

January 21, 2026

## Western Pension Plans Annual Investment Commentary (2025)

The following commentary was prepared by Western University on behalf of the Joint Pension Board for the year-ended December 31, 2025. A full description of the investment options, along with performance history, is available to members within their Sun Life Plan Member account. Members may log in at [mysunlife.ca/western](https://mysunlife.ca/western).

### Market Summary

Without question, 2025 was a year filled with much political and economic uncertainty in the U.S. and in Global markets. Despite the often-frenetic pace of change and challenge, the U.S. economy and financial markets remained resilient. While inflation remained higher than where the Federal Reserve would like to see it, tariffs did not have the negative impact that most economists feared. In the U.S., Consumer Price Index (CPI) dropped to 2.7% in December 2025, down from 2.9% at the end of 2024. In Canada, the Consumer Price Index (CPI) increased to 2.4% in December 2025, up from 1.8% at the end of 2024. Despite political pressure on the Federal Reserve to significantly lower its key lending rate, the Central Bank took into account the higher-than-expected inflation and only cut the rates three times in 2025, lowering its key lending rate from 4.25%-4.50% to 3.50%-3.75%. The Bank of Canada lowered its key interest rate four times, from 3.25% to 2.25% during the year.

With easing cycles winding up, upward pressure on yields is expected in both U.S. and Canada going forward. In Canada, the yield on 10-yr bonds went from 3.23% to 3.42% in 2025, while in the U.S. it went from 4.57% to 4.17%. The FTSE Canada Universe Bond Index, the main measure of the Canadian bond market, posted a return of 2.64% in 2025, compared to 4.23% in 2024. The index was dragged down by longer maturity bonds, as the FTSE TMX Long-Term Bond Index returned -0.75% last year. The effect of the Bank of Canada lowering its policy rates started to impact money market returns in 2025, with the FTSE 91-Day T-Bills Index returning 2.84% in 2025, compared to 4.92% in 2024. This trend is expected to continue in 2026 if there are further cuts as the Bank of Canada policy rate is starting the year at 2.25%.

Various factors combined to help stock markets deliver strong performance in 2025. Canada led the way in 2025 with an annual return of 31.68%, driven by a strong increase in the price of gold, which resulted in the Canadian Materials sector returning 100.6% for the year. Enthusiasm over AI helped sustain the U.S. stock market's momentum, although performance was more moderate than in previous years. The S&P 500 Index returned 12.35% in Canadian dollars. As the U.S. dollar depreciated versus the Canadian dollar, the S&P 500 return in U.S. dollars was higher at 17.88%. Although the market broadened during the year, the S&P 500 performance was again led by the Magnificent Seven (Alphabet, Amazon.com, Apple, Meta, Microsoft, Nvidia and Tesla), which accounted for about 42.5% of the index total return. Non-North American markets also posted strong returns, with the MSCI EAFE Index (Net) returning 25.07%. Emerging markets built on their strong performance of 2024 with a return of 27.30%, as measured by the MSCI Emerging Markets Index (Net).

The current geopolitical environment will most likely translate into elevated volatility in the financial markets for the foreseeable future. In addition, some markets, like the U.S. are now very expensive because of strong historical performance, while others, like Emerging Markets and Non-North American equities are more reasonably priced. Despite strong returns generated by most investment options on the Western Pension Plans, especially on the equity side, it's important to maintain a diversified portfolio.

A summary of market performance by asset class follows:

