Market View
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CPP relevance on the up (as asset manager and debt issuer)

By Ethan Currie & Warren Lovely

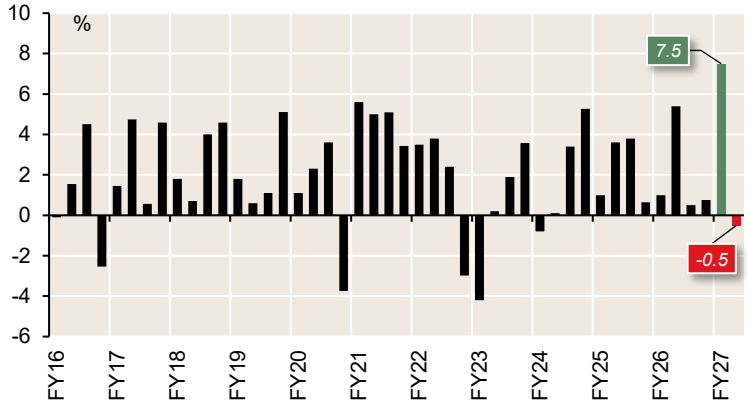
Halfway through the fiscal year, net assets continue to accumulate for the CPP Fund despite a rare (and modest) second-quarter investment loss. Higher bond yields weighed on fixed income holdings, driving a -0.5% quarterly return. Following a sizzling Q1, however, YTD performance remains strong. Looking through quarterly fluctuations, the longer-run record is equally impressive, with a 10-year annualized return of 8.8%. Despite the Q2 investment loss, offsetting contributions lifted net assets, which continue to exceed actuarial projections. Here, investment income will account for a rising share of total revenue as net contributions decline.

Alongside the Fund's expanding asset base, the **CPPIBC** term borrowing program continues to scale up. The outstanding bond stock now exceeds $100bln (CAD equivalent), with an increasingly diverse maturity profile across CAD, USD, AUD, EUR, and GBP. Larger issue sizes and rising annual borrowing volumes are supporting benchmark liquidity across these five 'core' currencies, reinforcing CPPIBC's relevance within the highly rated SSA universe. All else equal, further Fund growth would support the program's continued, stable expansion and building liquidity.

Supply has continued at a healthy clip in calendar 2026, with all five core currencies tapped and issuance distributed across the curve. Deals have generally been well absorbed, with early-year trades having registered the most notable spread compression. More recently, spreads have moved off their YTD tights amid a broader risk-off tone, with AAA-rated CPPIBC bonds continuing to offer an attractive yield pickup over key SSA peers. That leaves a compelling RV proposition and an attractive entry point heading into January's highly anticipated issuance window—a key test for the sector and a theme we'll revisit in detail in the weeks ahead.

Chart 1: Small Q2 loss follows impressive Q1 gain…

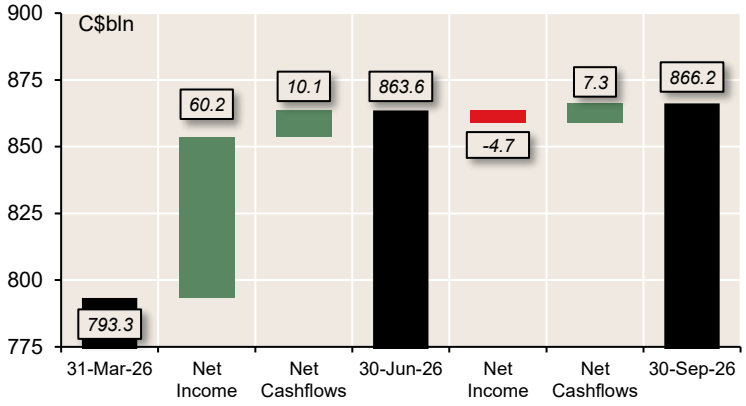
CPP Investments Fund net nominal return by fiscal quarter



Source: NBC, CPPIB | Note: Fiscal year ending 31-Mar; 4th Q returns derived from Q3/EoY

