

Mercer Super Trust

Monthly Report

Mercer SmartRetirement Income

January 2024

Financial markets update

The latest NAB Business Survey showed signs of easing business conditions, particularly in manufacturing and construction but also in trading conditions, employment, and capacity utilisation. Retail sales also witnessed a decline in December 2023, indicating a softer picture in consumer spending. This was also evident in consumer inflation (Consumer Price Index (CPI)) which saw the smallest quarterly rise since the March quarter of 2021. That said, house prices continued to rise, supported by a tight labour market and population growth, marking the 12th consecutive month of rising property values. Consequently, the Reserve Bank of Australia (RBA) decided to leave interest rates unchanged at 4.35% p.a. and warned that “a further increase in interest rates cannot be ruled out”.

Business activity in the Eurozone remains weak, with surveys of both manufacturing and services companies indicating declining business conditions. The inflation rate rose in December, primarily driven by energy-related base effects, while the core inflation rate continued to cool. In contrast, economic data in the US remains resilient, particularly in the services sector, with positive growth indicated by the US Institute for Supply Management (ISM) Services Purchasing Manager's Index for December.

The Federal Reserve (Fed) kept interest rates steady at 5.25 - 5.50% p.a. for the fourth consecutive meeting, citing high inflation and indicated an interest rate cut in March was also unlikely. Similarly, the European Central Bank (ECB) also kept interest rates unchanged, noting that the uptick in December inflation was expected. The Bank of Japan (BoJ) maintained its ultra-easy monetary policy and readiness to implement additional easing measures if necessary.

Market review

Global equities experienced widespread gains in January, driven by resilient economic data in the US and the Fed's indication of potential rate cuts. The Australian share market also saw an increase in line with the global trend.

Government bond yields generally increased in January, despite a sharp decline in the last week of the month. The US 10-year yield rose, driven by strong US economic data. The Australian 10-year yield followed the global trend. The Australian dollar depreciated against the strengthening US dollar, influenced by easing expectations of US rate cuts and ongoing tensions in the Middle East.

Commodity markets had a mixed performance. Oil prices rebounded with their first monthly gain in five months, increasing to US\$81.93 per barrel in January, driven by better than expected economic data, forecast growth in demand and a decline in supply. Copper prices remained relatively stable, while gold prices rebounded towards the end of the month due to concerns in the US banking sector and a decline in US Treasury yields, prompting some investors to seek safer assets, like gold.

Mercer Ready-Made Options

Mercer SmartPath® Ready-Made Investment Option²

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.)
Born prior to 1949	0.9	5.2	7.9	5.4	6.2	6.1	n/a
Born 1949 to 1953	1.0	5.2	7.9	5.4	6.2	6.1	n/a
Born 1954 to 1958	1.0	5.4	7.9	5.5	6.7	6.6	n/a
Born 1959 to 1963	1.2	5.9	8.6	6.4	7.7	7.5	n/a
Born 1964 to 1968	1.4	6.9	10.0	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	1.9	7.3	12.3	9.5	10.6	9.9	9.9
Mercer High Growth	1.7	7.0	10.4	7.8	9.0	8.8	8.8
Mercer Select Growth	1.3	5.6	8.4	6.7	8.3	8.2	n/a
Mercer Growth*	1.4	6.5	n/a	n/a	n/a	n/a	n/a
Mercer Moderate Growth	1.1	5.3	8.2	5.3	6.1	6.2	6.5
Mercer Conservative Growth	0.6	4.3	5.9	3.2	4.3	4.5	5.0

