



Mercer Super Trust

Monthly report

Westpac Group Plan

February 2025

Financial markets update

Economic overview

The Reserve Bank of Australia (RBA) cut the cash rate by 0.25% to 4.10% in February, in line with market expectations. This marks the first time since 2020 that the RBA has cut rates. The RBA stated in its monetary policy statement that “inflationary pressures are easing a little more quickly than expected”. This along with other factors like slow growth in private demand and easing wage pressures supported the policy decision.

However, the RBA cautioned against expecting further easing, as the labour market conditions remain relatively tight evidenced by limited labour supply and stagnant productivity growth. It further warned that easing monetary policy too much too soon could stall progress on reducing inflation. The RBA increased its December 2026 core inflation forecasts by 0.2% to 2.7% and lowered its 2025 and 2026 unemployment rate forecasts by 0.3% to 4.2%.

Australian employment remained solid in January, with 44,000 jobs added and unemployment slightly increasing to 4.1%. Full-time jobs rose by 54,100, while part-time jobs fell by -10,100. The participation rate increased slightly to 67.3%. Although the labour market remained strong, wage growth weakened in Q4'24, slowing to 3.2% year-on-year (YoY) from the previous 3.5%.

Retail sales in December was -0.1% month-on-month (MoM), following solid retail sales growth in October and November. Retail sales growth was up 4.6% YoY. Household spending was up 0.4% MoM in December and the rise in household spending over Q4'24 may concern the RBA, given the strength in the labour market.

The US has imposed a 25% tariff on steel and aluminium imports. Currently, 25% of steel consumed in the US is imported; with the three largest exporting countries being Canada, Brazil and Mexico.

President Trump announced that the next steps in his tariff plan will be reciprocal tariffs on all trading partners. These tariffs would be customised for each country and will match other countries' tariffs on the US, as well as address any non-tariff barriers believed to disadvantage the US.

The impact of tariffs will likely be that businesses will question whether and when to invest especially with the risk of a prolonged trade war, which could impact international growth and reduce the demand for iron ore and other commodities.

Tariffs are also likely to create a one-off boost to inflation rates, as businesses increase prices to pass on some of the tariff cost to consumers. Central Banks will generally overlook these temporary effects; however, risks remain if tariffs lead to a sustained rise in consumer inflation expectations.

The US Consumer Price Index (CPI) for January was higher than expected, with the increases being widespread and not driven by shelter, unlike previous months.

In the UK, the Bank of England (BoE) cut interest rates by 0.25% at their February meeting, noting significant progress in reducing inflation over the past two years, as external shocks have lessened. Domestic inflationary pressures are easing but remains somewhat elevated, and UK economic growth has weakened.

Market review

International shares (hedged) had a slightly negative return, down -0.9% in February; due to disappointing US economic data, rising inflation and investors' sentiment around President Trump's economic plans.

Australian shares were significantly lower than their international counterparts, down -3.8%. This underperformance was mainly due to disappointing earnings results from large cap shares in the banking sector.

International sovereign bonds were up 1.0% in February, as bond yields fell over the month driven by softer-than-expected US economic data. Australian sovereign bonds were up 0.9% in February, as RBA comments cautioning expectations for additional interest rates cuts caused bond yields in Australia to stay elevated compared to international yields.

International listed property returned 2.0% in February; and Australian listed property were down -6.1%, as there was some capital raising in the Australian Real Estate Investment Trust (REIT) sector.

International credit was up 1.4%, although credit spreads remained unchanged over the month, with the decline in absolute yields contributing to the positive return.

The Australian dollar (AUD) remained unchanged over the month but was volatile as it reacted to both the risk-off sentiment and the RBA's statement from its February meeting. The Australian Dollar (AUD) to United States Dollar (USD) traded between 0.61 and 0.64 in February.

