



Mercer Funds **Monthly report**

June 2023

Financial markets update

In June, global equities, commodities and REITs posted strong returns, while bonds were generally flat with credit outperforming government bonds.

Markets continue to price in a soft landing as news flow remains focused on falling headline inflation, a potential end to the global interest rate hiking cycle and broad economic resilience, despite challenges for some sectors, such as regional banks.

Inflation continues to edge down in most major economies raising hopes that the hiking cycle is near an end in most regions. Although the Federal Reserve kept rates on hold for the first time in over a year, forward guidance was more hawkish than expected, which weakened the positive momentum that markets carried during the first half of the month. The ECB and RBA hiked rates by 25bps each, while the Bank of England was compelled to hike by 50bps, given stubbornly elevated levels of inflation in the UK. China continued to ease as its expected economic recovery has been underwhelming. Labour markets remain resilient, with unemployment only marginally rising in some regions, however, remaining close to multi-decade lows.

Volatility in rate markets fell in June, following the resolution of the debt ceiling talks, and the pause in monetary tightening in the US. Bond yields rose slightly in June, while credit spreads slightly decreased during the month.

Over June, Hedged Developed Markets Overseas Shares returned 5.6%, US stocks outperformed emerging markets and other international developed markets. Value and growth stocks delivered similar results in June, although year to date growth has significantly outperformed value. Japan contributed significantly to the outperformance of developed markets, gaining 7.5% in June, as the Bank of Japan continues to stimulate the economy. Emerging Markets Shares (UH) gained 0.9%, held back by weakness in China. Latin America was the standout in emerging markets as the recovery in commodities provides a tailwind for its equities.

Hedged Overseas Government Bonds returned -2.3% over the month, as bond yields generally increased during June. In the US, the 10-year bond yield rose by 16bps. In developed markets outside the US, 10-year yields fell by 3bps in Japan, while yields rose 20bps in the UK, and 13bps in the Eurozone. US inflation expectations, as measured by the 10-year inflation breakeven rate, was unchanged and ended June at 2.2%.

Australian Shares returned 1.7%, underperforming their overseas counterparts in June. Materials (4.6%) and Financials (3.1%) were the strongest sectors, meanwhile Healthcare (-6.4%), and Communication Services (-1.0%) were the largest detractors.

