

2019

SUPPLEMENTARY

ANNUAL REPORT

MERCER SUPER TRUST



Part Three

Contains an update on information specific to
Mercer Tailored Super Plan for the year ended 30 June 2019
Prepared December 2019



WELCOME TO THE 2019 MERCER TAILORED SUPER PLAN SUPPLEMENTARY ANNUAL REPORT

Inside this 2019 Supplementary Annual Report you'll find in-depth financial and investment performance, a summary of activity within Mercer Tailored Super Plan (your Plan) and updates from your plan.

If you have any queries or would like to find out more about your plan account, please call the Mercer helpline team on **1800 682 525**.

NOTE ON THE ANNUAL REPORT

Your Mercer Super Trust 2019 Annual Report consists of three parts:

Part one – Your Mercer Super Trust 2019 Annual Report contains a general update on the Mercer Super Trust and tells you about the changes that have been made to the Mercer Super Trust during the year to 30 June 2019. These changes may have an impact on your super now and in the future so it's important that you carefully read the section entitled 'Changes to the Mercer Super Trust' to see how this applies to you.

Part two – The Investment Options Details booklet contains information relating to the investment options available in the Corporate Superannuation Division, Personal Superannuation Division and Allocated Pension Division. This includes investment performance, asset allocation and Indirect Cost Ratios for these investment options for the year ended 30 June 2019.

Part three – This 2019 Supplementary Annual Report contains additional information specific to your plan, including information on the JANA investment options, investment returns and performance, and Indirect Cost Ratios for the year ended 30 June 2019.

All parts should be read in conjunction and kept together for future reference. A reference to this Annual Report means parts one, two and three collectively unless the context requires otherwise.

A YEAR IN REVIEW

Most super investors are exposed to share markets and can be affected by market volatility. But the great benefit of your super is its long-term investment outlook.

If you aren't sure which investment option is best for you and your life-stage, call the Mercer helpline on **1800 682 525** for a helping hand.

Following Wesfarmers' de-merger from Coles, a number of enhancements and changes to the plan took effect. From 21 November 2018, the plan is known as Mercer Tailored Super Plan and on 1 January 2019 administration fees for accumulation accounts were reduced.

Access to your super account is through the Mercer Super website, www.mercersuper.com. You can log in using the employer number, **302616** and your member number and PIN.

WE'RE HERE TO HELP

Whether you have a question about how to boost your savings, how to transition to retirement or make a financial investment, we're with you every step of the way.

Visit www.mercersuper.com for more information about your super, or call the Mercer helpline on **1800 682 525**.

ABOUT YOUR PLAN

Membership numbers

At 30 June 2019 14,972

Plan assets

As at 30 June 2019[^] \$1,826,612,366

[^] This figure is prepared on a cash basis. This means that it does not allow for any accruals such as outstanding contributions or benefits due as at 30 June 2019.

YOUR PLAN STYLE

Your plan provides members with accumulation and/or defined benefit style super.

For members with accumulation style super, your super relates to the amounts contributed by you or in respect of you and by your employer, the investment returns (which may be positive or negative) of the investment options in which your super is invested less deductions for fees, taxes and any insurance premiums.

For members with defined benefit style super, generally some or all of your super relates to salary and years of membership/service.

EMPLOYER SUPERANNUATION GUARANTEE CONTRIBUTIONS

By law, your employer is generally required to provide a minimum level of super for its employees – the Superannuation Guarantee (SG). There may be some circumstances where your employer is not required to meet the SG. The SG is the amount the employer must provide for each employee, not a minimum amount to be contributed to each fund. Your employer may provide the SG through more than one fund. The SG rates are set out below:

Period	SG - % of Ordinary Time Earnings (OTE*)
1 July 2018 to 30 June 2019	9.50%
1 July 2019 to 30 June 2020	9.50%

* OTE refers to your remuneration, which generally includes your regular salary or wage, any over-award payments, shift allowances, bonuses and commissions. It generally does not include overtime payments or benefits subject to fringe benefits tax.

