

Mercer Super Trust

Monthly report

Allocated Pension Division

February 2023

Financial markets update

Both risk and duration assets sold off in February as pessimism over the monetary policy outlook took hold.

The US economy is showing few signs of a material slowdown in spite of almost a year of monetary tightening. Even though more large companies announced layoffs in February, the labour market as a whole remains exceptionally strong. Consumer confidence strengthened to the highest level in over a year, retail spending came in much stronger than expected and one of the forward looking purchasing manager composite indices returned into expansionary territory. Outside the US, economic data also indicated stronger growth momentum.

Consumer inflation continued to come down from high levels in the US, UK and Eurozone, although increased in Japan and China. US producer inflation, however, came in stronger than expected. The combination of a resilient economy and mixed signals on inflation turned sentiment for the worse. Markets once again priced in the possibility of more inflationary growth momentum that could force central banks to continue with monetary tightening.

Over February, Hedged Developed Markets Overseas Shares returned -1.6% as earnings season continues to be disappointing. Earnings appear set to decrease for the first time since mid-2020. Earnings aside, increased concerns over more monetary tightening than was priced in at the beginning of 2023 added to negative sentiment.

In February, emerging markets underperformed developed equities, declining 2.3% as large markets such as Brazil, India and Korea saw negative returns. While foreign inflows into China have been strong over the last few months, domestic equity investors still remain cautious.

Hedged Overseas Government Bonds returned -1.8% over the month. Ten-year yields in developed countries rose over the month as markets priced more monetary tightening. Rising credit spreads were an additional headwind for investment grade bonds during the month, while high yield spreads declined slightly. Australian Bonds also produced a negative return, returning -1.6% over the month as yields increased.

Australian Shares returned -2.5%, underperforming their overseas counterparts in February. The more defensive sectors tended to outperform, with utilities the top performer (3.4%), meanwhile sectors leveraged to the economy struggled, with materials being the worst performer (-6.7%).

Mercer Ready-Made Options

Mercer SmartPath® Ready-Made Investment Option

Total Returns (%) ¹ (after fees and taxes)	1 month	Financial year to date	1 year	3 years (p.a.) ³	5 years (p.a.) ³
Born prior to 1949	-0.2	6.0	1.6	4.1	5.3
Born 1949 to 1953	-0.2	6.1	1.6	4.0	5.2
Born 1954 to 1958	-0.2	6.6	1.5	4.5	5.7
Born 1959 to 1963	-0.3	7.7	1.8	5.7	6.6
Born 1964 to 1968	-0.3	n/a	n/a	n/a	n/a

Other Mercer Ready-Made Investment Options

Total Returns (%) (after fees and taxes) ¹	1 month	Financial year to date	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)	10 years (p.a.)
Investment Option							
Mercer Diversified Shares	-0.4	11.1	2.9	8.4	8.3	10.5	10.2
Mercer High Growth	-0.3	9.7	2.8	6.9	7.5	9.2	9.0
Mercer Select Growth	-0.1	7.4	2.2	6.7	7.4	8.5	n/a
Mercer Moderate Growth	-0.2	5.9	1.0	3.8	5.2	6.2	6.5
Mercer Conservative Growth	-0.2	3.7	0.0	2.2	3.8	4.5	4.9
Mercer Cash	0.3	1.7	1.8	0.7	1.2	1.4	1.8

Excess Returns (%) (before fees and taxes) ²	1 month	Financial year to date	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)	10 years (p.a.)
Investment Option							
Mercer Diversified Shares	0.4	0.0	0.1	0.6	0.0	0.0	0.1
Mercer High Growth	0.2	-0.1	-1.2	0.3	0.4	0.5	0.6
Mercer Select Growth	0.1	-0.6	-1.0	0.3	0.7	0.8	-
Mercer Moderate Growth	0.1	-0.2	-1.3	0.1	0.1	0.2	0.4
Mercer Conservative Growth	0.2	-0.1	-1.0	0.2	0.2	0.3	0.5
Mercer Cash	0.0	0.1	0.2	0.2	0.2	0.3	0.3

NOTES

Past performance is not a reliable indicator of future performance

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.