**Annualized returns (in Canadian dollars) for the periods ending December 31, 2025**

<b>Market index</b>	<b>1-year return</b>	<b>3-year return</b>	<b>5-year return</b>
<b>Cash/Money Market Funds</b>			
FTSE TMX 91-Day T-Bill	2.84%	4.15%	2.88%
<b>Bonds</b>			
FTSE TMX Universe Bond	2.64%	4.51%	-0.35%
FTSE TMX Long Term Bond	-0.75%	3.28%	-3.82%
FTSE TMX Short Term Bond	3.88%	4.86%	1.85%
BC Global Aggregate Bonds - Hedged	3.05%	3.92%	-0.42%
<b>Equities</b>			
S&P/TSX Composite	31.68%	21.42%	16.09%
S&P 500 – Unhedged	12.35%	23.48%	16.11%
S&P 500 – Hedged	15.92%	21.44%	13.20%
MSCI ACWI SMID	13.69%	15.02%	8.86%
MSCI EAFE	25.07%	17.68%	10.53%
MSCI ACWI	16.60%	21.12%	12.83%
MSCI Emerging Markets	27.30%	16.85%	5.73%
<b>Canadian versus U.S. Dollar</b>	4.25%	-0.63%	-1.60%

**Responsible Investing Update**

For the fifth year in a row, the annual commentary includes a responsible investing update. The sustainable investment option that was added in 2024, continues to provide strong absolute returns. The investment strategy invests in companies providing positive social and environmental impacts, as measured by the United Nations Sustainable Development Goals. Since the inception of the fund in January 2024, the Sustainable Global Equity Fund has generated a cumulative return of 28.53% (as of December 31, 2025), while also meeting some sustainable goals. Fund investments contribute to 16 of the 17 United Nations Sustainable Development Goals (SDGs), while no holdings in the portfolio have a negative impact. Moreover, portfolio companies are aligned with the Paris Accord in terms of limiting global temperature increases to less than 2° C. The portfolio carbon emissions are also more than 60% lower than its benchmark as of November 30, 2025.

In addition, the carbon footprint of the Western Pension Plans was measured for the fifth time. Western measured the following metrics<sup>1</sup> for the Western Pension Plans as of December 31, 2024:

- Weighted-average carbon intensity (WACI)
- Carbon emissions per dollar invested
- Potential emissions from fossil fuel reserves

As discussed in the past, those measurements are only the start of a discussion and will assist the Joint Pension Board in monitoring and identifying:

- Carbon emissions hot-spots and potential climate risks
- Exposure and holdings that merit further engagement with external managers
- A baseline from which to track future progress and report to stakeholders

Some of the findings for the recent analysis include:

- The carbon footprint, as measured by the carbon emissions and WACI, for the Canadian Equity Fund was lower than its benchmark. Both measures were lower than in 2023.
- The WACI for the Diversified Equity Fund was higher than its benchmark, while carbon emissions were in line with the benchmark. The WACI increased in 2024, while carbon emissions were lower than 2023.
- The carbon footprint and WACI for the Non-North American Equity Fund were higher than its benchmark, however both were lower than in 2023.
- The carbon footprint for the Sustainable Global Equity Fund was lower than its benchmark.
- The carbon footprint for the Diversified Bond Fund was higher its benchmark, due to increased exposure to carbon-intensive companies in the energy and materials sectors. However, it's important to note that coverage remains low for fixed income funds (about 50%).
- Compared to their benchmarks, all actively managed equity funds have materially lower exposure to potential emissions from owned fossil fuel reserves.

The analysis of these results will shape the Joint Pension Board future initiatives, notably regarding engagement with external managers.

### **What's New**

During 2025 Western staff supported the Joint Pension Board on two main projects:

- Optimizing the Diversified Bond Fund, which resulted in the termination of the AB Canadian Core Plus and AB Global Bond mandate and the addition of the Leith Wheeler Core Plus Fund, the PH&N Core Plus Fixed Income Fund and the PIMCO Monthly Income Fund.
- Optimizing the Diversified Equity Fund to ensure that style and regional allocations are still adequate. Potential changes to the portfolio will be communicated in 2026.

