



Mercer Super Trust

Monthly Report

Corporate Superannuation Division

February 2024

Financial markets update

Economic overview

Economic data released over the past month continues to suggest divergent growth conditions among regions globally. Growth in the US remains resilient, led by the services sector, whilst conditions in the Eurozone remain challenged as weakness across the manufacturing sector, most notably in Germany, continues to weigh on economic activity. Inflation has broadly continued to moderate in most regions, led by declining goods inflation, which has been generally acknowledged in central bank rhetoric over the past month, albeit also cautioning against expectations for rates cuts in the near term.

Japan, like the UK, fell into a technical recession, recording its second consecutive negative GDP number in Q4 23. However, there were some positive signs with annual wage negotiations between enterprises and unions pointing to sharp wage increases and business capital spending plans picking up rapidly. This is likely to result in a recovery in growth over the coming quarters. Growth in China appears to be running below trend as weakness in the property sector continues to weigh on sentiment and activity. There are some signs of improvement, notably within services-related industries. Against this backdrop, the People's Bank of China cut the 5-year loan prime rate by 0.25% to 3.95% p.a., a larger cut than forecast by most economists.

Domestically, economic conditions have broadly remained resilient albeit with some signs of easing. The unemployment rate ticked up to 4.1% in January (from 3.9% in December), still low relative to historical levels, whilst readings from the latest NAB Business Survey indicated positive but easing business conditions. The January reading of the Consumer Price Index (CPI) indicator remained unchanged at 3.4% Year-on-Year (YoY), a rate higher than the Reserve Bank of Australia (RBA) inflation target. Indeed, whilst the RBA left interest rates unchanged at 4.35% p.a. in their February meeting, the minutes from that meeting showed that the RBA board had also considered the case for raising rates, suggesting that the RBA's focus remains on bringing inflation down for now.

Market review

Global equities ended the month of February higher, extending gains made in January, driven by a combination of resilient economic conditions and better-than-expected earnings in the US, with gains again skewed towards a handful of US mega cap companies. The Australian share market also rose over the month, albeit lagging global markets, given its lower exposure to the technology sector.

Global government bond yields broadly ended the month higher with expectations of near-term interest rate cuts reduced in the US, following resilient economic data and central bank rhetoric cautioning against near-term rate cuts. Australian bond yields also rose, influenced by global market conditions, whilst the Australian dollar depreciated against the US dollar with economic indicators pointing to more resilient conditions in the US.

Commodity markets had a mixed performance. Oil prices ended the month modestly higher as mounting concerns regarding supply disruptions in the Middle East drove investor concerns higher, whilst iron ore prices ended the month lower driven by the subdued economic conditions in China and ongoing concerns surrounding their property sector.

Mercer Ready-Made Options

Mercer SmartPath[®] Ready-Made Investment Option

Total Returns (%) – after fees and taxes ¹	1 month	3 months	Financial year to date	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)	10 years (p.a.)
Born prior to 1929	1.3	4.5	6.0	8.6	4.6	4.9	5.2	5.0
Born 1929 to 1933	1.4	4.8	6.3	8.9	4.9	5.2	5.4	5.2
Born 1934 to 1938	1.4	4.7	6.1	8.8	4.9	5.1	5.3	5.2
Born 1939 to 1943	1.4	4.6	6.0	8.9	4.8	5.0	5.3	5.2
Born 1944 to 1948	1.4	4.5	5.9	8.7	4.8	5.0	5.2	5.1
Born 1949 to 1953	1.6	5.0	6.4	9.2	5.0	5.1	5.3	5.3
Born 1954 to 1958	1.6	5.0	6.4	9.3	5.6	5.7	6.0	5.9
Born 1959 to 1963	2.0	5.9	7.3	10.6	6.5	6.5	6.7	6.6
Born 1964 to 1968	2.4	6.9	8.2	11.8	7.4	7.4	7.6	7.3
Born 1969 to 1973	2.8	7.6	9.2	13.0	8.0	8.0	8.2	7.8
Born 1974 to 1978	2.8	7.7	9.3	13.1	8.0	8.1	8.2	7.8
Born 1979 to 1983	2.8	7.6	9.2	13.0	8.0	8.1	8.2	7.8
Born 1984 to 1988	2.9	7.7	9.4	13.1	8.0	8.1	8.2	7.8
Born 1989 to 1993	2.9	7.7	9.4	13.2	7.9	8.0	8.1	7.7
Born 1994 to 1998	2.8	7.6	9.3	13.0	7.8	7.9	8.1	7.6
Born 1999 to 2003	2.8	7.6	9.2	12.8	7.7	7.8	7.9	7.5
Born 2004 to 2008	2.5	7.4	9.0	12.6	7.4	n/a	n/a	n/a
Born 2009 to 2013	2.5	7.5	9.2	12.9	n/a	n/a	n/a	n/a
Born 2014 to 2018	2.6	7.2	8.6	n/a	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 which are after tax (as applicable) 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 ¹	1 month	Financial year to date	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)	10 years (p.a.)
Investment Option							
Mercer Diversified Shares	3.0	9.4	14.4	8.9	9.0	9.1	8.7
Mercer High Growth	2.7	8.9	12.3	7.8	8.1	8.3	7.9
Mercer Select Growth	1.9	7.0	9.9	6.5	6.7	7.2	n/a
Mercer Growth	2.4	8.2	11.2	6.7	6.7	6.9	6.9
Mercer Moderate Growth	1.5	6.1	9.3	5.2	5.3	5.6	5.7
Mercer Conservative Growth	0.8	4.7	6.5	3.4	3.8	4.1	4.4

