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Scientific Infra & Private Assets

BENCHMARKING · CANADIAN PENSION PLANS

Private Assets, Listed Benchmarks

Why Canada's pension funds are being judged by the wrong yardstick

With the 2025 annual reports now in, most of Canada's largest pension plans underperformed their benchmarks — CPP Investments by more than five percentage points. The cause is not poor private equity execution but a benchmarking convention: eight plans manage the same asset class against eight different, mostly listed, standards. This paper quantifies the drag, shows how private equity has decoupled from listed markets since 2022, and argues for benchmarks that measure the market the funds are actually invested in.

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Scientific Infra & Private Assets (SIPA) is a private-market index and benchmark provider, part of the PEI Group and a registered benchmark administrator with ESMA. This paper was prepared using SIPA's privateMetrics® data. Contact sales@sipametrics.com for more information.

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Executive Summary

Canada's largest pension plans all trailed their benchmarks in the most recent reporting year. The headline gaps are real, but they measure the wrong thing. Private equity — the asset class blamed for the shortfall — is being judged against listed equity indices that no longer describe the market it operates in.

The benchmark, not the portfolio, explains most of the gap. CPP Investments reported a 7.8% net return against a 13.2% benchmark for the year ended 31 March 2026. Across the Maple 8, the striking feature is not the returns but the dispersion in hurdles: CPP faced 13.2% while OMERS faced 7.5%. Differences in risk targeting cannot account for a spread of that size.

Private equity underperformed as a market, not plan by plan. Every plan reported strong public equity returns alongside weak private equity returns — negative at OTPP and OMERS, low to mid single digits elsewhere. The private2000® index, an asset-level marked-to-market index of 2,000 private companies globally, returned 6.1% in calendar 2025. Measured against the private market, the plans' results are unremarkable rather than alarming.

Allocation size turns a market result into a headline. Private equity reached more than 30% of net assets at CPP and 18–24% at peers by 2022. A 20% weight underperforming listed equities by 15 to 20 percentage points produces 300 to 400 basis points of total fund drag — enough to explain most of the reported shortfall on its own.

Eight plans, eight standards. Disclosed private equity benchmarks range from levered listed indices to absolute return formulas, with one plan not disclosing at all. Only CDPQ uses a private equity index, and only for half its benchmark. Australia's Your Future Your Super test applies one methodology to all funds; Canada has no equivalent, and the issue extends to infrastructure, real estate and private credit — upwards of 50% of assets.

> **Key takeaway.** A listed benchmark collapses two separate decisions — how much to allocate to private assets, and how well the private team invested within that market — into a single number that answers neither. The allocation debate is legitimate and the data support having it. But asset class benchmarks should capture the systematic risk of the market a team actually invests in. Until they do, the annual performance debate will produce more headlines than insight.