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	-0.1	1.4	6.9	8.3	5.6	5.0	5.3	5.0
Born 1929 to 1933	-0.1	1.4	7.5	8.8	6.0	5.4	5.7	5.2
Born 1934 to 1938	-0.1	1.3	7.1	8.5	5.9	5.2	5.5	5.1
Born 1939 to 1943	-0.1	1.3	7.4	8.7	5.9	5.2	5.5	5.1
Born 1944 to 1948	-0.1	1.3	7.4	8.8	5.9	5.2	5.4	5.1
Born 1949 to 1953	-0.2	1.3	7.4	8.9	6.0	5.3	5.5	5.2
Born 1954 to 1958	-0.1	1.4	7.3	8.6	6.3	5.9	6.0	5.7
Born 1959 to 1963	-0.3	1.4	7.8	9.4	7.1	6.8	6.7	6.4
Born 1964 to 1968	-0.5	1.5	8.5	10.5	8.0	7.8	7.6	7.1
Born 1969 to 1973	-0.7	1.5	9.1	11.3	8.7	8.5	8.1	7.6
Born 1974 to 1978	-0.7	1.5	9.0	11.3	8.7	8.6	8.2	7.7
Born 1979 to 1983	-1.1	1.1	9.2	11.5	8.7	8.6	8.2	7.7
Born 1984 to 1988	-1.2	1.0	9.2	11.6	8.7	8.6	8.2	7.7
Born 1989 to 1993	-0.7	1.5	9.2	11.6	8.7	8.6	8.2	7.6
Born 1994 to 1998	-0.7	1.5	9.1	11.4	8.6	8.5	8.1	7.6
Born 1999 to 2003	-0.7	1.5	9.0	11.3	8.5	8.4	7.9	7.4
Born 2004 to 2008	-1.1	0.8	9.3	11.5	8.5	8.1	n/a	n/a
Born 2009 to 2013	-1.1	1.0	9.3	11.5	n/a	n/a	n/a	n/a
Born 2014 to 2018	-1.1	1.2	9.3	11.6	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	-3.2	-1.8	8.1	10.1

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.)
Ready Made options							
Mercer Diversified Shares	-1.7	10.7	13.0	9.6	9.9	9.0	8.4
Mercer High Growth	-1.3	9.1	11.3	8.5	8.6	8.2	7.7
Mercer Select Growth	-0.7	7.6	9.3	6.9	6.8	7.0	n/a
Mercer Growth	-1.1	8.2	10.1	7.4	7.1	7.0	6.6
Mercer Moderate Growth	-0.2	6.9	8.4	6.1	5.4	5.7	5.4
Mercer Conservative Growth	0.2	5.8	6.9	4.3	3.8	4.3	4.2

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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	-0.4	7.6	10.0	8.0	8.6	n/a	n/a
Mercer Sustainable Conservative Growth	0.4	5.3	6.3	3.6	3.5	n/a	n/a
Mercer Sector options							
Mercer Australian Shares	-3.8	7.8	10.5	9.2	9.1	8.7	7.9
Mercer International Shares	-0.4	15.8	18.1	14.2	12.7	12.2	11.1
Mercer International Shares - Hedged	-0.5	8.7	14.0	9.5	11.4	8.7	8.8
Mercer Property	0.8	3.6	4.6	0.2	2.9	4.2	4.9
Mercer Global Listed Property	1.5	7.5	9.3	n/a	n/a	n/a	n/a
Mercer Fixed Interest	1.1	3.5	4.1	0.2	-0.5	1.4	1.6
Mercer Cash	0.3	2.6	3.9	3.0	1.8	1.8	1.8
Mercer Passive/Enhanced Passive options							
Mercer Passive Australian Shares	-3.4	7.3	9.3	9.0	8.6	8.4	7.5
Mercer Passive International Shares	-0.4	15.9	19.4	14.8	13.8	13.2	11.7
Mercer Passive Australian Listed Property	-5.6	4.6	7.8	4.5	4.5	7.0	6.0
Mercer Enhanced Passive Growth	-0.8	8.3	10.8	7.3	7.4	7.5	7.0
Mercer Enhanced Passive Conservative Growth	0.1	5.7	7.0	4.0	3.6	4.5	4.2

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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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