An employer is only required to provide SG on OTE or such other amount as agreed up to the maximum contribution base, which is \$54,030 per quarter for the year ending 30 June 2019 (\$55,270 per quarter for the year ending 30 June 2020) and is indexed on 1 July each year.

For members with only accumulation style super, your employer will generally be required to make super contributions at least equal to the SG amount.

For employees who are members with defined benefit style super, the benefits paid by the plan must be equal to or greater than a minimum level specified by your plan's actuary which is deemed to be equivalent to an employer contribution equal to the SG amount. Please see 'Financial position of the plan' for more information about employer contributions and the financial position of the plan generally.

FINANCIAL POSITION OF THE PLAN

For members with defined benefit style super (Lifetime Pension), the amount your employer contributes varies depending on the advice of an actuary. At least every three years, the plan's actuary prepares an investigation report that states how much your employer needs to contribute so that plan assets are expected (on the actuary's assumptions) to be sufficient to meet any super payouts now and in the future. For members with only accumulation style super, your employer will generally be required to make super contributions at least equal to the SG amount.

As at 30 June 2019, the value of the plan's assets was 100% of (i.e. equal to) the sum of all members' super payouts assuming all employed members ceased employment at that date and other members were paid their Accrued Benefit amount. This means, the plan was in a satisfactory financial position at that date, as defined by superannuation legislation.

Since the last actuarial investigation, 1 July 2019, your employer has contributed in line with the contributions recommended by the plan's actuary.

In the event of your plan being wound up while the value of the plan's assets is lower than the sum of all members' super payouts assuming all employed members ceased employment at that date, your actual super payout may be less than your leaving service payout i.e. your leaving service payout may be reduced.

Benefit entitlements of lifetime pensioners and former employees with retained benefits may also be reduced. However, your employer may choose to make an additional contribution at that time to make up the difference.

Note that the trustee has not been advised of any intention to wind up the plan at the date of this report – the above is provided for information purposes only.

*Note: A reference to members in the above section includes, accumulation members and lifetime pensioners of the plan.

ACCRUED BENEFITS CALCULATION

As at 30 June 2019, the value of the plan's assets was 100% of (i.e. approximately equal to) the plan's accrued benefits.

As at 30 June 2019, the plan's accrued benefits amounted to \$1,825,721,140

The plan's accrued benefits are:

- For accumulation members, the sum of their super payout assuming they ceased employment at that date, plus
- For pensioners, the present value of their future pension payments.

The main assumptions used to determine the value of accrued benefits for Lifetime pensioners are shown below.

The plan's Actuary considers the following movements in the assumptions used to calculate the accrued benefits are reasonably possible for the reporting period:

Assumption	Rate used at 30 June 2018	Reasonably possible change	Amount of increase in accrued benefits	Amount of decrease in accrued benefits
Discount rate (or investment earning rate)	1.90%	+0.5%		\$1,451,462
		-0.5%	\$1,567,404	
Pension Indexation rate	2.25%	+0.5%	\$1,464,351	
		-0.5%		\$1,370,289

PLAN FEES

As the dollar based administration fee in your plan varies from the standard fee (set out in Part one of the annual report) we have set out below the current dollar based administration fee for your plan.

Currently fees are \$6.00 per member per month.

You should refer to your Product Disclosure Statement, Member Statement and/or other member materials you have received since joining your plan for further details of the fees applicable to you. You can access these documents by signing in to your account online at mercerfinancialservices.com or by calling the Helpline.

POLICY COMMITTEE

Your plan has a policy committee made up of 3 member and 3 employer representatives. This policy committee has been set up with members' interests in mind.

