



Mercer Funds **Monthly report**

August 2022



welcome to brighter

Financial markets update

Shares sold off in the second half of August. Poor economic data and the Federal Reserve reasserting that monetary policy will be tighter for longer were the catalysts for the move downward. Investors had been hoping for a slowdown in monetary tightening following a lower than expected inflation reading, but this appears less likely following hawkish speeches at the annual symposium in Jackson Hole. Emerging markets proved to be a diversifier this month, providing gains when developed markets were down by 3.6%. Commodities indices were nearly flat as spot prices declined, especially oil. However, natural gas continued to increase as Europe and the UK continued to scramble to build reserves before winter. Attention shifted temporarily from the Ukraine conflict to Taiwan where visits by US government officials led to Chinese military exercises around the island and renewed concerns about military action over the island's status.

Over August, Hedged Developed Markets Overseas Shares returned -3.6%. After starting the month with optimism, a sell-off began in mid-August as negative economic data kept trickling in. Jerome Powell's speech in Jackson Hole late in the month accelerated the sell-off, as investors positioned for interest rates to continue to rise sharply and further slowing of the economy. Value outperformed growth for the broad market, as the most duration-heavy stocks suffered the brunt of the market's repositioning for tighter monetary policy for longer. Emerging markets shares returned 2.2% as strong performance in Brazil and India offset weakness in East Asia, while China was close to flat. The completion of a deal between US and Chinese regulators on audits of US listed Chinese firms was good news, but concerns remained over whether it would work in practice.

Hedged Overseas Government Bonds returned -3.1% over the month as major developed bond yields rose sharply over the month. US inflation break-evens fell slightly over the month and the Federal Reserve sent a clear message not to expect a slowdown in tightening anytime soon. Ten-year yields rose between 50 and 100 basis points for the US, UK, Eurozone and Australia. The US 30-year yield rose by around 35 basis points and ended the month at almost 3.3%. The US yield curve is now inverted with two-year yields above ten-year yields. When this dynamic is sustained, it can be a leading indicator of recessions.

Australian shares outperformed their Hedged Overseas counterparts in August, with the S&P/ASX 300 returning 1.2%. The S&P/ASX 50 returned 0.8% meanwhile the S&P/ASX Small Ordinaries returned 0.6%. The best performing sector for the month was Energy, returning 7.8%. Real Estate (-3.3%) and Consumer Staples (-1.7%) were the worst performing sectors. BHP (6.1%) was the biggest contributor to the S&P/ASX 300 over the month, meanwhile CBA (-1.2%) was the largest detractor.

