



Mercer Super Trust

Monthly report

Westpac Group Plan

January 2025

Financial markets update

Economic overview

Over the twelve months to the December quarter, Australian CPI rose 2.4%, broadly in line with market expectations and within the Reserve Bank of Australia's (RBA) inflation target of 2-3%. Over several monetary policy meetings, the RBA has voiced inflation concerns stating they would like to see two quarters of improved inflation before cutting interest rates. With inflation having now improved for two quarters, market expectations are for an interest rate cut in February.

Australian employment data remained strong with 56,300 jobs added in December and the unemployment rate rising by 0.1% to 4.0%. However, the majority of these were part-time jobs (80,000), with full time employment falling by 23,700, making it the largest drop in full-time employment since December 2023. While the Australian labour market remains strong based on the unemployment rate only, wage growth has been weakening which may be an early indication of a softening in employment conditions.

In December, Australian house prices continued to decline with the CoreLogic 5 capital city aggregate falling by -0.2% month-on-month. Sydney and Melbourne extended their decline from the previous month, dropping -0.6% and -0.7% respectively. While other capital cities remained positive, but their growth is slowing.

Australian consumer confidence measured using the Westpac-Melbourne Institute Consumer Sentiment Index, slightly weakened falling from 92.8 in December to 92.1 in January. However, this decline was minor compared to the improvement from the extremely pessimistic levels seen in October and November.

President Trump signed executive orders imposing tariffs on the US's 3 largest trading partners. The tariffs are 25% on imports from Canada and Mexico and 10% on imports from China. Canadian energy exports will only be subject to a 10% tariff. The tariffs are intended to hold these countries accountable for addressing issues related to illegal immigration and drug trafficking into the US. However shortly afterwards, the US announced a 30 day pause on implementation of the tariffs for Canada and Mexico.

US economic growth slowed, with US Gross Domestic Product (GDP) falling to 2.3% quarter-on-quarter annualised, down from 3.1% in the Q3 '24. This aligns with the view that US growth will slow but is unlikely to enter a recession. However, risks to growth remain, particularly concerning tariff implications.

The US labour market data continued to be strong, with 256,000 jobs added in December and the unemployment rate falling slightly to 4.1% from 4.2%, reversing the change from the previous month. This continues to indicate a resilient job market in the US and aligns with the view of continued US economic growth.

The US Federal Reserve (Fed) held the interest rate range at 4.25%-4.5%, noting that labour market conditions have stabilised and inflation remains elevated. The European Central Bank (ECB) cut rates by 0.25%. It noted growth was balanced and that the ECB remains confident that inflation will continue to progress towards the target.

Market review

International Shares (Hedged) had positive returns in January, up 3.5%, driven by softer than expected inflation in the US which reduced expectations for rate hikes. Real estate investment trust's (REIT) and Small Cap shares also performed well, assisted by falling bond yields.

In January, some US tech shares saw losses after Chinese Artificial Intelligence (AI) company Deep Seek announced its AI had been trained on lower cost hardware and used less energy than the higher cost Nvidia hardware used by comparable US-based AIs. This led to a -10.6% drop in Nvidia's share price over the month.

Australian Shares were up 4.5% in January, outperforming International Shares, while under performing for the month Emerging market Shares saw a small gain of 1.0%.

International Sovereign Bonds returned 0.3% as bond yields fell over January driven by the weaker than expected inflation data in the US. However, Australian Bonds returned only 0.1%, while Australian 10-year Sovereign bond yields rose slightly in January.

The Australian Dollar (AUD) rose 0.5% against the US Dollar (USD) in January reversing some of the decline seen in Q4'24. This occurred even as expectations for rate cuts in Australian grew while US rate cut expectations were reduced.

Credit spreads continued to narrow in January, and this saw International Credit gain 0.7% over the month.

Tariff threats continued to impact commodity markets. Gold and silver prices increased as pre-emptive buying ahead of possible tariffs pulled supply away from international markets.

