



Mercer Super Trust

Monthly report

Corporate Superannuation Division

May 2023

Financial markets update

In May, risk asset returns in developed markets were mostly negative, bonds and real assets also generally declined. Emerging market equities returns were marginally positive.

News flow during May focused predominantly on the debt ceiling deadline looming in early June. Overall, the market impact has been fairly limited, although ratings agencies have placed US credit on watch for potential downgrades. The challenges facing regional banks in the US continued to be a major topic in early-May with regulators brokering a deal for JP Morgan to purchase First Republic Bank. However, the sell-off in shares of other vulnerable banks continued along with sizable deposit outflows.

Economic data in general remained resilient. US unemployment rose slightly in May but remains at historically low levels, although, other indicators such as wage growth show that the labour market is gradually cooling. Forward-looking purchasing manager indices remain in expansion territory across most major regions, with strength in services outweighing weakness in manufacturing. In spite of economic resilience, headline inflation continued to decline in most major economies with it falling to just under 5% in the US. Inflation in Japan rose to 3.5%, which is high by historical standards, but still lower than in other developed countries. In the UK and Eurozone, inflation remains more resilient, but also on a downward trajectory. Inflation in China remains low amid a slow and developing expected economic recovery.

Rate markets continue to grapple with the question of how long monetary policy will remain tight. The bond market is pricing in an initial rate cut toward the end of this year or early next year, but US Fed officials have generally cast doubt on that timeline. Credit spreads moved slightly higher during the month. Issuance is coming back after a slowdown earlier in the year when the first signs of distress emerged among US regional banks.

Over May, Hedged Developed Markets Overseas Shares returned -0.2%, equity volatility increased moderately over the month, with one spike early in the month due to renewed banking concerns and another spike later in the month amid debt ceiling negotiations. Earnings season for Q1 2023 is coming to an end, with a second consecutive quarterly decline. Equities markets have seen through weaker earnings so far as attested by strong year to date returns for Overseas Shares. Over the month, it was notable that growth outperformed value by a large margin, in spite of rising yields. A couple of contributors included optimism over developments in A.I. favouring growth stocks, while more cyclical sectors that dominate value indices lagged. Emerging Markets Shares (UH) gained 0.4%, as poor performance in China offset positive performance in other major emerging economies.

Hedged Overseas Government Bonds returned -0.6% over the month as bond yields generally increased during May. In the US, the 10-year bond yield rose by 22bps, while the 30-year yield was up by 18bps. In developed markets outside the US, 10-year yields rose by 8bps for Japan and 46bps for the UK, while falling 3bps for the Eurozone. US inflation expectations, as measured by the 10-year inflation breakeven rate, fell 3bps to 2.2%.

Australian Shares returned -2.5%, underperforming their overseas counterparts in May. IT (10.4%) and Utilities (1.1%) were the strongest sectors, meanwhile Consumer Discretionary (-6.2%), and Consumer Staples (-4.5%) were the largest detractors.

