



# Mercer Funds **Monthly report**

March 2023

# Financial markets update

Risk asset returns were mixed over March, whilst defensive assets delivered gains as markets digested financial sector developments in the US and Europe.

Financial distress at a California-based regional bank culminated in the second biggest US bank failure in history. Two other regional banks also went into administration. Outside the US, investors digested UBS's takeover of Credit Suisse and subsequent turmoil in bond markets. Swiss authorities let Credit Suisse's riskiest bonds be wiped out, while equity holders received a small amount of equity in UBS as part of the transaction. While these issues were seen as idiosyncratic and largely driven by poor management of individual banks, there is a pattern of weaker businesses struggling amid high interest rates and declining market liquidity.

Employment and activity data continued to be resilient in the US with signs of recovery emerging from the UK and Europe. Inflation in the US continued to trend down. However, inflation fell by less than expected in the Eurozone and rose in the UK. Central banks consequently hiked rates by 25 bps in the US / Eurozone and 50 bps in the UK.

Over March, Hedged Developed Markets Overseas Shares returned 2.5%, most sectors posted positive returns, although financials sold off strongly amid the banking turmoil. Cyclical areas of the market such as small-caps and energy also struggled.

Emerging Market Shares (UH) marginally underperformed unhedged Overseas Shares in March. China, Taiwan and Korea had modestly positive returns in USD terms, whilst Brazil experienced slightly negative returns.

Hedged Overseas Government Bonds returned 2.6% over the month as bond yields fell sharply across the developed world. In the US, 10-year and 30-year bond yields fell 44bps and 26bps, respectively. In developed markets outside the US, 10-year yields fell by 20–50 bps. US inflation expectations, as measured by the 10-year inflation breakeven rate, fell from 2.4% to 2.3%. Australian Bonds also produced a positive return of 3.5% over the month as yields decreased.

Since the demise of Silicon Valley Bank and emergency merger of Credit Suisse and UBS, liquidity in fixed income markets has diminished and fundraising has slowed with limited corporate bond issuance or IPO activity.

Australian Shares returned -0.2%, underperforming their overseas counterparts in March. Materials (5.6%) and Communication Services (3.3%) were the strongest sectors, meanwhile Property (-6.9%), and Financials (-4.9%) were the largest detractors.