Mercer Select-Your-Own Options

Total Returns (%) – after fees and taxes ¹	1 month	Financial year to date	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)	10 years (p.a.)
Mercer Sustainable Plus options							
Mercer Sustainable Plus Australian Shares	1.0	9.1	9.9	8.6	8.5	n/a	n/a
Mercer Sustainable Plus International Shares [#]	5.5	12.3	19.9	9.2	9.5	n/a	n/a
Mercer Sustainable Plus High Growth	2.6	8.7	12.9	7.8	n/a	n/a	n/a
Mercer Sustainable Plus Growth	2.4	6.8	9.3	6.3	7.0	6.9	6.7
Mercer Sustainable Plus Moderate Growth	1.5	6.0	9.3	4.9	n/a	n/a	n/a
Mercer Sustainable Plus Conservative Growth	0.8	3.9	5.0	2.7	n/a	n/a	n/a
Mercer Sector Options							
Mercer Australian Shares	1.5	9.5	10.6	9.4	9.0	8.8	8.1
Mercer International Shares	5.6	14.0	24.1	12.3	11.7	11.8	11.4
Mercer International Shares - Hedged	5.0	11.2	20.0	7.1	9.1	8.7	9.0
Mercer Property	0.1	0.7	-0.2	3.0	2.7	4.5	5.9
Mercer Global Listed Property [*]	-0.1	3.1	n/a	n/a	n/a	n/a	n/a
Mercer Fixed Interest	-0.4	2.5	3.6	-1.6	0.2	1.2	2.1
Mercer Cash	0.3	2.4	3.6	1.7	1.3	1.5	1.7
Mercer Passive/Enhanced Options							
Mercer Passive Australian Shares	1.0	9.5	10.6	9.3	8.6	8.5	7.9
Mercer Passive International Shares	5.4	15.0	27.6	14.1	12.9	12.7	11.8
Mercer Passive Australian Listed Property	4.4	15.8	13.0	8.8	5.0	5.7	8.0
Mercer Enhanced Passive Growth	2.2	8.5	12.5	6.8	7.0	7.3	7.4
Mercer Enhanced Passive Conservative Growth	0.9	4.9	6.9	2.9	3.8	4.2	4.6

NOTES:

^{*} New investment option available from 1 April 2023

[#] Known as Mercer Sustainable Plus Global Shares until 31 March 2023

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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 for the investment options in this report (excluding Mercer SmartPath and other Mercer Super diversified investment options). 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&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	MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index – NAV-Weighted Post-Fee Total Return (All Funds) (lagged 1 month) <i>From January 2016 to 1 February 2024 the benchmark was CPI + 4% (lagged 3 months). Prior to January 2016 Mercer/IPD Australian Pooled Property Fund Index.</i>
Global Listed Infrastructure	FTSE Developed Core Infrastructure 50/50 Index – in A\$ (Hedged) <i>Prior to 1 February 2024 the benchmark was FTSE Global Core 50/50 Index in A\$ Hedged</i>
Global Unlisted Infrastructure	MSCI Australia Quarterly Private Infrastructure Fund Index (Unfrozen) – 50th Percentile Post-Fee Total Return (All Funds) (lagged 3 months) <i>From January 2019 to 1 February 2024 the benchmark was CPI + 5% (lagged 3 months). Prior to 1 January 2019 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&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>
Short Term Bonds	Bloomberg AusBond Bank Bill Index
Global Credit	Bloomberg Barclays Global Aggregate – Corporate (A\$ Hedged) <i>Prior to 1 February 2024 the benchmark was 60% Barclays Global Aggregate - Corporate Index in A\$ (Hedged) and 40% Barclays Capital Global Aggregate ex Government ex Treasuries Index in A\$ (Hedged)</i>
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>Prior 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 for the Mercer SmartPath and other Mercer Super diversified 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)
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

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