



Mercer Funds **Monthly report**

February 2022



welcome to brighter

Financial markets update

February was dominated by the Russian invasion of Ukraine which caused a spike in market volatility and energy prices that rippled across the market. February began against the backdrop of soaring inflation and the increased pace and magnitude of monetary policy tightening. As the Ukraine situation escalated mid-month markets rapidly shifted gears and began repricing for war. Energy prices were directly impacted by the conflict with Oil increasing by 10.8% to just US\$101.22 by the end of the month. The one silver lining during February was that Covid cases began to decline in Australia and many other developed countries as restrictions continued to be eased.

Over February, Hedged developed market overseas shares returned -2.8% with most developed and emerging markets suffering from the uncertainty brought about by the Russia-Ukraine conflict. US equities, European markets and economies with heavy exposure to global trade such as Germany performed poorly in February. Australia managed to post a positive return in February due to its exposure to commodities and energy. Unhedged Emerging market shares underperformed over February returning -5.8%. The collapse of the Russian stock market and poor market performances from China and India was partially offset by Brazil's positive performance, resulting from their natural resource exposure. The weakening of the US dollar against currencies of commodity producers, such as Australia, South Africa and Brazil, also impacted on unhedged returns.

Hedged overseas government bonds returned -1.1% over the month as 10-year government bond yields for major developed markets ended the month higher. Australian 10-year government bond yields moved in the same direction, increasing by 25bps to 2.13% and the Bloomberg Ausbond Treasury index returned -1.3% over the month. In spite of the elevated market volatility brought about by the Russia-Ukraine conflict, developed market government bonds in February did not exhibit their usual safe haven characteristics. Instead yields have continued to rise due to uncertainty around inflation and monetary policy. Spreads have risen considerably in February, with high yield and emerging market debt bearing the brunt of the Russia-Ukraine conflict. The yields on Russian hard currency debt has soared to over 25% following the imposition of sanctions, freezing of Russia's hard currency reserves and the cut-off of major Russian banks from the SWIFT system.

Australian shares posted positive performance over February, with the S&P/ASX300 returning 2.1%. The S&P/ASX Mid 50 Accumulation Index (-0.3%) and the S&P/ASX Small Ordinaries (0.0%) dragged down the S&P/ASX300, all other domestic indices posted positive returns in February. The best performing sectors were Energy (8.4%) and Consumer Staples (5.4%). The worst performing sector for the third consecutive month was IT (-6.8%) reflecting the market's risk off repositioning and caution around interest rate expectations. The largest negative contributor to the IT sector for February was Xero which returned (-17%).

