



Mercer Funds **Monthly report**

June 2022



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Financial markets update

Equity markets sold off heavily in June after US inflation came in above expectations, which prompted the Federal Reserve to hike its overnight rate by 75 basis points. Economic data hinted at a slowdown and led to increased recession fears. Inflation for other regions such as the UK, Eurozone and Australia remained elevated and we even saw CPI exceed 2% in Japan. Commodities also sold off, as investors positioned for the possibility of commodity demand slowing if a recession were to occur. The conflict in Ukraine raged on as Russia expanded its territorial gains in eastern Ukraine. Restrictions on Russian energy imports to Europe were tightened, exacerbating the energy shortfalls there and leading to fears of rationing later in the year.

Over June, Hedged Developed Markets Overseas Shares returned -8.1%. Equity markets sold off over the month as investors started to price in an increased likelihood of recession amid persistent inflation and aggressive financial tightening that started to take its toll on the real economy. Hedged Developed Market Overseas Shares are now down 12.5% for the year. The sell-off in June was broad based with both growth and value stocks posting steep declines. Emerging markets returned -2.6%, outperforming both the US and other developed markets. China stood out as the only major equity market with strong positive returns. This was driven by optimism over China's potential recovery from its slowdown induced by last year's regulatory campaign and lockdowns in major cities this spring. Meanwhile monetary policy in China remains very accommodative. Other large emerging markets did poorly this month.

Hedged Overseas Government Bonds returned -1.3% over the month as central bank tightening and high inflation pushed up rates at the longer end of the curve. Ten-year yields rose between 10 and 20 basis points for the US, UK and Eurozone and 30 basis points in Australia. Australian Government Bonds returned -1.3%. Credit spreads also rose in this risk-off environment, which led to poor performance for growth fixed income.

Australian shares underperformed over June, with the ASX300 returning -9.0%. The ASX50 returned -8.2% meanwhile the ASX Small Ordinaries returned -13.1%. The best performing, and only positive performing sector for the month was Consumer Staples, returning 0.2%. Materials (-12.9%) and Financials (-11.9%) were the worst performing sectors. CSL (-0.9%) was the biggest contributor to the ASX300 over the month, meanwhile CBA (-13.4%) was the largest detractor.

