

Mercer Funds
Monthly report

December 2022

Financial markets update

December was a disappointing end to a bad year for markets. Investors had few places to hide as traditional safe haven assets such as bonds fell in tandem with equities. The final month of the year saw negative returns for equities, commodities and bonds as fears that have driven negative investor sentiment for most of 2022 returned: no end in sight for monetary tightening and uncertainty over the duration and severity of the economic slowdown that started in 2022.

Over December, Hedged Developed Markets Overseas Shares returned -5.2%, following two strong consecutive positive months. For 2022 as a whole, equities had their worst year since 2008. Global equities and the S&P 500 ended the year near bear market territory (defined as a decline of more than 20%), while the NASDAQ ended the year down by over 30% in USD terms. In December, negative market sentiment returned as investor focus pivoted from favourable inflation trends towards continued monetary tightening and the ongoing economic slowdown, which earnings estimates may not yet fully reflect.

Emerging markets declined to a lesser extent than Overseas and Australian shares, posting a -2.6% decline for the month of December. Weakness in India, Brazil, Taiwan and Korea were offset by strengthening Chinese share as investor sentiment improved amid the rapid reopening of its economy.

Hedged Overseas Government Bonds returned -2.2% over the month as bond yields rose across major regions as fixed income investors positioned for the continuation of monetary tightening following hawkish guidance from all major central banks over the month. Ten-year US yields rose by 13 basis points to end the month at almost 3.9%, while 30-year yields also rose by around 20 basis points to almost 4.0%. Yield movements were more substantial for Germany and the UK where 10 year yields increased by 50-60 basis points. Inflation expectations for the US, as measured by the 10-year inflation breakeven rate, fell from 2.37% to 2.30%.

Australian shares outperformed their Hedged Overseas counterparts in December. The ASX 50 was the top performing Australian index, despite declining -3.0%, meanwhile the ASX mid 50 was the worst performer, declining 4.6%. The best performing sector for the month was Materials (-1.1%) with the big miners BHP, Rio Tinto and Fortescue adding 1.1%, 7.1% and 7.1% respectively, they were also the top three positive contributors to the ASX 300. Meanwhile CBA and Transurban were the largest detractors, declining -4.9% and -8.9% respectively.