## Total returns (%) – after fees<sup>1</sup>

Mercer Funds	1 month	FYTD	1 year	3 yrs (p.a.)	5 yrs (p.a.)	7 yrs (p.a.)	10 yrs (p.a.)
<b>Shares</b>							
Mercer Australian Shares Fund	-0.6	12.8	-1.2	16.6	7.9	8.8	7.7
Mercer Australian Shares Fund for Tax Exempt Investors	0.0	15.3	2.1	18.7	10.6	11.0	n/a
Mercer Australian Shares Plus Fund	-0.8	12.0	-2.6	17.0	7.8	8.9	7.7
Mercer Sustainable Plus Australian Shares Fund	-0.7	11.3	-3.1	15.7	7.5	8.3	8.0
Mercer Australian Small Companies Fund	-1.8	6.8	-12.7	17.9	6.4	8.1	6.2
Mercer International Shares Fund	2.8	12.1	5.4	11.9	9.7	11.2	13.2
Mercer Hedged International Shares Fund	1.4	7.6	-6.1	14.4	6.5	8.9	9.3
Mercer Sustainable Plus International Shares Fund – Unhedged	2.3	12.0	2.1	10.3	8.7	n/a	n/a
Mercer Sustainable Plus International Shares Fund – Hedged	0.9	7.1	-8.9	13.0	5.7	n/a	n/a
Mercer Passive Sustainable International Shares Fund	4.8	14.0	4.2	n/a	n/a	n/a	n/a
Mercer Global Small Companies Shares Fund	-1.9	12.0	3.2	14.9	6.9	9.3	11.9
Mercer Emerging Markets Shares Fund	3.6	5.5	0.4	5.3	1.4	6.7	6.2
Mercer Passive Emerging Markets Shares Fund	3.7	2.7	-0.8	4.1	1.5	6.6	n/a
<b>Real Assets</b>							
Mercer Australian Direct Property Fund	0.1	5.2	7.3	12.5	8.9	9.5	9.7
Mercer Passive Australian Listed Property Fund	-6.8	4.3	-14.1	13.2	4.5	3.9	7.3
Mercer Global Listed Property Fund	-3.3	-7.5	-22.2	4.8	0.4	1.4	4.1
Mercer Global Listed Infrastructure Fund	1.5	-2.1	-9.4	6.5	4.5	5.1	7.6
Mercer Global Unlisted Infrastructure Fund	0.1	5.0	8.7	15.6	10.6	11.2	11.3
<b>Fixed Interest</b>							
Mercer Australian Sovereign Bond Fund - Class 1	3.5	4.3	0.3	-3.2	1.2	1.5	2.6
Mercer Global Sovereign Bond Fund - Class 1	2.0	-0.4	-4.3	-2.1	0.9	1.6	3.2
Mercer Global Short Term Bond Fund	0.1	2.8	n/a	n/a	n/a	n/a	n/a
Mercer Australian Inflation Plus Fund	2.1	4.5	7.6	4.9	4.3	3.9	3.2
Mercer Global Absolute Return Bond Fund	0.8	2.3	-0.6	1.9	0.9	1.3	n/a
Mercer Global Credit Fund	1.6	-0.5	-7.4	-1.0	0.2	1.0	2.4
Mercer Emerging Market Debt Fund	5.6	14.5	14.6	0.5	0.0	3.0	2.3
Mercer Global High Yield Bond Fund	-0.5	3.1	-7.8	3.6	1.3	3.6	n/a
Mercer Global Private Debt Fund	0.0	2.9	3.2	5.4	4.7	5.3	n/a
<b>Cash</b>							
Mercer Cash Fund – Cash Units	0.3	1.9	2.0	0.6	1.0	1.3	1.6
Mercer Cash Fund – Term Deposit Units	0.3	1.9	2.0	0.7	1.1	1.4	1.8
<b>Diversified</b>							
Mercer Diversified Shares Fund	1.0	10.8	-0.4	13.7	7.4	8.9	9.0
Mercer High Growth Fund	0.6	9.2	0.1	11.5	6.9	8.0	8.0
Mercer Growth Fund – Active Units	1.0	8.2	0.2	10.1	6.5	7.3	7.5
Mercer Moderate Growth Fund – Active Units	1.3	6.7	1.1	6.9	4.8	5.5	5.9
Mercer Conservative Growth Fund – Active Units	1.2	4.6	0.4	4.3	3.7	4.1	4.4
Mercer Growth Fund – Enhanced Passive Units	1.5	8.2	-1.6	9.3	n/a	n/a	n/a
Mercer Moderate Growth Fund – Enhanced Passive Units	1.5	6.4	-1.1	7.0	n/a	n/a	n/a
Mercer Conservative Growth Fund – Enhanced Passive Units	1.6	5.1	-0.6	4.1	n/a	n/a	n/a