Total returns (%) – after fees¹

Mercer Funds	1 mnth	FYTD	1 year	3 yrs (p.a.)	5 yrs (p.a.)	7 yrs (p.a.)	10 yrs (p.a.)
Shares							
Mercer Australian Shares Fund	1.8	-0.3	10.7	8.6	8.3	6.6	9.1
Mercer Australian Shares Fund for Tax Exempt Investors	2.5	1.5	12.1	10.2	10.3	8.6	n/a
Mercer Australian Shares Plus Fund	1.6	0.1	10.8	9.3	9.0	7.1	9.3
Mercer Sustainable Plus Australian Shares Fund	1.2	-1.3	10.2	9.3	8.5	7.0	9.8
Mercer Australian Small Companies Fund	0.1	-1.6	7.6	13.5	12.3	10.0	8.2
Mercer International Shares Fund	-6.0	-1.2	12.2	11.7	12.0	10.1	14.2
Mercer Hedged International Shares Fund	-3.1	-3.8	6.7	10.9	9.7	8.9	11.3
Mercer Socially Responsible Global Shares Fund – Unhedged	-5.4	-1.8	12.0	12.0	11.8	n/a	n/a
Mercer Socially Responsible Global Shares Fund – Hedged	-2.6	-4.4	6.3	11.6	n/a	n/a	n/a
Mercer Global Small Companies Shares Fund	-3.2	-7.2	3.1	9.6	10.7	8.8	14.2
Mercer Emerging Markets Shares Fund	-8.6	-13.7	-6.8	4.4	7.3	5.5	6.9
Mercer Passive Emerging Markets Shares Fund	-5.8	-10.9	-5.0	5.1	8.0	n/a	n/a
Real Assets							
Mercer Australian Direct Property Fund	0.3	14.5	17.2	9.1	9.9	10.4	9.7
Mercer Passive Australian Listed Property Fund	1.3	5.0	23.2	6.7	7.4	7.2	11.6
Mercer Global Listed Property Fund	-2.8	0.5	13.7	4.1	5.2	4.5	8.8
Mercer Global Listed Infrastructure Fund	-1.1	3.6	14.0	4.8	5.7	6.0	10.0
Mercer Global Unlisted Infrastructure Fund	1.3	6.9	12.0	11.6	10.6	12.1	11.1
Fixed Interest							
Mercer Australian Sovereign Bond Fund - Class 1	-1.3	-3.5	-0.8	1.5	2.7	2.4	3.6
Mercer Global Sovereign Bond Fund - Class 1	-1.2	-2.9	-2.1	2.4	3.1	3.2	4.6
Mercer Australian Inflation Plus Fund	0.1	0.0	0.5	3.1	3.1	2.5	2.7
Mercer Global Absolute Return Bond Fund	-0.8	-2.3	-1.5	1.6	1.5	1.7	n/a
Mercer Global Credit Fund	-2.1	-4.8	-3.4	2.8	2.6	2.9	4.6
Mercer Emerging Market Debt Fund	-6.1	-5.5	-1.8	-1.4	1.3	1.0	n/a
Mercer Global High Yield Bond Fund	-1.5	-2.6	0.7	3.8	3.9	4.3	n/a
Mercer Global Private Debt Fund	0.2	2.1	4.2	4.5	5.5	5.7	n/a
Cash							
Mercer Cash Fund – Cash Units	0.0	-0.1	-0.2	0.5	1.0	1.3	1.8
Mercer Cash Fund – Term Deposit Units	0.0	-0.1	-0.1	0.6	1.2	1.5	2.0
Diversified							
Mercer Diversified Shares Fund	-2.0	-1.1	10.6	9.6	9.4	7.6	10.5
Mercer High Growth Fund	-1.6	-0.7	8.4	8.6	8.6	7.1	9.3
Mercer Growth Fund – Active Units	-1.5	0.2	8.3	8.3	8.0	6.7	8.7
Mercer Moderate Growth Fund – Active Units	-1.3	0.0	5.9	5.7	6.0	5.1	6.8
Mercer Conservative Growth Fund – Active Units	-1.0	-0.1	4.0	4.4	4.6	4.1	5.2
Mercer Growth Fund – Enhanced Passive Units	-1.5	-0.5	8.5	8.0	n/a	n/a	n/a
Mercer Moderate Growth Fund – Enhanced Passive Units	-1.4	-1.0	6.4	6.8	n/a	n/a	n/a
Mercer Conservative Growth Fund – Enhanced Passive Units	-1.1	-1.2	3.8	5.1	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 yrs (p.a.)	5 yrs (p.a.)	7 yrs (p.a.)	10 yrs (p.a.)
Shares							
Mercer Australian Shares Fund	-0.2	1.1	1.5	0.8	0.6	0.6	0.6
Mercer Australian Shares Fund for Tax Exempt Investors	0.1	1.8	1.5	1.3	1.3	1.2	n/a
Mercer Australian Shares Plus Fund	-0.4	1.7	1.9	1.7	1.5	1.3	1.0
