



Mercer Super Trust

# Monthly report

Corporate Superannuation 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 (%) – after fees and taxes <sup>1</sup>	1 month	3 months	Financial year to date	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)
Born prior to 1929	-0.3	0.2	4.9	0.0	2.7	4.1	4.9
Born 1929 to 1933	-0.2	0.3	5.4	0.5	3.2	4.4	5.1
Born 1934 to 1938	-0.3	0.3	5.4	0.5	2.9	4.3	5.0
Born 1939 to 1943	-0.2	0.4	5.3	0.4	2.8	4.2	5.0
Born 1944 to 1948	-0.2	0.3	5.2	0.4	2.9	4.1	5.0
Born 1949 to 1953	-0.2	0.3	5.2	0.4	2.9	4.2	5.2
Born 1954 to 1958	-0.2	0.4	5.9	1.2	3.9	4.9	6.0
Born 1959 to 1963	-0.2	0.4	6.9	1.4	4.7	5.5	6.7
Born 1964 to 1968	-0.2	0.4	8.1	2.0	5.7	6.2	7.6
Born 1969 to 1973	-0.3	0.4	8.6	2.0	6.2	6.6	8.1
Born 1974 to 1978	-0.3	0.4	8.6	2.0	6.2	6.6	8.1
Born 1979 to 1983	-0.3	0.4	8.6	2.0	6.3	6.7	8.2
Born 1984 to 1988	-0.3	0.4	8.6	1.9	6.3	6.6	8.1
Born 1989 to 1993	-0.3	0.4	8.6	1.8	6.1	6.5	8.0
Born 1994 to 1998	-0.3	0.4	8.5	1.8	6.1	6.5	8.0
Born 1999 to 2003	-0.3	0.4	8.4	1.8	6.0	6.3	7.8
Born 2004 to 2008	-0.4	0.3	8.3	1.6	5.5	n/a	n/a

### 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.

<sup>1</sup>**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. n/a indicates that the investment option was not operating for the full period.

# Mercer Ready-Made Options

## Other Mercer Ready-Made Investment Options

Total Returns (%) – after fees and taxes <sup>1</sup>	1 month	Financial year to date	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	-0.5	9.6	1.9	7.4	7.2	9.3	9.0
Mercer High Growth	-0.3	8.7	2.2	6.5	6.8	8.3	8.1
Mercer Select Growth	0.0	6.7	1.7	5.0	6.0	7.3	n/a
Mercer Moderate Growth	-0.2	5.2	0.7	3.2	4.5	5.4	5.7
Mercer Conservative Growth	-0.2	3.4	-0.2	2.0	3.4	4.0	4.4
Mercer Cash	0.2	1.5	1.6	0.6	1.0	1.3	1.6

Excess Returns (%) – before fees and taxes <sup>2</sup>	1 month	Financial year to date	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	0.4	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	n/a
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

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<sup>1</sup>**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.

<sup>2</sup>**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 Product Disclosure Statement or Investment Policy Statement, as relevant. 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.

## Mercer Select-Your-Own Options

Total Returns (%) – after fees and taxes <sup>1</sup>	1 month	Financial year to date	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)	10 years (p.a.)
<b>Sustainable Plus options*</b>							
Mercer Sustainable Plus Australian Shares	-2.0	12.8	5.5	8.2	n/a	n/a	n/a
Mercer Sustainable Plus Global Shares	1.7	8.5	-1.9	5.7	n/a	n/a	n/a
Mercer Sustainable Plus High Growth	-0.4	9.0	1.5	6.7	n/a	n/a	n/a
Mercer Sustainable Plus Growth	-0.3	7.6	1.2	6.0	6.2	7.1	7.1
Mercer Sustainable Plus Moderate Growth	-0.3	5.8	0.6	3.4	n/a	n/a	n/a
Mercer Sustainable Plus Conservative Growth	-0.3	3.3	-0.5	2.1	n/a	n/a	n/a
<b>Mercer Sector Options</b>							
Mercer Australian Shares	-1.8	13.4	6.6	8.2	8.0	10.0	8.1
Mercer International Shares	2.2	8.9	1.8	7.5	8.9	10.3	12.0
Mercer International Shares - Hedged	-1.3	6.0	-4.1	7.8	5.6	9.0	8.9
Mercer Property	-1.5	1.6	-3.6	3.4	5.0	6.0	6.7
Mercer Fixed Interest	-1.5	-0.6	-6.8	-3.3	0.4	1.0	2.0
<b>Passive/Enhanced Options</b>							
Mercer Passive Australian Shares	-2.2	12.9	7.0	7.8	7.8	9.7	7.7
Mercer Passive International Shares	1.9	8.6	-0.6	7.8	9.4	10.5	12.3
Mercer Passive Australian Listed Property	-0.2	11.0	-6.2	0.7	5.6	4.8	7.0
Mercer Enhanced Passive Growth	-0.9	6.4	-0.8	4.6	5.9	7.3	7.6
Mercer Enhanced Passive Conservative Growth	-0.5	3.3	-1.7	1.3	3.5	4.1	4.7

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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	Unhedged: MSCI World (NRD) Index in A\$ Hedged: MSCI World (NRD) Index in A\$ (Hedged)
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 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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