### NOTES

#### Past performance is not a reliable indicator of future performance

- 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 fees<sup>1</sup>

Mercer Funds	1 month	FYTD	1 year	3 yrs (p.a.)	5 yrs (p.a.)	7 yrs (p.a.)	10 yrs (p.a.)
<b>Shares</b>							
Mercer Australian Shares Fund	-0.3	0.2	0.2	1.0	0.1	0.4	0.5
Mercer Australian Shares Fund for Tax Exempt Investors	-0.1	1.2	2.1	1.8	1.5	1.2	n/a
Mercer Australian Shares Plus Fund	-0.4	-0.4	-1.0	1.7	0.2	0.7	0.8
Mercer Sustainable Plus Australian Shares Fund	-0.4	-1.1	-1.5	0.4	-0.1	0.1	1.1
Mercer Australian Small Companies Fund	-1.1	-1.1	1.7	6.5	4.0	2.7	2.2
Mercer International Shares Fund	-1.0	-0.9	2.2	0.1	-0.2	0.3	0.3
Mercer Hedged International Shares Fund	-1.0	-0.4	2.5	0.5	-0.1	0.4	0.4
Mercer Sustainable Plus International Shares Fund – Unhedged	-1.4	-1.2	-1.2	-1.6	-1.2	n/a	n/a
Mercer Sustainable Plus International Shares Fund – Hedged	-1.4	-1.0	-0.9	-1.1	-1.0	n/a	n/a
Mercer Passive Sustainable International Shares Fund	0.1	0.1	0.1	n/a	n/a	n/a	n/a
Mercer Global Small Companies Shares Fund	0.2	0.7	2.8	1.9	0.7	0.4	0.7
Mercer Emerging Markets Shares Fund	0.0	2.8	1.5	1.7	0.7	0.8	0.7
Mercer Passive Emerging Markets Shares Fund	0.0	0.0	0.0	-0.1	0.0	-0.1	n/a
<b>Real Assets</b>							
Mercer Australian Direct Property Fund	-0.8	-2.2	-2.9	6.3	3.3	4.3	3.4
Mercer Passive Australian Listed Property Fund	0.1	0.0	0.1	-0.1	0.1	0.1	0.0
Mercer Global Listed Property Fund	0.7	0.1	0.0	0.2	0.8	1.3	1.4
Mercer Global Listed Infrastructure Fund	-0.7	0.8	-1.0	-1.1	-0.2	-0.1	0.1
Mercer Global Unlisted Infrastructure Fund	-0.8	-3.0	-1.6	9.3	5.3	7.4	7.3
<b>Fixed Interest</b>							
Mercer Australian Sovereign Bond Fund - Class 1	0.1	0.3	0.3	0.2	0.3	0.3	0.4
Mercer Global Sovereign Bond Fund - Class 1	-0.5	1.7	2.5	2.3	1.2	1.3	1.2
Mercer Global Short Term Bond Fund	-0.1	1.1	n/a	n/a	n/a	n/a	n/a
Mercer Australian Inflation Plus Fund	1.5	-1.4	-0.8	0.2	0.6	0.5	0.4
Mercer Global Absolute Return Bond Fund	0.5	0.0	-3.1	0.2	-0.7	-0.4	n/a
Mercer Global Credit Fund	-0.3	0.1	0.0	0.6	0.3	0.2	0.3
Mercer Emerging Market Debt Fund	0.8	3.9	4.6	3.1	1.0	1.4	0.5
Mercer Global High Yield Bond Fund	-1.4	-2.6	-2.6	0.2	-0.2	-0.1	n/a
Mercer Global Private Debt Fund	-0.3	-0.2	-0.1	3.6	2.1	2.3	n/a
<b>Cash</b>							
Mercer Cash Fund – Cash Units	0.0	0.1	0.2	0.2	0.2	0.3	0.3
Mercer Cash Fund – Term Deposit Units	0.1	0.2	0.3	0.3	0.4	0.4	0.5
<b>Diversified</b>							
Mercer Diversified Shares Fund	-0.3	-0.2	0.3	0.6	-0.1	0.1	0.2
Mercer High Growth Fund	-0.5	-0.9	-1.6	0.4	0.1	0.4	0.4
Mercer Growth Fund – Active Units	-0.3	-0.6	-1.7	1.4	0.5	0.6	0.7
Mercer Moderate Growth Fund – Active Units	-0.3	-0.4	-1.4	1.2	0.1	0.3	0.4
Mercer Conservative Growth Fund – Active Units	-0.3	-0.3	-1.2	0.8	0.2	0.4	0.5
Mercer Growth Fund – Enhanced Passive Units	-0.1	-0.4	-0.8	-0.6	n/a	n/a	n/a
Mercer Moderate Growth Fund – Enhanced Passive Units	-0.2	-0.2	-0.4	0.2	n/a	n/a	n/a
Mercer Conservative Growth Fund – Enhanced Passive Units	0.0	-0.1	-0.6	-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<sup>®</sup> Funds

Total Returns (%) - (after fees) <sup>1</sup>	1 month	3 months	FYTD	1 year	3 yrs (p.a.)	5 yrs (p.a.)	7 yrs (p.a.)
Mercer SmartPath 1989—1993	0.9	4.0	10.0	0.7	11.9	7.0	8.1
Mercer SmartPath 1984—1988	0.8	4.0	9.9	0.8	12.0	7.1	8.2
Mercer SmartPath 1979—1983	0.9	4.1	10.0	0.9	12.0	7.1	8.2
Mercer SmartPath 1974—1978	0.9	4.1	10.0	0.9	12.0	7.1	8.1
Mercer SmartPath 1969—1973	0.9	4.1	10.0	0.9	11.9	7.0	8.1
Mercer SmartPath 1964—1968	0.9	3.9	9.5	1.2	10.9	6.6	7.6
Mercer SmartPath 1959—1963	1.0	3.5	8.4	1.2	9.1	5.9	6.8
Mercer SmartPath 1954—1958	1.0	3.2	7.5	1.6	7.7	5.3	6.0

### 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&amp;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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