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

- Total Returns** are based on exit prices and allow for deduction of investment fees including indirect costs (but not administration or other fees). Returns greater than one year are shown on an annualised basis.
- Excess Returns Relative to Benchmark** are calculated by the difference between product performance (before fees and taxes) and the asset-weighted benchmark return. Benchmarks are listed on page 6. Asset weights used are those shown in the Investment Option's Product Disclosure Statement or Investment Policy Statement, as relevant. Returns greater than one year are shown on an annualised basis.
- Mercer SmartPath was made available as an option in May 2016.

Mercer Select-Your-Own Options

Total Returns (%) (after fees and taxes) ¹	1 month	Financial year to date	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)	10 years (p.a.)
Sustainable Plus Options*							
Mercer Sustainable Plus Shares	-0.8	11.2	0.5	8.0	7.8	9.9	9.7
Mercer Sustainable Plus Australian Shares	-2.3	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Sustainable Plus Global Shares	1.9	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Sustainable Plus Growth	-0.4	8.5	1.8	6.9	7.0	8.1	8.1
Mercer Sector Options							
Mercer Australian Shares	-1.9	14.6	8.4	10.4	9.9	11.7	9.8
Mercer International Shares	2.3	9.5	1.9	7.7	9.4	11.0	13.2
Mercer International Shares - Hedged	-1.4	6.5	-4.5	8.4	6.1	9.9	9.8
Mercer Property	-1.6	1.7	-0.8	5.6	7.1	7.9	8.2
Mercer Fixed Interest	-1.7	-0.8	-7.3	-3.5	0.5	1.2	2.3
Passive/Enhanced Options							
Mercer Passive Australian Shares	-2.5	15.7	9.0	9.5	9.3	11.4	9.1
Mercer Passive International Shares	2.1	9.7	-0.3	8.3	10.1	11.2	13.3
Mercer Passive Australian Listed Property	-0.3	11.8	-6.7	0.9	6.2	5.3	7.7
Mercer Enhanced Passive Growth	-1.0	7.4	-0.1	4.7	6.3	7.7	8.1
Mercer Enhanced Passive Conservative Growth	-0.6	3.7	-1.4	1.4	3.9	4.4	5.2

NOTES

Past performance is not a reliable indicator of future performance

- Total Returns** are based on exit prices and allow for deduction of investment fees including indirect costs (but not administration or other fees). Returns greater than one year are shown on an annualised basis.

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

Taxed Investment Options

Investment Options for Transition to Retirement Pension

Total Returns (%) (after fees and taxes) ¹	1 month	Financial year to date	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)	10 years (p.a.)
Ready-Made - SmartPath							
Born 1954-1958	-0.3	6.0	0.7	3.6	4.7	n/a	n/a
Born 1959-1963	-0.3	6.9	1.3	4.4	5.3	n/a	n/a
Ready-Made							
Taxed Mercer High Growth	-0.3	8.4	2.1	6.1	6.6	n/a	n/a
Taxed Mercer Select Growth	-0.1	6.6	1.8	-	-	n/a	n/a
Taxed Mercer Moderate Growth	-0.3	5.1	0.6	3.3	4.5	n/a	n/a
Taxed Mercer Conservative Growth	-0.2	3.1	-0.3	1.9	3.3	n/a	n/a
Taxed Mercer Cash	0.2	1.5	1.6	0.5	0.9	n/a	n/a
Select-Your-Own							
Taxed Mercer Australian Shares	-1.8	13.3	6.6	8.2	8.1	n/a	n/a
Taxed Mercer International Shares	2.1	8.7	1.5	7.6	9.0	n/a	n/a
Taxed Mercer Property	-1.5	1.0	-1.1	5.2	6.5	n/a	n/a
Taxed Mercer Fixed Interest	-1.5	-0.7	-6.7	-3.3	0.4	n/a	n/a
Taxed Mercer Enhanced Passive Growth	-0.9	5.3	-1.3	4.3	5.7	n/a	n/a

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 based on exit prices and allow for deduction of tax and investment fees including indirect costs (but not administration or other fees). Returns greater than one year are shown on an annualised basis.

