

Mercer Super Trust

Monthly report

Mercer SmartRetirement Income

June 2023

Financial markets update

In June, global equities, commodities and REITs posted strong returns, while bonds were generally flat with credit outperforming government bonds.

Markets continue to price in a soft landing as news flow remains focused on falling headline inflation, a potential end to the global interest rate hiking cycle and broad economic resilience, despite challenges for some sectors, such as regional banks.

Inflation continues to edge down in most major economies raising hopes that the hiking cycle is near an end in most regions. Although the Federal Reserve kept rates on hold for the first time in over a year, forward guidance was more hawkish than expected, which weakened the positive momentum that markets carried during the first half of the month. The ECB and RBA hiked rates by 25bps each, while the Bank of England was compelled to hike by 50bps, given stubbornly elevated levels of inflation in the UK. China continued to ease as its expected economic recovery has been underwhelming. Labour markets remain resilient, with unemployment only marginally rising in some regions, however, remaining close to multi-decade lows.

Volatility in rate markets fell in June, following the resolution of the debt ceiling talks, and the pause in monetary tightening in the US. Bond yields rose slightly in June, while credit spreads slightly decreased during the month.

Over June, Hedged Developed Markets Overseas Shares returned 5.6%, US stocks outperformed emerging markets and other international developed markets. Value and growth stocks delivered similar results in June, although year to date growth has significantly outperformed value. Japan contributed significantly to the outperformance of developed markets, gaining 7.5% in June, as the Bank of Japan continues to stimulate the economy. Emerging Markets Shares (UH) gained 0.9%, held back by weakness in China. Latin America was the standout in emerging markets as the recovery in commodities provides a tailwind for its equities.

Hedged Overseas Government Bonds returned -2.3% over the month, as bond yields generally increased during June. In the US, the 10-year bond yield rose by 16bps. In developed markets outside the US, 10-year yields fell by 3bps in Japan, while yields rose 20bps in the UK, and 13bps in the Eurozone. US inflation expectations, as measured by the 10-year inflation breakeven rate, was unchanged and ended June at 2.2%.

Australian Shares returned 1.7%, underperforming their overseas counterparts in June. Materials (4.6%) and Financials (3.1%) were the strongest sectors, meanwhile Healthcare (-6.4%), and Communication Services (-1.0%) 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	7 years (p.a.)	10 years (p.a.)
Born prior to 1949	0.8	8.9	8.9	5.8	5.4	n/a	n/a
Born 1949 to 1953	0.7	8.9	8.9	5.8	5.4	5.8	n/a
Born 1954 to 1958	0.8	9.4	9.4	6.2	5.7	6.4	n/a
Born 1959 to 1963	1.0	10.8	10.8	7.5	6.6	7.5	n/a
Born 1964 to 1968	1.4	n/a	n/a	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	2.7	16.7	16.7	11.9	8.6	10.2	10.5
Mercer High Growth	1.8	13.6	13.6	9.5	7.6	8.9	9.1
Mercer Growth Maximiser**	0.3	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Select Growth	0.9	10.4	10.4	8.3	7.4	8.2	n/a
Mercer Growth*	1.6	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Moderate Growth	0.6	9.1	9.1	5.9	5.3	6.0	6.6
Mercer Conservative Growth	0.1	5.6	5.6	3.3	3.8	4.3	5.0

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	0.1	0.1	0.6	0.0	0.1	0.2
Mercer High Growth	-0.2	-1.2	-1.2	0.2	0.2	0.5	0.5
Mercer Growth Maximiser**	0.2	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Select Growth	-0.7	-1.9	-1.9	0.6	0.3	0.7	n/a
Mercer Growth*	-0.1	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Moderate Growth	-0.3	-0.8	-0.8	0.3	0.0	0.2	0.4
Mercer Conservative Growth	-0.3	-0.9	-0.9	0.1	0.0	0.2	0.4

NOTES

Past performance is not a reliable indicator of future performance

* New investment option available from 1 April 2023.

