Market Commentary



As at October 31, 2026

Fund Performance

October proved a more constructive backdrop for diversified strategies. Equity markets rotated away from concentrated technology names toward broader participation, while bond yields retreated from multi-year highs. A stronger Canadian dollar acted as a modest headwind for unhedged foreign assets. PEPP's Equity Portfolio generated strong excess returns as leadership broadened beyond the prior month's narrow growth cohort. The Income Portfolio delivered positive returns, tracking closely to benchmark as yields declined. The Alternatives Portfolio finished close to flat, with currency translation accounting for the bulk of the move in a largely unhedged allocation. This rotation rewarded the Plan's deliberate style diversification after several quarters of relative headwinds.

Equity Markets

The past month brought an encouraging shift in market leadership. Technology and Communication Services, which had led September on AI-related momentum, declined meaningfully, while defensive and energy names advanced. Equal-weighted indices outperformed their capitalization-weighted counterparts as several large technology stocks sold off, pointing to improved breadth and a greater focus on fundamentals. Despite an aggregate decline, the majority of sectors finished positive. For a Canadian plan with deliberate style diversification and meaningful domestic equity exposure, this environment proved relatively favourable. Absolute returns diverged notably: Canadian equities advanced on energy and financials, emerging markets declined sharply, and most developed markets finished lower.

Fixed-Income

Canadian fixed-income delivered positive returns in October as yields declined from September's highs. The 10-year Government of Canada yield fell roughly 20 basis points to approximately 3.8% by month-end. After an early period of volatility driven by energy-price concerns and evolving rate expectations, yields stabilized and moved lower, providing a constructive setting for public bonds. Following the Federal Reserve's late-October meeting, the Committee held the policy rate unchanged, noting that inflation remains elevated and that more information is needed before considering any policy adjustments.

Commodities

Energy was the clear standout in October, with crude oil advancing on sustained geopolitical risk. Metals were broadly softer: iron ore declined on weaker Chinese demand, gold and silver retreated, while copper consolidated near elevated levels after its strong year-to-date advance. Agricultural markets were notably weak, with corn and wheat pressured by larger-than-expected U.S. harvest supplies and elevated inventories.

Key Market Returns (in $CAD terms)	October 2026	Plan YTD 2026
FTSE Canada Bonds	+1.5%	+0.5%
Money Market	+0.2%	+1.4%
TSX Composite	+1.2%	+10.0%
S&P 500	-2.5%	+16.9%
MSCI World	-2.4%	+15.3%
Emerging Markets	-9.6%	+13.9%
US Small Cap	-1.1%	+13.4%
EAFE Small Cap	-3.8%	+10.1%

Alternatives

PEPP's alternatives allocation finished the month flat-to-slightly negative, weighed down primarily by the depreciation of the U.S. dollar and other major currencies versus the Canadian dollar, which strengthened amid higher oil prices. These longer-duration assets recognize valuation adjustments intermittently, so the FX translation effect can dominate short-term results. Over the trailing twelve months the allocation has continued to deliver mid-single-digit absolute returns, underscoring its role in providing diversification and stability within the broader Plan.