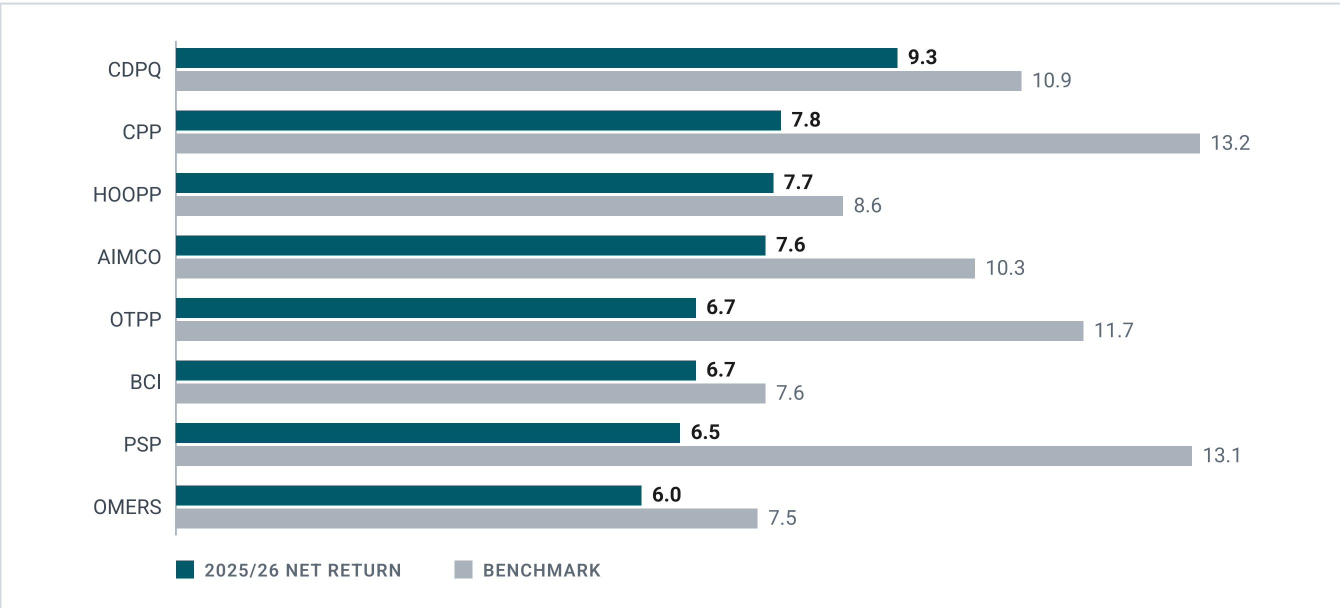
The wrong yardstick

With the 2025 annual reports now in for Canadian pension plans, it is clear that most underperformed their benchmarks, with some plans facing increasing scrutiny. This was particularly the case when CPP Investments released its 2026 Annual Report for the year ending 31 March 2026. In that report, CPP disclosed a 7.8% net return against a one-year benchmark of 13.2%, implying significant underperformance. As it turns out, there is more to the story than the headline numbers reveal.

7.8%	13.2%	6.1%	300–400bps
CPP net return, year to 31 March 2026	CPP one-year benchmark — a 5.4pt gap	private2000® index return, calendar 2025	Total-fund drag from a 20% private equity weight

Figure 1 shows the most recent one-year net returns and benchmark returns for Canada's Maple 8 funds. CPP was not alone in its underperformance — all funds trailed their benchmarks in 2025. What is striking is not so much the returns, but the variability in benchmark hurdles among the institutions. CPP faced a stiff 13.2% benchmark, while OMERS' benchmark was just 7.5%. CPP tends to have higher equities exposure given its risk targeting, funded status and cash flow profile, but this alone cannot explain the disparity. What then explains such differences across the group?

FIGURE 1 — PENSION PLAN 2025/26 NET RETURNS VS BENCHMARK (%)