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	-8.5	-7.3	-7.3	3.3	6.3	6.5	8.9
Mercer Australian Shares Fund for Tax Exempt Investors	-8.2	-4.3	-4.3	5.3	8.5	8.6	n/a
Mercer Australian Shares Plus Fund	-8.7	-7.9	-7.9	3.6	6.5	6.9	9.0
Mercer Sustainable Plus Australian Shares Fund	-8.9	-8.7	-8.7	4.0	6.4	6.6	9.4
Mercer Australian Small Companies Fund	-10.7	-16.7	-16.7	5.6	8.2	8.1	7.4
Mercer International Shares Fund	-3.5	-8.2	-8.2	6.8	9.2	8.8	13.4
Mercer Hedged International Shares Fund	-7.0	-13.9	-13.9	5.4	6.5	7.2	10.5
Mercer Sustainable Plus International Shares Fund – Unhedged	-4.4	-12.4	-12.4	6.0	8.1	n/a	n/a
Mercer Sustainable Plus International Shares Fund – Hedged	-7.3	-17.3	-17.3	5.1	6.1	n/a	n/a
Mercer Global Small Companies Shares Fund	-5.3	-16.9	-16.9	4.9	7.1	6.5	12.9
Mercer Emerging Markets Shares Fund	-2.6	-21.6	-21.6	0.0	3.6	3.8	6.7
Mercer Passive Emerging Markets Shares Fund	-2.7	-18.7	-18.7	1.0	4.2	4.2	n/a
Real Assets							
Mercer Australian Direct Property Fund	0.3	16.6	16.6	9.1	9.7	10.2	9.7
Mercer Passive Australian Listed Property Fund	-10.3	-12.5	-12.5	-2.8	4.1	5.1	8.8
Mercer Global Listed Property Fund	-7.7	-11.4	-11.4	-1.5	2.4	3.5	6.8
Mercer Global Listed Infrastructure Fund	-6.8	2.0	2.0	1.6	4.1	6.1	9.4
Mercer Global Unlisted Infrastructure Fund	1.0	12.2	12.2	12.0	11.3	12.6	11.1
Fixed Interest							
Mercer Australian Sovereign Bond Fund - Class 1	-1.4	-11.0	-11.0	-3.1	0.7	1.5	2.2
Mercer Global Sovereign Bond Fund - Class 1	-1.1	-7.6	-7.6	-0.9	1.6	2.7	3.8
Mercer Global Short Term Bond Fund	-0.9	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Australian Inflation Plus Fund	2.6	4.1	4.1	3.9	3.7	3.2	2.9
Mercer Global Absolute Return Bond Fund	-1.6	-5.2	-5.2	-0.1	0.8	1.2	n/a
Mercer Global Credit Fund	-2.8	-13.1	-13.1	-2.0	0.4	1.8	3.4
Mercer Emerging Market Debt Fund	-0.7	-11.1	-11.1	-5.0	-1.1	0.5	1.7
Mercer Global High Yield Bond Fund	-6.4	-13.4	-13.4	-1.2	1.0	2.5	n/a
Mercer Global Private Debt Fund	0.1	2.7	2.7	4.1	5.3	5.4	n/a
Cash							
Mercer Cash Fund – Cash Units	0.0	-0.1	-0.1	0.3	0.9	1.2	1.7
Mercer Cash Fund – Term Deposit Units	0.0	0.0	0.0	0.4	1.0	1.4	1.9
Diversified							
Mercer Diversified Shares Fund	-6.5	-9.1	-9.1	4.5	6.8	6.7	10.0
Mercer High Growth Fund	-5.4	-7.3	-7.3	4.3	6.4	6.3	8.6
Mercer Growth Fund – Active Units	-4.8	-6.0	-6.0	4.3	6.1	6.0	8.1
Mercer Moderate Growth Fund – Active Units	-3.3	-4.7	-4.7	2.5	4.4	4.6	6.2
Mercer Conservative Growth Fund – Active Units	-2.3	-4.1	-4.1	1.8	3.4	3.6	4.6
Mercer Growth Fund – Enhanced Passive Units	-5.6	-7.9	-7.9	3.2	n/a	n/a	n/a
Mercer Moderate Growth Fund – Enhanced Passive Units	-4.2	-7.2	-7.2	2.6	n/a	n/a	n/a
Mercer Conservative Growth Fund – Enhanced Passive Units	-3.0	-6.7	-6.7	1.4	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 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	0.5	0.4	0.4	0.7	0.2	0.5	0.6
Mercer Australian Shares Fund for Tax Exempt Investors	0.8	2.3	2.3	1.7	1.2	1.2	n/a
Mercer Australian Shares Plus Fund	0.4	0.1	0.1	1.3	0.7	1.1	1.0
