



Mercer Super Trust

Monthly report

Westpac Group Plan

July 2024

Financial markets update

Economic overview

Data released over the past month broadly painted a picture of slowing economic conditions in Australia. Businesses surveys noted declining level of activity with notably the retail sector still reporting challenging conditions. This was corroborated by struggling retail volumes, recording a second consecutive quarter of negative growth. The labour market in contrast has remained strong, with the unemployment rate remaining low, despite a significant number of jobs having been added in June.

Inflation was the focus over the month for economists and market participants alike. The Consumer Price Index (CPI) rose by 1.0% quarter-on-quarter (QoQ) in Q2'24, bringing the year-on-year (YoY) rate to 3.8%, with food, housing and healthcare among the key drivers for the rise. However, the trimmed mean CPI (often considered the Reserve Bank of Australia's preferred measure of inflation) rose by 0.8% QoQ in Q2'24, declining from the 1.0% QoQ in Q1'24, easing concerns that underlying inflation may be accelerating in Australia.

Global data releases were more mixed over the past month. For the US, the first estimate of Q2'24 gross domestic product (GDP) exceeded the consensus of economist forecasts, coming in at 2.8% QoQ annualised, rising from 1.4% recorded in Q1'24. Private consumption remained a source of strength with business fixed investment also accelerating. Recent business surveys indicate weaker conditions among manufacturers with some anecdotes emerging of softening customer demand. The labour market remains strong, although it has shown some signs of weakening with the unemployment rate edging up slightly to 4.1% in June, whilst inflation has continued to decline with the core Personal Consumption Expenditures (PCE) price index, the US Federal Reserve's (the Fed) preferred measure of inflation, declining to 2.5% YoY.

In the Eurozone, momentum for an economic recovery has slowed with business surveys pointing to a moderation in activity, notably among manufacturing companies, whilst disinflation appears to have stalled with base effect a contributing factor.

Against this backdrop, the Fed kept interest rates unchanged at its July meeting with its chair Jerome Powell stating that a rate cut could be an option in September if inflation moves down as expected. The European Central Bank (ECB) kept interest rates unchanged noting the decision for the September meeting will depend on data releases leading up to the meeting.

In China, economic growth has remained lacklustre. Q2'24 GDP grew at a slower pace than Q1'24, recording 0.7% QoQ growth, bringing the YoY pace to 4.7%. June data showed softening retail sales growth and ongoing property weakness. Against this backdrop, the Peoples' Bank of China cut the 7-day reverse repurchase rate by 0.1% p.a. signalling their intent to make monetary conditions more favourable.

Meanwhile in Japan, there have been more positive signs with retail sales rising and business sentiment remaining strong. With signs of a virtuous cycle emerging between wage growth and prices, the Bank of Japan raised interest rates from 0.1% p.a. to 0.25% p.a. in July, with its governor stating that it will continue to raise rates if the economy evolves with inflation expectations.

Market review

Australian Shares rose in July, supported by rising investor optimism internationally and easing concerns around inflation locally. Australian Government Bonds delivered positive returns, benefitting from the global market environment and the weaker-than-expected Australian inflation reading, whilst the Australian dollar was weaker against the major currencies, driven by disappointing economic data from China.

Global shares ended July higher, supported by easing US inflation concerns and growing expectations for near term interest rate cuts. Investors rotating from large caps to small caps was a key theme during the month, with small caps performing strongly in anticipation of a lower interest rate and a slower but still growing economic environment. International Government Bonds delivered positive returns as expectations for near-term interest rate cuts in the US rose following another month of disinflationary conditions.