As at 30 June 2019 your representatives were:

Member elected

- Michael Fagan
- Craig Lanigan
- Julian Taylor

Employer-appointed

- Vin Gleeson*
- Alex Wilcocks
- Joanne Lester

*Following finalisation of the demerger of Coles Group Limited members from the plan, process was underway to replace representatives to the committee who were no longer eligible to hold office. Subsequent to 30 June 2019 the following representatives were confirmed and remain in place.

Appointment and removal of policy committee members

Member representatives are elected by the members. Employer representatives are appointed by your employer.

Member representatives generally serve for a term of three years. The term of office for the current member representatives expire on 31 December 2020. A new election will be held shortly before this date. You're entitled to see a copy of the election rules for the Mercer Super Trust. Call the Helpline on **1800 682 525** for more details.

Member representatives will cease to hold office sooner if they:

- cease to be a member of the plan;
- become ineligible under the law;
- resign as a member representative; or
- are removed by a notice in writing to the trustee signed by a majority of members.

Filling casual vacancies

If there is a casual vacancy for a member representative the remaining member representatives on the policy committee may be asked to assist the trustee in determining how the vacancy will be filled in accordance with the election rules.

JANA INVESTMENT OPTIONS

As the JANA investment options are not available to all other members of the Mercer Super Trust, it is appropriate that we provide you with the following details regarding these investment options in this supplementary annual report. Details regarding all of the other investment options available through your plan are set out in Part 2 *Investment Options Details* booklet.

Indirect Cost Ratio and Expense allowance

Details of indirect cost ratio and expense allowance are set out in the Product Disclosure Statement and/or other member materials (as applicable) for your plan.

Indirect Cost Ratio

The Indirect Cost Ratio (ICR) for the relevant period of 1 July 2018 to 30 June 2019 for the JANA investment options are included in the following. The ICR is for the year ending 30 June 2019 and is based on the actual information available and/or reasonable estimates for the period as at the date of this Supplementary Annual Report. The ICR may vary from year to year. The ICR consists of indirect costs (including but not limited to, performance related fees, any expense allowance charged by external investment trusts or managers, the net explicit transactional and operational costs and Over the Counter Derivative costs used for either hedging and non-hedging purposes) incurred by the underlying investment vehicles of the Mercer Super Trust.

Expense allowance

The expense allowance charged for the period of 1 July 2018 to 30 June 2019 was 0.044% per annum.

JANA Aggressive

Objective

To achieve a return (after tax and investment fees) that exceeds CPI increases by at least 4.00% pa over rolling five year periods.

Indirect Cost Ratio

0.18%

Asset allocation at 30 June

Asset Class	2019	2018
Australian Shares	40%	40%
International Shares	43%	43%
Real Assets	10%	10%
Alternative Assets	4%	4%
Growth Fixed Interest	0%	0%
Defensive Fixed Interest & Cash	3%	3%

JANA Assertive

Objective

To achieve a return (after tax and investment fees) that exceeds CPI increases by at least 3.50% pa over rolling five year periods

Indirect Cost Ratio

0.23%

Asset allocation at 30 June

Asset Class	2019	2018
Australian Shares	33%	33%
International Shares	34%	34%
Real Assets	10%	9%
Alternative Assets	11%	11%
Growth Fixed Interest	0%	0%
Defensive Fixed Interest & Cash	12%	13%

JANA Moderate

Objective

To achieve a return (after tax and investment fees) that exceeds CPI increases by at least 2.50% pa over rolling four year periods.

Indirect Cost Ratio

0.25%

Asset allocation at 30 June

Asset Class	2019	2018
Australian Shares	27%	27%
International Shares	28%	28%
Real Assets	11%	10%
Alternative Assets	11%	11%
Growth Fixed Interest	0%	0%
Defensive Fixed Interest & Cash	23%	24%

JANA Cautious

Objective

To achieve a return (after tax and investment fees) that exceeds CPI increases by at least 1.50% pa over rolling four year periods.