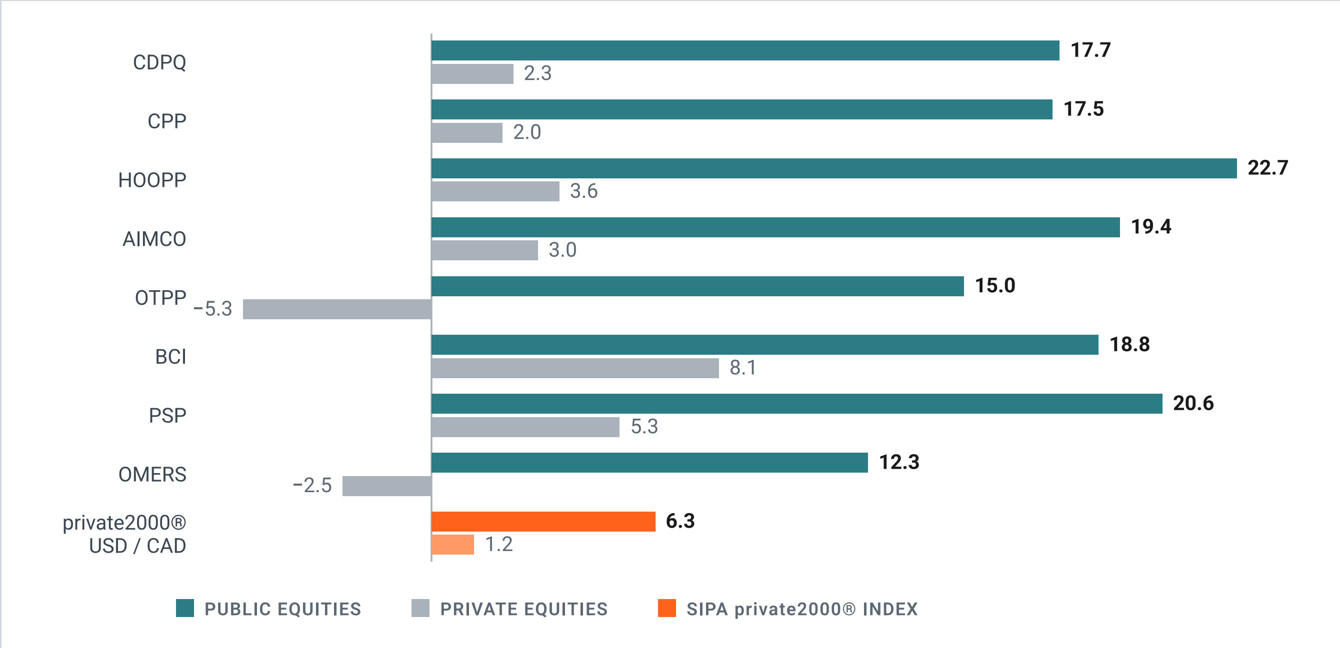


Source: annual reports. Note — CPP, PSP and BCI have 31 March year ends; all others 31 December.

When private equities don't behave like listed equities

Before answering the benchmark question, we explore the key driver of underperformance across the funds — private equity returns. Figure 2 shows the two major sources of 'equities' exposure at the plans, public and private, and their most recent one-year returns.

FIGURE 2 — 2025/26 PUBLIC VS PRIVATE EQUITIES ONE-YEAR RETURNS (%)



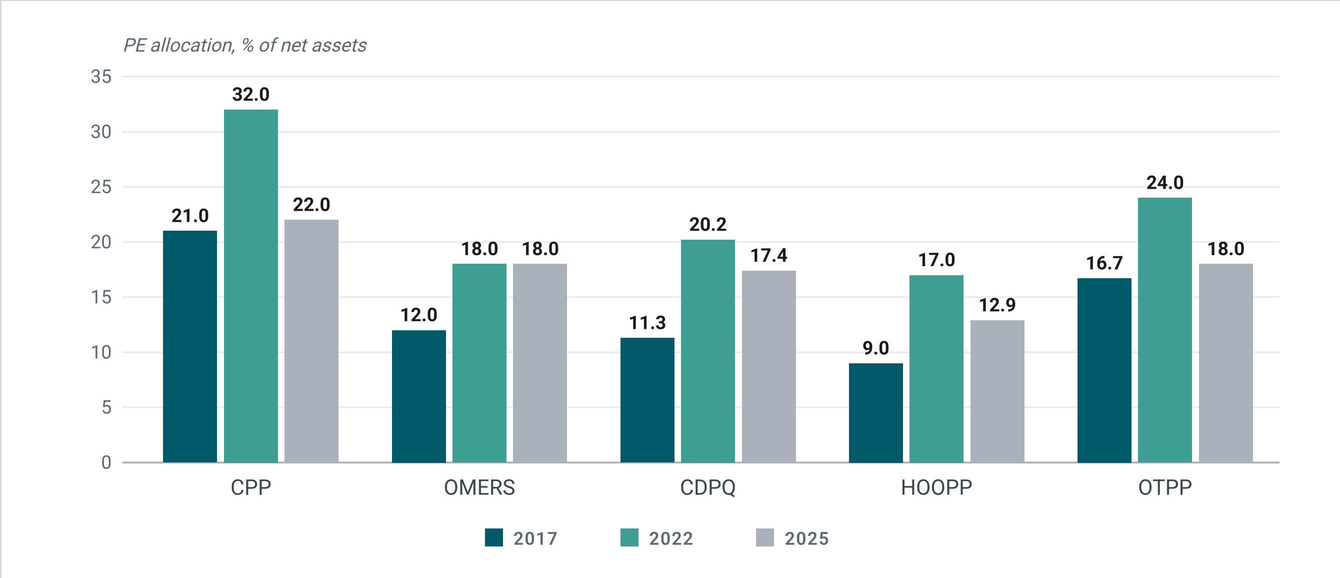
Source: annual reports, privateMetrics®. Note — CPP, PSP and BCI have 31 March year ends; all others 31 December. BCI's private equity results are as of 31 December and are IRRs, not time-weighted returns. private2000® shown in USD (6.3%) and CAD (1.2%) terms.

