

Mercer Funds
Monthly report

February 2021



Financial markets update

Over the month of February, the economic data that was released showed mixed results and share markets were volatile. However, optimism over medium-term growth and the global economic recovery continues to outweigh short-term concerns. Falling COVID-19 cases and vaccine deployment has reduced restrictions and economies are expected to reopen soon.

For developed markets, the US and UK reported solid economic growth for the final quarter of 2020. Both markets continue to provide strong fiscal support and continue to lead vaccine deployment with their aggressive rollout programs. Globally rising government bond yields caused some volatility towards the end of the month. However, Hedged Developed Markets Overseas Shares still managed to provide a positive return of 2.7% for the month. Small Caps shares, both globally and domestically, also continued to provide positive returns. In contrast to January, Emerging Markets were the weakest performing region, returning -0.1% over February. Performance was dragged mainly by China's underperformance, caused by slowing profit growth and weak returns from the technology sector. Additionally, Brazil was also negatively impacted by policy and election concerns.

The US dollar weakened against developed market currencies due to higher commodity prices and an increase in yield spreads. An increase in interest rates coupled with a risk on environment meant that investor demand for alternative investments and safe havens fell, causing Gold to fall by 7.0%. Oil prices increased by 18.1%, as a function of both rising demand from economies reopening and earlier supply cuts from Saudi Arabia. Whilst Hedged Global REITs provided positive returns over the month (+3.9%), Australian REITs continued to struggle, returning -2.5%.

The Australian share market provided a positive return over February, with the S&P/ASX300 returning 1.5%. Other domestic share indices achieved similar positive performance over the month, with the standout performer being the S&P/ASX 50, which returned 2.0%. The best performing sectors were Materials (+7.1%) and Financials (+5.2%), whilst the worst performing sectors were IT and Utilities, which both returned -8.0% over the month.

Mercer's most recent views and commentary regarding the Coronavirus can be found through the following link: [Coronavirus Outbreak Investment Implications Update](#).