Total returns (%) – after fees¹

Mercer Funds	1 month	FYTD	1 year	3 yrs (p.a.)	5 yrs (p.a.)	7 yrs (p.a.)	10 yrs (p.a.)
Shares							
Mercer Australian Shares Fund	-3.6	9.0	-3.4	5.0	6.3	7.7	8.2
Mercer Australian Shares Fund for Tax Exempt Investors	-3.3	11.4	1.4	7.6	9.1	10.1	n/a
Mercer Australian Shares Plus Fund	-3.8	8.1	-5.5	4.8	6.3	7.8	8.3
Mercer Sustainable Plus Australian Shares Fund	-2.9	8.6	-5.6	5.6	6.3	7.3	8.6
Mercer Australian Small Companies Fund	-2.2	6.2	-17.3	5.0	5.9	7.7	6.5
Mercer International Shares Fund	-5.3	3.7	-12.9	5.1	8.3	9.1	12.9
Mercer Hedged International Shares Fund	-4.8	1.6	-17.7	3.1	4.8	7.8	9.5
Mercer Sustainable Plus International Shares Fund – Unhedged	-4.5	5.1	-16.7	5.6	7.7	n/a	n/a
Mercer Sustainable Plus International Shares Fund – Hedged	-4.1	2.5	-21.2	3.9	4.9	n/a	n/a
Mercer Passive Sustainable International Shares Fund	-5.6	3.2	n/a	n/a	n/a	n/a	n/a
Mercer Global Small Companies Shares Fund	-4.8	5.3	-13.0	3.8	6.1	7.3	12.4
Mercer Emerging Markets Shares Fund	-2.8	-0.6	-17.6	-2.4	0.9	5.6	5.5
Mercer Passive Emerging Markets Shares Fund	-2.6	-1.8	-14.6	-1.8	1.2	5.9	n/a
Real Assets							
Mercer Australian Direct Property Fund	0.2	4.2	13.9	9.2	9.2	10.1	9.9
Mercer Passive Australian Listed Property Fund	-4.1	3.7	-20.7	-1.5	3.0	4.7	7.8
Mercer Global Listed Property Fund	-4.2	-8.1	-25.7	-6.0	-0.5	1.6	4.8
Mercer Global Listed Infrastructure Fund	-3.0	-3.4	-8.1	-1.4	3.0	5.8	8.2
Mercer Global Unlisted Infrastructure Fund	-0.4	2.9	10.3	11.6	10.9	11.8	11.2
Fixed Interest							
Mercer Australian Sovereign Bond Fund - Class 1	-2.3	-0.6	-10.5	-3.4	0.4	1.1	2.1
Mercer Global Sovereign Bond Fund - Class 1	-0.9	-2.5	-9.7	-2.6	0.8	1.9	3.1
Mercer Global Short Term Bond Fund	0.5	1.5	n/a	n/a	n/a	n/a	n/a
Mercer Australian Inflation Plus Fund	0.1	1.7	6.0	3.8	4.0	3.5	2.9
Mercer Global Absolute Return Bond Fund	-0.1	1.0	-3.5	-0.2	0.8	1.2	n/a
Mercer Global Credit Fund	-0.6	-2.6	-15.1	-3.7	-0.5	1.2	2.3
Mercer Emerging Market Debt Fund	0.7	6.6	-3.2	-4.1	-0.1	2.5	1.6
Mercer Global High Yield Bond Fund	-1.0	1.7	-13.2	-2.0	0.8	3.8	n/a
Mercer Global Private Debt Fund	0.7	2.1	2.8	3.7	4.8	5.4	n/a
Cash							
Mercer Cash Fund – Cash Units	0.2	1.1	1.1	0.4	0.9	1.2	1.6
Mercer Cash Fund – Term Deposit Units	0.3	1.1	1.2	0.5	1.1	1.4	1.8
Diversified							
Mercer Diversified Shares Fund	-4.1	5.4	-9.5	4.3	6.1	7.6	9.3
Mercer High Growth Fund	-2.6	5.5	-6.6	4.4	6.0	7.1	8.2
Mercer Growth Fund – Active Units	-2.4	4.5	-5.9	4.2	5.7	6.5	7.7
Mercer Moderate Growth Fund – Active Units	-1.7	3.4	-4.4	2.5	4.1	4.9	5.9
Mercer Conservative Growth Fund – Active Units	-1.2	2.1	-4.3	1.6	3.2	3.7	4.4
Mercer Growth Fund – Enhanced Passive Units	-3.2	3.6	-9.0	2.7	n/a	n/a	n/a
Mercer Moderate Growth Fund – Enhanced Passive Units	-2.5	2.4	-8.0	2.0	n/a	n/a	n/a
Mercer Conservative Growth Fund – Enhanced Passive Units	-1.7	1.8	-6.9	0.9	n/a	n/a	n/a

NOTES

Past performance is not a reliable indicator of future performance

1. Total Returns are based on exit prices and are net of Management Costs (as disclosed in the relevant Fund's Product Disclosure Statement).

