



Mercer Super Trust

# Monthly report

Westpac Group Plan

December 2024

# Financial markets update

## Economic overview

The Reserve Bank of Australia (RBA) held rates steady at 4.35% for their ninth consecutive meeting. However, the softening economic environment has increased the possibility of a February interest rate cut, with expectations shifting from a 30% chance prior to the Q3'24 Gross Domestic Product (GDP) release to 70% following the RBA's December meeting.

Despite the potential for a rate cut, the domestic labour market remained strong. The unemployment rate fell to 3.9% from 4.1% in November, helped by a decrease in the participation rate, compared to market expectations for a rise to 4.2%. In November, 36,700 jobs were added, indicating resilience in the job market. However, business surveys reported weaker business confidence in November, suggesting that businesses are cautious about future economic prospects.

Q3'24 GDP was weaker than the market expected, slowing to 0.8% versus expectations of 1.1%. Growth was driven predominantly by government spending, while household spending remained flat, reflecting consumer caution amid economic uncertainties. Australian house prices have also started to soften, with a -0.1% decline in December. Sydney and Melbourne continued to fall, with Sydney down -0.2% and Melbourne down -0.4% over the month. The other capital cities remained positive, with Adelaide and Perth experiencing low vacancy rates.

In line with market expectations, central banks continued to cut interest rates in December, reflecting a coordinated global effort to stimulate economic growth amid ongoing uncertainties. The European Central Bank (ECB) and the US Federal Reserve (Fed) cut rates by 0.25%. Meanwhile, the Bank of Canada (BOC) and the Swiss National Bank (SNB) took a more aggressive stance, cutting rates by 0.50%. These central banks noted that future interest rate cuts were likely to be gradual and dependent on inflation trends, highlighting the delicate balance between fostering growth and controlling inflation.

The Bank of Japan (BOJ), however, left interest rates unchanged at 0.25%, noting that Japan's economy had recovered moderately.

New Zealand entered a recession with 3rd quarter GDP falling to -1.0% quarter-on-quarter (QoQ), well below market expectations, which were well below market expectations of -0.2% QoQ. Annual GDP fell to a concerning -1.5% year-over-year (YoY).

In the US, the Consumer Price Index (CPI) data for November showed an annual core increase of 0.3% month-over-month (MoM) to 3.3%. Rent and utility costs, a significant expense for households, were lower in November, likely giving the Fed enough comfort to cut interest rates at their next meeting.

US employment data in November was strong, with 227,000 jobs added, although unemployment increased slightly to 4.2% from 4.1%. The US National Federation of Independent Business (NFIB), Small Business Optimism Index, in November suggested increased optimism following the US election, indicating a positive outlook among small businesses. The US Institute for Supply Management (ISM) Manufacturing Purchasing Managers Index (PMI) was better than expected but still in contractionary mode, rising to 48.4% from 46.5% as the new orders component moved into positive territory.

## Market review

Australian Shares ended December lower following the direction of International Shares (Hedged) markets as weaker Australian economic data weighed on the local share market.

Australian Government Bonds had positive performance in December with yields almost unchanged over the month. While Australian 10-year sovereign bond yields initially fell after the latest GDP data announcement, they moved higher after the unexpected fall in unemployment to finish the month up only marginally by 0.02%.

The Australian Dollar (AUD) depreciated against the United States Dollar (USD) in December. Comments by the Fed were seen as more aggressive and weaker economic data in Australia were the key reasons.

International Shares (Hedged) ended December lower. Following strong performance over 2024 international equity markets were likely due for a pause. International Shares (Unhedged) were higher in December assisted by a fall in the AUD. Emerging market shares outperformed developed market equities in December.

International Government Bonds saw negative performance in December after the Fed's announcements noting further rate cuts will be made cautiously and be dependent on inflation. International Credit also had a small negative return due to the rise in International Bond yields.