Total returns (%) – after fees¹

Mercer Funds	1 mnth	FYTD	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)	10 years (p.a.)
Shares							
Mercer Australian Shares Fund	2.0	16.2	6.8	6.5	10.2	7.0	7.0
Mercer Australian Shares Fund for Tax Exempt Investors	1.8	17.2	10.0	9.4	12.3	9.0	n/a
Mercer Australian Shares Plus Fund	2.5	17.9	8.5	6.9	10.8	7.3	7.2
Mercer Socially Responsible Australian Shares Fund	1.8	17.2	9.8	6.7	10.0	7.6	8.3
Mercer Australian Small Companies Fund	0.9	28.0	26.5	11.1	13.2	9.0	7.0
Mercer International Shares Fund	1.5	12.6	8.9	10.6	12.3	11.6	12.0
Mercer Hedged International Shares Fund	2.5	22.7	24.3	9.1	13.3	10.3	10.6
Mercer Socially Responsible Global Shares Fund – Unhedged Units	0.2	13.2	10.5	11.1	n/a	n/a	n/a
Mercer Socially Responsible Global Shares Fund – Hedged Units	1.2	23.3	27.2	10.1	n/a	n/a	n/a
Mercer Global Small Companies Shares Fund	3.6	28.6	20.2	11.0	12.6	10.6	13.0
Mercer Emerging Markets Shares Fund	1.0	21.9	13.9	6.2	13.1	9.2	7.2
Mercer Passive Emerging Markets Shares Fund	-0.1	20.8	13.0	6.4	13.1	n/a	n/a
Real Assets							
Mercer Australian Direct Property Fund	0.6	4.3	2.6	6.8	8.8	9.2	8.9
Mercer Passive Australian Listed Property Fund	-2.6	12.8	-11.3	5.2	4.5	8.6	9.4
Mercer Global Listed Property Fund	4.2	15.4	-3.1	4.3	5.1	6.1	7.4
Mercer Global Listed Infrastructure Fund	-0.7	1.2	-5.5	4.4	6.4	7.4	9.5
Mercer Global Unlisted Infrastructure Fund	1.2	10.9	11.7	11.4	10.9	11.3	11.8
Fixed Interest							
Mercer Australian Sovereign Bond Fund - Class 1	-4.4	-4.8	-4.7	4.0	3.0	4.1	4.7
Mercer Global Sovereign Bond Fund - Class 1	-2.2	-0.9	-0.7	4.7	3.9	5.2	6.0
Mercer Australian Inflation Plus Fund	-0.2	2.4	3.4	4.1	3.7	2.9	4.1
Mercer Global Absolute Return Bond Fund	-0.5	4.0	2.7	2.2	2.5	2.5	n/a
Mercer Global Credit Fund	-1.7	1.7	1.5	4.8	4.5	4.7	6.2
Mercer Emerging Market Debt Fund	-3.5	-4.2	-13.6	-1.1	3.2	1.9	n/a
Mercer Global High Yield Bond Fund	-0.1	11.9	3.9	4.6	7.6	4.9	n/a
Mercer Global Private Debt Fund	0.3	4.2	3.6	5.5	6.0	n/a	n/a
Cash							
Mercer Cash Fund – Cash Units	0.0	0.0	0.2	1.2	1.5	1.7	2.4
Mercer Cash Fund – Term Deposit Units	0.0	0.1	0.3	1.3	1.6	1.9	2.6
Diversified							
Mercer Diversified Shares Fund	1.5	15.6	10.0	7.5	10.7	8.4	8.7
Mercer High Growth Fund	1.2	13.7	8.6	7.5	9.5	7.8	8.1
Mercer Growth Fund – Active Units	0.8	11.2	7.9	7.2	8.6	7.4	7.8
Mercer Moderate Growth Fund – Active Units	0.0	6.8	3.4	5.3	6.4	5.9	6.4
Mercer Conservative Growth Fund – Active Units	-0.4	4.1	2.4	4.5	5.0	4.8	5.3
Mercer Growth Fund – Enhanced Passive Units	0.6	10.4	6.2	n/a	n/a	n/a	n/a
Mercer Moderate Growth Fund – Enhanced Passive Units	-0.1	7.8	4.8	n/a	n/a	n/a	n/a
Mercer Conservative Growth Fund – Enhanced Passive Units	-0.8	4.2	2.4	n/a	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 mnth	FYTD	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)	10 years (p.a.)
Shares							
Mercer Australian Shares Fund	0.6	1.0	0.6	-0.1	0.3	0.4	0.4
Mercer Australian Shares Fund for Tax Exempt Investors	0.2	1.4	3.0	1.5	1.0	1.1	n/a
Mercer Australian Shares Plus Fund	1.1	2.9	2.5	0.5	1.0	1.0	0.7
Mercer Socially Responsible Australian Shares Fund	0.4	2.1	3.9	0.2	0.2	1.3	1.9
Mercer Australian Small Companies Fund	-0.7	7.2	11.1	5.3	2.8	2.0	4.1
Mercer International Shares Fund	-0.1	2.3	2.2	0.6	1.1	0.9	0.4
Mercer Hedged International Shares Fund	-0.1	2.5	2.0	0.4	1.0	0.8	0.4
