

Mercer Super Trust

# Monthly Report

Allocated Pension Division

May 2024

# Financial markets update

## **Economic overview**

Economic data released over the past month broadly took a softer tone. The NAB business survey observed easing in conditions, whilst retail sales growth remained weak with the Australian Bureau of Statistics (ABS) observing “weak underlying spending in most parts of the retail industry”. Against this backdrop, the Albanese government handed down its third Federal budget, with cost-of-living measures such as changes to the stage 3 tax cuts and energy bill relief among its key initiatives. Another sign of a more cautious consumer was the Westpac survey, which indicated of those expecting to receive a tax cut, 30% plan to save it all and 50% will save at least half. Meanwhile April inflation has remained stubborn with the CPI Monthly Indicator rising slightly to 3.6% Year-on-Year (YoY) in April, driven by food, clothing and health items. The Reserve Bank of Australia (RBA) kept interest rates unchanged at 4.35% p.a. continuing to “not ruling anything in or out” while remaining “vigilant to upside risks” for inflation.

There have been signs of easing in US growth over the past month, with retail sales softening and some business survey indicators pointing to declining activity across both manufacturing and services sectors. Whilst strong by historical standards, the labour market has also shown signs of easing, with both the creation of new jobs and the number of job openings declining. Elsewhere, business conditions appear to be improving in the Eurozone led by the services sectors, although the pace of growth remains low. On inflation, the US Consumer Price Index (CPI) provided relief for economists and market participants alike with the core measure easing slightly, accompanied by encouraging signs for services inflation. The US Federal Reserve (the “Fed”) kept interest rates unchanged in May noting that the next change is unlikely to be a hike with interest rates viewed as being sufficiently high to bring inflation back to its 2% target. Members of the European Central Bank (ECB) have also continued to raise expectations for an interest rate cut at their June meeting.

China’s economic conditions have been lacklustre. Indicators of business activity have eased with manufacturing businesses citing weak demand and the property sector has remained a drag on consumer sentiment and economic activity. Against this backdrop, the Peoples’ Bank of China (PBOC) announced a raft of measures including a CNY300 billion lending program for unsold apartments and cutting the minimum deposit for both first and second-home purchases. In the first quarter of 2024, Japan's economy shrank due to issues in the automotive industry, but recent signs, including positive business sentiment and strong capital expenditure plans, suggest resilience.

## **Market review**

The Australian equity market ended May higher, benefiting from the positive international market backdrop, although underperforming international equity markets largely due to a smaller exposure weighting to technology. Australian government bond yields ended the month broadly unchanged, with market participants remaining concerned about the prospects of interest rates remaining higher for longer, with these concerns also helping to support the Australian dollar (AUD) against currencies such as the US dollar (USD).

International equity markets rebounded higher in May with softer US employment data and slight easing in US inflation data helping to ease concerns around the outlook for US interest rates. International government bond markets also made gains, although contributions were mixed, with US government bond yields declining as inflation and interest rate concerns eased, whilst in Japan, government bond yields moved higher as the Bank of Japan reduced purchases of these securities.

# Mercer Ready-Made Options

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

Total Returns (%) (after fees and taxes) <sup>1</sup>	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.)
Born prior to 1949	0.9	7.5	8.4	4.9	5.6	5.9	n/a
Born 1949 to 1953	0.8	7.4	8.1	4.8	5.6	5.9	n/a
Born 1954 to 1958	0.8	7.7	8.6	4.7	6.0	6.3	n/a
Born 1959 to 1963	0.9	8.8	9.9	5.4	7.1	7.3	n/a
Born 1964 to 1968	1.0	10.5	12.0	n/a	n/a	n/a	n/a

## Other Mercer Ready-Made Investment Options

Total Returns (%) (after fees and taxes) <sup>1</sup>	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.)
<b>Investment Option</b>							
Mercer Diversified Shares	1.4	12.4	15.4	7.7	9.9	9.8	9.9
Mercer High Growth	1.3	11.5	13.5	6.8	8.6	8.7	8.7
Mercer Select Growth	0.9	8.8	9.7	5.6	7.8	8.1	n/a
Mercer Growth	1.2	10.2	11.9	n/a	n/a	n/a	n/a
Mercer Moderate Growth	0.7	7.7	8.3	4.6	5.6	6.0	6.3
Mercer Conservative Growth	0.6	5.6	5.7	2.8	3.8	4.3	4.8

### 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.

- Total Returns are calculated based on exit prices of the investment option which are after tax (as applicable) and investment fees/indirect costs. Returns greater than one year are shown on an annualised basis.*
- 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®.