Excess returns (%) – before fees¹

Mercer Funds	1 month	FYTD	1 year	3 yrs (p.a.)	5 yrs (p.a.)	7 yrs (p.a.)	10 yrs (p.a.)
Shares							
Mercer Australian Shares Fund	-0.3	-0.2	-0.9	0.3	0.1	0.2	0.6
Mercer Australian Shares Fund for Tax Exempt Investors	0.0	1.3	2.7	1.8	1.7	1.2	n/a
Mercer Australian Shares Plus Fund	-0.4	-0.9	-2.8	0.4	0.3	0.5	0.8
Mercer Sustainable Plus Australian Shares Fund	0.5	-0.5	-2.7	1.3	0.3	0.0	1.2
Mercer Australian Small Companies Fund	1.5	0.2	2.4	5.3	4.5	2.5	2.6
Mercer International Shares Fund	0.3	-0.1	0.5	-0.1	0.1	0.6	0.2
Mercer Hedged International Shares Fund	0.4	0.5	1.3	0.2	0.2	0.7	0.3
Mercer Sustainable Plus International Shares Fund – Unhedged	1.0	1.2	-3.6	0.4	-0.6	n/a	n/a
Mercer Sustainable Plus International Shares Fund – Hedged	1.1	1.2	-3.0	0.9	0.1	n/a	n/a
Mercer Passive Sustainable International Shares Fund	0.0	-0.9	n/a	n/a	n/a	n/a	n/a
Mercer Global Small Companies Shares Fund	-0.1	-0.4	0.9	0.7	0.7	-0.1	0.6
Mercer Emerging Markets Shares Fund	-0.1	1.6	-2.3	0.1	0.5	0.5	0.7
Mercer Passive Emerging Markets Shares Fund	0.0	0.0	-0.1	0.0	-0.1	-0.1	n/a
Real Assets							
Mercer Australian Direct Property Fund	-0.7	-0.7	4.6	3.3	4.0	5.1	3.6
Mercer Passive Australian Listed Property Fund	0.0	-0.1	0.1	0.3	0.1	0.0	-0.1
Mercer Global Listed Property Fund	-0.3	-0.7	-0.7	0.6	1.0	1.0	1.3
Mercer Global Listed Infrastructure Fund	-0.1	-1.2	-2.9	-1.6	-0.8	-0.4	-0.3
Mercer Global Unlisted Infrastructure Fund	-1.2	-2.5	0.3	5.7	6.1	8.4	7.4
Fixed Interest							
Mercer Australian Sovereign Bond Fund - Class 1	0.0	0.1	0.1	0.2	0.3	0.3	0.3
Mercer Global Sovereign Bond Fund - Class 1	0.9	2.1	3.7	1.3	1.6	1.3	1.3
Mercer Global Short Term Bond Fund	0.3	0.6	n/a	n/a	n/a	n/a	n/a
Mercer Australian Inflation Plus Fund	-0.6	-2.2	-1.7	-0.3	0.6	0.5	0.3
Mercer Global Absolute Return Bond Fund	-0.4	-0.4	-5.3	-1.2	-0.7	-0.5	n/a
Mercer Global Credit Fund	0.2	0.3	0.4	0.4	0.3	0.3	0.4
Mercer Emerging Market Debt Fund	-0.1	2.6	3.7	2.2	0.8	1.2	0.4
Mercer Global High Yield Bond Fund	-0.3	-1.1	-1.1	0.2	0.1	0.0	n/a
Mercer Global Private Debt Fund	0.3	0.2	0.3	1.9	2.2	2.4	n/a
Cash							
Mercer Cash Fund – Cash Units	0.0	0.1	0.1	0.2	0.2	0.3	0.3
Mercer Cash Fund – Term Deposit Units	0.1	0.1	0.3	0.3	0.4	0.4	0.5
Diversified							
Mercer Diversified Shares Fund	0.1	-0.2	-0.6	0.2	0.0	0.0	0.1
Mercer High Growth Fund	0.3	0.0	-1.4	0.3	0.4	0.4	0.5
Mercer Growth Fund – Active Units	0.1	0.1	-1.1	0.7	0.7	0.6	0.8
Mercer Moderate Growth Fund – Active Units	0.1	0.2	-0.9	0.3	0.4	0.3	0.5
Mercer Conservative Growth Fund – Active Units	0.0	0.2	-1.0	0.4	0.4	0.3	0.5
Mercer Growth Fund – Enhanced Passive Units	0.1	-0.2	-0.5	-0.4	n/a	n/a	n/a
Mercer Moderate Growth Fund – Enhanced Passive Units	0.1	-0.2	-0.4	0.0	n/a	n/a	n/a
Mercer Conservative Growth Fund – Enhanced Passive Units	0.1	-0.1	-0.8	-0.2	n/a	n/a	n/a

NOTES

Past performance is not a reliable indicator of future performance.

1. Excess Returns are relative to benchmark and are calculated as the difference between performance (before fees) and the asset-weighted benchmark return. Benchmarks are listed on page 6. Asset weights used are those shown in the relevant Fund's Product Disclosure Statement or Information Memorandum, as relevant.

