

Mercer Super Trust

Monthly Report

Allocated Pension Division

September 2024

Financial markets update

Economic overview

Domestic data released in September painted a softer picture of economic conditions in Australia. Q2'24 Gross Domestic Product (GDP) growth was weak at 0.2% Quarter-on-Quarter (QoQ), bringing the Year-on-Year (YoY) rate to 1.0%. Private consumption was weak at -0.2% QoQ, with the key positive contributor coming from government spending. Business surveys were mixed, with weaker conditions still evident among retailers. The Australian monthly Consumer Price Index (CPI) declined from 3.5% to 2.7% YoY in August driven by the Government's energy rebate for households.

Against this backdrop, the Reserve Bank of Australia (RBA) kept interest rates unchanged at 4.35% p.a. in September noting that it "remains vigilant to the upside risks to inflation." The RBA stated it had not considered raising interest rates at the meeting, the first time since the March meeting earlier this year.

International economic activity has remained resilient but regionally divergent. While fears of a US recession lingered, with surveys indicating declining manufacturing activity and labour market data pointing to slowing job growth, conditions have broadly remained strong, led by the services sector and household consumption. Inflation was broadly unchanged over the month, due to a rise in residential rental inflation and price gains in volatile categories such as airfares and motels. With the broader trend remaining disinflationary, the US Federal Reserve (Fed) cut the interest rate target range by 0.5% to 4.75-5.00% p.a. Fed Chair Powell stated the size of the cut should not be extrapolated going forward and that future decisions will be made at each meeting.

In the Eurozone, economic momentum remained weak. Q2'24 GDP grew at a rate of 0.2% QoQ, bringing the YoY rate to 0.6%. Recent business surveys indicated a decline in activity, led by German manufacturers. Against this backdrop, the European Central Bank cut interest rates by 0.25%, bringing the main deposit rate to 3.50% p.a., while hinting at further interest rate cuts.

In Asia, there were further signs of improvement in Japan with the Q2'24 GDP strong at 0.7% QoQ. Many underlying components including business and private residential investments grew. Meanwhile, activity in China has remained lacklustre. Industrial production and capital expenditure slowed further, and property prices declined again in August. In response, China's policymakers pledged to ensure the necessary fiscal expenditures to meet this year's economic growth targets and to stop the decline in their property market, with the People's Bank of China cutting interest rates and announcing additional measures to support the housing market.

Market review

The local equity market delivered a positive return in September, supported by improving investor sentiment internationally with the US beginning to cut interest rates and China announcing new stimulus measures. Australian government bonds also produced positive returns, while the AUD appreciated against major currencies following encouraging policy announcements from China.

International equity markets ended the month higher on an AUD currency hedged basis as the Fed commenced its interest rate cutting cycle. Emerging market equities performed strongly with investor optimism rising following announcements from Chinese policymakers. Meanwhile, international government bonds rose, aided by softer US labour market and manufacturing data and anticipation of further US interest rate cuts.

Mercer Ready-Made Options

Mercer SmartPath® Ready-Made Investment Option²

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.)
Born prior to 1949	1.0	4.2	13.0	5.4	5.6	6.5	n/a
Born 1949 to 1953	1.0	4.1	12.6	5.3	5.6	6.5	n/a
Born 1954 to 1958	1.0	4.1	13.0	5.2	5.9	6.9	n/a
Born 1959 to 1963	1.2	4.5	14.7	5.9	7.0	7.9	n/a
Born 1964 to 1968	1.3	5.0	17.0	n/a	n/a	n/a	n/a

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	5.8	20.5	8.3	9.6	10.5	10.3
Mercer High Growth	1.4	4.9	18.2	7.3	8.4	9.3	9.2
Mercer Select Growth	1.1	3.6	13.2	5.8	7.4	8.5	n/a
Mercer Growth	1.2	4.8	16.6	n/a	n/a	n/a	n/a
Mercer Moderate Growth	1.0	3.6	12.3	5.0	5.5	6.5	6.6
Mercer Conservative Growth	0.7	3.4	9.6	3.5	3.8	4.8	5.0