Mercer Sustainable Plus Australian Shares Fund	-0.7	0.3	1.3	1.8	0.9	1.2	1.6
Mercer Australian Small Companies Fund	0.2	3.5	4.3	7.4	4.3	2.9	3.9
Mercer International Shares Fund	-0.4	-3.5	-5.0	-1.1	-0.4	0.2	-0.1
Mercer Hedged International Shares Fund	-0.2	-3.3	-4.5	-1.1	-0.4	0.1	0.0
Mercer Socially Responsible Global Shares Fund – Unhedged	0.0	-4.0	-5.1	-0.6	-0.6	n/a	n/a
Mercer Socially Responsible Global Shares Fund – Hedged	0.2	-3.8	-4.8	-0.3	n/a	n/a	n/a
Mercer Global Small Companies Shares Fund	-0.4	-3.1	-2.6	0.2	0.8	0.1	0.8
Mercer Emerging Markets Shares Fund	-2.7	-2.4	-1.1	0.2	0.1	0.5	0.5
Mercer Passive Emerging Markets Shares Fund	-0.1	-0.1	-0.2	-0.2	-0.1	n/a	n/a
Real Assets							
Mercer Australian Direct Property Fund	-0.4	11.1	12.0	4.8	5.5	5.0	3.6
Mercer Passive Australian Listed Property Fund	-0.1	-0.1	-0.3	0.2	0.1	0.0	-0.2
Mercer Global Listed Property Fund	-0.3	-0.1	0.0	1.2	1.6	1.3	1.3
Mercer Global Listed Infrastructure Fund	-0.3	-0.1	-0.2	0.2	-0.2	0.2	0.2
Mercer Global Unlisted Infrastructure Fund	0.6	2.3	5.9	7.4	7.6	9.4	7.7
Fixed Interest							
Mercer Australian Sovereign Bond Fund - Class 1	0.0	0.1	0.2	0.4	0.3	0.3	0.4
Mercer Global Sovereign Bond Fund - Class 1	-0.2	-0.2	0.1	0.5	1.0	0.7	0.9
Mercer Australian Inflation Plus Fund	-0.4	-2.8	-3.4	0.6	0.7	0.3	0.4
Mercer Global Absolute Return Bond Fund	-0.8	-2.7	-2.3	0.6	0.0	0.0	n/a
Mercer Global Credit Fund	-0.2	0.0	0.4	0.3	0.3	0.2	0.5
Mercer Emerging Market Debt Fund	1.8	2.5	3.2	1.4	0.4	0.5	n/a
Mercer Global High Yield Bond Fund	0.0	0.3	1.4	0.7	0.4	-0.2	n/a
Mercer Global Private Debt Fund	0.1	1.6	3.4	2.6	2.7	2.3	n/a
Cash							
Mercer Cash Fund – Cash Units	0.0	0.1	0.1	0.3	0.3	0.3	0.3
Mercer Cash Fund – Term Deposit Units	0.0	0.1	0.2	0.4	0.4	0.5	0.5
Diversified							
Mercer Diversified Shares Fund	-0.3	0.1	0.3	0.3	0.2	0.1	0.2
Mercer High Growth Fund	-0.3	-0.2	-0.1	0.9	0.9	0.7	0.6
Mercer Growth Fund – Active Units	-0.2	0.6	1.3	1.4	1.2	0.9	1.0
Mercer Moderate Growth Fund – Active Units	-0.1	0.4	1.0	0.8	0.7	0.5	0.6
Mercer Conservative Growth Fund – Active Units	-0.2	0.2	0.6	0.8	0.7	0.5	0.6
Mercer Growth Fund – Enhanced Passive Units	0.0	0.2	0.1	-0.3	n/a	n/a	n/a
Mercer Moderate Growth Fund – Enhanced Passive Units	-0.1	-0.2	0.5	0.2	n/a	n/a	n/a
Mercer Conservative Growth Fund – Enhanced Passive Units	-0.1	-0.3	0.2	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	-1.6	-2.8	-0.3	9.0	8.6	8.6	7.0
Mercer SmartPath 1984—1988	-1.6	-2.8	-0.3	9.1	8.7	8.7	7.1
Mercer SmartPath 1979—1983	-1.6	-2.8	-0.2	9.2	8.7	8.7	7.1
Mercer SmartPath 1974—1978	-1.6	-2.8	-0.2	9.2	8.6	8.6	7.1
Mercer SmartPath 1969—1973	-1.6	-2.8	-0.1	9.1	8.5	8.6	7.1
Mercer SmartPath 1964—1968	-1.5	-2.6	0.0	8.5	8.0	8.0	6.6
Mercer SmartPath 1959—1963	-1.5	-2.3	0.1	7.5	7.0	7.1	5.9
Mercer SmartPath 1954—1958	-1.5	-2.0	0.0	6.3	6.2	6.4	5.3

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)
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>
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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