Mercer SmartPath® Funds

Total Returns (%) - (after fees) ¹	1 month	3 months	FYTD	1 year	3 yrs (p.a.)	5 yrs (p.a.)	7 yrs (p.a.)
Mercer SmartPath 1989—1993	-2.7	5.1	5.7	-6.1	4.5	6.0	7.1
Mercer SmartPath 1984—1988	-2.8	5.1	5.7	-6.1	4.5	6.1	7.2
Mercer SmartPath 1979—1983	-2.8	5.1	5.7	-6.0	4.5	6.1	7.2
Mercer SmartPath 1974—1978	-2.8	5.1	5.7	-6.0	4.5	6.1	7.2
Mercer SmartPath 1969—1973	-2.8	5.1	5.7	-6.0	4.4	6.0	7.1
Mercer SmartPath 1964—1968	-2.5	4.7	5.4	-5.4	4.2	5.7	6.7
Mercer SmartPath 1959—1963	-2.1	4.0	4.6	-5.0	3.5	5.0	6.0
Mercer SmartPath 1954—1958	-1.7	3.4	4.1	-4.2	3.0	4.6	5.4

NOTES

Past performance is not a reliable indicator of future performance.

Differences between returns for each fund can reflect different underlying investment strategies, or where strategies are the same, the timing of cash flows in the establishment of the Mercer SmartPath Funds.

1. Total Returns are based on exit prices and allow for deduction of investment management fees.

Asset class benchmarks

Shares	
Australian Shares	S&P/ASX 300 Accumulation Index
Australian Shares Tax Exempt	S&P/ASX 300 Accumulation Index grossed up for franking credits
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
Global Small Companies	MSCI World Small Cap Index in A\$ <i>Prior to September 2014 the benchmark was S&P Developed Small Cap Index. Therefore, calculations for longer period benchmark returns are inclusive of this data.</i>
Sustainable Plus International Shares	Unhedged: MSCI World (NRD) Index in A\$ Hedged: MSCI World (NRD) Index in A\$ (Hedged)
Sustainable Plus Australian Shares	S&P/ASX 300 Accumulation Index
Emerging Markets	MSCI Emerging Markets Index in A\$
Real Assets	
Direct Property	CPI + 4%
Listed Property	FTSE EPRA/NAREIT Developed Index in A\$ (Hedged)
Passive Australian Listed Property	S&P/ASX 200 Property Trusts Accumulation Index
Unlisted Infrastructure	CPI + 5% <i>Prior to 1 January 2019 the benchmark was CPI + 3%</i>
Listed Infrastructure	FTSE Global Core Infrastructure 50/50 Index in A\$ (Hedged)
Fixed Interest	
Australian Sovereign Bonds	Bloomberg AusBond Treasury Index 0+ (All Maturities)
Global Sovereign Bonds	JP Morgan Global Sovereign Bond Index in A\$ (Hedged) <i>Prior to November 2013 the benchmark was 50% JP Morgan Global Government Bond Index in A\$ Hedged and 50% JP Morgan Customised Index. From December 2013 to January 2017, it was the JP Morgan Global Sovereign Bond Index (Customised) in A\$ Hedged. Therefore, the calculations for longer period benchmark returns are inclusive of this data.</i>
Global Short Term Bond	Bloomberg AusBond Bank Bill Index
Australian Inflation Plus	CPI +1%
Global Absolute Return Bonds	Bloomberg AusBond Bank Bill Index +1% pa
Global Credit	60% Barclays Global Aggregate - Corporate Index in A\$ (Hedged) 40% Barclays Capital Global Aggregate ex Government ex Treasuries Index in A\$ (Hedged)
Emerging Markets Debt	JP Morgan GBI-EM Global Diversified Index (Unhedged)
Global High Yield Bond	Bank of America Merrill Lynch BB-B Developed Markets High Yield Constrained Index in A\$ (Hedged) <i>Prior to August 2016: Bank of America BB-B Developed Markets High Yield Constrained Index in A\$ (Hedged).</i>
Global Private Debt	Bloomberg AusBond Bank Bill Index +3% pa
Cash	
Cash	Bloomberg AusBond Bank Bill Index

For further information

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