# Mercer Ready-Made Options

## Mercer SmartPath® Ready-Made Investment Option<sup>2</sup>

| Total Returns (%) –<br>after fees and taxes <sup>1</sup> | 1 month | 3 months | Financial year<br>to date<br>from 1 July | 1 year | 3 years<br>(p.a.) | 5 years<br>(p.a.) | 7 years<br>(p.a.) | 10 years<br>(p.a.) |
|----------------------------------------------------------|---------|----------|------------------------------------------|--------|-------------------|-------------------|-------------------|--------------------|
| Born prior to 1929                                       | -0.1    | 2.2      | 5.4                                      | 9.1    | 4.0               | 4.7               | 5.2               | 5.2                |
| Born 1929 to 1933                                        | -0.1    | 2.1      | 5.9                                      | 9.7    | 4.5               | 5.2               | 5.5               | 5.4                |
| Born 1934 to 1938                                        | -0.1    | 2.1      | 5.6                                      | 9.4    | 4.3               | 5.0               | 5.4               | 5.4                |
| Born 1939 to 1943                                        | -0.1    | 2.1      | 5.9                                      | 9.6    | 4.4               | 4.9               | 5.4               | 5.4                |
| Born 1944 to 1948                                        | -0.1    | 2.1      | 5.9                                      | 9.6    | 4.4               | 4.9               | 5.3               | 5.4                |
| Born 1949 to 1953                                        | 0.0     | 2.3      | 6.0                                      | 10.2   | 4.6               | 5.1               | 5.5               | 5.6                |
| Born 1954 to 1958                                        | 0.0     | 2.2      | 5.8                                      | 9.8    | 4.8               | 5.6               | 5.9               | 6.1                |
| Born 1959 to 1963                                        | -0.1    | 2.3      | 6.2                                      | 11.2   | 5.3               | 6.3               | 6.6               | 6.8                |
| Born 1964 to 1968                                        | -0.2    | 2.5      | 6.7                                      | 12.7   | 6.0               | 7.2               | 7.5               | 7.6                |
| Born 1969 to 1973                                        | -0.3    | 2.6      | 7.1                                      | 14.0   | 6.5               | 7.8               | 8.0               | 8.1                |
| Born 1974 to 1978                                        | -0.3    | 2.5      | 7.1                                      | 14.0   | 6.5               | 7.8               | 8.1               | 8.1                |
| Born 1979 to 1983                                        | -0.3    | 3.0      | 7.6                                      | 14.6   | 6.7               | 8.0               | 8.2               | 8.2                |
| Born 1984 to 1988                                        | -0.3    | 3.1      | 7.8                                      | 14.9   | 6.7               | 8.0               | 8.2               | 8.2                |
| Born 1989 to 1993                                        | -0.4    | 2.6      | 7.2                                      | 14.3   | 6.6               | 7.9               | 8.0               | 8.1                |
| Born 1994 to 1998                                        | -0.4    | 2.4      | 7.1                                      | 14.0   | 6.4               | 7.8               | 8.0               | 8.0                |
| Born 1999 to 2003                                        | -0.4    | 2.4      | 7.0                                      | 13.9   | 6.3               | 7.7               | 7.8               | 7.8                |
| Born 2004 to 2008                                        | -0.7    | 2.8      | 7.7                                      | 14.1   | 6.5               | 7.4               | n/a               | n/a                |
| Born 2009 to 2013                                        | -0.5    | 3.0      | 7.7                                      | 14.1   | n/a               | n/a               | n/a               | n/a                |
| Born 2014 to 2018                                        | -0.2    | 3.4      | 7.8                                      | 14.4   | n/a               | n/a               | n/a               | n/a                |

### 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.

1 Total Returns are calculated based on exit prices of the investment option which are after tax and investment fees/indirect costs. Returns greater than one year are shown on an annualised basis.

2 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®.