Chart 2: …as net assets continue to accumulate

Change in net assets since the end of FY 2026 by investments & cashflows

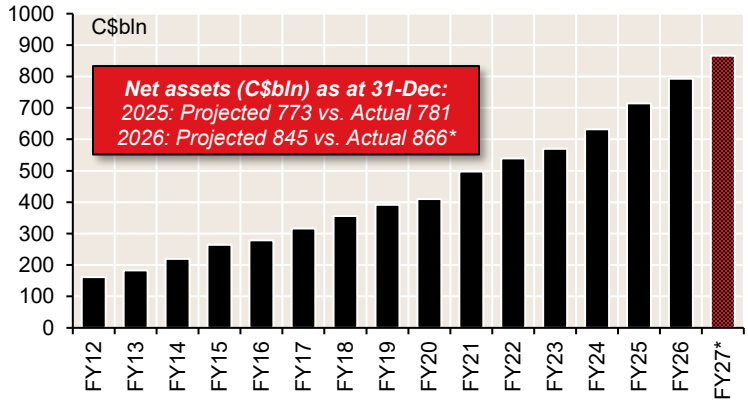


Source: NBC, CPPIB | Note: Green bars denote +ve contribution to net assets, red -ve

Q2's slight investment loss was driven by higher bond yields, which weighed on the fixed income portfolio. Gains in equities and real assets partially offset these losses, underscoring the Fund's considerable diversification. CPP cash inflows nonetheless lifted net assets (+$2.6bln) over the quarter. While quarterly investment losses are uncommon, they're not unprecedented, and fluctuations are well understood/appreciated. That cuts the other way, too: Q1 delivered the largest quarterly net income on record (and the highest %-pt increase in over a decade), led by public equities.

Chart 3: Visualizing CPPIB's impressive asset trajectory…

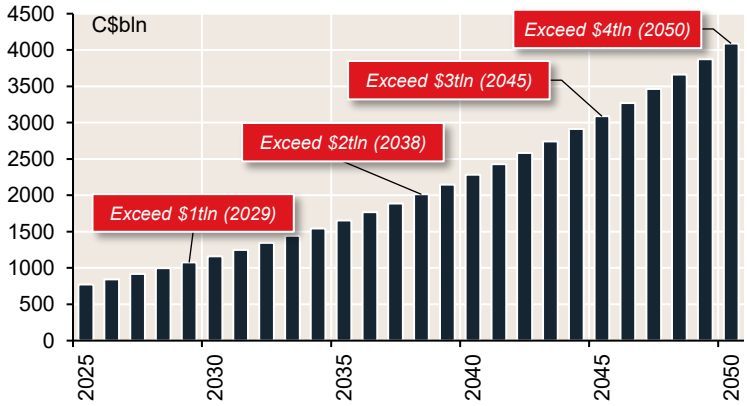
CPP net assets by fiscal year-end (and FY 2027:Q2)



Source: NBC, CPPIB | Note: FY27 denotes Q2 (quarter-ended 30-Sep-26); rest are EoFY*

Chart 4: …which is expected to continue

CPP assets (Base+Additional) as projected by the 32nd and 33rd Actuarial Reports

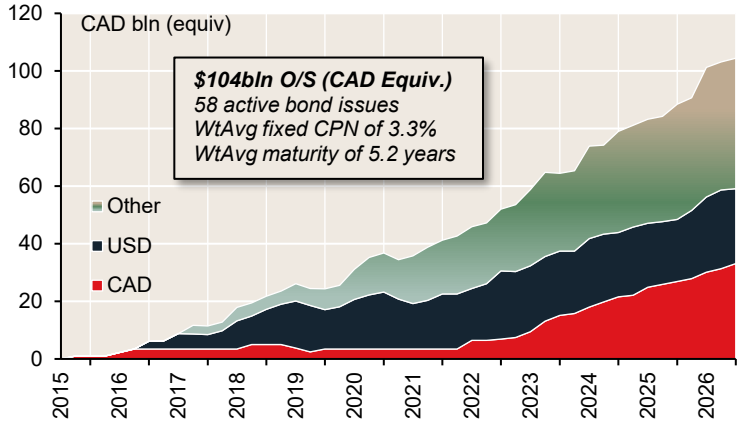


Source: NBC, OCA | Note: Total (Base from 33rd AR, Add'l from 32nd AR)

The Fund's net asset growth continues to impress, outpacing underlying actuarial projections for calendar year-end (in 2025, and as at Sep-2026). Following the reduction in the Base contribution rate (from 9.9% to 9.5%), the 33rd *Actuarial Report* projects Base contributions falling short of expenditures from 2027 onward. A rapidly expanding pool of assets will thus see investment income account for a rising share of total revenue over time. Despite a reduced contribution rate, net assets will continue to accumulate at a strong pace, estimated to reach ~$4tln by 2050.