** Investment option available from 1 April 2023 to 8 June 2023 (now closed)

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.)
Mercer Sustainable Plus Options							
Mercer Sustainable Plus Shares	2.5	15.5	15.5	10.6	7.9	9.8	9.9
Mercer Sustainable Plus Australian Shares	1.7	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Sustainable Plus International Shares [#]	2.1	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Sustainable Plus High Growth*	2.2	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Sustainable Plus Growth	0.6	11.1	11.1	8.6	7.0	7.9	8.1
Mercer Sustainable Plus Moderate Growth*	1.1	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Sustainable Plus Conservative Growth*	-0.2	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Sector Options							
Mercer Australian Shares	1.4	15.9	15.9	13.0	9.3	10.7	10.3
Mercer International Shares	2.2	18.5	18.5	11.8	10.3	11.7	12.6
Mercer International Shares - Hedged	5.8	15.8	15.8	11.0	7.9	10.1	10.4
Mercer Property	1.3	0.9	0.9	7.1	5.9	6.9	8.0
Mercer Global Listed Property*	2.7	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Fixed Interest	-1.4	-0.2	-0.2	-3.4	0.4	0.8	2.4
Mercer Cash	0.3	3.0	3.0	1.1	1.3	1.5	1.8
Mercer Passive/Enhanced Options							
Mercer Passive Australian Shares	1.7	16.6	16.6	12.5	8.5	10.2	9.7
Mercer Passive International Shares	3.1	22.8	22.8	13.4	11.5	12.4	12.9
Mercer Passive Australian Listed Property	1.8	9.0	9.0	8.1	3.7	3.3	7.4
Mercer Enhanced Passive High Growth**	2.1	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Enhanced Passive Growth	1.6	11.6	11.6	7.6	6.4	7.5	8.3
Mercer Enhanced Passive Moderate Growth**	1.0	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Enhanced Passive Conservative Growth	0.4	6.0	6.0	2.8	3.9	4.3	5.3

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* New investment option available from 1 April 2023.

** Investment options available from 1 April 2023 to 28 June 2023 (now closed).

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) 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							
Taxed Mercer SmartPath Born 1954-1958	0.7	9.0	9.0	5.5	4.9	n/a	n/a
Taxed Mercer SmartPath Born 1959-1963	1.0	10.0	10.0	6.6	5.5	n/a	n/a
Taxed Mercer SmartPath Born 1964-1968	1.3	n/a	n/a	n/a	n/a	n/a	n/a
Ready-Made							
Taxed Mercer High Growth	1.5	11.8	11.8	8.7	6.7	n/a	n/a
Taxed Mercer Growth Maximiser**	0.2	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Select Growth	0.7	9.5	9.5	n/a	n/a	n/a	n/a
Taxed Mercer Growth**	0.2	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Moderate Growth	0.6	8.3	8.3	5.3	4.7	n/a	n/a
Taxed Mercer Conservative Growth	0.1	5.0	5.0	3.0	3.4	n/a	n/a
Select-Your-Own – Mercer Sustainable Plus							
Taxed Mercer Sustainable Plus Australian Shares*	1.2	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Sustainable Plus International Shares*	2.7	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Sustainable Plus High Growth*	1.9	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Sustainable Plus Growth*	0.4	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Sustainable Plus Moderate Growth*	-	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Sustainable Plus Conservative Growth*	-0.2	n/a	n/a	n/a	n/a	n/a	n/a
Select-Your-Own – Mercer Sector							
Taxed Mercer Australian Shares	1.4	14.4	14.4	11.1	7.4	n/a	n/a
Taxed Mercer International Shares	2.9	19.1	19.1	12.0	10.3	n/a	n/a
Taxed Mercer International Shares – Hedged*	2.5	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Property	1.1	0.6	0.6	6.5	5.6	n/a	n/a
Taxed Mercer Global Listed Property*	2.5	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Fixed Interest	-1.1	0.1	0.1	-3.0	0.3	n/a	n/a
Taxed Enhanced Index Growth	1.6	9.5	9.5	7.0	5.9	n/a	n/a
Taxed Mercer Cash	0.3	2.6	2.6	0.8	1.0	n/a	n/a
Select-Your-Own – Mercer Passive/Enhanced							
Taxed Mercer Passive Australian Shares*	1.5	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Passive International Shares*	2.8	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Passive Australian Listed Property*	-1.7	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Enhanced Passive High Growth**	-0.1	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Enhanced Passive Growth*	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Enhanced Passive Moderate Growth**	0.0	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Enhanced Passive Conservative Growth**	-0.2	n/a	n/a	n/a	n/a	n/a	n/a

NOTES

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* New investment option available from 1 April 2023.

** Investment options available from 1 April 2023 to 28 June 2023 (now closed).

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 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.

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 <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) <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 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 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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