Indirect Cost Ratio

0.23%

Asset allocation at 30 June

Asset Class	2019	2018
Australian Shares	18%	17%
International Shares	19%	19%
Real Assets	10%	10%
Alternative Assets	10%	10%
Growth Fixed Interest	0%	0%
Defensive Fixed Interest & Cash	43%	44%

JANA Conservative

Objective

To achieve a return (after tax and investment fees) that exceeds CPI increases by at least 1.00% pa over rolling three year periods.

Indirect Cost Ratio

0.25%

Asset allocation at 30 June

Asset Class	2019	2018
Australian Shares	9%	8%
International Shares	8%	8%
Real Assets	10%	11%
Alternative Assets	12%	12%
Growth Fixed Interest	0%	0%
Defensive Fixed Interest & Cash	61%	61%

JANA Cash

Objective

To achieve a return (after tax and investment fees) that exceeds the Bloomberg AusBond Bank Bill Index on an annual basis.

Indirect Cost Ratio

0.00%

Asset allocation at 30 June

Asset Class	2019	2018
Australian Shares	0%	0%
International Shares	0%	0%
Real Assets	0%	0%
Alternative Assets	0%	0%
Growth Fixed Interest	0%	0%
Defensive Fixed Interest & Cash	100%	100%

JANA Australian Shares

Objective

To achieve a return (after tax and investment fees) that exceeds CPI increases by at least 5.00% pa over rolling five year periods.

Indirect Cost Ratio

0.12%

Asset allocation at 30 June

Asset Class	2019	2018
Australian Shares	100%	100%
International Shares	0%	0%
Real Assets	0%	0%
Alternative Assets	0%	0%
Growth Fixed Interest	0%	0%
Defensive Fixed Interest & Cash	0%	0%

JANA International Shares

Objective

To achieve a return (after tax and investment fees) that exceeds CPI increases by at least 5.00% pa over rolling five year periods.

Indirect Cost Ratio

0.02%

Asset allocation at 30 June

Asset Class	2019	2018
Australian Shares	0%	0%
International Shares	100%	100%
Real Assets	0%	0%
Alternative Assets	0%	0%
Growth Fixed Interest	0%	0%
Defensive Fixed Interest & Cash	0%	0%

JANA Australian & International Shares

Objective

To achieve a return (after tax and investment fees) that exceeds CPI increases by at least 5.00% pa over rolling five year periods.

Indirect Cost Ratio

0.06%

Asset allocation at 30 June

Asset Class	2019	2018
Australian Shares	51%	52%
International Shares	49%	48%
Real Assets	0%	0%
Alternative Assets	0%	0%
Growth Fixed Interest	0%	0%
Defensive Fixed Interest & Cash	0%	0%

INVESTMENT PERFORMANCE

Single year returns to 30 June 2019

Investment option	2019 (%)	2018 (%)	2017 (%)	2016 (%)	2015 (%)
JANA Aggressive	8.1	12.1	14.6	1.3	11.8
JANA Assertive	7.5	10.3	12.4	1.6	10.2
JANA Moderate	6.9	9.0	10.7	1.6	9.6
JANA Cautious	6.0	6.8	8.1	2.5	7.4
JANA Conservative	4.4	4.2	5.6	2.6	5.3
JANA Cash	2.0	1.8	2.2	1.9	2.3
JANA Australian Shares	8.5	14.0	13.5	2.0	6.2
JANA International Shares	8.5	12.4	17.1	-2.4	19.2
JANA Australian & International Shares	8.5	13.2	15.2	-0.2	12.1

Compound return to 30 June 2019

Investment option	1 year %	5 years % pa	10 years % pa
JANA Aggressive	8.1	9.5	10.3
JANA Assertive	7.5	8.3	9.2
JANA Moderate	6.9	7.5	8.2
JANA Cautious	6.0	6.1	7.1
JANA Conservative	4.4	4.4	5.6
JANA Cash	2.0	2.0	3.0
JANA Australian Shares	8.5	8.7	10.2
JANA International Shares	8.5	10.7	10.9
JANA Australian & International Shares	8.5	9.6	10.5

Single year and compound returns are calculated assuming that \$1.00 is invested at the start of the relevant period and that no further amounts are invested over the period. Returns are based on exit prices and allow for the deduction of tax and investment fees (but not administration fees or other fees).