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	-0.4	1.9	6.9	3.5	4.5	4.3	4.7
Born 1929 to 1933	-0.7	1.5	7.0	3.6	4.8	4.5	4.8
Born 1934 to 1938	-0.3	1.8	7.3	3.9	4.7	4.4	4.8
Born 1939 to 1943	-0.3	2.1	7.5	4.0	4.8	4.4	4.8
Born 1944 to 1948	-0.4	2.0	7.3	3.8	4.8	4.4	4.8
Born 1949 to 1953	-0.5	1.8	7.2	3.8	4.8	4.4	4.9
Born 1954 to 1958	-0.4	1.8	7.8	4.3	5.9	5.1	5.6
Born 1959 to 1963	-0.5	1.9	8.9	4.5	7.0	5.6	6.2
Born 1964 to 1968	-0.6	1.8	10.0	5.0	8.3	6.3	7.0
Born 1969 to 1973	-0.7	1.8	10.6	5.0	9.0	6.7	7.5
Born 1974 to 1978	-0.7	1.8	10.5	5.0	9.1	6.7	7.5
Born 1979 to 1983	-0.7	1.7	10.5	5.0	9.1	6.7	7.5
Born 1984 to 1988	-0.8	1.6	10.4	4.8	9.0	6.7	7.5
Born 1989 to 1993	-0.8	1.6	10.3	4.7	8.8	6.6	7.4
Born 1994 to 1998	-0.9	1.6	10.2	4.6	8.7	6.5	7.3
Born 1999 to 2003	-0.9	1.5	10.1	4.5	8.6	6.4	7.2
Born 2004 to 2008	-0.8	1.6	10.0	4.5	8.1	n/a	n/a
Born 2009 to 2013	-0.5	1.7	n/a	n/a	n/a	n/a	n/a
Born 2014 to 2018	n/a	n/a	n/a	n/a	n/a	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	-0.9	12.1	5.5	10.1	7.4	8.5	8.9
Mercer High Growth	-0.6	10.5	5.0	9.1	6.9	7.6	7.9
Mercer Growth Maximiser*	-1.1	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Select Growth	-0.1	8.8	5.0	7.6	6.0	6.9	n/a
Mercer Growth	-0.8	8.7	4.1	7.4	5.7	6.3	6.9
Mercer Moderate Growth	-0.2	7.7	4.5	5.3	4.7	5.2	5.7
Mercer Conservative Growth	-0.3	5.1	2.9	3.2	3.6	3.9	4.4

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	-0.2	0.3	0.6	0.0	0.1	0.1
Mercer High Growth	0.0	-0.9	-1.4	0.6	0.2	0.4	0.5
Mercer Growth Maximiser*	-0.4	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Select Growth	0.3	-1.2	-1.3	1.4	0.4	0.8	n/a
Mercer Growth	-0.2	-1.3	-1.9	0.8	-0.1	0.1	0.4
Mercer Moderate Growth	0.2	-0.5	-1.0	0.6	0.1	0.2	0.4
Mercer Conservative Growth	0.1	-0.5	-1.0	0.4	0.1	0.2	0.4

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* New Investment option available from 1 April 2023

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.)
Mercer Sustainable Plus options							
Mercer Sustainable Plus Australian Shares	-2.3	11.9	3.0	10.5	n/a	n/a	n/a
Mercer Sustainable Plus International Shares [#]	0.2	13.6	9.2	8.0	n/a	n/a	n/a
Mercer Sustainable Plus High Growth	-0.6	11.3	5.8	8.7	n/a	n/a	n/a
Mercer Sustainable Plus Growth	-0.1	9.5	5.0	7.8	6.3	6.7	7.0
Mercer Sustainable Plus Moderate Growth	-0.4	8.1	5.0	4.9	n/a	n/a	n/a
Mercer Sustainable Plus Conservative Growth	-0.6	4.6	2.6	2.9	n/a	n/a	n/a
Mercer Sector Options							
Mercer Australian Shares	-1.9	12.9	4.4	11.4	7.6	8.5	8.2
Mercer International Shares	1.2	15.9	12.1	10.7	9.9	10.2	11.6
Mercer International Shares - Hedged	0.0	8.7	1.8	9.2	6.1	8.3	8.5
Mercer Property	-1.3	-0.3	-3.9	6.9	4.0	5.2	6.3
Mercer Global Listed Property*	-3.2	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Fixed Interest	-0.9	1.5	0.0	-2.6	0.7	1.1	2.1
Mercer Cash	0.5	2.3	2.4	0.8	1.1	1.3	1.6
Mercer Passive/Enhanced Options							
Mercer Passive Australian Shares	-2.3	12.4	3.5	11.0	7.5	8.1	7.9
Mercer Passive International Shares	1.1	17.3	12.2	11.1	10.6	10.6	11.9
Mercer Passive Australian Listed Property	-1.5	7.1	-3.1	6.7	3.5	3.3	6.5
Mercer Enhanced Passive High Growth*	-1.1	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Enhanced Passive Growth	-0.8	8.7	3.1	7.0	6.1	6.8	7.6
Mercer Enhanced Passive Moderate Growth*	-0.6	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Enhanced Passive Conservative Growth	-0.7	5.0	2.0	2.5	3.7	3.9	4.7

NOTES:

* New Investment option available from 1 April 2023

Known as Mercer Sustainable Plus Global Shares until 31 March 2023

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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.