## Westpac Group Plan

| Total Returns (%) –<br>after fees and taxes <sup>1</sup> | 1 month | 3 months | Financial year<br>to date<br>from 1 July | 1 year |
|----------------------------------------------------------|---------|----------|------------------------------------------|--------|
| Mercer Heritage Australian Shares                        | -2.8    | -0.5     | 7.0                                      | 12.1   |

## Mercer Ready-Made Options

### Other Mercer Ready-Made Investment Options

| Total Returns (%) –<br>after fees and taxes <sup>1</sup> | 1 month | Financial<br>year to date<br>from 1 July | 1 year | 3 years<br>(p.a.) | 5 years<br>(p.a.) | 7 years<br>(p.a.) | 10 years<br>(p.a.) |
|----------------------------------------------------------|---------|------------------------------------------|--------|-------------------|-------------------|-------------------|--------------------|
| Ready Made options                                       |         |                                          |        |                   |                   |                   |                    |
| Mercer Diversified Shares                                | -0.8    | 9.0                                      | 16.6   | 6.9               | 8.8               | 8.9               | 9.0                |
| Mercer High Growth                                       | -0.5    | 7.7                                      | 14.4   | 6.5               | 8.0               | 8.2               | 8.2                |
| Mercer Select Growth                                     | 0.0     | 6.5                                      | 11.5   | 5.6               | 6.5               | 7.0               | n/a                |
| Mercer Growth                                            | -0.3    | 7.0                                      | 12.7   | 5.8               | 6.6               | 6.9               | 7.1                |
| Mercer Moderate Growth                                   | -0.1    | 5.5                                      | 9.5    | 4.7               | 5.1               | 5.6               | 5.7                |
| Mercer Conservative Growth                               | -0.1    | 4.5                                      | 7.0    | 3.2               | 3.7               | 4.2               | 4.4                |

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## Mercer Select-Your-Own Options

| Total Returns (%) –<br>after fees and taxes <sup>1</sup> | 1 month | Financial<br>year to<br>date from<br>1 July | 1 year | 3 years<br>(p.a.) | 5 years<br>(p.a.) | 7 years<br>(p.a.) | 10 years<br>(p.a.) |
|----------------------------------------------------------|---------|---------------------------------------------|--------|-------------------|-------------------|-------------------|--------------------|
| Mercer Sustainable options                               |         |                                             |        |                   |                   |                   |                    |
| Mercer Sustainable High Growth                           | -0.5    | 5.4                                         | 12.4   | 5.2               | n/a               | n/a               | n/a                |
| Mercer Sustainable Conservative Growth                   | 0.1     | 3.7                                         | 5.7    | 2.3               | n/a               | n/a               | n/a                |
| Mercer Sector options                                    |         |                                             |        |                   |                   |                   |                    |
| Mercer Australian Shares                                 | -2.8    | 7.5                                         | 13.2   | 7.8               | 8.5               | 8.8               | 8.7                |
| Mercer International Shares                              | 1.9     | 12.7                                        | 26.1   | 9.7               | 11.8              | 12.0              | 11.6               |
| Mercer International Shares - Hedged                     | -2.4    | 5.1                                         | 17.5   | 5.0               | 8.7               | 8.3               | 8.9                |
| Mercer Property                                          | -2.6    | 2.0                                         | 0.9    | -0.8              | 2.1               | 3.9               | 5.1                |
| Mercer Global Listed Property                            | -5.4    | 4.6                                         | 3.0    | n/a               | n/a               | n/a               | n/a                |
| Mercer Fixed Interest                                    | -0.3    | 2.0                                         | 2.1    | -1.2              | -0.3              | 1.2               | 1.7                |
| Mercer Cash                                              | 0.4     | 2.0                                         | 3.9    | 2.8               | 1.7               | 1.7               | 1.8                |
| Mercer Passive/Enhanced Passive options                  |         |                                             |        |                   |                   |                   |                    |
| Mercer Passive Australian Shares                         | -2.8    | 6.5                                         | 11.0   | 7.6               | 7.9               | 8.3               | 8.4                |
| Mercer Passive International Shares                      | 2.4     | 13.4                                        | 28.4   | 11.2              | 13.1              | 13.1              | 12.2               |
| Mercer Passive Australian Listed Property                | -5.3    | 6.7                                         | 15.9   | 2.4               | 5.1               | 6.3               | 7.2                |
| Mercer Enhanced Passive Growth                           | -0.5    | 6.7                                         | 12.8   | 5.2               | 6.7               | 7.3               | 7.5                |
| Mercer Enhanced Passive Conservative Growth              | -0.1    | 4.3                                         | 7.2    | 2.6               | 3.4               | 4.3               | 4.4                |

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