Compound returns are calculated as the average of annual returns. For example, if returns are 5.00%, 6.00% and 7.00% over three consecutive years, the compound return is 6.00% per annum, as the same result could be achieved by earning a return of 6.00% in each of the three years.

You should carefully consider the risks of each of the options before making any investment decisions. You should be aware that investment returns can be volatile and the value of your investments may increase or decrease. You should not rely on past performance as an indicator of the future performance of any of the investment options.

You can obtain up to date returns for your plan's investment options (excluding the Mercer Direct investment option) in the *Mercer Super Trust Monthly Report* by logging into your account at mercersuper.com.

We strongly recommend that you speak to a licensed, or appropriately authorised, financial adviser before making any decision about your super.

JANA INVESTMENT STRUCTURE AND MANAGER CHANGES

The 9 JANA Ready-made options are a set of investment options where the investment managers and asset allocations are selected and monitored for you by JANA.

JANA advises 80 institutional clients with assets of approximately \$550 billion as at 30 June 2019. This includes managing approximately \$11 billion for clients in a range of diversified and single asset class trusts on the JANA Implemented Consulting Platform.

Please refer to Part 1 of the Mercer Super Trust annual report for a list of the investment managers that apply to the Mercer Investment Options.

The investment managers for the JANA investment options as at 30 June 2019 are:

Fund type	Manager
Australian Shares	<ul style="list-style-type: none"> • BEM • Colonial First State • Cooper Investors • Fairview Equity Partners • Fidelity • Firetrail • Paradice Investment Management • Solaris Investment Management • Spheria • Ubique • Vanguard
International Shares	<ul style="list-style-type: none"> • C Worldwide • Harding Loevner Funds • Macquarie • Neuberger Berman Australia Pty Ltd • PanAgora • Pzena Investment Management • Redpoint • Sands Capital • Schroders • TT International • Tweedy Browne • Vanguard
Real Assets	<ul style="list-style-type: none"> • AMP Capital Investors • Dexus • Morgan Stanley • Resolution
Alternative Assets	<ul style="list-style-type: none"> • AMP Capital Investors • BlackRock • BNP Paribas • Insight • Redpoint
Growth Fixed Interest	<ul style="list-style-type: none"> • Amundi • Antares Capital • BNP Paribas • Insight • Loomis • Muzinich & Co • PIMCO • Shenkman • UBS • Wellington
Defensive Fixed Interest & Cash	<ul style="list-style-type: none"> • Antares Capital

CHANGE IN NET ASSETS IN YOUR PLAN TO 30 JUNE 2019

Net assets at 1 July 2018	\$3,036,350,482
Plus	
Net investment revenue	\$191,004,302
Employer contributions*	\$158,077,862
Member contributions	\$7,766,748
Government co-contributions	\$334,083
Transfers	\$90,320,108
Insurance proceeds	\$15,935,585
Total revenue	\$463,438,688
Less	
Fund transfer	\$1,370,365,241
Benefits paid	\$261,525,503
Administration fees	\$3,015,131
Group insurance premiums	\$15,083,985
Contributions and surcharge tax	\$23,186,944
Total expenses	\$1,673,176,804
Equals	
Net assets* at 30 June 2019	\$1,826,612,366

* The amounts shown as employer contributions include any pre-tax or salary sacrifice member contributions.

This includes unallocated assets which may be used to pay plan expenses, insurance premiums and for any other purpose approved by the trustee. As at 30 June 2019 unallocated assets were equal to 0.03% of net plan assets.