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	1.9	7.2	-4.5	5.4	7.7	8.1	8.9
Mercer Australian Shares Fund for Tax Exempt Investors	2.1	8.0	-0.5	7.7	10.1	10.3	n/a
Mercer Australian Shares Plus Fund	2.0	7.4	-5.6	5.7	7.9	8.4	9.1
Mercer Sustainable Plus Australian Shares Fund	1.1	6.8	-5.9	6.2	7.6	8.0	9.4
Mercer Australian Small Companies Fund	1.0	9.8	-13.3	8.4	9.6	9.5	7.7
Mercer International Shares Fund	-2.4	2.8	-11.3	7.2	10.1	8.8	13.4
Mercer Hedged International Shares Fund	-3.4	3.2	-14.2	7.1	6.8	8.5	10.4
Mercer Sustainable Plus International Shares Fund – Unhedged	-4.1	2.8	-17.2	6.3	8.8	n/a	n/a
Mercer Sustainable Plus International Shares Fund – Hedged	-5.1	2.9	-19.8	6.6	6.2	n/a	n/a
Mercer Global Small Companies Shares Fund	-1.4	3.8	-16.4	5.9	8.1	6.7	13.1
Mercer Emerging Markets Shares Fund	1.3	0.2	-20.6	0.7	2.7	5.1	6.6
Mercer Passive Emerging Markets Shares Fund	2.2	0.4	-16.9	1.9	3.3	5.5	n/a
Real Assets							
Mercer Australian Direct Property Fund	1.0	2.5	15.0	9.6	9.7	10.3	9.9
Mercer Passive Australian Listed Property Fund	-3.6	7.8	-11.4	-1.6	5.5	6.1	9.1
Mercer Global Listed Property Fund	-5.7	1.3	-14.4	-2.0	2.3	3.9	6.6
Mercer Global Listed Infrastructure Fund	-1.0	2.7	0.6	1.7	4.1	6.7	9.4
Mercer Global Unlisted Infrastructure Fund	0.1	1.1	12.0	11.1	11.0	12.2	11.6
Fixed Interest							
Mercer Australian Sovereign Bond Fund - Class 1	-2.7	0.7	-12.3	-3.9	0.9	1.3	2.2
Mercer Global Sovereign Bond Fund - Class 1	-2.1	-0.3	-8.8	-2.3	1.3	2.4	3.6
Mercer Global Short Term Bond Fund	-0.3	0.4	n/a	n/a	n/a	n/a	n/a
Mercer Australian Inflation Plus Fund	1.9	0.8	5.3	3.6	3.9	3.3	2.9
Mercer Global Absolute Return Bond Fund	0.1	1.1	-4.1	0.1	1.1	1.3	n/a
Mercer Global Credit Fund	-3.0	0.2	-13.8	-2.8	0.2	1.7	3.0
Mercer Emerging Market Debt Fund	2.1	2.4	-11.4	-4.7	-0.7	0.8	1.8
Mercer Global High Yield Bond Fund	-1.0	2.9	-11.4	-0.7	1.4	3.4	n/a
Mercer Global Private Debt Fund	0.5	0.7	2.9	3.9	5.0	5.4	n/a
Cash							
Mercer Cash Fund – Cash Units	0.1	0.2	0.2	0.3	0.9	1.2	1.7
Mercer Cash Fund – Term Deposit Units	0.1	0.2	0.3	0.4	1.0	1.3	1.9
Diversified							
Mercer Diversified Shares Fund	-0.4	4.8	-8.9	5.8	7.7	7.8	10.0
Mercer High Growth Fund	0.6	4.6	-6.7	5.4	7.3	7.2	8.7
Mercer Growth Fund – Active Units	0.4	4.1	-5.4	5.2	6.8	6.6	8.2
Mercer Moderate Growth Fund – Active Units	0.5	3.0	-4.5	3.0	5.0	5.0	6.3
Mercer Conservative Growth Fund – Active Units	0.2	2.2	-4.0	1.9	3.8	3.8	4.7
Mercer Growth Fund – Enhanced Passive Units	-1.0	3.6	-8.0	4.0	n/a	n/a	n/a
Mercer Moderate Growth Fund – Enhanced Passive Units	-0.9	2.7	-7.6	2.9	n/a	n/a	n/a
Mercer Conservative Growth Fund – Enhanced Passive Units	-0.8	1.9	-7.1	1.3	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 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	0.8	0.2	0.1	0.7	0.3	0.4	0.6
Mercer Australian Shares Fund for Tax Exempt Investors	0.7	0.7	2.9	1.9	1.5	1.3	n/a
Mercer Australian Shares Plus Fund	0.9	0.3	-0.8	1.2	0.8	1.0	1.0
Mercer Sustainable Plus Australian Shares Fund	0.0	-0.3	-1.0	1.7	0.4	0.5	1.3
