Mercer

Factsheet for the month ending 31 May 2023

Advance International Shares Multi-Blend Fund - Wholesale Units

Fund overview

ARSN	087 295 501
APIR	ADV0053AU
Commencement date	31 August 1998
Fund size (AUD)	$1,220.6m
Benchmark	MSCI World ex Australia (Standard) Index (Net Dividends) in Australian dollars
Recommended investment timeframe	At least 5 years
Risk label	Very high
Minimum initial investment	$500,000
Distribution frequency	Quarterly
Investment management fee pa*	0.95%

*Additional fees and charges may apply. See Product Disclosure Statement (PDS) for details.

Investment objective

To provide investors with a total investment return (before fees and taxes) that outperforms the benchmark over periods of five years or longer.

Investment strategy

The Fund invests in a wide range of international shares listed, or expected to be listed, on world stock exchanges, including emerging markets and across a diverse range of industries.

Investment managers

As the Responsible Entity, Advance Asset Management Limited ('AAML') selects investment managers for Advance International Shares Multi-Blend Fund - Wholesale Units ('the Fund') and we manage and monitor the managers on your behalf. Therefore we may remove, replace, or appoint additional investment managers at our discretion at any time.

For information on the Fund's investment managers, please refer to the Manager List for the Fund available at mercer.com.au/mercerfunds.

Performance review

Total return	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	7 years % pa	Since Inception % pa
After fees and costs[1,2]	-0.2	5.6	11.8	10.4	9.2	10.1	4.5
Benchmark	1.2	8.4	13.4	11.9	11.3	11.4	12.7

Notes: **Past performance is not a reliable indicator of future performance.**

1. Returns are calculated using month end exit prices and assume distributions are reinvested. Returns over 12 months are annualised.
2. Performance figures are calculated after deduction of investment management fees and costs, and any applicable performance fees. See the PDS for details of current fees and costs.

Market update

In May, risk asset returns in developed markets were mostly negative, bonds and real assets also generally declined. Emerging market equities returns were marginally positive.

News flow during May focused predominantly on the debt ceiling deadline looming in early June. Overall, the market impact has been fairly limited, although ratings agencies have placed US credit on watch for potential downgrades. The challenges facing regional banks in the US continued to be a major topic in early-May with regulators brokering a deal for JP Morgan to purchase First Republic Bank. However, the sell-off in shares of other vulnerable banks continued along with sizable deposit outflows.

Economic data in general remained resilient. US unemployment rose slightly in May but remains at historically low levels, although, other indicators such as wage growth show that the labour market is gradually cooling. Forward-looking purchasing manager indices remain in expansion territory across most major regions, with strength in services outweighing weakness in manufacturing. In spite of economic resilience, headline inflation continued to decline in most major economies with it falling to just under 5% in the US. Inflation in Japan rose to 3.5%, which is high by historical standards, but still lower than in other developed countries. In the UK and Eurozone, inflation remains more resilient, but also on a downward trajectory. Inflation in China remains low amid a slow and developing expected economic recovery.

Rate markets continue to grapple with the question of how long monetary policy will remain tight. The bond market is pricing in an initial rate cut toward the end of this year or early next year, but US Fed officials have generally cast doubt on that timeline. Credit spreads moved slightly higher during the month. Issuance is coming back after a slowdown earlier in the year when the first signs of distress emerged among US regional banks.

Over May, Hedged Developed Markets Overseas Shares returned -0.2%, equity volatility increased moderately over the month, with one spike early in the month due to renewed banking concerns and another spike later in the month amid debt ceiling negotiations. Earnings season for Q1 2023 is coming to an end, with a second consecutive quarterly decline. Equities markets have seen through weaker earnings so far as attested by strong year to date returns for Overseas Shares. Over the month, it was notable that growth outperformed value by a large margin, in spite of rising yields. A couple of contributors included optimism over developments in A.I. favouring growth stocks, while more cyclical sectors that dominate value indices lagged. Emerging Markets Shares (UH) gained 0.4%, as poor performance in China offset positive performance in other major emerging economies.

Hedged Overseas Government Bonds returned -0.6% over the month as bond yields generally increased during May. In the US, the 10-year bond yield rose by 22bps, while the 30-year yield was up by 18bps. In developed markets outside the US, 10-year yields rose by 8bps for Japan and 46bps for the UK, while falling 3bps for the Eurozone. US inflation expectations, as measured by the 10-year inflation breakeven rate, fell 3bps to 2.2%.

Australian Shares returned -2.5%, underperforming their overseas counterparts in May. IT (10.4%) and Utilities (1.1%) were the strongest sectors, meanwhile Consumer Discretionary (-6.2%), and Consumer Staples (-4.5%) were the largest detractors.

International shares

The broad MSCI World ex Australia Accumulation Index returned -0.2% in hedged terms and 1.2% in unhedged terms over the month as the AUD depreciated against the USD and GBP. In AUD terms, the strongest performing sectors were IT (10.5%) and Communication Services (5.8%), while Energy (-8.4%) and Materials (-5.2%) were the weakest performers. In AUD terms, the MSCI Small Caps Total Return Index was down by 0.7%, while the MSCI Emerging Markets Accumulation Index was up by 0.4% over May.

Over the month, the S&P500 Composite Index (0.4%) and the NASDAQ (5.8%) increased, while the Dow Jones Industrial Average declined (-3.2%), all in USD terms. In local currency terms, for the major European share markets the DAX 30 (Germany) (-1.6%), the CAC 40 (France) (-3.9%) and the FTSE 100 (UK) (-4.9%) all decreased.

In Asia, the Hong Kong Hang Seng (-7.9%) and the Chinese SSE Composite (-3.6%) decreased, while the Japanese TOPIX (3.6%) and the Indian S&P BSE 500 (3.5%) increased, all in local currency terms.

Further Information

Please contact your financial adviser or:

Go to mercer.com.au/mercerfunds

Email InvestorHelpAU@mercer.com

Call 1300 728 928

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- If you are a direct investor who meets the eligibility criteria detailed in the PDS please complete the accompanying application form or;
- If you are investing through an Investor Directed Portfolio Service (IDPS) or an IDPS-like service (such as a master trust, wrap account, custody or nominees service), complete the forms your provider requires.

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