This information has been prepared on a cash basis.

The financial information contained in this Supplementary Annual Report for your plan has not been audited. This information does form part of the full financial accounts for the Mercer Super Trust in which your plan participates. You can request a copy of the Mercer Super Trust full audited accounts and the auditor's report by contacting the Helpline.

STATEMENT OF FINANCIAL POSITION OF YOUR PLAN AT 30 JUNE 2019

Assets (investment options)

Ready-made investment options	
Mercer SmartPath	\$1,065,826,561
Mercer Diversified Shares	\$13,767,672
Mercer High Growth	\$45,508,506
Mercer Growth	\$53,333,053
Mercer Moderate Growth	\$39,056,663
Mercer Conservative Growth	\$23,306,380
Mercer Cash	\$19,241,264
Select-your-Own investment options	
JANA Aggressive	\$111,902,588
JANA Assertive	\$123,867,786
JANA Australian & International Shares	\$9,951,181
JANA Australian Shares	\$9,490,540
JANA Cash	\$12,565,385
JANA Cautious	\$32,274,567
JANA Conservative	\$31,795,768
JANA Moderate	\$134,251,732
JANA International Shares	\$3,868,019
JANA Pension Assets*	\$4,508,748
Mercer Select Growth	\$812,345
Mercer Income Plus	\$3,026,031
Mercer Australian Shares	\$12,460,095
Mercer Australian Small Companies	\$1,327,683
Mercer Overseas Shares (Unhedged)	\$7,287,493
Mercer Hedged Overseas Shares	\$1,363,666
Mercer Overseas Small Companies	\$2,036,083
Mercer Emerging Markets	\$1,176,984
Mercer Property	\$2,274,083
Mercer Australian Listed Property	\$3,313,193
Mercer Overseas Listed Property	\$741,549
Mercer Global Listed Infrastructure	\$205,591
Mercer Diversified Alternatives	\$62,404
Mercer Fixed Interest	\$5,389,470

Select-your-Own investment options (cont.)	
Mercer Australian Sovereign Bonds	\$1,796,017
Mercer Overseas Sovereign Bonds	\$892,647
Mercer Term Deposit	\$1,041,072
Mercer Socially Responsible Shares	\$1,493,081
Mercer Socially Responsible Growth	\$410,568
Indexed Diversified Shares	\$526,415
Indexed Australian Shares	\$3,173,340
Indexed Overseas Shares	\$2,137,615
Enhanced Indexed Growth	\$4,003,660
Enhanced Indexed Conservative Growth	\$1,519,432
Mercer Direct	\$3,827,892
Challenger Annuity – Wesfarmers*	\$29,797,544
Total	\$1,826,612,366

* The JANA Pension Assets and Challenger Annuity are Defined Benefit Pension Fund Assets and are not available to members as investment options.

This supplementary annual report has been issued by Mercer Superannuation (Australia) Limited (MSAL) ABN 79 004 717 533, Australian Financial Services Licence #235906, the trustee of the Mercer Super Trust ABN 19 905 422 981. Mercer is a registered trademark of Mercer (Australia) Pty Ltd (Mercer) ABN 32 005 315 917.

The information contained in this Supplementary Annual Report includes general product advice which has been prepared without taking into account the personal objectives, financial situation or needs of individual members. Before making any decisions about your super, you should consider the information in light of your own objectives, financial situation and needs and read and consider the current Product Disclosure Statement (PDS) and/or other member materials specific to your plan. Copies of these documents are available at mercersuper.com or by calling the Helpline on **1800 682 525**.

It is also recommended that you obtain advice from a licensed, or appropriately authorised, financial adviser.

You should be aware that the value of an investment in the Mercer Super Trust may rise and fall. None of MSAL, Mercer nor any of the investment managers guarantees the investment performance, earnings or return of capital invested in the Mercer Super Trust. © 2019, Mercer LLC. All rights reserved.