## Mercer Select-Your-Own Options

Total Returns (%) (after fees and taxes) <sup>1</sup>	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.)
<b>Mercer Sustainable Options</b>							
Mercer Sustainable High Growth	1.3	11.1	13.5	n/a	n/a	n/a	n/a
Mercer Sustainable Conservative Growth	0.7	4.6	4.4	n/a	n/a	n/a	n/a
<b>Mercer Sector Options</b>							
Mercer Australian Shares	1.0	12.3	13.9	8.5	9.9	10.3	9.5
Mercer International Shares	2.0	15.9	18.4	9.7	12.2	11.3	12.3
Mercer International Shares - Hedged	4.1	16.4	23.1	6.1	11.1	9.5	9.8
Mercer Property	2.0	1.8	3.1	3.4	4.5	6.1	7.1
Mercer Global Listed Property	4.0	6.3	9.2	n/a	n/a	n/a	n/a
Mercer Fixed Interest	0.6	2.3	0.9	-2.4	-0.5	0.9	2.0
Mercer Cash	0.4	4.0	4.4	2.4	1.7	1.8	2.0
<b>Mercer Passive/Enhanced Options</b>							
Mercer Passive Australian Shares	0.8	11.6	13.5	8.1	9.1	9.8	9.1
Mercer Passive International Shares	2.0	17.9	21.6	12.3	13.8	12.5	12.9
Mercer Passive Australian Listed Property	1.9	21.3	23.5	6.9	5.0	6.5	8.8
Mercer Enhanced Passive High Growth	1.5	13.4	15.8	n/a	n/a	n/a	n/a
Mercer Enhanced Passive Growth	1.0	10.3	12.1	5.4	7.0	7.4	7.8
Mercer Enhanced Passive Moderate Growth	0.8	8.4	9.4	n/a	n/a	n/a	n/a
Mercer Enhanced Passive Conservative Growth	0.5	5.9	6.4	2.4	3.6	4.4	4.9

### 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 (as applicable) and investment fees/indirect costs. Returns greater than one year are shown on an annualised basis.*

# Taxed Investment Options

## Investment Options for Transition to Retirement Pension

Total Returns (%) - (after fees and taxes) <sup>1</sup>	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.)
<b>Ready-Made – SmartPath®</b>							
Taxed Mercer SmartPath® Born 1954-1958	0.5	6.1	6.8	3.9	5.2	n/a	n/a
Taxed Mercer SmartPath® Born 1959-1963	0.9	8.1	9.2	5.0	6.1	n/a	n/a
Taxed Mercer SmartPath® Born 1964-1968	1.0	8.8	10.2	n/a	n/a	n/a	n/a
<b>Ready-Made</b>							
Taxed Mercer High Growth	1.2	10.0	11.6	6.0	7.7	n/a	n/a
Taxed Mercer Select Growth	0.9	7.8	8.6	5.2	n/a	n/a	n/a
Taxed Mercer Moderate Growth	0.6	6.6	7.2	4.1	5.1	n/a	n/a
Taxed Mercer Conservative Growth	0.6	5.2	5.4	2.7	3.5	n/a	n/a
<b>Select-Your-Own – Mercer Sustainable</b>							
Taxed Mercer Sustainable High Growth	-0.2	8.3	10.4	n/a	n/a	n/a	n/a
Taxed Mercer Sustainable Conservative Growth	0.8	4.4	4.2	n/a	n/a	n/a	n/a
<b>Select-Your-Own – Mercer Sector</b>							
Taxed Mercer Australian Shares	0.6	10.9	12.5	7.2	8.4	n/a	n/a
Taxed Mercer International Shares	1.9	15.6	19.0	10.3	12.2	n/a	n/a
Taxed Mercer International Shares – Hedged	3.5	14.8	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Property	1.6	1.9	2.9	3.2	4.3	n/a	n/a
Taxed Mercer Global Listed Property	3.5	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Fixed Interest	0.6	2.1	1.0	-2.0	-0.4	n/a	n/a
Taxed Mercer Cash	0.4	3.4	3.7	2.0	1.4	n/a	n/a
<b>Select-Your-Own – Mercer Passive/Enhanced</b>							
Taxed Mercer Passive Australian Shares	0.7	10.3	12.0	n/a	n/a	n/a	n/a
Taxed Mercer Passive International Shares	1.8	n/a	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Passive Australian Listed Property	1.7	21.0	19.0	n/a	n/a	n/a	n/a
Taxed Mercer Enhanced Passive Growth	0.9	9.5	11.2	4.9	6.7	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.

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

Disclaimer: This report has been prepared by Mercer Investments (Australia) Limited (MIAL) ABN 66 008 612 397, Australian Financial Services Licence #244385 on behalf of Mercer Superannuation (Australia) Limited (MSAL) ABN 79 004 717 533, Australian Financial Services Licence #235906 who is the issuer of this report. MSAL is the trustee of the Mercer Super Trust ABN 19 905 422 981 and issuer of the products within the Mercer Super Trust. MSAL has appointed MIAL as an investment consultant.

'MERCER' and Mercer SmartPath® are Australian registered trademarks of Mercer (Australia) Pty Ltd (Mercer) ABN 32 005 315 917. Copyright © 2024 Mercer LLC. All rights reserved.

The material contained in this report is based on information received in good faith from sources within the market and on our understanding of legislation which we believe to be accurate. Neither Mercer nor any of its related parties accepts any responsibility for any inaccuracy.

The investment returns shown for the Mercer Super Trust investment options throughout this report do not take into account the unique characteristics applied to each investor (such as timing of cash flow). As a result, the actual investment returns applying to a particular investor may differ from the returns shown in this report.

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.

The information contained in this report is of a general nature only and does not take into account your objectives, financial situation or needs. Before making any investment decision, please consider the relevant Product Disclosure Statement available at [mercersuper.com.au](http://mercersuper.com.au). The product Target Market Determination can be found at [mercersuper.com.au/tmd](http://mercersuper.com.au/tmd).

Report issued: 25 June 2024 | © 2024 Mercer | All rights reserved.

Mercer Super Trust Helpline (8am to 7pm AEST Monday to Friday): 1800 671 369  
If calling from outside Australia: +613 8306 0906  
[www.mercersuper.com.au](http://www.mercersuper.com.au)