



Mercer Super Trust

Monthly report

Corporate Superannuation Division

January 2023

Financial markets update

Markets started 2023 on an optimistic note. Equities, bonds and alternatives generally rose. Rates and spreads declined and equity market volatility fell to its lowest level in almost a year. Positive market sentiment was helped by US CPI inflation falling for the sixth month in a row. It also seems to have peaked in other developed countries. Investors are still hoping for an end to the monetary tightening cycle, even if central banks remain cautious. Consumer confidence also improved over the month, as the University of Michigan consumer sentiment index unexpectedly rose to the highest level since April 2022.

Over January, Hedged Developed Markets Overseas Shares returned 6.2% on receding inflation and falling interest rates. Fundamentals were otherwise unfavorable. The first month of the 2022 Q4 earnings season yielded disappointing results from a number of companies in a quarter that could see its first decrease in earnings since 2020 Q3. Analysts still expect low single digit positive earnings growth for 2023 as a whole.

Emerging markets outperformed unhedged Overseas Shares over the month, posting a 3.8% gain for the month of January as they were buoyed risk-on environment. The ongoing reopening of the Chinese economy and better than expected Q4 GDP growth benefitted the index, meanwhile India and Brazil detracted.

Hedged Overseas Government Bonds returned 2.0% over the month. Ten-year yields in developed countries fell by 20-30 basis points over the month which led to positive returns for defensive fixed income. Falling credit spreads, especially for high yield, were an additional return boost for credit. Inflation expectations in the US, as measured by the 10-year break-even rate, fell to 2.2%.

Australian shares returned 6.3% and again outperformed their overseas counterparts in January, adding to the strong outperformance of the ASX300 over the last twelve months, whilst Australian bonds also produced positive returns with bond yields ending the month lower.

Mercer Ready-Made Options

Mercer SmartPath® Ready-Made Investment Option

| Total Returns (%) – after fees and taxes ¹ | 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 | 1.9 | 2.2 | 5.1 | -1.3 | 2.1 | 4.1 | 4.9 |
| Born 1929 to 1933 | 2.0 | 2.4 | 5.6 | -0.8 | 2.6 | 4.4 | 5.0 |
| Born 1934 to 1938 | 2.1 | 2.4 | 5.6 | -0.8 | 2.4 | 4.3 | 5.0 |
| Born 1939 to 1943 | 2.0 | 2.3 | 5.5 | -0.9 | 2.2 | 4.2 | 5.0 |
| Born 1944 to 1948 | 2.0 | 2.3 | 5.5 | -0.9 | 2.3 | 4.2 | 5.0 |
| Born 1949 to 1953 | 2.0 | 2.4 | 5.4 | -0.9 | 2.3 | 4.2 | 5.1 |
| Born 1954 to 1958 | 2.1 | 2.6 | 6.1 | -0.1 | 3.1 | 4.9 | 5.9 |
| Born 1959 to 1963 | 2.6 | 3.0 | 7.1 | 0.1 | 3.7 | 5.5 | 6.6 |
| Born 1964 to 1968 | 3.0 | 3.5 | 8.3 | 0.7 | 4.4 | 6.2 | 7.5 |
| Born 1969 to 1973 | 3.3 | 3.9 | 9.0 | 0.9 | 4.7 | 6.7 | 8.0 |
| Born 1974 to 1978 | 3.3 | 3.9 | 8.9 | 0.8 | 4.8 | 6.7 | 8.1 |
| Born 1979 to 1983 | 3.3 | 3.9 | 9.0 | 0.8 | 4.9 | 6.7 | 8.1 |
| Born 1984 to 1988 | 3.3 | 3.9 | 8.9 | 0.7 | 4.8 | 6.7 | 8.1 |
| Born 1989 to 1993 | 3.3 | 3.9 | 8.9 | 0.7 | 4.7 | 6.6 | 7.9 |
| Born 1994 to 1998 | 3.3 | 3.9 | 8.9 | 0.6 | 4.7 | 6.5 | 7.9 |
| Born 1999 to 2003 | 3.3 | 3.8 | 8.8 | 0.6 | 4.7 | 6.4 | 7.8 |
| Born 2004 to 2008 | 3.2 | 3.7 | 8.7 | 0.5 | 4.1 | 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.