Chart 5: Increasingly liquid and diverse bond stock

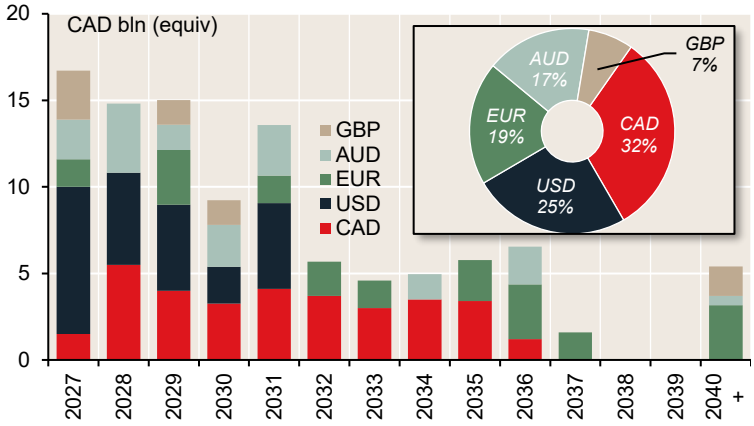
CPPIBC bonds outstanding by currency



Source: NBC, Bloomberg | Note: Quarterly basis (calendar year) to 30-Sep-2026

Chart 6: CPPIBC: Well-developed issuance profile

Maturity & currency profile of outstanding CPPIBC bonds | Inset: Currency share

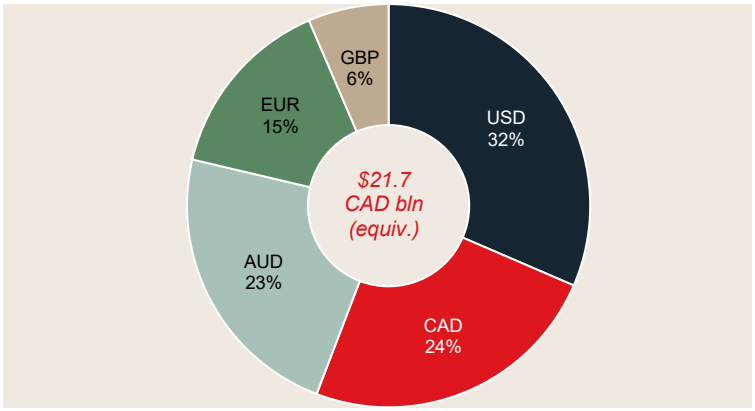


Source: NBC, CPPIB

CPPIB's term borrowing program (since its inception in 2015) has expanded prudently alongside net assets, with further issuance growth expected as the Fund grows. Bonds outstanding now exceed $100bln (CAD equivalent), with issues available across the curve in CAD, USD, AUD, EUR, and GBP. Deal size/volume has also increased as CPPIB focuses on building liquid benchmarks.

Chart 7: Perspective on CPPIBC issuance in 2026 (I)

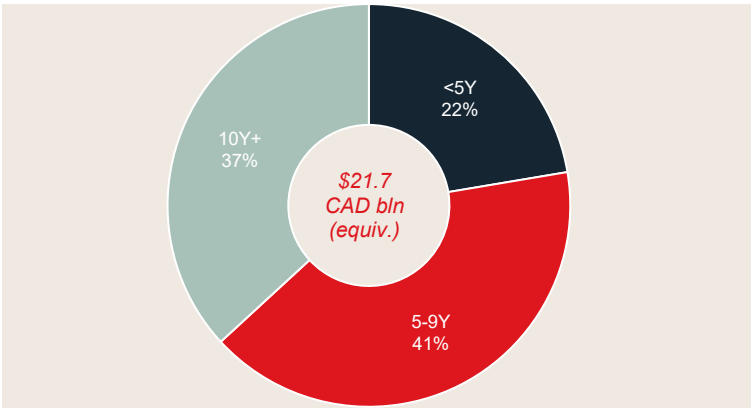
CPPIBC: Distribution of gross bond supply YTD by currency