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

Asset class benchmarks

Refer to this table for the asset class benchmarks used prior to 1 January 2023 for the Mercer SmartPath options and all other MST investment options and asset classes included in this report.

Shares	
Australian Shares	S&P/ASX 300 Accumulation Index <i>This benchmark is used for the MST Ready-made options' allocations to this asset class. Alternate benchmarks may apply to managers individually.</i>
Australian Small Companies	S&P/ASX Small Ordinaries Accumulation Index <i>This benchmark is used for the MST Ready-made options' allocations to this asset class.</i>
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 Low Volatility: MSCI Min Vol \$A Optimised in \$A unhedged <i>This benchmark is used for the MST Ready-made options' allocations to this asset class.</i>
Global Small Companies	MSCI World Small Cap Index <i>Prior to July 2014 the benchmark was S&P Developed Small Cap Index. Therefore, calculations for longer period benchmark returns are inclusive of this data.</i>
Emerging Markets	MSCI Emerging Markets Index (ex Tobacco and Controversial Weapons) in A\$ <i>This benchmark is used for the MST Ready-made options' allocations to this asset class.</i>
Sustainable Plus Australian Shares	S&P/ASX 300 Accumulation Index
Sustainable Plus Global Shares (Unhedged)	MSCI World (NRD) Index in A\$
Real Assets	
Global Listed Property	FTSE EPRA/NAREIT Developed Index in A\$ (Hedged) <i>This benchmark is used for the MST Ready-made options' allocations to this asset class.</i>
Australian Direct Property	CPI + 4% <i>Prior to January 2016 Mercer/IPD Australian Pooled Property Fund Index. These are/were the benchmarks used for the MST Ready-made options' allocations to this asset class.</i>
Global Listed Infrastructure	FTSE Global Core 50/50 Index in A\$ Hedged <i>This benchmark is used for the MST Ready-made options' allocations to this asset class. Alternate benchmarks may apply to managers individually.</i>
Global Unlisted Infrastructure	CPI + 5% (lagged one quarter) <i>During the period January 2016 to December 2018 the benchmark was CPI + 3%. Benchmark used in this report is lagged one quarter. This benchmark is used for the MST Ready-made options' allocations to this asset class. Alternate benchmarks may apply to managers individually.</i>
Natural Resources	Lagged CPI+5% <i>From January 2018 to April 2020 the benchmark was composite 60% Bloomberg Commodity Index in A\$ (Hedged), plus 40% Consumer Price Index + 5%. From March 2012 to December 2017 the benchmark was composite benchmark made up of 45% Bloomberg Commodity Index in A\$ (Hedged); 15% S&P Goldman Sachs Agricultural Index; 40% CPI + 5%. Therefore, calculations for longer period benchmark returns are inclusive of this data. These benchmarks are/were used for the MST Ready-made options' allocations to this asset class. Alternate benchmarks may apply to managers individually.</i>
Growth Fixed Interest	
Emerging Markets Debt	JP Morgan GBI-EM Global Diversified Index (Unhedged)
Private Debt	Bloomberg AusBond Bank Bill Index +3%
High Yield Debt	BofA Merrill Lynch Global High Yield Constrained Index <i>Prior to August 2016: Bank of America BB-B Developed Markets High Yield Constrained Index in A\$ (Hedged).</i>
Defensive Fixed Interest	
Global Absolute Return Bonds	Bloomberg AusBond Bank Bill Index +1%
Global Short Term Bonds	Bloomberg AusBond Bank Bill Index
Global Credit	60% Barclays Global Aggregate - Corporate Index in A\$ (Hedged) 40% Barclays Capital Global Aggregate ex Government ex Treasuries Index in A\$ (Hedged) <i>These are/were the benchmarks used for the MST Ready-made options' allocations to this asset class. Alternate benchmarks may apply to managers individually.</i>
Australian Sovereign Bonds	Bloomberg Australian Treasury Bond Index 0+ (All Maturities) <i>These are/were the benchmarks used for the MST Ready-made options' allocations to this asset class.</i>
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). Therefore, calculations for longer period benchmark returns are inclusive of this data. These are/were the benchmarks used for the MST Ready-made options' allocations to this asset class. Alternate benchmarks may apply to managers individually.</i>
Australian Inflation Plus	CPI +1% <i>This benchmark is used for the MST Ready-made options' allocations to this asset class.</i>
Cash	
Cash	Bloomberg AusBond Bank Bill Index <i>This benchmark is used for the MST Ready-made options' allocations to this asset class.</i>