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	2.0	3.3	2.0	8.2	3.7	4.4	5.4	5.1
Born 1929 to 1933	2.3	3.6	2.3	8.6	4.1	4.9	5.6	5.3
Born 1934 to 1938	2.2	3.4	2.2	8.4	4.0	4.7	5.5	5.4
Born 1939 to 1943	2.3	3.6	2.3	8.5	4.0	4.6	5.5	5.3
Born 1944 to 1948	2.4	3.7	2.4	8.4	4.0	4.6	5.4	5.3
Born 1949 to 1953	2.3	3.7	2.3	9.1	4.2	4.7	5.6	5.5
Born 1954 to 1958	2.3	3.6	2.3	8.9	4.5	5.3	6.2	6.0
Born 1959 to 1963	2.5	4.0	2.5	10.0	5.1	6.1	7.0	6.7
Born 1964 to 1968	2.9	4.5	2.9	11.2	5.8	7.0	7.9	7.5
Born 1969 to 1973	3.1	5.0	3.1	12.4	6.4	7.6	8.5	8.0
Born 1974 to 1978	3.1	5.0	3.1	12.4	6.4	7.6	8.6	8.0
Born 1979 to 1983	3.1	5.0	3.1	12.4	6.4	7.7	8.6	8.1
Born 1984 to 1988	3.1	5.0	3.1	12.5	6.4	7.7	8.6	8.1
Born 1989 to 1993	3.2	5.0	3.2	12.5	6.4	7.6	8.5	8.0
Born 1994 to 1998	3.2	5.0	3.2	12.3	6.3	7.6	8.5	7.9
Born 1999 to 2003	3.2	5.0	3.2	12.2	6.2	7.5	8.2	7.7
Born 2004 to 2008	3.4	5.3	3.4	12.4	6.1	7.3	n/a	n/a
Born 2009 to 2013	3.3	5.2	3.3	12.5	n/a	n/a	n/a	n/a
Born 2014 to 2018	3.1	5.1	3.1	12.4	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 (%) – after fees and taxes ¹	1 month	3 months	Financial year to date from 1 July	1 year
Mercer Heritage Australian Shares	3.9	5.4	3.9	13.1

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.)
Investment Option							
Mercer Diversified Shares	3.9	3.9	13.1	6.7	8.6	9.5	9.0
Mercer High Growth	3.2	3.2	12.3	6.3	7.7	8.6	8.1
Mercer Select Growth	2.5	2.5	9.7	5.2	6.3	7.4	n/a
Mercer Growth	2.8	2.8	11.1	5.5	6.4	7.2	7.0
Mercer Moderate Growth	2.2	2.2	8.6	4.3	4.9	5.8	5.7
Mercer Conservative Growth	1.8	1.8	6.8	2.8	3.5	4.3	4.4

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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	1.1	1.1	10.5	5.2	n/a	n/a	n/a
Mercer Sustainable Conservative Growth	1.1	1.1	5.3	1.9	n/a	n/a	n/a
Mercer Sector Options							
Mercer Australian Shares	3.9	3.9	13.3	7.7	8.1	9.4	8.3
Mercer International Shares	3.8	3.8	18.3	8.7	11.3	12.2	12.0
Mercer International Shares - Hedged	0.9	0.9	15.1	5.3	9.3	8.8	9.1
Mercer Property	1.6	1.6	2.2	0.5	2.7	4.4	5.5
Mercer Global Listed Property	4.9	4.9	7.4	n/a	n/a	n/a	n/a
Mercer Fixed Interest	1.4	1.4	4.2	-1.9	-0.3	1.3	2.0
Mercer Cash	0.3	0.3	3.7	2.2	1.5	1.6	1.7
Mercer Passive/Enhanced Options							
Mercer Passive Australian Shares	4.0	4.0	12.7	7.7	7.6	9.1	8.0
Mercer Passive International Shares	3.8	3.8	20.5	10.5	12.5	13.2	12.6
Mercer Passive Australian Listed Property	6.1	6.1	24.1	6.7	4.5	7.5	7.8
Mercer Enhanced Passive Growth	2.9	2.9	11.6	5.0	6.6	7.6	7.6
Mercer Enhanced Passive Conservative Growth	1.8	1.8	7.1	2.0	3.3	4.4	4.6

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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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