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 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	2.4	18.4	n/a	n/a	n/a	n/a
Mercer Sustainable Conservative Growth	0.5	2.4	9.6	n/a	n/a	n/a	n/a
Mercer Sector options							
Mercer Australian Shares	3.2	7.9	22.8	10.1	10.2	11.4	10.6
Mercer International Shares	-0.5	2.4	21.3	8.5	10.9	11.8	12.1
Mercer International Shares - Hedged	1.5	4.5	28.0	7.8	11.1	9.8	10.2
Mercer Property	1.7	7.0	13.7	4.6	5.3	6.7	7.6
Mercer Global Listed Property	2.4	11.9	25.8	n/a	n/a	n/a	n/a
Mercer Fixed Interest	0.7	3.5	8.1	-1.3	-0.4	1.6	2.2
Mercer Cash	0.4	1.2	4.5	2.9	1.9	1.9	2.0
Mercer Passive/Enhanced Passive options							
Mercer Passive Australian Shares	2.8	7.9	22.0	9.6	9.4	10.7	10.2
Mercer Passive International Shares	-0.5	2.4	23.0	10.6	12.5	13.1	12.7
Mercer Passive Australian Listed Property	6.5	14.6	46.4	8.5	6.9	9.1	9.8
Mercer Enhanced Passive High Growth	1.9	6.4	23.3	n/a	n/a	n/a	n/a
Mercer Enhanced Passive Growth	1.5	5.1	18.3	6.3	7.0	8.1	8.3
Mercer Enhanced Passive Moderate Growth	1.1	4.5	15.0	n/a	n/a	n/a	n/a
Mercer Enhanced Passive Conservative Growth	0.9	3.5	10.8	3.1	3.5	4.9	5.2

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Taxed Investment Options

Investment Options for Transition to Retirement Pension

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 – SmartPath®							
Taxed Mercer SmartPath® Born 1959-1963	1.0	4.0	13.4	5.2	6.0	6.8	n/a
Taxed Mercer SmartPath® Born 1964-1968	1.1	4.4	14.6	n/a	n/a	n/a	n/a
Ready Made options							
Taxed Mercer High Growth	1.3	4.8	16.7	6.4	7.6	8.4	n/a
Taxed Mercer Select Growth	1.0	3.8	12.5	5.4	n/a	n/a	n/a
Taxed Mercer Moderate Growth	0.9	3.5	11.2	4.5	5.0	5.8	n/a
Taxed Mercer Conservative Growth	0.7	3.4	9.1	3.3	3.5	4.3	n/a
Mercer Sustainable options							
Taxed Mercer Sustainable High Growth	0.4	2.1	14.0	n/a	n/a	n/a	n/a
Taxed Mercer Sustainable Conservative Growth	0.4	2.1	8.9	n/a	n/a	n/a	n/a
Mercer Sector options							
Taxed Mercer Australian Shares	2.7	7.8	20.9	8.7	8.8	9.9	n/a
Taxed Mercer International Shares	-0.4	2.2	20.0	8.8	11.0	11.7	n/a
Taxed Mercer International Shares – Hedged	1.3	3.6	24.1	n/a	n/a	n/a	n/a
Taxed Mercer Property	1.4	5.4	10.2	4.0	4.8	6.0	n/a
Taxed Mercer Global Listed Property	2.2	10.5	22.2	n/a	n/a	n/a	n/a
Taxed Mercer Fixed Interest	0.6	3.2	7.3	-1.1	-0.3	1.4	n/a
Taxed Mercer Cash	0.3	1.0	3.8	2.5	1.5	1.6	n/a
Mercer Passive/Enhanced Passive options							
Taxed Mercer Passive Australian Shares	2.7	7.2	19.7	n/a	n/a	n/a	n/a
Taxed Mercer Passive International Shares	-0.4	2.0	n/a	n/a	n/a	n/a	n/a
Taxed Mercer Passive Australian Listed Property	6.0	13.2	41.4	n/a	n/a	n/a	n/a
Taxed Mercer Enhanced Passive Growth	1.4	4.5	16.6	5.6	6.6	7.5	n/a

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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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