

Mercer Super Trust

Monthly Report

Allocated Pension Division

June 2024

Financial markets update

Economic overview

Data released over the past month was broadly indicative of slowing in economic conditions. Q1'24 GDP was barely positive at +0.1% Quarter-on-Quarter (QoQ), bringing the Year-on-Year (YoY) pace to 1.1%. In comparison GDP per capita recorded its fourth consecutive fall (-0.4% QoQ) with population growth outpacing economic growth. Meanwhile, business surveys presented a mixed view with some surveys noting ongoing challenges for consumer-facing retail and recreational service sectors, whilst other surveys were more positive, particularly among services firms.

Inflation grabbed the most attention with the Monthly CPI Indicator for May rising to 4.0% YoY from 3.6% in April, with food, alcohol and tobacco, housing and petrol among the key drivers. Core measures of inflation remained elevated but broadly unchanged. Meanwhile, the Reserve Bank of Australia (RBA) kept interest rates unchanged at 4.35% at its June meeting, reiterating to remain “vigilant to upside risks to inflation” but also “not ruling anything in or out”.

Data releases over the past month indicated slowing growth across most global economies. In terms of US expenditure, consumption appears to be slowing with retail sales weakening, especially among housing-related categories such as furniture. Within US production, the services sector continued to hold up despite some weakness in the manufacturing sector with anecdotes of slowing export orders emerging. Slower exports were also evident in the Eurozone, with manufacturing business surveys confirming these trends. There were further signs of inflation slowing in the US with the Federal Reserve (Fed)'s preferred measure of inflation declining to 2.6% YoY compared to the Fed's 2% p.a target. We are seeing a comfort to cut interest rates amongst other developed market central banks in June, with the European Central Bank (ECB), Bank of Canada (BoC) and the Swiss National Bank (SNB) cutting rates by 0.25%. The Fed meanwhile kept interest rates unchanged in June citing the need for further evidence of disinflation to cut interest rates.

In China, economic conditions have remained lacklustre. Retail sales in June improved, although broadly being downplayed given the timing of labour day holidays and an online sales event, whilst the property sector continues to weaken, contracting further over the past month. In contrast to the anecdotes from the US and Europe, businesses in China have noted exports as a source of strength, although this may partially be attributed to orders being brought forward ahead of potential tariffs that the Trump administration (if re-elected) may impose in the future. In Japan, there were signs of easing in business activity over the month, whilst the Bank of Japan (BoJ) kept interest rates unchanged, noting it would scale back purchases of Japanese government bonds with details to be announced in July.

Market review

The Australian equity market delivered positive returns, with investor sentiment improving following international developments. Our market underperformed global counterparts with the materials sector notably lagging following weakening demand and disappointing economic data from China. Meanwhile, Australian government bond markets performed well, despite some underperformance late in the month following the stronger local inflation data. The Australian dollar (AUD) ended the month higher against most major currencies, notably the Japanese Yen (JPY) and Euro (EUR) with the latter depreciating following disappointing guidance from the Bank of Japan (BoJ) and government budget concerns in France respectively.

Mercer Ready-Made Options

Mercer SmartPath® Ready-Made Investment Option²

Total Returns (%) (after fees and taxes) ¹	1 month	Financial year to date from 1 July	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)	10 years (p.a.)
Born prior to 1949	0.6	8.1	8.1	4.5	5.3	6.1	n/a
Born 1949 to 1953	0.6	8.0	8.0	4.4	5.3	6.0	n/a
Born 1954 to 1958	0.6	8.3	8.3	4.3	5.6	6.4	n/a
Born 1959 to 1963	0.6	9.5	9.5	4.9	6.6	7.5	n/a
Born 1964 to 1968	0.7	11.3	11.3	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 from 1 July	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)	10 years (p.a.)
Investment Option							
Mercer Diversified Shares	0.6	13.1	13.1	6.9	9.1	10.0	10.0
Mercer High Growth	0.8	12.3	12.3	6.2	8.1	8.9	8.8
Mercer Select Growth	0.6	9.4	9.4	5.2	7.4	8.2	n/a
Mercer Growth	0.7	10.9	10.9	n/a	n/a	n/a	n/a
Mercer Moderate Growth	0.8	8.5	8.5	4.3	5.3	6.1	6.4
Mercer Conservative Growth	0.5	6.2	6.2	2.7	3.6	4.4	4.8

NOTES

Past performance is not a reliable indicator of future performance.

