



Mercer Super Trust

# Monthly Report

Mercer SmartRetirement Income

December 2023

## Financial markets update

Economic data releases over the past month presented a varied picture for the Australian economy. The results of the latest NAB Business Survey continued to indicate resilience in business conditions, albeit with some easing evident, notably in the mining, transportation and utilities, and construction sectors. Meanwhile, house prices continued to rise, with a further 0.4% month-on-month (MoM) increase in December, resulting in a total of an 8.1% increase in 2023, supported by a tight labour market, population growth, and consumer resilience, but showing signs of slowing as a result of the lagged impact of high interest rates. On monetary policy, the Reserve Bank of Australia (RBA) left interest rates unchanged at its December meeting with the minutes from the meeting revealing that the board had considered the case for raising interest rates by 0.25%, but after evaluating the "encouraging signs" on inflation and the risk that unemployment could rise faster than expected, opted to keep interest rates at 4.35% p.a. and wait for more data.

Outside of Australia, data releases over the past month continue to show a mixed picture. Business activity in the Eurozone remains weak, with surveys of both manufacturing and services companies showing slight signs of improvement in December but remaining in contraction territory. The inflation rate rose to 2.9% Year-on-Year (YoY) in December, primarily propelled by energy-related base effects, but the core inflation rate continued to cool to 3.4% YoY. In the US, economic data continues to remain resilient, particularly in the services sector, with the US Institute for Supply Management (ISM) Services Purchasing Manager's Index for December remaining in expansionary territory at 50.6, indicating positive growth, and the labour market remaining tight. On monetary policy, the Federal Reserve (Fed) kept interest rates steady at 5.25 - 5.50% p.a. for the third consecutive meeting at its December meeting with Fed Chair Jerome Powell noting that discussions of rate cuts had started. Meanwhile, the European Central Bank (ECB) also kept interest rates unchanged at their December meeting with ECB President Lagarde noting that "it was not the time to lower [our] guard" in the accompanying press conference.

### Market review

Global equities rose in most regions over December, primarily driven by a decrease in bond yields, especially after the comment from the Fed Chair Jerome Powell noting that discussions of rate cuts had started. The Australian share market also followed this trend, with a notable increase of 7.2%. The rise in risk appetite and lower bond yields led to a strong performance in the Materials, Real Estate, and Healthcare sectors.

Government bond yields continued to decline in December, following more dovish signals from the US Federal Reserve, with the US 10-year government bond yield declining by 0.49% to 3.87% p.a. Similarly, the Australian 10-year yield decreased by 0.52% to 3.90% p.a., as the local market anticipates that the RBA will cut interest rates in 2024. This anticipation was backed by the weaker Gross Domestic Product (GDP) data for Q3 and moderation in business confidence. The Australian dollar (AUD) appreciated against the weakening US dollar (USD), with the Fed's rhetoric shifting market expectations.

Commodity markets showed mixed performance in December. Oil prices continued its downward trajectory, dropping by 3.7% to its six-month low of US\$77.69 per barrel in December, attributed to the weakening global demand and the strength of non-OPEC oil supply. Industrial Metals experienced a positive performance, with the Iron Ore prices strengthening by 7.5%, driven by the recent developments in the Chinese economy and the new support for China's housing market. Similarly, copper prices (S&P GSCI Copper) rose by 1.2% during the month, fuelled by optimism for further stimulus announcements in China and signs of improvement in factory activities in the country. In the precious metals sector, gold prices also rose by 1.36% to US \$2,065.45, attributed to the weakening of the USD and the growing anticipation of interest rate cuts in 2024.

