



Mercer Super Trust

# Monthly Report

Corporate Superannuation Division

September 2023

## Financial markets update

In Australia, short term economic indicators were mixed. Business activity across the services sector expanded in September, whilst the manufacturing sector remains contracted. Persistent growth in housing prices (0.9% month-on-month (MoM)), a tight labour market and positive wage pressures have helped support an increase in consumer spending. Notably, inflation moved higher to 5.2% p.a. in August, up from a 4.9% p.a. in July. The Reserve Bank of Australia (RBA) left interest rates steady at 4.1%, noting the need to consider the implications of further lagged effects from previous increases in interest rates on household spending and inflation.

At their August meeting, the US Federal Reserve (Fed) decided to keep rates unchanged at 5.25%. Fed Chair Jerome Powell continued to reiterate that they will do whatever it takes to bring inflation back in line with the Fed's 2.0% target. Interest rates in Europe moved higher to 4.5%, though the European Central Bank (ECB) was more dovish, signalling a likely pause in interest rates going forward.

### Market review

In September global equities (-3.8%) trended down in most regions, mainly driven by the US Fed signalling no immediate end in the current high level of US rates at its August meeting: with the Information Technology and Utilities sectors the notable underperformers. The Australian share market also declined (-2.9%) despite the RBA keeping interest rates unchanged. Notable declines for the Australian market were within Information Technology, Health Care and Telecommunications sectors.

Worldwide, government bond yields continued their upward path following the re-setting of higher US interest rate expectations. The Australian 10-year government bond yield increased by 46 basis points to 4.5%. Similarly, the US 10-year government bond yield increased by 47 basis points to 4.6%, the highest level since 2007. The move higher in US yields resulted in a stronger USD with the Australian dollar (AUD) depreciating to around 64 US cents. Commodities were mixed with oil prices up 9.7% to US\$95.31/barrel, following supply cuts announced by the Organization of the Petroleum Exporting Countries (OPEC). Iron Ore prices were also stronger (1.7%) following some supply disruptions, while gold and copper prices fell over the month (-4.8% and -2.2% respectively), as Chinese demand continued to soften.

# 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	-1.5	0.0	0.0	6.9	4.1	3.9	4.6
Born 1929 to 1933	-1.8	-0.2	-0.2	7.0	4.4	4.1	4.7
Born 1934 to 1938	-1.6	-0.2	-0.2	7.1	4.3	4.0	4.7
Born 1939 to 1943	-1.7	-0.2	-0.2	7.2	4.3	4.0	4.7
Born 1944 to 1948	-1.7	-0.3	-0.3	6.9	4.2	3.9	4.6
Born 1949 to 1953	-1.7	-0.3	-0.3	7.1	4.3	4.0	4.7
Born 1954 to 1958	-1.8	-0.2	-0.2	7.6	5.3	4.6	5.5
Born 1959 to 1963	-2.0	-0.2	-0.2	8.9	6.4	5.1	6.1
Born 1964 to 1968	-2.3	-0.3	-0.3	10.1	7.5	5.8	6.9
Born 1969 to 1973	-2.5	-0.3	-0.3	11.0	8.2	6.1	7.4
Born 1974 to 1978	-2.5	-0.2	-0.2	11.0	8.3	6.1	7.5
Born 1979 to 1983	-2.5	-0.2	-0.2	11.0	8.3	6.2	7.5
Born 1984 to 1988	-2.5	-0.2	-0.2	10.9	8.2	6.1	7.5
Born 1989 to 1993	-2.6	-0.2	-0.2	10.9	8.1	6.1	7.3
Born 1994 to 1998	-2.6	-0.2	-0.2	10.8	8.0	6.0	7.3
Born 1999 to 2003	-2.5	-0.3	-0.3	10.6	7.9	5.9	7.1
Born 2004 to 2008	-2.5	-0.3	-0.3	10.4	7.6	n/a	n/a
Born 2009 to 2013	-2.4	-0.2	-0.2	n/a	n/a	n/a	n/a
Born 2014 to 2018	-2.2	-0.3	-0.3	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	-3.2	-0.8	13.9	9.2	6.6	8.4	8.4
Mercer High Growth	-2.4	-0.4	10.4	8.1	6.2	7.5	7.6
Mercer Select Growth	-1.8	0.1	8.6	6.6	5.4	6.7	n/a
Mercer Growth	-2.0	-0.2	9.0	6.5	5.1	6.2	6.6
Mercer Moderate Growth	-1.6	-0.1	7.6	4.8	4.3	5.0	5.5
Mercer Conservative Growth	-1.2	-0.1	4.8	2.7	3.1	3.7	4.3