¹**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 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 | 4.3 | 10.2 | 0.5 | 5.4 | 7.2 | 9.2 | 9.3 |
| Mercer High Growth | 3.3 | 9.0 | 1.1 | 5.1 | 6.9 | 8.2 | 8.3 |
| Mercer Select Growth | 2.4 | 6.7 | 0.6 | 3.9 | 6.0 | 7.2 | n/a |
| Mercer Moderate Growth | 2.1 | 5.5 | -0.3 | 2.5 | 4.5 | 5.4 | 5.8 |
| Mercer Conservative Growth | 1.5 | 3.6 | -0.9 | 1.6 | 3.4 | 4.1 | 4.5 |
| Mercer Cash | 0.2 | 1.3 | 1.4 | 0.5 | 1.0 | 1.2 | 1.6 |

| 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 | -0.2 | -0.5 | -0.6 | 0.4 | 0.0 | -0.1 | 0.1 |
| Mercer High Growth | -0.4 | -0.4 | -1.6 | 0.3 | 0.5 | 0.4 | 0.6 |
| Mercer Select Growth | -0.6 | -0.8 | -1.1 | 0.4 | 0.7 | 0.7 | n/a |
| Mercer Moderate Growth | -0.4 | -0.3 | -1.6 | -0.1 | 0.2 | 0.2 | 0.4 |
| Mercer Conservative Growth | -0.4 | -0.3 | -1.4 | 0.1 | 0.2 | 0.2 | 0.5 |
| Mercer Cash | 0.0 | 0.0 | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 |

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¹**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.

²**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 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 Australian Shares | 5.6 | 15.1 | 8.8 | 6.5 | n/a | n/a | n/a |
| Mercer Sustainable Plus Global Shares | 2.0 | 6.7 | -7.9 | 4.2 | n/a | n/a | n/a |
| Mercer Sustainable Plus High Growth | 3.5 | 9.4 | 0.3 | 5.5 | n/a | n/a | n/a |
| Mercer Sustainable Plus Growth | 3.0 | 7.9 | 0.0 | 5.0 | 6.2 | 7.0 | 7.4 |
| Mercer Sustainable Plus Moderate Growth | 2.6 | 6.1 | -0.4 | 3.1 | n/a | n/a | n/a |
| Mercer Sustainable Plus Conservative Growth | 1.8 | 3.6 | -1.2 | 1.9 | n/a | n/a | n/a |
| Mercer Sector Options | | | | | | | |
| Mercer Australian Shares | 5.9 | 15.4 | 10.3 | 6.3 | 8.5 | 10.0 | 8.8 |
| Mercer International Shares | 2.8 | 6.6 | -6.0 | 5.0 | 8.4 | 9.8 | 11.9 |
| Mercer International Shares - Hedged | 5.7 | 7.4 | -5.6 | 5.6 | 5.3 | 9.1 | 9.1 |
| Mercer Property | 4.0 | 3.1 | -3.3 | 2.6 | 5.0 | 6.3 | 6.9 |
| Mercer Fixed Interest | 2.4 | 1.0 | -6.6 | -2.6 | 0.7 | 1.4 | 2.2 |
| Passive/Enhanced Options | | | | | | | |
| Mercer Passive Australian Shares | 5.9 | 15.5 | 11.4 | 6.0 | 8.3 | 9.8 | 8.5 |
| Mercer Passive International Shares | 2.9 | 6.6 | -7.5 | 5.5 | 8.9 | 9.9 | 12.3 |
| Mercer Passive Australian Listed Property | 7.4 | 11.3 | -4.8 | -0.7 | 5.1 | 5.2 | 7.3 |
| Mercer Enhanced Passive Growth | 4.0 | 7.3 | -1.4 | 3.4 | 5.9 | 7.4 | 8.0 |
| Mercer Enhanced Passive Conservative Growth | 2.1 | 3.8 | -2.4 | 1.0 | 3.6 | 4.2 | 4.8 |

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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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