

Mercer Funds  
**Monthly report**

April 2023

# Financial markets update

In April, risk asset returns in developed markets were mostly positive, while defensive assets also provided modest gains. Emerging market equities were lower than their developed market counterparts on the weakness in Chinese stocks

News flow during April was fairly quiet until the last week of the month when banking concerns resurfaced, as First Republic Bank came under pressure and was ultimately acquired by JP Morgan. Equity market volatility ended the month at its lowest level since late-2021, despite a brief spike during the last week of the month. Major economies remained resilient, driven largely by service activity. US GDP for Q1 2023 rose at a 1.1% annualized rate, which was below expectations. Consumer confidence remained on the rise and labour markets remained tight, in spite of high profile layoffs in the US.

Headline inflation continued to decline in major economies, reaching 5.0% in the US, which is its lowest level since mid-2021. In the UK, inflation fell by less than expected and remained above 10.0%, the highest rate in major developed economies. The People's Bank of China and Reserve Bank of Australia left key lending rates unchanged.

Over April, Hedged Developed Markets Overseas Shares returned 1.6%, even though the US earnings season delivered a fair number of positive EPS surprises relative to expectations, the earnings decline over the first quarter is set to be the largest since the second quarter of 2020. Returns were positive for most sectors with consumer staples delivering the largest gains for the month. Value outperformed growth among large and mid-cap stocks, while growth outperformed among small-caps.

Emerging Market Shares (UH) underperformed unhedged Overseas Shares in April. Weakness in China outweighed better performance for India and Brazil.

Hedged Overseas Government Bonds returned 0.2% over the month as Bond yields generally saw modest changes for most countries during the month. In the US, the 10-year bond yield fell by 4bps, while the 30-year yield was flat. In developed markets outside the US, 10-year yields rose by 6bps for Japan and 23bps for the UK. US inflation expectations, as measured by the 10-year inflation breakeven rate, fell from 2.3% to 2.2%. Australian Government Bonds were flat over the month.

Lending conditions remain somewhat stressed due to banking concerns but bond markets have remained fairly calm. Credit spreads generally declined during the month, with investment-grade spreads falling 2bps and high yield spreads declining 3bps.