Across the board we observe the same pattern. Public equities delivered very strong results, while private equity returns were poor — negative at OTPP and OMERS, and low to mid single digits for the rest. The similarity of outcomes across the plans suggests this is not an isolated issue but a market one. Private equity indices capture the same result: the private2000® index, an asset-level, marked-to-market private equity index covering 2,000 private companies globally, returned 6.1% in calendar 2025. Evaluated against a private equity index, the plans' private equity returns make a great deal more sense. Not good — but neither was the private equity market.

How then should one evaluate performance? Against listed equity benchmarks, all funds are major underperformers because of their private equity sleeve. Against private equity benchmarks, performance looks more reasonable, but then we give them a free pass for being overweight an underperforming asset class — which was an active risk decision.

This matters especially for Canadian plans because of their heavy reliance on private equity for growth exposure. Figure 3 shows private equity as a percentage of plan net assets for five of the most mature private equity investors over the last ten years. Allocations ballooned from 2017 to 2022, to north of 30% at CPP and 18–24% at the others. In the most recent year, allocations have drifted back down, perhaps due to relative underperformance, or to explicit intentions to reduce exposure.

FIGURE 3 — PRIVATE EQUITIES AS A PERCENT OF FUND NET ASSETS



Source: annual reports.

The allocation data quantifies the drag directly. A 20% private equity weight underperforming listed equities by 15 to 20 percentage points translates into 300 to 400 basis points of total fund drag from equities. That single factor explains most of the headline gap across the plans.

How do pension funds evaluate private equity performance?

As it turns out, not in a straightforward or homogeneous manner. Table 1 shows the private equity benchmark choices disclosed by the plans. The variety is apparent: listed index benchmarks, some levered, some with a spread added, spanning small, mid and large cap variants, alongside an absolute return benchmark. Eight plans managing the same asset class, evaluated against eight different standards. Only CDPQ incorporates a private equity index, and even then for only half of its benchmark, with listed equities making up the remainder.

TABLE 1 — PRIVATE EQUITY BENCHMARKING CHOICES

PENSION PLAN	PRIVATE EQUITY BENCHMARK (AS OF 2025)
CPP Investments	S&P Large Mid Cap Index (levered 1.2–1.3×)
PSP Investments	MSCI ACWI customised index
BCI	MSCI ACWI + spread (funds); cost of capital (direct deals)
CDPQ	Listed equities (50%); private equity index (50%)
OTPP	Listed equities (index not disclosed)
AIMCo	MSCI + 200bps; previously CPI + 650bps until 2023
OMERS	Absolute return (formula not disclosed)
HOOPP	Benchmark not disclosed

