



Mercer Super Trust

# Monthly Report

Corporate Superannuation Division

August 2023

## Financial markets update

In August, equities lost momentum and weakened (in local currency terms) after a strong rally over recent months. On a relative basis, US equities outperformed most major developed and emerging markets, while growth stocks generally outperformed value. Fixed income returns were broadly flat to slightly negative. The real asset sector saw the largest declines, with global REITs and infrastructure down markedly.

A combination of weaker forward-looking indicators, a modest uptick in inflation data, particularly in the US, and Fitch Ratings' downgrade of its US credit rating at the start of August, impacted returns.

Composite purchasing manager indices (PMI) continue to soften across the globe with the US Composite PMI falling to a six-month low in August. A similar scenario for the Eurozone, China, UK and Australia, however, Japan bucked the trend with a marginally higher reading. Consumer confidence continues to weaken with increasing signs of consumer distress, such as rising credit card and auto-loan delinquencies. After a period of strength, global labour markets appear to be cooling off. US employment data saw a distinct weakening in August with a solid uptick in its unemployment rate (+0.3% to 3.8%).

Headline inflation dropped sharply in the Eurozone and UK, largely driven by base effects as the 2022 inflationary spike rolls off. Elsewhere, inflation ticked up slightly in the US as a bounce in energy prices fed into its CPI numbers, however, CPI data was broadly unchanged in Japan and China.

At the annual summit in Jackson Hole, Wyoming, central bankers expressed cautious optimism, while acknowledging inflationary expectations remain elevated. Federal Reserve Chairman, Jerome Powell, reiterated the Fed's goal of bringing inflation down to its 2% target and is prepared to lift rates further if required. The Bank of England raised interest rates for the 14<sup>th</sup> consecutive month with its policy rate now sitting at 5.25%. On the flipside, the People's Bank of China introduced a number of easing measures, cutting its key interest rate (1yr Loan Prime Rate) to a record low of 3.45%.

In terms of August returns, Hedged Developed Markets Overseas Shares declined -1.9% and Unhedged Emerging Markets Equities dropped -2.4%. Hedged Overseas Government Bonds delivered a narrow loss of -0.3% over the month as government bond yields experienced an uptick in most major regions. Using 10 year government bonds as a guide, US yields saw a jump of 16bps, both Japan and UK were up 6bps, however, there were slight declines for German and Australian 10 year yields.

Australian Shares returned -0.8% in August, outperforming hedged overseas counterparts. Key contributing sectors were Consumer Discretionary (5.8%) and Real Estate (2.2%), whereas Materials (-2.0%) and Consumer Staples (-3.1%) detracted.

# Mercer Ready-Made Options

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

Total Returns (%) – after fees and taxes <sup>1</sup>	1 month	3 months	Financial year to date	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)
Born prior to 1929	0.4	2.1	1.5	6.3	4.5	4.2	4.8
Born 1929 to 1933	0.2	2.5	1.6	6.6	4.9	4.5	5.0
Born 1934 to 1938	0.2	2.2	1.5	6.5	4.7	4.4	4.9
Born 1939 to 1943	0.3	2.2	1.5	6.7	4.7	4.3	4.9
Born 1944 to 1948	0.2	2.2	1.5	6.5	4.7	4.3	4.9
Born 1949 to 1953	0.2	2.2	1.4	6.6	4.8	4.3	5.0
Born 1954 to 1958	0.3	2.4	1.5	6.9	5.8	4.9	5.7
Born 1959 to 1963	0.2	3.0	1.8	8.0	6.9	5.5	6.5
Born 1964 to 1968	0.1	3.4	2.0	9.1	8.0	6.2	7.3
Born 1969 to 1973	0.0	4.0	2.3	9.8	8.8	6.6	7.8
Born 1974 to 1978	0.0	4.0	2.3	9.8	8.9	6.6	7.9
Born 1979 to 1983	0.0	4.1	2.3	9.9	8.8	6.7	7.9
Born 1984 to 1988	-0.1	4.1	2.4	9.8	8.8	6.6	7.9
Born 1989 to 1993	-0.1	4.2	2.4	9.9	8.7	6.6	7.8
Born 1994 to 1998	-0.1	4.2	2.4	9.8	8.6	6.5	7.7
Born 1999 to 2003	-0.1	4.2	2.3	9.6	8.5	6.4	7.5
Born 2004 to 2008	-0.1	3.9	2.2	9.3	8.1	n/a	n/a
Born 2009 to 2013	-0.1	3.9	2.2	n/a	n/a	n/a	n/a
Born 2014 to 2018	0.2	2.8	1.9	n/a	n/a	n/a	n/a

### NOTES:

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

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.

