

Mercer Super Trust

Monthly report

Mercer SmartRetirement Income

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 (%) ¹ (after fees and taxes)	1 month	Financial year to date	1 year	3 years (p.a.) ³	5 years (p.a.) ³
Born prior to 1949	-0.5	8.0	4.6	5.9	5.4
Born 1949 to 1953	-0.4	8.2	4.8	5.9	5.4
Born 1954 to 1958	-0.4	8.5	4.6	6.2	5.8
Born 1959 to 1963	-0.5	9.7	5.0	7.5	6.7
Born 1964 to 1968	-0.4	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	-1.1	13.7	6.5	11.4	8.5	9.4	10.1
Mercer High Growth	-0.7	11.6	5.6	9.5	7.5	8.3	8.8
Mercer Growth Maximiser*	-1.2	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Select Growth	-0.2	9.5	5.3	8.7	7.5	7.9	n/a
Mercer Growth*	-1.0	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Moderate Growth	-0.2	8.5	5.0	6.0	5.4	5.8	6.5
Mercer Conservative Growth	-0.3	5.5	3.2	3.6	3.9	4.3	4.9

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	n/a	n/a	n/a	n/a	n/a	n/a
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

NOTES

Past performance is not a reliable indicator of future performance

* New investment option available from 1 April 2023.

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	-1.3	12.7	4.7	10.1	7.8	8.9	9.5
Mercer Sustainable Plus Australian Shares	-2.5	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Sustainable Plus International Shares [#]	0.2	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Sustainable Plus High Growth*	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Sustainable Plus Growth	-0.1	10.5	5.7	8.9	7.2	7.6	8.0
Mercer Sustainable Plus Moderate Growth*	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Sustainable Plus Conservative Growth*	-0.6	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Sector Options							
Mercer Australian Shares	-2.1	14.3	5.2	13.2	9.6	10.0	9.9
Mercer International Shares	0.0	16.0	11.9	10.8	10.2	10.7	12.6
Mercer International Shares - Hedged	0.0	9.5	1.8	9.9	6.7	9.1	9.4
Mercer Property	-1.9	-0.4	-2.7	8.7	5.9	6.9	7.8
Mercer Global Listed Property*	-3.5	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Fixed Interest	-1.1	1.2	-0.3	-2.7	0.8	1.2	2.3
Mercer Cash	0.4	2.6	2.7	0.9	1.3	1.5	1.8
Mercer Passive/Enhanced Options							
Mercer Passive Australian Shares	-2.6	14.7	4.7	12.8	8.8	9.5	9.3
Mercer Passive International Shares	1.2	19.1	13.5	11.9	11.3	11.3	12.9
Mercer Passive Australian Listed Property	-1.8	7.1	-3.9	6.9	3.7	3.5	7.1
Mercer Enhanced Passive High Growth*	-1.2	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Enhanced Passive Growth	-0.8	9.8	4.1	7.3	6.5	7.1	8.0
Mercer Enhanced Passive Moderate Growth*	-0.7	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Enhanced Passive Conservative Growth	-0.6	5.6	2.7	2.8	4.0	4.3	5.2

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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	-0.4	8.3	4.5	5.5	5.0	n/a	n/a
Taxed Mercer SmartPath Born 1959-1963	-0.5	8.9	4.4	6.5	5.5	n/a	n/a
Taxed Mercer SmartPath Born 1964-1968	-0.4	n/a	n/a	n/a	n/a	n/a	n/a
Ready-Made							
Taxed Mercer High Growth	-0.4	10.2	4.9	8.7	6.7	n/a	n/a
Taxed Mercer Growth Maximiser*	-1.1	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Select Growth	-0.1	8.7	4.7	n/a	n/a	n/a	n/a
Taxed Mercer Growth*	-0.9	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Moderate Growth	-0.2	7.7	4.5	5.4	4.8	n/a	n/a
Taxed Mercer Conservative Growth	-0.2	4.9	2.8	3.2	3.5	n/a	n/a
Select-Your-Own – Mercer Sustainable Plus							
Taxed Mercer Sustainable Plus Australian Shares*	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Sustainable Plus International Shares*	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Sustainable Plus High Growth*	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Sustainable Plus Growth*	-0.1	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	n/a
Taxed Mercer Sustainable Plus Conservative Growth*	-0.6	n/a	n/a	n/a	n/a	n/a	n/a
Select-Your-Own – Mercer Sector							
Taxed Mercer Australian Shares	-2.0	12.8	4.3	11.3	7.7	n/a	n/a
Taxed Mercer International Shares	1.3	15.7	11.9	10.7	10.0	n/a	n/a
Taxed Mercer International Shares – Hedged*	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Property	-1.4	-0.5	-2.6	7.9	5.6	n/a	n/a
Taxed Mercer Global Listed Property*	-3.0	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Fixed Interest	-0.9	1.2	-0.2	-2.5	0.6	n/a	n/a
Taxed Enhanced Index Growth	-0.7	7.8	2.8	6.7	5.9	n/a	n/a
Taxed Mercer Cash	0.4	2.3	2.3	0.7	1.0	n/a	n/a
Select-Your-Own – Mercer Passive/Enhanced							
Taxed Mercer Passive Australian Shares*	-2.4	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Passive International Shares*	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Passive Australian Listed Property*	-1.5	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Enhanced Passive High Growth*	-1.0	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*	-0.6	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Enhanced Passive Conservative Growth*	-0.8	n/a	n/a	n/a	n/a	n/a	n/a

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Asset class benchmarks

Shares	
Australian Shares	S&P/ASX 300 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 Passive Unhedged: MSCI World Index (ex Australia, ex tobacco, ex controversial weapons) in A\$ Passive Hedged: MSCI World Index (ex Australia, ex tobacco, ex controversial weapons) in A\$ (Hedged)
Sustainable Plus International Shares	Hedged: MSCI World (NRD) Index in A\$ (Hedged) Unhedged: MSCI World (NRD) Index in A\$
Sustainable Plus Australian Shares	S&P/ASX 300 Accumulation Index
Property and Infrastructure	
Direct Property	CPI + 4%
Listed Property	FTSE EPRA/NAREIT Developed Index in A\$ (Hedged)
Passive Australian Listed Property	S&P/ASX 200 Property Trusts Accumulation Index
Defensive Fixed Interest	
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 the JP Morgan Global Sovereign Bond Index (Customised) in A\$ (Hedged). Prior to November 2013 it was 50% JP Morgan Global Government Bond Index in A\$ (Hedged) and 50% JP Morgan Customised Index. Therefore, the calculations for longer period benchmark returns are inclusive of this data.</i>
Cash	
Cash	Bloomberg AusBond Bank Bill Index

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