Source: NBC, Bloomberg | Note: Translated to CAD equivalent as at deal date; calendar year

Chart 8: Perspective on CPPIBC issuance in 2026 (II)

CPPIBC: Distribution of gross bond supply YTD by tenor

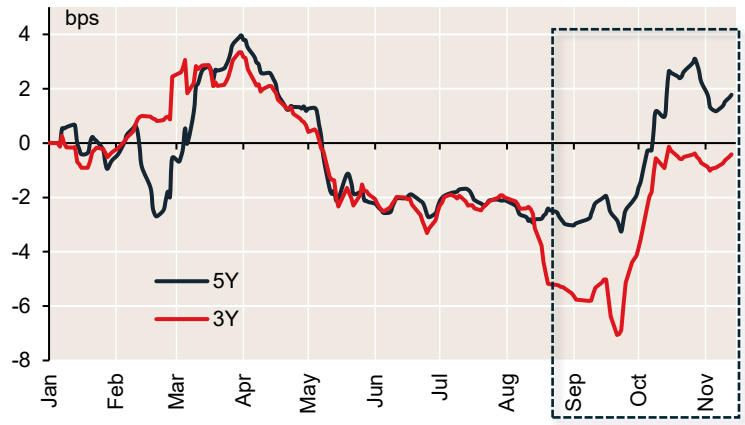


Source: NBC, Bloomberg | Note: Translated to CAD equivalent as at deal date; calendar year; maturity rounded based on maturity-settle date (5-9Y bucket includes 4.5 yrs up to 9.4 yrs)

CPPIBC has tapped all five 'core currencies' in calendar 2026 while maintaining a diverse maturity profile. The 2026-to-date tally of nearly $22bln (CAD equiv.) is another step-up for the program, which has seen annual volumes steadily increasing (up each year from ~$15bln in 2021). New issues have been well absorbed, with early-year deals benefitting from the greatest compression YTD.

Chart 9: Credit curve steep(er) as spreads are off YTD tights

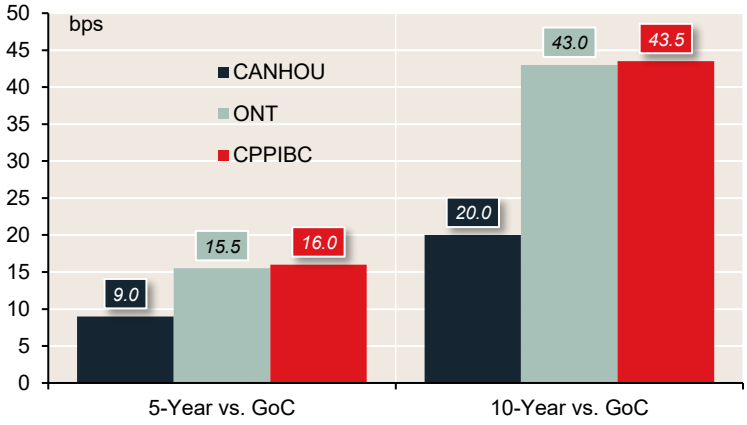
CPPIBC constant maturity USD SOFR spreads: 5Y & 3Y, 2026 YTD change



Source: NBC | Note: Indicative levels, 5D moving average indexed to 1-Jan-2026

Chart 10: Comparing benchmark issuer spreads in C$

Constant maturity GoC spreads: 5Y & 10Y for select C$ benchmark issuers



Source: NBC | Note: Indicative levels of domestic NI spreads vs. GoC

CPPIBC yield spreads are off their year-to-date tights amid broader risk-off tone, while credit curves have steepened (Chart 9 above showing USD SOFR spreads). In the domestic C$ market, CPPIBC trades roughly flat to Ontario and there's scope to tighten against AAA-rated CHT bonds. January's SSA supply surge—a theme we'll revisit soon—will be the next major valuation test. We expect benchmark supply to be well absorbed (in CAD or otherwise), with current valuations particularly attractive given CPPIBC's still-substantial yield pickup over other highly rated SSA issuers.

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