

Mercer Super Trust

# Monthly Report

Allocated Pension Division

August 2024

# Financial markets update

## **Economic overview**

Data released in August painted a mixed picture of economic conditions in Australia. Private capital expenditure fell -2.2% Quarter-on-Quarter (QoQ) with the Australian Bureau of Statistics (ABS) noting the sharpest declines in the retail sector. Businesses surveys improved modestly, driven by gains in the wholesale and construction sectors, while the labour market remained strong with 60,500 new full-time jobs added in July. The unemployment rate increased marginally to 4.2% in July (from 4.1% in June) with more people looking for work.

The Reserve Bank of Australia (RBA) kept interest rates unchanged at 4.35% p.a., with RBA Governor Bullock cautioning against expecting future interest cuts in the coming months, noting it had considered raising rates.

The July Consumer Price Index (CPI) declined from 3.8% to 3.5% Year-on-Year (YoY) in July, mainly driven by the government's energy rebate. Services inflation remains elevated due to residential rents which eased only slightly from 7.1% to 6.9% YoY in July.

Fears of a US recession increased in August as the US unemployment rate rose from 4.1% to 4.3% in July. Most other US data remained strong, including Q2'24 Gross Domestic Product (GDP) which was revised up to 3.0% QoQ annualised<sup>1</sup> driven by strong household consumption. Inflation appears to be easing, with the latest US Consumer Price Index (CPI) excluding food and energy declining from 3.3% to a 3.2% YoY in July. Meanwhile, the US Federal Reserve (Fed) Chair Jerome Powell signalled upcoming interest rate cuts citing the cooling labour market was a bigger concern than inflation risks.

Economic activity in Europe improved in August, especially in France's services sectors with business surveys attributing this to the Olympics. Growth overall has however remained weak with the preliminary estimate of Q2'24 GDP at 0.3% QoQ. Disinflation has stalled in the region, due to services inflation, prompting European Central Bank officials to emphasise that their decision in September will be data dependent.

There were further signs of improvement in Japan with the preliminary estimate of Q2'24 GDP strong at 0.8% QoQ. Many of the underlying components recorded positive growth including business investment and private residential investments. Notably, private consumption rebounded by 1.0% QoQ, the first positive reading since Q1'23, driven by rising wages. Meanwhile, activity in China has remained lacklustre. Retail sales recovered modestly in July, driven by an extended online sales event. The pace of industrial production and fixed asset investment slowed, while property prices declined in most cities in July.

## **Market review**

The Australian equity market ended August with a positive return, recovering from an initial decline as concerns of a US recession subsided. Meanwhile, Australian government bonds rallied, supported by international economic and market developments, whilst the Australian dollar (AUD) appreciated against the major currencies due to the RBA's comments cautioning against expectations for interest rate cuts in the near term.

International equity markets ended the month higher on an AUD currency hedged basis. Markets declined earlier in the month due to US recession fears but recovered as subsequent economic data alleviated US recession concerns. Meanwhile, international government bond markets rallied in August supported by US recession concerns and comments from Fed Chair Powell signalling upcoming interest rate cuts.

<sup>1</sup> seasonally adjusted

# Mercer Ready-Made Options

## Mercer SmartPath® Ready-Made Investment Option<sup>2</sup>

Total Returns (%) (after fees and taxes) <sup>1</sup>	1 month	Financial year to date from 1 July	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)	10 years (p.a.)
Born prior to 1949	0.5	3.2	9.8	4.6	5.6	6.5	n/a
Born 1949 to 1953	0.5	3.1	9.5	4.5	5.5	6.4	n/a
Born 1954 to 1958	0.5	3.1	9.8	4.3	5.9	6.8	n/a
Born 1959 to 1963	0.3	3.3	11.0	4.9	7.0	7.9	n/a
Born 1964 to 1968	0.2	3.6	12.9	n/a	n/a	n/a	n/a

## Other Mercer Ready-Made Investment Options

Total Returns (%) (after fees and taxes) <sup>1</sup>	1 month	Financial year to date from 1 July	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)	10 years (p.a.)
<b>Investment Option</b>							
Mercer Diversified Shares	-0.3	4.0	14.6	6.8	9.7	10.5	10.0
Mercer High Growth	-0.1	3.4	13.6	6.1	8.5	9.3	8.9
Mercer Select Growth	-0.2	2.5	9.9	4.9	7.5	8.5	n/a
Mercer Growth	0.3	3.6	12.6	n/a	n/a	n/a	n/a
Mercer Moderate Growth	0.2	2.5	9.4	4.2	5.5	6.4	6.4
Mercer Conservative Growth	0.6	2.6	7.6	2.9	3.8	4.7	4.9

### NOTES

**Past performance is not a reliable indicator of future performance.**

n/a indicates that the investment option was not operating for the full period.