**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.

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

# Mercer Ready-Made Options

## 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	-0.2	2.4	12.0	9.9	7.2	8.9	8.9
Mercer High Growth	0.0	2.1	9.4	8.7	6.7	7.9	8.0
Mercer Select Growth	0.5	1.9	7.9	7.0	5.8	7.0	n/a
Mercer Growth	0.1	1.9	7.9	7.0	5.5	6.5	7.0
Mercer Moderate Growth	0.4	1.5	7.1	5.2	4.6	5.3	5.8
Mercer Conservative Growth	0.3	1.2	4.4	3.0	3.4	3.9	4.5

Excess Returns (%) – before fees and taxes <sup>2</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	0.1	0.1	0.6	0.5	0.1	0.2	0.2
Mercer High Growth	0.2	-0.1	-1.7	0.0	0.1	0.4	0.5
Mercer Select Growth	0.4	0.0	-2.3	0.5	0.3	0.7	n/a
Mercer Growth	0.2	0.1	-1.7	0.2	-0.2	0.2	0.4
Mercer Moderate Growth	0.2	0.0	-1.4	0.0	0.0	0.2	0.3
Mercer Conservative Growth	0.2	0.2	-1.4	0.0	0.1	0.3	0.4

### NOTES:

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

**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.

**2 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 Product Disclosure Statement or Investment Policy Statement, as relevant. 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.

## 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 Australian Shares	-0.5	2.3	8.3	9.8	n/a	n/a	n/a
Mercer Sustainable Plus International Shares <sup>#</sup>	0.4	1.4	14.7	8.1	n/a	n/a	n/a
Mercer Sustainable Plus High Growth	-0.2	1.4	9.9	8.0	n/a	n/a	n/a
Mercer Sustainable Plus Growth	-0.3	1.1	7.2	6.7	5.8	6.6	6.9
Mercer Sustainable Plus Moderate Growth	0.0	1.1	7.2	4.6	n/a	n/a	n/a
Mercer Sustainable Plus Conservative Growth	-0.2	0.7	3.3	2.3	n/a	n/a	n/a
<b>Mercer Sector Options</b>							
Mercer Australian Shares	-0.7	2.2	9.1	10.5	7.2	8.8	8.1
Mercer International Shares	1.3	3.3	19.2	11.7	9.3	11.1	11.6
Mercer International Shares - Hedged	-1.9	0.3	11.3	7.4	6.4	8.6	9.1
Mercer Property	-1.2	-0.2	-1.9	5.1	3.5	4.9	6.4
Mercer Global Listed Property*	-2.3	0.1	n/a	n/a	n/a	n/a	n/a
Mercer Fixed Interest	0.0	0.4	0.6	-3.0	0.4	0.7	2.2
Mercer Cash	0.3	0.6	3.0	1.1	1.2	1.4	1.6
<b>Mercer Passive/Enhanced Options</b>							
Mercer Passive Australian Shares	-0.7	2.2	9.0	10.4	7.1	8.4	7.8
Mercer Passive International Shares	1.5	3.5	20.6	12.4	10.1	11.7	11.8
Mercer Passive Australian Listed Property	1.9	3.9	5.1	6.2	3.5	3.3	7.3
Mercer Enhanced Passive Growth	-0.1	2.1	8.7	6.8	5.9	7.0	7.6
Mercer Enhanced Passive Conservative Growth	0.1	1.1	4.5	2.3	3.5	3.8	4.7

### NOTES:

\* New investment option available from 1 April 2023

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

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

**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.

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

## 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 Min Vol \$A Optimised in \$A unhedged
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 Index in A\$ (Hedged)
Australian Direct Property	CPI + 4% (lagged one quarter) <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 one quarter) <i>During the period January 2016 to December 2018 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) <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.</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 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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Mercer Super Trust Helpline (8am to 7pm AEST Monday to Friday): 1800 682 525  
If calling from outside Australia: +613 8306 0900  
[www.mercersuper.com.au](http://www.mercersuper.com.au)