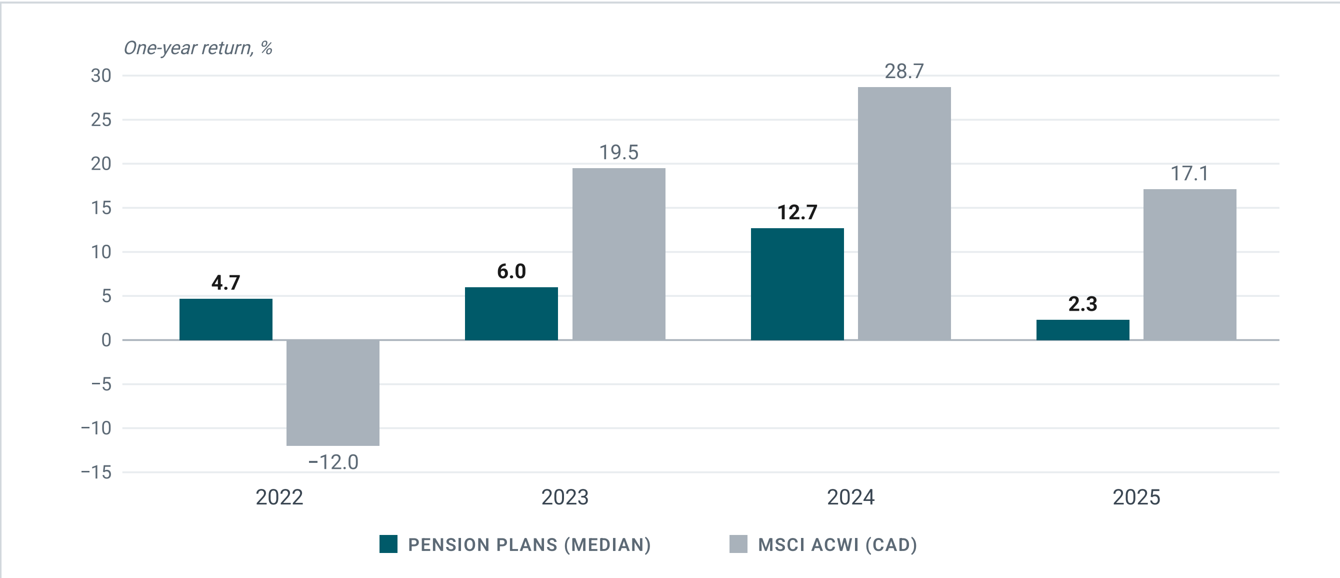
Source: annual reports.

This lack of standardisation creates problems. The benchmarks may not reflect the market the funds are actually investing in, making it impossible to assess whether private equity teams are adding value relative to that market. And the variation across plans creates confusion, inconsistency, and opens the door to opportunistic benchmark changes over time. Other jurisdictions have tried to solve this: Australia's Your Future Your Super performance test applies a consistent methodology across all superannuation funds, enabling genuine like-for-like comparisons. Canada has no equivalent. The result is that each plan effectively sets its own benchmark, and the public has no reliable basis for comparison. The issue extends beyond private equity to infrastructure, real estate and private credit, which means upwards of 50% of assets may be benchmarked in an inconsistent manner across plans.

For CPP, the private equity benchmark was a major headwind over the last 12 months, and over the last several years. CPP's choice — the S&P Global Large Mid Cap Index — was up over 20% for the 12 months ended 31 March 2026, coinciding with its year end. CPP applies a leveraged benchmark return, implying it views private equity as 'higher beta' than listed equities. In a year when the private equity market was up around 6% and its portfolio was up 2% net, it faced a benchmark likely in the mid-twenties. That 20-point spread over the private equity market, combined with a 22% private equity weight, likely added over 400bps to its composite benchmark. This benchmark choice collapses two components into one: the decision to allocate to private equity from listed equities, and the selection effect within private equity. That makes interpretation confusing and dilutes the purpose of asset class benchmarks.

Readers of the annual reports have grown accustomed to being told that private equity's underperformance relative to listed equities is due to the strength of a narrow group of technology stocks, implying we should ignore the gap. But the divergence is not isolated to the recent year. Since 2022, coinciding with a regime change in inflation and interest rates, the performance of the two asset classes has diverged.

FIGURE 4 — MEDIAN PRIVATE EQUITY RETURNS VS MSCI ACWI, BOTH IN CAD (%)



Source: annual reports, MSCI. Note — 2025 excludes BCI and PSP as they had not reported at the time of writing.

Figure 4 captures the median returns of the plans for 2022 to 2025/26, compared with the MSCI ACWI, all in Canadian dollars. Private equity is behaving like anything but high-beta listed equity over the past few years. This has implications for both benchmarking and the implied equity exposure at the total portfolio level.