- Total Returns are calculated based on exit prices of the investment option which are after tax (as applicable) and investment fees/indirect costs. Returns greater than one year are shown on an annualised basis.
- Differences between returns for each path can reflect different underlying investment strategies, or where strategies are the same, the timing of cash flows in the establishment of Mercer SmartPath®.

## Mercer Select-Your-Own Options

Total Returns (%) (after fees and taxes) <sup>1</sup>	1 month	Financial year to date from 1 July	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)	10 years (p.a.)
<b>Mercer Sustainable Options</b>							
Mercer Sustainable High Growth	0.8	2.1	13.4	n/a	n/a	n/a	n/a
Mercer Sustainable Conservative Growth	0.6	1.9	6.6	n/a	n/a	n/a	n/a
<b>Mercer Sector Options</b>							
Mercer Australian Shares	0.7	4.6	16.4	8.5	9.9	11.1	9.8
Mercer International Shares	-1.1	2.9	17.5	7.5	11.5	12.5	12.5
Mercer International Shares - Hedged	1.9	2.9	21.8	5.8	11.3	10.0	9.9
Mercer Property	2.8	5.2	7.6	3.6	5.2	6.5	7.2
Mercer Global Listed Property	4.2	9.2	16.1	n/a	n/a	n/a	n/a
Mercer Fixed Interest	1.1	2.8	5.6	-1.9	-0.6	1.4	2.1
Mercer Cash	0.4	0.8	4.5	2.8	1.8	1.9	2.0
<b>Mercer Passive/Enhanced Options</b>							
Mercer Passive Australian Shares	0.4	4.9	15.1	7.9	9.2	10.4	9.3
Mercer Passive International Shares	-1.2	2.9	18.7	9.7	13.1	13.8	13.2
Mercer Passive Australian Listed Property	0.6	7.7	25.6	5.5	5.0	8.2	8.5
Mercer Enhanced Passive High Growth	0.3	4.4	16.6	n/a	n/a	n/a	n/a
Mercer Enhanced Passive Growth	0.4	3.6	13.4	4.9	7.0	8.1	8.1
Mercer Enhanced Passive Moderate Growth	0.5	3.3	11.2	n/a	n/a	n/a	n/a
Mercer Enhanced Passive Conservative Growth	0.5	2.5	8.1	2.3	3.4	4.8	5.1

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# Taxed Investment Options

## Investment Options for Transition to Retirement Pension

Total Returns (%) - (after fees and taxes) <sup>1</sup>	1 month	Financial year to date from 1 July	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)	10 years (p.a.)
<b>Ready-Made – SmartPath®</b>							
Taxed Mercer SmartPath® Born 1959-1963	0.3	2.9	10.0	4.4	6.0	6.8	n/a
Taxed Mercer SmartPath® Born 1964-1968	0.1	3.2	10.8	n/a	n/a	n/a	n/a
<b>Ready-Made</b>							
Taxed Mercer High Growth	0.1	3.4	12.4	5.5	7.6	8.3	n/a
Taxed Mercer Select Growth	0.0	2.8	9.2	4.7	n/a	n/a	n/a
Taxed Mercer Moderate Growth	0.3	2.6	8.4	3.8	5.0	5.7	n/a
Taxed Mercer Conservative Growth	0.8	2.7	7.2	2.8	3.5	4.3	n/a
<b>Select-Your-Own – Mercer Sustainable</b>							
Taxed Mercer Sustainable High Growth	0.6	1.7	10.2	n/a	n/a	n/a	n/a
Taxed Mercer Sustainable Conservative Growth	0.6	1.7	6.3	n/a	n/a	n/a	n/a
<b>Select-Your-Own – Mercer Sector</b>							
Taxed Mercer Australian Shares	0.6	5.0	14.4	7.3	8.5	9.5	n/a
Taxed Mercer International Shares	-1.1	2.6	16.5	8.0	11.6	12.2	n/a
Taxed Mercer International Shares – Hedged	1.4	2.2	18.7	n/a	n/a	n/a	n/a
Taxed Mercer Property	2.1	4.0	6.4	3.2	4.8	5.9	n/a
Taxed Mercer Global Listed Property	3.7	8.1	14.3	n/a	n/a	n/a	n/a
Taxed Mercer Fixed Interest	1.0	2.6	5.2	-1.6	-0.5	1.3	n/a
Taxed Mercer Cash	0.3	0.6	3.8	2.3	1.5	1.6	n/a
<b>Select-Your-Own – Mercer Passive/Enhanced</b>							
Taxed Mercer Passive Australian Shares	0.3	4.4	13.6	n/a	n/a	n/a	n/a
Taxed Mercer Passive International Shares	-1.2	2.4	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Passive Australian Listed Property	0.5	6.7	23.1	n/a	n/a	n/a	n/a
Taxed Mercer Enhanced Passive Growth	0.4	3.1	12.2	4.5	6.6	7.3	n/a

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