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<sup>1</sup> For more information on the calculation of those metrics, please consult the document [Implementing the Recommendations of the Task Force on Climate-Related Financial Disclosures, pp. 50-54.](#)

A summary of the assets by fund and manager follows:

Western Pension Plan as of December 31, 2025

Investment fund	Funds managed (\$millions)	% of fund	% of total assets	Fund asset class	Manager style
<b>MONEY MARKET FUND</b>					
Sun Life Global Investments (Canada)	\$42.7	100.0%	2.5%	cash	active
<b>SUN LIFE GDIA</b>					
Sun Life Global Investments (Canada)	\$37.5	100.0%	2.2%	cash	n/a
<b>DIVERSIFIED BOND FUND</b>					
Romspen Investment Corporation	\$45.6	13.1%	2.7%	commercial mortgages	active
BlackRock Asset Management Canada	\$89.3	25.6%	5.3%	domestic bonds	passive
Leith Wheeler	\$2.8	23.4%	0.2%	domestic bonds	active
Phillips, Hager & North Investment Management	\$11.8	23.4%	0.7%	domestic bonds	active
PIMCO	\$50.4	14.5%	3.0%	global bonds	active
	<u>\$348.7</u>	<u>100.0%</u>	<u>11.9%</u>		
<b>CANADIAN BOND FUND</b>					
BlackRock Asset Management Canada	\$22.5	100.0%	1.3%	domestic bonds	passive
<b>LONG TERM BOND FUND</b>					
BlackRock Asset Management Canada	\$14.0	100.0%	0.8%	domestic bonds	passive
<b>SUSTAINABLE GLOBAL EQUITY FUND</b>					
Mirova	\$25.9	100.0%	1.5%	global equity	active-value
<b>ISLAMIC GLOBAL EQUITY FUND</b>					
BlackRock Asset Management Canada	\$2.8	100.0%	0.2%	global equity	active-value
<b>DIVERSIFIED EQUITY FUND</b>					
Connor Clark & Lunn Financial Group	\$87.9	10.1%	5.2%	domestic equity	active-growth
Beutel, Goodman & Company	\$87.1	10.0%	5.2%	domestic equity	active-value
Brookfield	\$41.7	4.8%	2.5%	real estate	active
CBRE	\$38.7	4.5%	2.3%	infrastructure	active
BlackRock Asset Management Canada	\$87.3	10.1%	5.2%	US equity	passive
Arrowstreet Capital Global Small Cap	\$43.4	5.0%	2.6%	global small-mid cap equity	active-core
T.Rowe Price	\$109.5	12.6%	6.5%	global equity	active-growth
Fiera Capital Oakmark	\$108.4	12.5%	6.4%	global equity	active-value
Fidelity Investments	\$86.6	10.0%	5.1%	global equity	low volatility
MFS Investment Management	\$43.5	5.0%	2.6%	international equity	active-growth
Boston Partners	\$43.9	5.1%	2.6%	international equity	active-value
Connor Clark & Lunn Financial Group	\$89.8	10.3%	5.3%	emerging markets equity	active-core
	<u>\$867.8</u>	<u>100.0%</u>	<u>51.6%</u>		
<b>CANADIAN EQUITY FUND</b>					
Connor Clark & Lunn Financial Group	\$58.5	50.2%	3.5%	domestic equity	active-growth
Beutel, Goodman & Company	\$57.9	49.8%	3.4%	domestic equity	active-value
	<u>\$116.4</u>	<u>100.0%</u>	<u>6.9%</u>		
<b>US EQUITY HEDGED FUND</b>					
State Street Global Advisors	\$66.7	100.0%	4.0%	US equity (hedged)	passive
<b>US EQUITY UNHEDGED FUND</b>					
BlackRock Asset Management Canada	\$88.8	100.0%	5.3%	US equity	passive

**NON-NORTH AMERICAN FUND**

MFS Investment Management	\$24.53	49.7%	1.5%
Boston Partners	\$24.78	50.3%	1.5%
	\$49.3	100.0%	2.9%

international equity      active-growth  
international equity      active-value

**TOTAL PENSION**

	\$1,683.2	100.0%	91.2%
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OVERALL PLAN ASSET MIX	
Cash	4.8%
Bonds & Mortgages	22.9%
Equities	72.3%

BALANCE INCOME FUND\* (70% DBF+30% DEF)      \$60.9      3.6%

BALANCE GROWTH FUND\* (70% DEF+30% DBF)      \$583.7      34.7%

\*These assets are included in the Diversified Bond Fund and the Diversified Equity Fund totals.