### 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.

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	-3.0	-0.8	11.5	9.7	n/a	n/a	n/a
Mercer Sustainable Plus International Shares <sup>#</sup>	-4.5	-3.1	13.4	5.8	n/a	n/a	n/a
Mercer Sustainable Plus High Growth	-3.0	-1.6	11.2	7.1	n/a	n/a	n/a
Mercer Sustainable Plus Growth	-2.9	-1.9	7.7	5.8	5.2	6.2	6.4
Mercer Sustainable Plus Moderate Growth	-2.1	-1.0	7.6	3.9	n/a	n/a	n/a
Mercer Sustainable Plus Conservative Growth	-2.0	-1.4	3.1	1.6	n/a	n/a	n/a
<b>Mercer Sector Options</b>							
Mercer Australian Shares	-2.6	-0.4	11.9	10.6	6.9	8.2	7.6
Mercer International Shares	-3.2	0.0	18.9	10.4	8.4	10.8	11.2
Mercer International Shares - Hedged	-3.1	-2.8	17.6	7.1	5.6	8.0	8.4
Mercer Property	-2.5	-2.8	0.6	4.5	3.0	4.4	6.0
Mercer Global Listed Property <sup>*</sup>	-4.7	-4.6	n/a	n/a	n/a	n/a	n/a
Mercer Fixed Interest	-1.4	-1.0	1.8	-3.7	0.2	0.5	2.0
Mercer Cash	0.3	0.9	3.1	1.2	1.2	1.4	1.6
<b>Mercer Passive/Enhanced Options</b>							
Mercer Passive Australian Shares	-2.6	-0.4	12.2	10.6	6.9	7.8	7.3
Mercer Passive International Shares	-3.6	-0.2	19.8	11.1	9.2	11.4	11.4
Mercer Passive Australian Listed Property	-7.5	-3.8	11.1	4.0	2.1	2.7	6.3
Mercer Enhanced Passive Growth	-2.6	-0.5	10.7	6.3	5.4	6.6	7.2
Mercer Enhanced Passive Conservative Growth	-1.3	-0.3	5.7	1.9	3.2	3.6	4.4

### 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 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&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

This report has been prepared by Mercer Investments (Australia) Limited (MIAL) ABN 66 008 612 397, Australian Financial Services Licence #244385 on behalf of Mercer Superannuation (Australia) Limited (MSAL) ABN 79 004 717 533, Australian Financial Services Licence #235906 which is the trustee of the Mercer Super Trust ABN 19 905 422 981 and a wholly owned subsidiary of Mercer (Australia) Pty Ltd (Mercer) ABN 32 005 315 017. MSAL has appointed MIAL as an investment consultant.

The material contained in this document is based on information received in good faith from sources within the market and on our understanding of legislation and government press releases at the date of publication which we believe to be reliable and accurate. Neither Mercer nor any of its related parties accepts any responsibility for any inaccuracy.

'Mercer' and 'Mercer SmartPath' are Australian registered trademarks of Mercer (Australia) Pty Ltd (Mercer) ABN 32 005 315 917.

Investors should be aware that the value of an investment in the Mercer Super Trust may rise and fall from time to time and that neither MSAL, MIAL nor Mercer guarantees the investment performance, earnings or return of capital invested in the Mercer Super Trust. The information contained in this Investment Report is of a general nature only and does not take into account the personal objectives, financial situation or needs of individual investors. Accordingly, before making any investment decision, please consider the relevant Product Disclosure Statement before making a decision about the product, or seek professional advice from a licensed, or appropriately authorised financial adviser if you are unsure of what action to take. The investment returns shown for the Mercer Super Trust investment options throughout this Investment Report do not take into account the unique characteristics applied to each investor (such as timing of cash flow). As a result, the actual investment returns applying to a particular investor may differ from the returns shown in this Investment Report. You should also remember that past performance is not a reliable indicator of future performance.

Report issued: 25 October 2023 | © Copyright 2023 Mercer Investments (Australia) Limited | All rights reserved.

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)