

Market Commentary

As at September 30, 2026

Fund Performance

September proved difficult for public markets. Equities declined in local-currency terms across most segments and bonds fell. In Canadian-dollar terms the picture was mixed: U.S.-dollar strength turned some global indices positive, yet the broader market still experienced price declines. PEPP's equity and fixed-income portfolios posted negative returns and lagged their benchmarks, reflecting the month's leadership by a small group of growth-oriented technology names. In contrast, the Plan's alternatives allocation delivered positive absolute returns, providing a partial offset. PEPP's results reflected the Plan's multi-asset design, which balances public-market exposures with real assets that can behave differently when equity leadership is concentrated.

Equity Markets

Stock market returns in September were narrow. Roughly three-quarters of S&P 500 stocks finished lower, and nine of the eleven sectors retreated. Only Technology advanced meaningfully (approximately +5%), driven by a small number of semiconductor and AI-related names. Communication Services also received support from a handful of large platform companies such as Meta. Equal-weighted indices lagged their capitalization-weighted counterparts, underscoring how dependent headline results were on the largest growth stocks. Rate-sensitive sectors (Financials, Utilities, and Real Estate), along with Industrials and Materials, suffered pronounced losses as bond yields rose.

Fixed-Income

Global bond markets experienced a broad-based selloff as yields surged to multi-year highs. The U.S. 10-year touched its highest level since 2007. Canada's 10-year approached recent peaks, ending the month at 4.0%. Against this backdrop, PEPP's Income portfolio matched the broad Canadian bond market (FTSE Canada Universe Bond Index) but lagged its official policy benchmark. Private debt held positive ground while public bonds fell, as structural diversification offset manager underperformance and kept overall results in line with the broader market.

Commodities

September saw divergence across the commodity complex. Elevated bond yields weighed on precious metals, with gold and silver retreating as higher real rates reduced the appeal of non-yielding assets. Energy was the standout performer; crude oil posted monthly gains amid sustained geopolitical risk and ongoing constraints. Industrial metals softened, with iron ore under pressure from Chinese demand concerns. Agricultural markets declined overall, pressured by seasonal harvest deliveries and higher-than-expected U.S. corn inventories.

Key Market Returns (in \$CAD terms)	September 2026	Plan YTD 2026
FTSE Canada Bonds	-1.2%	-1.0%
Money Market	+0.2%	+1.2%
TSX Composite	-2.6%	+8.7%
S&P 500	+2.1%	+19.9%
MSCI World	+1.2%	+18.2%
Emerging Markets	+1.9%	+26.0%
US Small Cap	-3.0%	+114.7%
EAFE Small Cap	-0.4%	+14.5%

Alternatives

PEPP's alternatives portfolio held positive ground, offering stability against choppy public market conditions. These specialized holdings, many operating outside daily public pricing mechanisms, typically exhibit low correlation to stocks and bonds—enhancing overall portfolio resilience. Over the trailing 12 months, alternatives delivered mid-single-digit returns. This stability is particularly valuable during public market drawdowns, underscoring the strategic value of PEPP's diversified structure and its focus on long-term member results.