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

- Total Returns are calculated based on exit prices of the investment option which are after tax (as applicable) and investment fees/indirect costs. Returns greater than one year are shown on an annualised basis.
- 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 from 1 July	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)	10 years (p.a.)
Mercer Sustainable Options							
Mercer Sustainable High Growth	1.6	12.9	12.9	n/a	n/a	n/a	n/a
Mercer Sustainable Conservative Growth	0.8	5.4	5.4	n/a	n/a	n/a	n/a
Mercer Sector Options							
Mercer Australian Shares	1.1	13.6	13.6	8.3	9.4	10.4	9.8
Mercer International Shares	1.4	17.5	17.5	8.7	11.3	11.9	12.4
Mercer International Shares - Hedged	2.1	18.9	18.9	6.1	10.3	9.8	9.9
Mercer Property	0.3	2.0	2.0	3.2	4.4	6.0	7.0
Mercer Global Listed Property	0.2	6.5	6.5	n/a	n/a	n/a	n/a
Mercer Fixed Interest	0.8	3.1	3.1	-2.4	-0.6	1.1	2.0
Mercer Cash	0.3	4.4	4.4	2.5	1.7	1.8	2.0
Mercer Passive/Enhanced Options							
Mercer Passive Australian Shares	0.8	12.6	12.6	7.6	8.5	9.9	9.3
Mercer Passive International Shares	1.6	19.8	19.8	11.2	13.0	13.2	13.0
Mercer Passive Australian Listed Property	0.3	21.7	21.7	5.1	4.2	7.3	8.4
Mercer Enhanced Passive High Growth	1.1	14.7	14.7	n/a	n/a	n/a	n/a
Mercer Enhanced Passive Growth	1.3	11.7	11.7	5.0	6.6	7.7	7.9
Mercer Enhanced Passive Moderate Growth	1.1	9.6	9.6	n/a	n/a	n/a	n/a
Mercer Enhanced Passive Conservative Growth	0.8	6.8	6.8	2.2	3.4	4.5	5.0

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Taxed Investment Options

Investment Options for Transition to Retirement Pension

Total Returns (%) - (after fees and taxes) ¹	1 month	Financial year to date from 1 July	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	0.4	6.5	6.5	3.5	4.8	5.5	n/a
Taxed Mercer SmartPath® Born 1959-1963	0.6	8.7	8.7	4.5	5.7	6.4	n/a
Taxed Mercer SmartPath® Born 1964-1968	0.6	9.4	9.4	n/a	n/a	n/a	n/a
Ready-Made							
Taxed Mercer High Growth	0.7	10.8	10.8	5.5	7.3	7.9	n/a
Taxed Mercer Select Growth	0.5	8.4	8.4	4.8	n/a	n/a	n/a
Taxed Mercer Moderate Growth	0.6	7.3	7.3	3.8	4.8	5.4	n/a
Taxed Mercer Conservative Growth	0.4	5.7	5.7	2.5	3.3	3.9	n/a
Select-Your-Own – Mercer Sustainable							
Taxed Mercer Sustainable High Growth	1.5	9.9	9.9	n/a	n/a	n/a	n/a
Taxed Mercer Sustainable Conservative Growth	0.7	5.1	5.1	n/a	n/a	n/a	n/a
Select-Your-Own – Mercer Sector							
Taxed Mercer Australian Shares	1.0	12.1	12.1	7.0	7.9	8.9	n/a
Taxed Mercer International Shares	1.4	17.1	17.1	9.3	11.4	11.6	n/a
Taxed Mercer International Shares – Hedged	1.9	17.0	17.0	n/a	n/a	n/a	n/a
Taxed Mercer Property	0.3	2.1	2.1	3.0	4.2	5.5	n/a
Taxed Mercer Global Listed Property	0.2	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Fixed Interest	0.7	2.8	2.8	-2.1	-0.5	1.0	n/a
Taxed Mercer Cash	0.3	3.7	3.7	2.1	1.5	1.5	n/a
Select-Your-Own – Mercer Passive/Enhanced							
Taxed Mercer Passive Australian Shares	1.1	11.5	11.5	n/a	n/a	n/a	n/a
Taxed Mercer Passive International Shares	1.4	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Passive Australian Listed Property	0.4	21.5	21.5	n/a	n/a	n/a	n/a
Taxed Mercer Enhanced Passive Growth	1.2	10.8	10.8	4.6	6.3	n/a	n/a

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The value of an investment in the Mercer Super Trust may rise and fall from time to time. The investment performance, earnings or return of capital invested are not guaranteed. Past performance is not a reliable indicator of future performance.

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