Mercer SmartPath asset class benchmarks

Refer to this table for the asset class benchmarks used from 1 January 2023 to 31 March 2023 for the Mercer SmartPath investment options.

Shares	
Australian Shares	S&P/ASX 300 Accumulation Index
Australian Small Companies	S&P/ASX 300 Accumulation Index
International Shares	Unhedged: MSCI All Country World Ex-Australia Equities Index with Special Tax (unhedged in AUD) Hedged: MSCI All Country World Ex-Australia Equities Index with Special Tax (100% hedged to AUD) Low Volatility: MSCI All Country World Ex-Australia Equities Index with Special Tax (unhedged in AUD)
Global Small Companies	MSCI All Country World Ex-Australia Equities Index with Special Tax (unhedged in AUD)
Emerging Markets	MSCI All Country World Ex-Australia Equities Index with Special Tax (unhedged in AUD)
Sustainable Plus Australian Shares	S&P/ASX 300 Accumulation Index
Sustainable Plus Global Shares (Unhedged)	MSCI All Country World Ex-Australia Equities Index with Special Tax (unhedged in AUD)
Real Assets	
Global Listed Property	FTSE EPRA/NAREIT developed ex Australia rental hedged to AUD
Australian Direct Property	MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index – NAV-Weighted Pre-Fee Total Return (All Funds)*
Global Listed Infrastructure	FTSE Developed Core Infrastructure Index hedged to AUD
Global Unlisted Infrastructure	MSCI Australia Quarterly Private Infrastructure Fund Index (Unfrozen) – NAV-Weighted Pre-Fee Total Return (All Funds)*
Natural Resources	25% MSCI All Country World Ex-Australia Equities Index with Special Tax (100% hedged to AUD) 25% MSCI All Country World Ex-Australia Equities Index with Special Tax (unhedged in AUD) 50% Bloomberg Barclays Global Aggregate Index (hedged in AUD)
Growth Fixed Interest	
Emerging Markets Debt	Bloomberg Barclays Global Aggregate Index (hedged in AUD)
Private Debt	Bloomberg Barclays Global Aggregate Index (hedged in AUD)
High Yield Debt	Bloomberg Barclays Global Aggregate Index (hedged in AUD)
Defensive Fixed Interest	
Global Absolute Return Bonds	Bloomberg Barclays Global Aggregate Index (hedged in AUD)
Global Short Term Bonds	Bloomberg Barclays Global Aggregate Index (hedged in AUD)
Global Credit	Bloomberg Barclays Global Aggregate Index (hedged in AUD)
Australian Sovereign Bonds	Bloomberg Ausbond Composite 0+ Index
Global Sovereign Bonds	Bloomberg Barclays Global Aggregate Index (hedged in AUD)
Australian Inflation Plus	Bloomberg Ausbond Composite 0+ Index
Cash	
Cash	Bloomberg Ausbond Bank Bill Index

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