Mercer Ready-Made Options

Mercer SmartPath® Ready-Made Investment Option²

Total Returns (%) – after fees and taxes ¹	1 month	3 months	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 1929	1.6	3.7	7.0	9.8	5.1	4.6	5.3	5.2
Born 1929 to 1933	1.6	3.6	7.6	10.4	5.5	5.0	5.7	5.4
Born 1934 to 1938	1.5	3.6	7.3	10.2	5.4	4.8	5.5	5.3
Born 1939 to 1943	1.5	3.5	7.5	10.3	5.4	4.8	5.5	5.4
Born 1944 to 1948	1.5	3.5	7.5	10.4	5.4	4.8	5.4	5.3
Born 1949 to 1953	1.5	3.6	7.6	10.8	5.6	5.0	5.6	5.5
Born 1954 to 1958	1.5	3.5	7.4	10.5	5.8	5.4	6.1	6.0
Born 1959 to 1963	1.8	4.1	8.1	12.0	6.6	6.2	6.8	6.7
Born 1964 to 1968	2.2	4.7	9.0	13.7	7.6	7.1	7.6	7.6
Born 1969 to 1973	2.6	5.4	9.8	15.2	8.4	7.7	8.2	8.1
Born 1974 to 1978	2.6	5.4	9.9	15.3	8.4	7.8	8.3	8.2
Born 1979 to 1983	2.6	5.4	10.4	16.0	8.6	7.9	8.4	8.2
Born 1984 to 1988	2.6	5.4	10.6	16.2	8.6	8.0	8.4	8.2
Born 1989 to 1993	2.6	5.4	10.1	15.7	8.5	7.8	8.3	8.1
Born 1994 to 1998	2.6	5.4	9.9	15.4	8.3	7.7	8.2	8.0
Born 1999 to 2003	2.6	5.4	9.8	15.3	8.2	7.6	8.0	7.9
Born 2004 to 2008	2.6	5.1	10.5	15.5	8.3	7.4	n/a	n/a
Born 2009 to 2013	2.6	5.3	10.5	15.6	n/a	n/a	n/a	n/a
Born 2014 to 2018	2.5	5.6	10.5	15.8	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 (%) – after fees and taxes ¹	1 month	3 months	Financial year to date from 1 July	1 year
Mercer Heritage Australian Shares	4.4	5.1	11.7	15.7

Mercer Ready-Made Options

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.)
Ready Made options							
Mercer Diversified Shares	3.4	12.7	18.4	9.6	8.9	9.2	9.2
Mercer High Growth	2.6	10.5	15.8	8.5	7.9	8.4	8.3
Mercer Select Growth	1.8	8.4	12.2	6.8	6.3	7.1	n/a
Mercer Growth	2.2	9.4	13.9	7.3	6.6	7.1	7.1
Mercer Moderate Growth	1.6	7.2	10.2	5.7	5.0	5.7	5.7
Mercer Conservative Growth	1.0	5.5	7.5	3.9	3.5	4.3	4.3

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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	2.5	8.0	13.2	7.6	7.9	n/a	n/a
Mercer Sustainable Conservative Growth	1.1	4.9	6.8	3.1	3.2	n/a	n/a
Mercer Sector options							
Mercer Australian Shares	4.2	12.1	16.6	11.2	8.4	9.4	8.9
Mercer International Shares	3.1	16.2	25.1	12.2	11.7	12.2	11.6
Mercer International Shares - Hedged	4.0	9.3	20.3	8.6	9.8	8.4	9.4
Mercer Property	0.7	2.8	3.9	-0.5	2.0	3.8	4.9
Mercer Global Listed Property	1.3	6.0	7.6	n/a	n/a	n/a	n/a
Mercer Fixed Interest	0.3	2.3	2.5	-0.7	-0.6	1.2	1.5
Mercer Cash	0.3	2.3	3.9	2.9	1.8	1.8	1.8
Mercer Passive/Enhanced Passive options							
Mercer Passive Australian Shares	4.3	11.1	14.3	10.9	7.9	9.0	8.5
Mercer Passive International Shares	2.5	16.3	26.3	12.9	12.8	13.2	12.2
Mercer Passive Australian Listed Property	4.0	10.9	19.3	7.0	4.7	7.4	6.9
Mercer Enhanced Passive Growth	2.3	9.2	14.1	7.1	6.6	7.5	7.4
Mercer Enhanced Passive Conservative Growth	1.2	5.6	7.9	3.6	3.2	4.4	4.3

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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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