# Mercer Ready-Made Options

## Mercer SmartPath® Ready-Made Investment Option<sup>2</sup>

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.)
Born prior to 1949	2.7	4.3	9.1	5.2	6.5	5.9	n/a
Born 1949 to 1953	2.6	4.2	9.1	5.2	6.4	5.9	n/a
Born 1954 to 1958	2.7	4.3	9.3	5.3	7.0	6.4	n/a
Born 1959 to 1963	3.1	4.6	10.5	6.2	8.1	7.3	n/a
Born 1964 to 1968	3.8	5.4	12.1	n/a	n/a	n/a	n/a

## 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	4.5	5.3	15.3	9.1	11.1	9.5	9.4
Mercer High Growth	3.6	5.2	12.5	7.6	9.5	8.5	8.5
Mercer Select Growth	2.8	4.2	9.9	6.6	8.6	8.0	n/a
Mercer Growth*	3.4	5.0	n/a	n/a	n/a	n/a	-n/a
Mercer Moderate Growth	2.5	4.2	9.4	5.1	6.4	6.0	6.3
Mercer Conservative Growth	2.1	3.7	6.9	3.1	4.5	4.4	4.9

### NOTES

#### Past performance is not a reliable indicator of future performance

\* New investment option available from 1 April 2023.

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.
- Mercer SmartPath was made available as an option in May 2016. 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.

## 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>Mercer Sustainable Plus Options</b>							
Mercer Sustainable Plus Shares	5.0	5.2	13.6	7.0	10.7	9.0	8.7
Mercer Sustainable Plus Australian Shares	6.8	7.2	12.2	n/a	n/a	n/a	n/a
Mercer Sustainable Plus International Shares <sup>#</sup>	2.8	3.1	15.1	n/a	n/a	n/a	n/a
Mercer Sustainable Plus High Growth*	4.2	4.9	n/a	n/a	n/a	n/a	n/a
Mercer Sustainable Plus Growth	4.1	4.2	10.0	6.4	8.6	7.5	7.5
Mercer Sustainable Plus Moderate Growth*	3.0	4.3	n/a	n/a	n/a	n/a	n/a
Mercer Sustainable Plus Conservative Growth*	2.9	3.6	n/a	n/a	n/a	n/a	n/a
<b>Mercer Sector Options</b>							
Mercer Australian Shares	6.7	7.7	12.6	10.6	11.8	10.2	9.6
Mercer International Shares	1.5	3.4	17.9	9.4	12.0	10.5	11.0
Mercer International Shares - Hedged	3.6	5.1	19.6	6.3	10.9	9.2	9.2
Mercer Property	5.1	3.8	6.1	6.8	6.3	6.9	8.1
Mercer Global Listed Property*	7.2	7.1	n/a	n/a	n/a	n/a	n/a
Mercer Fixed Interest	2.9	3.3	4.8	-2.9	0.7	1.5	2.5
Mercer Cash	0.4	2.1	3.9	1.7	1.5	1.7	1.9
<b>Mercer Passive/Enhanced Options</b>							
Mercer Passive Australian Shares	7.1	7.7	13.2	10.5	11.6	9.7	9.1
Mercer Passive International Shares	1.9	5.0	23.6	11.8	13.6	11.7	11.6
Mercer Passive Australian Listed Property	11.4	10.9	16.5	5.1	5.9	5.3	8.7
Mercer Enhanced Passive High Growth	5.3	6.8	n/a	n/a	n/a	n/a	n/a
Mercer Enhanced Passive Growth	3.9	5.4	13.3	6.2	8.2	7.4	7.7
Mercer Enhanced Passive Moderate Growth	3.2	4.5	n/a	n/a	n/a	n/a	n/a
Mercer Enhanced Passive Conservative Growth	2.4	3.7	8.0	2.3	4.6	4.5	5.1

### NOTES

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\* New investment option available from 1 April 2023.