One obvious solution is to start using a private equity benchmark that reflects the market the funds are actually investing in. Given the weights involved across the plans, the benchmark choice carries direct fiduciary implications. The magnitude of the difference between public and private equity returns cannot be explained away by a quarterly lag in valuations, or by the use of small cap rather than large cap indices — the MSCI World Small Cap Index returned 19.9% in 2025. This is not just large-cap technology-driven outperformance. These are different market dynamics entirely.

Indeed, public and private equity markets face different dynamics. Private equity is considerably more sensitive to higher interest rates, given the greater leverage and predominantly floating rate debt in portfolio company capital structures. Higher rates have impaired exit activity, as deals struck during a low-rate era face markdowns, leaving buyers and sellers at an impasse. Fewer exits mean lower distributions to limited partners and less capital available to recycle into new private equity funds, which puts further pressure on valuations. Beyond the cost of capital impact, higher rates have made other asset classes relatively more attractive, drawing capital away from private equity. The tailwinds that drove private equity's long expansion — declining rates and growing institutional allocations — have reversed. Rates are higher and allocations are flat or declining. These are headwinds still working through the asset class, and they further illustrate why listed equities cannot serve as a meaningful benchmark for private equity, except as a broad opportunity cost reference.

Benchmarking and the Total Portfolio Approach

The benchmarking problem is further compounded under the Total Portfolio Approach, which attempts to translate all exposures, including private assets, into broad market exposures, often proxied by listed assets. CPP, PSP and HOOPP, proponents of this approach, make use of a reference portfolio to both set and convey targeted market risk exposures. This reference portfolio, comprising a simple mix of listed equities and bonds, is used to obtain a risk budget commensurate with the long-term objectives of the fund. The actual portfolio is diversified across many asset classes — especially private ones such as infrastructure, real estate, private equity and private credit — and then levered back to achieve the target and approved risk exposure.

This has led some to argue, logically, that if the market risk exposures are similar, the reference portfolio could be used as the proper yardstick to measure returns. In a portfolio comprised entirely of listed assets, this would be correct. But with a portfolio holding 50% or more in private assets, one is combining listed, marked-to-market pricing with unlisted, marked-to-model pricing. Moreover, as discussed, the dynamics in private markets differ from listed ones, making comparisons misleading. Asset class benchmarks should measure whether teams add value in their respective asset classes.

> **Two decisions, one number.** Much of the debate around performance conflates two distinct active risk decisions: the asset allocation decision — how much capital to allocate to private assets relative to the reference portfolio — and the selection decision — how well the private equity team performed within that market. Using a listed equity benchmark collapses both into a single number and answers neither cleanly. What it primarily captures is the cost or benefit of allocating away from listed equities.

These are not the same question, and they deserve separate answers. The asset allocation debate is legitimate and worth having on its merits — the data in Figures 3 and 4 speak directly to it. But it should not be the yardstick by which the asset classes, or composite performance, are measured. If the situation were to reverse, with listed markets facing a material correction and private assets holding up, we would face the same problem: no ability to assess relative performance.

The goal of the benchmark should be to capture the systematic risk of the relevant market, so that boards, regulators and beneficiaries can assess whether a team is adding value above what that market itself delivered. Until that changes, the annual performance debate will produce more headlines than insight.

About Scientific Infra & Private Assets

Scientific Infra & Private Assets (SIPA) is a company within the **PEI Group**, which acquired the business in **March 2026**. SIPA is a registered market-benchmark administrator with ESMA, documenting the risk and performance of private infrastructure equity, infrastructure debt and private equities, and the outperformance of the funds and managers investing in them.

SIPA was born at **EDHEC Business School**. Its products come from the R&D of the EDHEC Infrastructure & Private Assets Research Institute, established in 2016, and in 2019 that academic research was turned into a commercial enterprise providing private market indices, benchmarks, valuation analytics and climate risk metrics. More than a decade and $25 million of research underpin the models in use today.

As part of PEI Group — a specialist information business serving private markets — SIPA now sits alongside the group's data, intelligence and events platforms, extending the reach of its benchmarks while retaining the scientific approach on which they were built. Our products, infraMetrics® and privateMetrics®, remain unique in the market, stemming from thorough research rather than being ancillary services of larger data providers. We are the Quants of Private Markets.

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