Asset class benchmarks

Shares	
Australian Shares	S&P/ASX 300 Accumulation Index
International Shares	Unhedged: MSCI World Index (ex Australia) in A\$ with net dividends reinvested Hedged: MSCI World Index (ex Australia) in A\$ (Hedged) with net dividends reinvested Passive Unhedged: MSCI World Index (ex Australia, ex tobacco, ex controversial weapons) in A\$ Passive Hedged: MSCI World Index (ex Australia, ex tobacco, ex controversial weapons) in A\$ (Hedged)
Sustainable Plus Global Shares	Hedged: MSCI World (NRD) Index in A\$ (Hedged) Unhedged: MSCI World (NRD) Index in A\$
Sustainable Plus Australian Shares	S&P/ASX 300 Accumulation Index
Property and Infrastructure	
Direct Property	CPI + 4%
Listed Property	FTSE EPRA/NAREIT Developed Index in A\$ (Hedged)
Passive Australian Listed Property	S&P/ASX 200 Property Trusts Accumulation Index
Defensive Fixed Interest	
Australian Sovereign Bonds	Bloomberg Australian Treasury Bond Index 0+ (All Maturities)
Global Sovereign Bonds	JP Morgan Global Sovereign Bond Index in A\$ (Hedged) <i>From December 2013 to January 2017, the benchmark was the JP Morgan Global Sovereign Bond Index (Customised) in A\$ (Hedged). Prior to November 2013 it was 50% JP Morgan Global Government Bond Index in A\$ (Hedged) and 50% JP Morgan Customised Index. Therefore, the calculations for longer period benchmark returns are inclusive of this data.</i>
Cash	
Cash	Bloomberg AusBond Bank Bill Index

This report has been prepared by Mercer Investments (Australia) Limited (MIAL) ABN 66 008 612 397, Australian Financial Services Licence #244385 on behalf of Mercer Superannuation (Australia) Limited (MSAL) ABN 79 004 717 533, Australian Financial Services Licence #235906 which is the trustee of the Mercer Super Trust ABN 19 905 422 981 and a wholly owned subsidiary of Mercer (Australia) Pty Ltd (Mercer) ABN 32 005 315 017. MSAL has appointed MIAL as an investment consultant.

'MERCER' and 'Mercer SmartPath' are Australian registered trademarks of Mercer (Australia) Pty Ltd (Mercer) ABN 32 005 315 917.

Investors should be aware that the value of an investment in the Mercer Super Trust may rise and fall from time to time and that neither MSAL, MIAL nor Mercer guarantees the investment performance, earnings or return of capital invested in the Mercer Super Trust. The information contained in this Investment Report is of a general nature only and does not take into account the personal objectives, financial situation or needs of individual investors. Accordingly, before making any investment decision, you should read the current Product Disclosure Statement for the Allocated Pension Division of the Mercer Super Trust and obtain personal financial advice from a licensed, or appropriately authorised, financial adviser. The investment returns shown for the Mercer Super Trust investment options throughout this Investment Report do not take into account the unique characteristics applied to each investor (such as timing of cash flow). As a result, the actual investment returns applying to a particular investor may differ from the returns shown in this Investment Report. You should also remember that past performance is not a reliable indicator of future performance.

Report issued: 21 March 2023 | © Copyright 2023 Mercer Investments (Australia) Limited | All rights reserved.

Mercer Super Trust Helpline: 1800 671 369
If calling from outside Australia: +613 8306 0906
www.mercersuper.com.au