Mercer Australian Small Companies Fund	0.6	-2.0	2.6	5.9	4.2	2.0	2.6
Mercer International Shares Fund	0.3	-0.8	-0.8	0.0	0.0	0.5	0.3
Mercer Hedged International Shares Fund	0.3	-0.8	-0.5	0.1	0.0	0.5	0.3
Mercer Sustainable Plus International Shares Fund – Unhedged	-1.6	-0.8	-7.0	-0.8	-1.3	n/a	n/a
Mercer Sustainable Plus International Shares Fund – Hedged	-1.6	-1.1	-6.6	-0.6	-0.7	n/a	n/a
Mercer Global Small Companies Shares Fund	0.2	-2.0	-1.9	0.3	0.5	-0.1	0.7
Mercer Emerging Markets Shares Fund	0.3	-0.2	-3.1	-0.4	0.2	0.4	0.4
Mercer Passive Emerging Markets Shares Fund	0.0	0.0	0.0	-0.1	-0.1	-0.1	n/a
Real Assets							
Mercer Australian Direct Property Fund	0.2	0.9	7.2	4.3	4.7	4.9	3.7
Mercer Passive Australian Listed Property Fund	0.0	-0.1	0.0	0.3	0.1	0.0	-0.1
Mercer Global Listed Property Fund	0.1	-0.1	0.1	0.8	1.3	1.1	1.4
Mercer Global Listed Infrastructure Fund	0.0	-0.9	-3.5	-1.7	-0.8	-0.3	-0.4
Mercer Global Unlisted Infrastructure Fund	-0.7	-0.5	4.1	5.9	6.9	9.1	7.8
Fixed Interest							
Mercer Australian Sovereign Bond Fund - Class 1	0.1	0.0	0.1	0.2	0.3	0.3	0.4
Mercer Global Sovereign Bond Fund - Class 1	0.9	0.6	2.2	1.2	1.3	1.1	1.2
Mercer Global Short Term Bond Fund	-0.4	0.2	n/a	n/a	n/a	n/a	n/a
Mercer Australian Inflation Plus Fund	1.3	-0.5	-0.9	0.2	0.9	0.5	0.5
Mercer Global Absolute Return Bond Fund	-0.1	0.7	-5.1	-0.8	-0.4	-0.4	n/a
Mercer Global Credit Fund	0.3	0.4	0.3	0.4	0.4	0.3	0.5
Mercer Emerging Market Debt Fund	0.6	2.1	4.1	2.3	0.7	0.8	0.4
Mercer Global High Yield Bond Fund	1.4	-0.2	0.2	0.7	0.4	0.0	n/a
Mercer Global Private Debt Fund	0.1	0.1	1.4	2.3	2.4	2.3	n/a
Cash							
Mercer Cash Fund – Cash Units	0.0	0.0	0.1	0.2	0.2	0.3	0.3
Mercer Cash Fund – Term Deposit Units	0.0	0.0	0.2	0.4	0.4	0.4	0.5
Diversified							
Mercer Diversified Shares Fund	0.1	-0.4	-0.3	0.4	0.0	0.1	0.2
Mercer High Growth Fund	0.7	0.3	-1.1	0.7	0.6	0.4	0.6
Mercer Growth Fund – Active Units	0.8	0.7	-0.3	1.1	1.0	0.7	0.9
Mercer Moderate Growth Fund – Active Units	0.8	0.7	-0.3	0.6	0.6	0.3	0.6
Mercer Conservative Growth Fund – Active Units	0.9	0.7	-0.3	0.7	0.6	0.3	0.6
Mercer Growth Fund – Enhanced Passive Units	0.1	0.0	-0.2	-0.3	n/a	n/a	n/a
Mercer Moderate Growth Fund – Enhanced Passive Units	0.2	0.0	-0.5	0.1	n/a	n/a	n/a
Mercer Conservative Growth Fund – Enhanced Passive Units	0.3	0.0	-1.1	-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.

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	0.6	-1.1	4.7	-6.2	5.5	7.3	7.2
Mercer SmartPath 1984—1988	0.6	-1.1	4.7	-6.1	5.6	7.4	7.3
Mercer SmartPath 1979—1983	0.6	-1.1	4.7	-6.1	5.6	7.4	7.3
Mercer SmartPath 1974—1978	0.6	-1.0	4.7	-6.0	5.5	7.4	7.2
Mercer SmartPath 1969—1973	0.6	-1.1	4.7	-6.0	5.4	7.3	7.2
Mercer SmartPath 1964—1968	0.6	-0.9	4.3	-5.5	5.1	6.8	6.8
Mercer SmartPath 1959—1963	0.5	-0.7	3.8	-5.0	4.2	6.0	6.0
Mercer SmartPath 1954—1958	0.5	-0.3	3.3	-4.4	3.6	5.4	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) <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>
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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