Mercer Sustainable Plus Australian Shares Fund	0.1	-0.7	-0.7	1.7	0.5	0.7	1.4
Mercer Australian Small Companies Fund	2.5	4.1	4.1	6.7	4.6	2.9	3.3
Mercer International Shares Fund	1.3	-0.8	-0.8	0.1	0.2	0.5	0.3
Mercer Hedged International Shares Fund	1.2	-0.4	-0.4	0.1	0.2	0.5	0.4
Mercer Sustainable Plus International Shares Fund – Unhedged	0.4	-5.1	-5.1	-0.7	-1.0	n/a	n/a
Mercer Sustainable Plus International Shares Fund – Hedged	0.5	-4.4	-4.4	-0.2	-0.4	n/a	n/a
Mercer Global Small Companies Shares Fund	0.9	-1.3	-1.3	1.0	1.0	0.2	0.9
Mercer Emerging Markets Shares Fund	0.1	-2.4	-2.4	-0.2	0.2	0.4	0.5
Mercer Passive Emerging Markets Shares Fund	0.0	-0.1	-0.1	-0.1	-0.1	-0.2	n/a
Real Assets							
Mercer Australian Direct Property Fund	-0.7	9.9	9.9	4.1	4.9	4.9	3.6
Mercer Passive Australian Listed Property Fund	0.1	0.1	0.1	0.3	0.1	0.0	-0.1
Mercer Global Listed Property Fund	0.2	0.0	0.0	0.8	1.5	1.2	1.4
Mercer Global Listed Infrastructure Fund	-1.6	-2.2	-2.2	-1.1	-0.8	-0.2	-0.2
Mercer Global Unlisted Infrastructure Fund	0.2	4.1	4.1	7.3	7.3	9.6	7.4
Fixed Interest							
Mercer Australian Sovereign Bond Fund - Class 1	0.0	0.1	0.1	0.3	0.3	0.3	0.4
Mercer Global Sovereign Bond Fund - Class 1	0.2	1.7	1.7	1.1	1.2	1.1	1.1
Mercer Global Short Term Bond Fund	-0.9	n/a	n/a	n/a	n/a	n/a	n/a
Mercer Australian Inflation Plus Fund	1.9	-1.5	-1.5	0.7	0.9	0.6	0.5
Mercer Global Absolute Return Bond Fund	-1.7	-5.9	-5.9	-0.9	-0.6	-0.5	n/a
Mercer Global Credit Fund	-0.1	0.1	0.1	0.4	0.3	0.2	0.5
Mercer Emerging Market Debt Fund	-0.2	2.2	2.2	1.4	0.3	0.5	0.2
Mercer Global High Yield Bond Fund	0.4	0.1	0.1	0.8	0.4	-0.1	n/a
Mercer Global Private Debt Fund	0.1	1.8	1.8	2.4	2.7	2.2	n/a
Cash							
Mercer Cash Fund – Cash Units	0.0	0.1	0.1	0.2	0.3	0.3	0.3
Mercer Cash Fund – Term Deposit Units	0.0	0.3	0.3	0.4	0.4	0.4	0.5
Diversified							
Mercer Diversified Shares Fund	0.4	0.2	0.2	0.5	0.1	0.1	0.2
Mercer High Growth Fund	-0.3	-1.1	-1.1	0.6	0.5	0.5	0.5
Mercer Growth Fund – Active Units	-0.7	-0.6	-0.6	0.9	0.8	0.6	0.9
Mercer Moderate Growth Fund – Active Units	-0.5	-0.6	-0.6	0.4	0.4	0.3	0.5
Mercer Conservative Growth Fund – Active Units	-0.4	-0.7	-0.7	0.5	0.4	0.3	0.6
Mercer Growth Fund – Enhanced Passive Units	-0.1	0.1	0.1	-0.3	n/a	n/a	n/a
Mercer Moderate Growth Fund – Enhanced Passive Units	0.0	-0.2	-0.2	0.1	n/a	n/a	n/a
Mercer Conservative Growth Fund – Enhanced Passive Units	-0.1	-0.7	-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.

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	-5.6	-8.5	-7.1	-7.1	4.3	6.4	6.3
Mercer SmartPath 1984—1988	-5.5	-8.3	-6.9	-6.9	4.4	6.5	6.3
Mercer SmartPath 1979—1983	-5.5	-8.3	-6.8	-6.8	4.4	6.5	6.4
Mercer SmartPath 1974—1978	-5.4	-8.3	-6.8	-6.8	4.3	6.5	6.3
Mercer SmartPath 1969—1973	-5.5	-8.3	-6.7	-6.7	4.2	6.4	6.3
Mercer SmartPath 1964—1968	-5.0	-7.6	-6.1	-6.1	4.0	6.0	5.9
Mercer SmartPath 1959—1963	-4.3	-6.6	-5.5	-5.5	3.4	5.3	5.3
Mercer SmartPath 1954—1958	-3.5	-5.5	-4.9	-4.9	2.9	4.8	4.8

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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