

Mercer Super Trust

Monthly report

Allocated Pension Division

March 2023

Financial markets update

Risk asset returns were mixed over March, whilst defensive assets delivered gains as markets digested financial sector developments in the US and Europe.

Financial distress at a California-based regional bank culminated in the second biggest US bank failure in history. Two other regional banks also went into administration. Outside the US, investors digested UBS's takeover of Credit Suisse and subsequent turmoil in bond markets. Swiss authorities let Credit Suisse's riskiest bonds be wiped out, while equity holders received a small amount of equity in UBS as part of the transaction. While these issues were seen as idiosyncratic and largely driven by poor management of individual banks, there is a pattern of weaker businesses struggling amid high interest rates and declining market liquidity.

Employment and activity data continued to be resilient in the US with signs of recovery emerging from the UK and Europe. Inflation in the US continued to trend down. However, inflation fell by less than expected in the Eurozone and rose in the UK. Central banks consequently hiked rates by 25 bps in the US / Eurozone and 50 bps in the UK.

Over March, Hedged Developed Markets Overseas Shares returned 2.5%, most sectors posted positive returns, although financials sold off strongly amid the banking turmoil. Cyclical areas of the market such as small-caps and energy also struggled.

Emerging Market Shares (UH) marginally underperformed unhedged Overseas Shares in March. China, Taiwan and Korea had modestly positive returns in USD terms, whilst Brazil experienced slightly negative returns.

Hedged Overseas Government Bonds returned 2.6% over the month as bond yields fell sharply across the developed world. In the US, 10-year and 30-year bond yields fell 44bps and 26bps, respectively. In developed markets outside the US, 10-year yields fell by 20–50 bps. US inflation expectations, as measured by the 10-year inflation breakeven rate, fell from 2.4% to 2.3%. Australian Bonds also produced a positive return of 3.5% over the month as yields decreased.

Since the demise of Silicon Valley Bank and emergency merger of Credit Suisse and UBS, liquidity in fixed income markets has diminished and fundraising has slowed with limited corporate bond issuance or IPO activity.

Australian Shares returned -0.2%, underperforming their overseas counterparts in March. Materials (5.6%) and Communication Services (3.3%) were the strongest sectors, meanwhile Property (-6.9%), and Financials (-4.9%) were the largest detractors.

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	1.2	7.3	2.1	7.4	5.6
Born 1949 to 1953	1.2	7.4	2.1	7.4	5.6
Born 1954 to 1958	1.0	7.7	1.7	8.1	6.0
Born 1959 to 1963	1.0	8.8	1.6	9.7	7.0
Born 1964 to 1968	0.9	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	1.4	12.6	1.9	15.2	9.2	10.2	10.5
Mercer High Growth	0.9	10.7	1.8	12.3	8.1	9.0	9.1
Mercer Select Growth	0.7	8.2	2.0	10.7	7.8	8.4	n/a
Mercer Moderate Growth	1.5	7.5	2.0	7.6	5.7	6.2	6.6
Mercer Conservative Growth	1.2	5.0	1.0	4.6	4.1	4.6	5.0
Mercer Cash	0.3	2.0	2.1	0.8	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	-0.3	-0.3	0.2	0.7	-0.1	0.1	0.1
Mercer High Growth	-0.5	-0.6	-1.6	0.7	0.3	0.5	0.6
Mercer Select Growth	-0.6	-1.3	-1.6	1.3	0.5	0.8	n/a
Mercer Moderate Growth	-0.3	-0.5	-1.6	1.0	0.1	0.3	0.4
Mercer Conservative Growth	-0.4	-0.4	-1.4	0.7	0.1	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	0.9	12.2	-1.1	14.1	8.5	9.6	9.9
Mercer Sustainable Plus Australian Shares	-0.7	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Sustainable Plus Global Shares	2.4	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Sustainable Plus Growth	1.1	9.7	1.7	11.3	7.5	7.9	8.2
Mercer Sector Options							
Mercer Australian Shares	0.1	14.7	2.1	18.4	10.7	11.0	10.0
Mercer International Shares	2.9	12.7	6.1	12.3	10.3	11.6	13.6
Mercer International Shares - Hedged	1.5	8.1	-5.6	14.9	7.2	9.3	9.8
Mercer Property	-1.3	0.4	-3.4	10.1	6.7	7.2	7.9
Mercer Fixed Interest	2.9	2.1	-2.1	-1.9	1.0	1.6	2.5
Passive/Enhanced Options							
Mercer Passive Australian Shares	-0.2	15.4	1.9	18.0	10.1	10.7	9.3
Mercer Passive International Shares	3.9	14.0	4.4	12.8	11.2	11.9	13.7
Mercer Passive Australian Listed Property	-6.8	4.2	-14.1	13.2	4.8	3.9	7.1
Mercer Enhanced Passive Growth	1.5	8.9	-0.2	9.7	6.9	7.7	8.3
Mercer Enhanced Passive Conservative Growth	1.5	5.3	0.0	4.3	4.2	4.6	5.3

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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	1.5	7.6	1.8	7.0	5.2	n/a	n/a
Born 1959-1963	1.1	8.1	1.3	8.3	5.8	n/a	n/a
Born 1964-1968	0.6	n/a	n/a	n/a	n/a	n/a	n/a
Ready-Made							
Taxed Mercer High Growth	0.7	9.2	1.3	11.0	7.1	n/a	n/a
Taxed Mercer Select Growth	0.9	7.5	1.9	n/a	n/a	n/a	n/a
Taxed Mercer Moderate Growth	1.6	6.8	1.8	6.7	5.0	n/a	n/a
Taxed Mercer Conservative Growth	1.3	4.4	0.8	4.1	3.6	n/a	n/a
Taxed Mercer Cash	0.3	1.7	1.8	0.6	1.0	n/a	n/a
Select-Your-Own							
Taxed Mercer Australian Shares	-0.2	13.1	1.0	16.0	8.8	n/a	n/a
Taxed Mercer International Shares	2.8	11.7	5.5	11.7	9.7	n/a	n/a
Taxed Mercer Property	-0.9	0.1	-3.3	9.0	6.2	n/a	n/a
Taxed Mercer Fixed Interest	2.6	1.9	-1.9	-1.8	0.7	n/a	n/a
Taxed Mercer Enhanced Passive Growth	1.6	7.0	-1.3	8.9	6.2	n/a	n/a

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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

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