Mercer Socially Responsible Global Shares Fund – Unhedged Units	-1.4	2.9	3.9	1.1	n/a	n/a	n/a
Mercer Socially Responsible Global Shares Fund – Hedged Units	-1.3	3.2	5.3	1.3	n/a	n/a	n/a
Mercer Global Small Companies Shares Fund	-0.4	2.3	3.9	1.1	0.5	0.4	1.3
Mercer Emerging Markets Shares Fund	1.2	1.5	1.7	0.7	0.9	0.8	0.8
Mercer Passive Emerging Markets Shares Fund	0.0	-0.2	-0.2	-0.1	-0.2	n/a	n/a
Real Assets							
Mercer Australian Direct Property Fund	0.1	2.3	-0.8	2.8	4.5	3.4	2.6
Mercer Passive Australian Listed Property Fund	0.1	-0.2	0.9	0.2	0.1	0.1	-0.1
Mercer Global Listed Property Fund	0.5	1.3	2.3	1.5	1.9	1.6	1.1
Mercer Global Listed Infrastructure Fund	0.3	-2.1	-0.5	0.1	0.3	0.4	1.0
Mercer Global Unlisted Infrastructure Fund	0.7	9.1	8.4	8.2	8.8	8.6	8.2
Fixed Interest							
Mercer Australian Sovereign Bond Fund - Class 1	-0.2	0.1	0.3	0.4	0.4	0.4	0.2
Mercer Global Sovereign Bond Fund - Class 1	0.0	1.8	1.0	0.9	1.1	1.0	0.9
Mercer Australian Inflation Plus Fund	-0.5	2.0	2.2	2.1	1.5	1.0	0.7
Mercer Global Absolute Return Bond Fund	-0.5	3.4	2.2	0.6	0.7	0.4	n/a
Mercer Global Credit Fund	-0.3	0.2	0.4	0.2	0.2	0.2	0.5
Mercer Emerging Market Debt Fund	0.1	1.8	1.2	-0.6	0.7	-0.2	n/a
Mercer Global High Yield Bond Fund	-0.2	2.7	-0.6	0.0	0.1	-0.4	n/a
Mercer Global Private Debt Fund	0.2	2.9	1.7	2.3	2.5	n/a	n/a
Cash							
Mercer Cash Fund – Cash Units	0.0	0.2	0.3	0.3	0.3	0.3	0.3
Mercer Cash Fund – Term Deposit Units	0.0	0.3	0.5	0.5	0.5	0.5	0.6
Diversified							
Mercer Diversified Shares Fund	0.2	1.1	1.0	-0.2	-0.1	0.1	0.1
Mercer High Growth Fund	0.2	2.3	1.5	0.7	0.7	0.7	0.6
Mercer Growth Fund – Active Units	0.3	2.9	1.9	0.9	0.8	0.8	0.8
Mercer Moderate Growth Fund – Active Units	0.1	2.2	0.9	0.3	0.4	0.4	0.5
Mercer Conservative Growth Fund – Active Units	0.1	2.0	1.3	0.4	0.5	0.6	0.5
Mercer Growth Fund – Enhanced Passive Units	-0.2	-0.4	-1.3	n/a	n/a	n/a	n/a
Mercer Moderate Growth Fund – Enhanced Passive Units	-0.1	0.3	-0.5	n/a	n/a	n/a	n/a
Mercer Conservative Growth Fund – Enhanced Passive Units	-0.5	0.0	-0.8	n/a	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 years (p.a.)	5 years (p.a.)
Mercer SmartPath 1989—1993	1.3	3.6	13.6	8.1	7.3	9.4
Mercer SmartPath 1984—1988	1.3	3.6	13.6	8.2	7.4	9.5
Mercer SmartPath 1979—1983	1.3	3.6	13.7	8.1	7.4	9.5
Mercer SmartPath 1974—1978	1.3	3.6	13.6	7.9	7.3	9.4
Mercer SmartPath 1969—1973	1.2	3.5	13.3	7.7	7.2	9.4
Mercer SmartPath 1964—1968	0.9	3.0	11.9	6.9	6.8	8.8
Mercer SmartPath 1959—1963	0.5	2.3	9.6	5.3	6.2	7.8
Mercer SmartPath 1954—1958	0.1	1.6	7.8	4.2	5.7	7.0
Mercer SmartPath 1949—1953	-0.3	0.9	6.1	2.9	5.0	6.1
Mercer SmartPath 1944—1948	-0.2	0.9	6.1	3.0	5.0	5.9

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>
Socially Responsible Global Shares	Unhedged: MSCI World (NRD) Index in A\$ Hedged: MSCI World (NRD) Index in A\$ (Hedged)
Socially Responsible 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) <i>Prior to October 2012 the benchmark was UBS Investors Index - in A\$ (Hedged). Therefore, the calculations for longer period benchmark returns are inclusive of this data.</i>
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>
Australian Inflation Plus	CPI +1%
Global Absolute Return Bonds	Bloomberg AusBond Bank Bill Index +1%
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%
Cash	
Cash	Bloomberg AusBond Bank Bill Index

For further information

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