# Known as Mercer Sustainable Plus Global Shares until 31 March 2023.

1. **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) <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>Ready-Made – SmartPath</b>							
Taxed Mercer SmartPath Born 1954-1958	2.3	3.2	8.3	4.4	6.0	n/a	n/a
Taxed Mercer SmartPath Born 1959-1963	2.9	4.1	9.7	5.6	6.9	n/a	n/a
Taxed Mercer SmartPath Born 1964-1968	3.1	4.2	n/a	n/a	n/a	n/a	n/a
<b>Ready-Made</b>							
Taxed Mercer High Growth	3.4	4.4	11.0	6.8	8.4	n/a	n/a
Taxed Mercer Select Growth	2.7	3.7	9.1	n/a	n/a	n/a	n/a
Taxed Mercer Moderate Growth	2.3	3.6	8.7	4.6	5.8	n/a	n/a
Taxed Mercer Conservative Growth	2.0	3.5	6.7	2.9	4.1	n/a	n/a
<b>Select-Your-Own – Mercer Sustainable Plus</b>							
Taxed Mercer Sustainable Plus Australian Shares*	6.1	6.5	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Sustainable Plus International Shares*	2.3	2.7	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Sustainable Plus High Growth*	3.6	4.3	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Sustainable Plus Growth*	3.6	3.6	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Sustainable Plus Moderate Growth*	2.4	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Sustainable Plus Conservative Growth*	2.5	2.8	n/a	n/a	n/a	n/a	n/a
<b>Select-Your-Own – Mercer Sector</b>							
Taxed Mercer Australian Shares	6.4	7.2	12.5	9.2	10.5	n/a	n/a
Taxed Mercer International Shares	1.4	3.7	19.1	9.8	11.9	n/a	n/a
Taxed Mercer International Shares – Hedged*	3.3	4.9	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Property	3.3	2.5	4.8	5.8	5.7	n/a	n/a
Taxed Mercer Global Listed Property*	6.2	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Fixed Interest	2.6	2.9	4.4	-2.6	0.5	n/a	n/a
Taxed Mercer Cash	0.3	1.8	3.3	1.4	1.2	n/a	n/a
<b>Select-Your-Own – Mercer Passive/Enhanced</b>							
Taxed Mercer Passive Australian Shares*	6.2	7.0	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Passive International Shares*	1.7	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Passive Australian Listed Property*	10.1	11.4	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Enhanced Passive Growth	3.5	4.9	12.2	5.6	7.6	n/a	n/a

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**Past performance is not a reliable indicator of future performance.**

\* New investment option available from 1 April 2023.

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

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.

## 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. These benchmarks are used for the MST Ready-made options' allocations to this asset class. Alternate benchmarks may apply to managers individually.

Shares	
Australian Shares	S&P/ASX 300 Accumulation Index
Australian Small Companies	S&P/ASX Small Ordinaries 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 Low Volatility: MSCI World Min Vol Optimized in Local Currency AUD (UH)
Global Small Companies	MSCI World Small Cap Index <i>Prior to July 2014 the benchmark was S&amp;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\$
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)
Australian Direct Property	CPI + 4% (lagged 3 months) <i>Prior to January 2016 Mercer/IPD Australian Pooled Property Fund Index.</i>
Global Listed Infrastructure	FTSE Global Core 50/50 Index in A\$ Hedged
Global Unlisted Infrastructure	CPI + 5% (lagged 3 months). <i>Prior to 1 January 2019 the benchmark was CPI + 3%</i>
Natural Resources	CPI+5% (lagged one quarter) <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&amp;P Goldman Sachs Agricultural Index; 40% CPI + 5%. Therefore, calculations for longer period benchmark returns are inclusive of this data.</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 <i>Prior to June 2023 the benchmark was Bloomberg AusBond Bank Bill Index +1%</i>
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)
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). Therefore, calculations for longer period benchmark returns are inclusive of this data.</i>
Australian Inflation Plus	CPI +1% (lagged one quarter)
Cash	
Cash	Bloomberg AusBond Bank Bill Index

## Mercer SmartPath asset class benchmarks

Refer to this table for the asset class benchmarks used from 1 January 2023 onwards 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 World Min Vol Optimised in Local Currency (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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