand, while Shopify surged on stronger-than-expected second-quarter results. Within MSCI World constituents, information technology led sector returns while consumer discretionary, staples, industrials, and utilities lagged. Foreign equity gains were tempered by currency translation as the Canadian dollar strengthened against the U.S. dollar and other majors; the Plan's 50 per cent passive currency hedge absorbed roughly half of this drag.

Fixed-Income

Fixed-income markets were broadly steady in August, with Canadian bond benchmarks posting marginally negative returns and money market instruments compounding steadily. The Federal Reserve held rates at 3.50–3.75 per cent at its July meeting; Chair Warsh's late-August Jackson Hole address signalled further tightening may be needed given persistent inflation. Domestically, the Bank of Canada held its policy rate steady amid renewed tariff escalation between Canada and the United States, with headline CPI approaching 3 per cent. Bond mandates were largely subdued. Unconstrained bond managers, however, captured modest value, showing flexibility that may help if volatility continues.

Commodities

August delivered broad-based commodity strength across energy, metals, and agriculture. Precious metals advanced significantly: gold climbed roughly 10 per cent on safe-haven demand and Treasury-market uncertainty. Sustained geopolitical tension lifted energy markets as U.S.–Iran exchanges resumed late in the month, and Hormuz traffic remained constrained, keeping WTI near



Key Market Returns (in \$CAD terms)	August 2026	Plan YTD 2026
FTSE Canada Bonds	-0.2%	+0.2%
Money Market	+0.2%	+1.0%
TSX Composite	+3.1%	+11.6%
S&P 500	+1.5%	+17.5%
MSCI World	+1.4%	+16.7%
Emerging Markets	+2.2%	+23.7%
US Small Cap	-0.2%	+18.2%
EAFE Small Cap	+2.6%	+14.9%

the mid-\$80s. Iron ore rallied on stimulus expectations and copper pressed against record highs amid tight inventories, while agricultural markets strengthened on adverse weather.

Alternatives

The PEPP Alternatives portfolio provided intended stabilization amid public-market volatility. These less-liquid holdings, which lack frequent public pricing, typically exhibit low correlation to equities and bonds—enhancing overall portfolio diversification. Over the trailing 12 months, alternatives delivered mid-single-digit returns, reinforcing their role in smoothing outcomes for plan members—particularly valuable during periods when public markets experience drawdowns and heightened volatility. This validates the long-term strategic value of the Plan's diversified portfolio construction focused on member results.