Australian Shares returned 1.8%, underperforming their overseas counterparts in April. Real Estate (5.2%) and IT (4.5%) were the strongest sectors, meanwhile Materials (-2.6%), and Utilities (1.4%) 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	2.0	15.1	2.1	13.8	7.4	8.7	7.4
Mercer Australian Shares Fund for Tax Exempt Investors	1.9	17.4	4.6	16.0	10.2	10.8	n/a
Mercer Australian Shares Plus Fund	2.2	14.5	1.1	13.9	7.4	8.9	7.5
Mercer Sustainable Plus Australian Shares Fund	2.1	13.7	-0.2	13.3	7.1	8.4	7.8
Mercer Australian Small Companies Fund	2.7	9.6	-8.8	13.0	6.4	8.3	6.9
Mercer International Shares Fund	2.8	15.3	10.9	11.6	9.8	11.3	13.2
Mercer Hedged International Shares Fund	1.3	9.0	1.6	11.1	6.4	9.0	9.1
Mercer Sustainable Plus International Shares Fund – Unhedged	2.2	14.5	8.1	10.1	8.9	n/a	n/a
Mercer Sustainable Plus International Shares Fund – Hedged	0.7	7.8	-0.7	9.8	5.7	n/a	n/a
Mercer Passive Sustainable International Shares Fund	3.3	17.8	11.4	n/a	n/a	n/a	n/a
Mercer Global Small Companies Shares Fund	0.8	12.9	6.3	12.2	6.7	9.1	11.8
Mercer Emerging Markets Shares Fund	0.2	5.6	2.5	4.4	1.0	6.5	6.1
Mercer Passive Emerging Markets Shares Fund	0.1	2.8	-0.5	3.5	1.3	6.5	n/a
<b>Real Assets</b>							
Mercer Australian Direct Property Fund	-0.3	4.9	6.3	12.2	8.5	9.3	9.6
Mercer Passive Australian Listed Property Fund	5.2	9.6	-10.2	10.2	4.6	4.2	7.0
Mercer Global Listed Property Fund	2.2	-5.5	-17.7	3.8	0.2	1.9	3.6
Mercer Global Listed Infrastructure Fund	2.2	0.1	-4.9	5.1	4.4	5.3	7.3
Mercer Global Unlisted Infrastructure Fund	1.0	6.0	8.4	15.2	10.5	11.3	11.4
<b>Fixed Interest</b>							
Mercer Australian Sovereign Bond Fund - Class 1	0.1	4.4	1.9	-3.0	1.3	1.5	2.4
Mercer Global Sovereign Bond Fund - Class 1	-0.2	-0.6	-2.4	-2.4	0.9	1.7	3.0
Mercer Global Short Term Bond Fund	0.5	3.3	2.6	n/a	n/a	n/a	n/a
Mercer Australian Inflation Plus Fund	-0.7	3.8	4.9	4.1	4.1	3.8	3.1
Mercer Global Absolute Return Bond Fund	0.2	2.5	0.1	1.4	0.9	1.3	n/a
Mercer Global Credit Fund	0.6	0.1	-2.8	-2.3	0.4	1.0	2.3
Mercer Emerging Market Debt Fund	2.9	17.8	19.1	1.8	0.9	2.9	2.3
Mercer Global High Yield Bond Fund	1.1	4.2	-3.8	2.5	1.3	3.2	n/a
Mercer Global Private Debt Fund	0.2	3.1	3.3	5.1	4.6	5.2	n/a
<b>Cash</b>							
Mercer Cash Fund – Cash Units	0.3	2.2	2.3	0.7	1.0	1.3	1.6
Mercer Cash Fund – Term Deposit Units	0.3	2.2	2.3	0.8	1.2	1.4	1.8
<b>Diversified</b>							
Mercer Diversified Shares Fund	2.1	13.1	3.8	11.9	7.3	9.0	8.9
Mercer High Growth Fund	1.6	10.9	3.4	10.2	6.7	7.9	7.8
Mercer Growth Fund – Active Units	1.4	9.8	3.2	9.1	6.4	7.3	7.4
Mercer Moderate Growth Fund – Active Units	1.1	7.9	3.4	6.2	4.8	5.5	5.8
Mercer Conservative Growth Fund – Active Units	0.8	5.4	2.2	3.8	3.6	4.1	4.4
Mercer Growth Fund – Enhanced Passive Units	1.6	10.0	2.2	8.2	n/a	n/a	n/a
Mercer Moderate Growth Fund – Enhanced Passive Units	1.3	7.8	1.9	6.1	n/a	n/a	n/a
Mercer Conservative Growth Fund – Enhanced Passive Units	0.8	5.9	1.7	3.4	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 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	0.2	0.5	0.8	0.8	0.1	0.5	0.5
Mercer Australian Shares Fund for Tax Exempt Investors	0.1	1.3	1.9	1.7	1.6	1.3	n/a
Mercer Australian Shares Plus Fund	0.4	0.1	0.1	1.2	0.2	0.9	0.8
Mercer Sustainable Plus Australian Shares Fund	0.3	-0.7	-1.3	0.6	0.0	0.3	1.1
Mercer Australian Small Companies Fund	-0.1	-1.2	1.9	5.4	4.0	3.0	2.1
Mercer International Shares Fund	-0.3	-1.3	0.9	-0.1	-0.2	0.3	0.3
Mercer Hedged International Shares Fund	-0.3	-0.7	1.3	0.2	-0.1	0.4	0.4
Mercer Sustainable Plus International Shares Fund – Unhedged	-0.8	-2.1	-1.9	-1.6	-1.2	n/a	n/a
Mercer Sustainable Plus International Shares Fund – Hedged	-0.9	-2.0	-1.6	-1.4	-1.0	n/a	n/a
Mercer Passive Sustainable International Shares Fund	0.0	0.1	0.0	n/a	n/a	n/a	n/a
Mercer Global Small Companies Shares Fund	-0.4	0.3	1.9	0.9	0.7	0.5	0.6
Mercer Emerging Markets Shares Fund	0.1	2.9	3.2	1.5	0.4	0.8	0.7
Mercer Passive Emerging Markets Shares Fund	0.0	0.0	0.0	-0.1	-0.1	-0.1	n/a
<b>Real Assets</b>							
Mercer Australian Direct Property Fund	-1.0	-3.3	-3.7	5.9	2.9	4.0	3.2
Mercer Passive Australian Listed Property Fund	-0.1	-0.1	0.1	-0.1	0.1	0.0	0.0
Mercer Global Listed Property Fund	0.2	0.3	-0.5	0.6	0.7	1.3	1.4
Mercer Global Listed Infrastructure Fund	0.2	1.0	-0.5	-0.8	-0.1	-0.1	0.3
Mercer Global Unlisted Infrastructure Fund	0.2	-2.6	-1.4	8.9	5.0	7.4	7.3
<b>Fixed Interest</b>							
Mercer Australian Sovereign Bond Fund - Class 1	0.1	0.4	0.3	0.2	0.3	0.3	0.4
Mercer Global Sovereign Bond Fund - Class 1	-0.4	1.4	1.4	2.1	1.1	1.3	1.1
Mercer Global Short Term Bond Fund	0.2	1.3	0.6	n/a	n/a	n/a	n/a
Mercer Australian Inflation Plus Fund	-1.2	-2.7	-3.2	-0.5	0.4	0.4	0.2
Mercer Global Absolute Return Bond Fund	-0.1	-0.2	-2.8	-0.1	-0.7	-0.4	n/a
Mercer Global Credit Fund	0.0	0.2	-0.2	0.6	0.3	0.2	0.3
Mercer Emerging Market Debt Fund	0.7	4.9	5.9	3.3	1.1	1.5	0.6
Mercer Global High Yield Bond Fund	0.4	-2.2	-2.8	0.3	-0.1	0.0	n/a
Mercer Global Private Debt Fund	-0.2	-0.4	-0.3	3.2	2.0	2.2	n/a
<b>Cash</b>							
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	0.0	0.2	0.2	0.3	0.4	0.4	0.5
<b>Diversified</b>							
Mercer Diversified Shares Fund	0.0	-0.2	0.2	0.5	-0.1	0.1	0.2
Mercer High Growth Fund	-0.1	-1.1	-1.5	0.5	0.0	0.4	0.4
Mercer Growth Fund – Active Units	-0.1	-0.7	-1.7	1.4	0.4	0.6	0.7
Mercer Moderate Growth Fund – Active Units	-0.1	-0.5	-1.4	1.0	0.1	0.3	0.4
Mercer Conservative Growth Fund – Active Units	-0.2	-0.5	-1.3	0.7	0.1	0.3	0.4
Mercer Growth Fund – Enhanced Passive Units	0.0	-0.4	-0.8	-0.3	n/a	n/a	n/a
Mercer Moderate Growth Fund – Enhanced Passive Units	0.0	-0.2	-0.6	0.3	n/a	n/a	n/a
Mercer Conservative Growth Fund – Enhanced Passive Units	-0.1	-0.3	-0.7	-0.1	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.

## 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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