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) 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	2.3	7.6	10.9	7.9	10.3	9.5	9.2
Mercer Sustainable Plus Australian Shares	1.7	9.0	7.0	n/a	n/a	n/a	n/a
Mercer Sustainable Plus International Shares [#]	4.0	7.3	17.1	n/a	n/a	n/a	n/a
Mercer Sustainable Plus High Growth*	1.9	6.8	n/a	n/a	n/a	n/a	n/a
Mercer Sustainable Plus Growth	0.9	5.2	7.3	6.6	8.2	7.7	7.6
Mercer Sustainable Plus Moderate Growth*	1.2	5.5	n/a	n/a	n/a	n/a	n/a
Mercer Sustainable Plus Conservative Growth*	0.1	3.6	n/a	n/a	n/a	n/a	n/a
Mercer Sector Options							
Mercer Australian Shares	1.4	9.2	8.3	11.0	11.4	10.5	10.1
Mercer International Shares	4.5	8.0	19.6	10.7	12.0	11.6	11.7
Mercer International Shares - Hedged	1.6	6.8	14.4	6.8	9.6	9.1	9.8
Mercer Property	-2.7	1.0	-1.4	5.2	4.8	6.3	7.7
Mercer Global Listed Property*	-3.4	3.5	n/a	n/a	n/a	n/a	n/a
Mercer Fixed Interest	-0.1	3.2	2.0	-2.7	0.5	1.4	2.4
Mercer Cash	0.4	2.5	4.1	1.8	1.5	1.7	1.9
Mercer Passive/Enhanced Options							
Mercer Passive Australian Shares	1.5	9.3	7.4	10.8	11.1	9.9	9.6
Mercer Passive International Shares	4.7	9.8	25.5	13.6	13.8	12.8	12.3
Mercer Passive Australian Listed Property	1.2	12.3	9.1	6.9	4.9	6.2	8.8
Mercer Enhanced Passive High Growth	2.0	8.9	n/a	n/a	n/a	n/a	n/a
Mercer Enhanced Passive Growth	1.3	6.8	9.9	6.6	7.8	7.6	7.9
Mercer Enhanced Passive Moderate Growth	1.2	5.8	n/a	n/a	n/a	n/a	n/a
Mercer Enhanced Passive Conservative Growth	0.7	4.4	6.1	2.7	4.4	4.7	5.2

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) 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	1.3	4.6	7.2	4.7	5.8	n/a	n/a
Taxed Mercer SmartPath Born 1959-1963	1.0	5.2	7.9	5.7	6.6	n/a	n/a
Taxed Mercer SmartPath Born 1964-1968	1.1	5.4	n/a	n/a	n/a	n/a	n/a
Ready-Made							
Taxed Mercer High Growth	1.4	5.8	8.8	7.0	8.0	n/a	n/a
Taxed Mercer Select Growth	1.1	4.8	7.5	n/a	n/a	n/a	n/a
Taxed Mercer Moderate Growth	0.9	4.6	7.5	4.8	5.5	n/a	n/a
Taxed Mercer Conservative Growth	0.5	4.0	5.7	3.0	3.9	n/a	n/a
Select-Your-Own – Mercer Sustainable Plus							
Taxed Mercer Sustainable Plus Australian Shares*	1.5	8.0	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Sustainable Plus International Shares*	3.6	6.3	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Sustainable Plus High Growth*	1.7	6.1	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Sustainable Plus Growth*	0.7	4.3	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Sustainable Plus Moderate Growth*	1.0	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Sustainable Plus Conservative Growth*	0.2	3.0	n/a	n/a	n/a	n/a	n/a
Select-Your-Own – Mercer Sector							
Taxed Mercer Australian Shares	1.1	8.3	7.4	9.5	9.9	n/a	n/a
Taxed Mercer International Shares	4.2	8.0	20.9	11.1	11.9	n/a	n/a
Taxed Mercer International Shares – Hedged*	1.5	6.5	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Property	-1.8	0.7	-1.2	4.7	4.4	n/a	n/a
Taxed Mercer Global Listed Property*	-3.1	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Fixed Interest	-0.1	2.8	2.0	-2.4	0.4	n/a	n/a
Taxed Mercer Cash	0.3	2.1	3.4	1.6	1.2	n/a	n/a
Select-Your-Own – Mercer Passive/Enhanced							
Taxed Mercer Passive Australian Shares*	1.2	8.3	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Passive International Shares*	4.2	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Passive Australian Listed Property*	1.2	12.7	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Enhanced Passive Growth	1.2	6.2	9.4	6.1	7.1	n/a	n/a

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.

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 for the investment options in this report (excluding Mercer SmartPath and other Mercer Super diversified investment options) and asset classes included in this report. 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&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&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>
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 for the Mercer SmartPath and other Mercer Super diversified 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)
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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