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	1.5	14.2	14.2	10.9	6.3	8.5	8.1
Mercer Australian Shares Fund for Tax Exempt Investors	1.5	16.4	16.4	13.0	9.1	10.6	10.1
Mercer Australian Shares Plus Fund	1.4	13.8	13.8	11.0	6.3	8.7	8.2
Mercer Sustainable Plus Australian Shares Fund	1.7	12.6	12.6	10.4	6.3	8.2	8.4
Mercer Australian Small Companies Fund	1.1	8.4	8.4	8.1	5.2	8.0	7.9
Mercer International Shares Fund	3.2	20.7	20.7	12.3	10.4	11.7	12.5
Mercer Hedged International Shares Fund	5.8	15.2	15.2	10.6	7.5	9.7	9.9
Mercer Sustainable Plus International Shares Fund – Unhedged	2.1	17.1	17.1	9.8	8.9	n/a	n/a
Mercer Sustainable Plus International Shares Fund – Hedged	4.5	11.3	11.3	8.1	6.2	n/a	n/a
Mercer Passive Sustainable International Shares Fund	2.8	23.5	23.5	n/a	n/a	n/a	n/a
Mercer Global Small Companies Shares Fund	3.4	16.3	16.3	11.3	6.3	9.3	10.8
Mercer Emerging Markets Shares Fund	0.5	6.5	6.5	3.2	2.4	6.2	5.8
Mercer Passive Emerging Markets Shares Fund	0.9	4.1	4.1	2.9	2.7	6.3	n/a
Real Assets							
Mercer Australian Direct Property Fund	-1.0	5.0	5.0	9.3	8.2	9.1	9.5
Mercer Passive Australian Listed Property Fund	-0.1	7.6	7.6	7.6	3.2	3.0	7.3
Mercer Global Listed Property Fund	2.6	-6.8	-6.8	2.5	-0.6	1.1	4.3
Mercer Global Listed Infrastructure Fund	1.7	-2.9	-2.9	3.3	3.2	4.2	7.4
Mercer Global Unlisted Infrastructure Fund	-0.4	8.7	8.7	12.3	10.9	11.1	11.6
Fixed Interest							
Mercer Australian Sovereign Bond Fund - Class 1	-2.3	0.5	0.5	-4.3	0.3	0.5	2.2
Mercer Global Sovereign Bond Fund - Class 1	-1.2	-2.5	-2.5	-3.5	0.4	0.9	3.0
Mercer Global Short Term Bond Fund	0.2	3.8	3.8	n/a	n/a	n/a	n/a
Mercer Australian Inflation Plus Fund	-0.1	4.3	4.3	3.8	4.1	3.8	3.2
Mercer Global Absolute Return Bond Fund	1.1	3.4	3.4	0.9	1.2	1.4	n/a
Mercer Global Credit Fund	-0.3	-1.0	-1.0	-3.9	0.2	0.5	2.6
Mercer Emerging Market Debt Fund	1.6	20.3	20.3	2.1	2.9	2.4	2.3
Mercer Global High Yield Bond Fund	0.4	5.5	5.5	1.8	1.6	3.3	n/a
Mercer Global Private Debt Fund	0.9	4.7	4.7	4.6	4.7	5.2	n/a
Cash							
Mercer Cash Fund – Cash Units	0.3	2.8	2.8	0.9	1.1	1.3	1.7
Mercer Cash Fund – Term Deposit Units	0.3	2.9	2.9	1.0	1.2	1.5	1.8
Diversified							
Mercer Diversified Shares Fund	2.4	14.9	14.9	10.5	7.1	9.0	9.1
Mercer High Growth Fund	1.0	11.5	11.5	8.6	6.4	7.8	8.0
Mercer Growth Fund – Active Units	1.2	10.7	10.7	7.7	6.2	7.2	7.6
Mercer Moderate Growth Fund – Active Units	0.6	8.3	8.3	5.3	4.6	5.3	5.9
Mercer Conservative Growth Fund – Active Units	0.1	5.3	5.3	3.0	3.4	3.9	4.4
Mercer Growth Fund – Enhanced Passive Units	1.6	10.9	10.9	7.1	n/a	n/a	n/a
Mercer Moderate Growth Fund – Enhanced Passive Units	1.0	8.1	8.1	5.1	n/a	n/a	n/a
Mercer Conservative Growth Fund – Enhanced Passive Units	0.4	5.8	5.8	2.6	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 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	-0.2	0.7	0.7	0.8	0.1	0.5	0.5
Mercer Australian Shares Fund for Tax Exempt Investors	-0.1	1.2	1.2	1.6	1.6	1.3	1.1
Mercer Australian Shares Plus Fund	-0.3	0.6	0.6	1.2	0.3	0.9	0.9
Mercer Sustainable Plus Australian Shares Fund	0.1	-0.6	-0.6	0.5	0.2	0.4	1.0
Mercer Australian Small Companies Fund	1.2	1.4	1.4	4.5	4.4	3.6	2.3
Mercer International Shares Fund	0.1	-0.8	-0.8	-0.1	0.0	0.3	0.4
Mercer Hedged International Shares Fund	0.2	-0.1	-0.1	0.2	0.2	0.4	0.5
Mercer Sustainable Plus International Shares Fund – Unhedged	-0.9	-4.3	-4.3	-2.6	-1.5	n/a	n/a
Mercer Sustainable Plus International Shares Fund – Hedged	-1.0	-4.1	-4.1	-2.4	-1.2	n/a	n/a
Mercer Passive Sustainable International Shares Fund	0.0	0.1	0.1	n/a	n/a	n/a	n/a
Mercer Global Small Companies Shares Fund	0.3	1.0	1.0	0.7	0.8	0.6	0.5
Mercer Emerging Markets Shares Fund	-0.1	2.7	2.7	0.8	0.5	0.7	0.6
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	-1.6	-4.6	-4.6	2.7	2.4	3.7	3.2
Mercer Passive Australian Listed Property Fund	0.0	-0.1	-0.1	-0.1	0.1	0.0	0.0
Mercer Global Listed Property Fund	-0.1	0.2	0.2	0.5	0.9	1.3	1.3
Mercer Global Listed Infrastructure Fund	0.0	1.2	1.2	-1.1	-0.2	0.0	0.2
Mercer Global Unlisted Infrastructure Fund	-1.2	-1.6	-1.6	5.6	5.3	7.1	7.5
Fixed Interest							
Mercer Australian Sovereign Bond Fund - Class 1	0.0	0.3	0.3	0.2	0.3	0.3	0.3
Mercer Global Sovereign Bond Fund - Class 1	-0.8	0.6	0.6	1.5	1.0	1.2	1.0
Mercer Global Short Term Bond Fund	-0.1	1.3	1.3	n/a	n/a	n/a	n/a
Mercer Australian Inflation Plus Fund	-0.6	-3.2	-3.2	-1.1	0.2	0.3	0.2
Mercer Global Absolute Return Bond Fund	0.8	0.2	0.2	-0.7	-0.4	-0.4	n/a
Mercer Global Credit Fund	-0.2	0.2	0.2	0.3	0.3	0.2	0.4
Mercer Emerging Market Debt Fund	1.3	6.6	6.6	3.6	1.8	1.3	0.7
Mercer Global High Yield Bond Fund	-0.7	-1.6	-1.6	0.7	0.0	0.2	n/a
Mercer Global Private Debt Fund	0.5	0.3	0.3	2.3	2.0	2.2	n/a
Cash							
Mercer Cash Fund – Cash Units	0.0	0.2	0.2	0.2	0.2	0.3	0.3
Mercer Cash Fund – Term Deposit Units	0.1	0.3	0.3	0.3	0.4	0.4	0.5
Diversified							
Mercer Diversified Shares Fund	0.1	0.3	0.3	0.5	0.0	0.1	0.2
Mercer High Growth Fund	-0.4	-1.3	-1.3	0.0	0.0	0.4	0.3
Mercer Growth Fund – Active Units	-0.4	-0.9	-0.9	0.7	0.4	0.6	0.6
Mercer Moderate Growth Fund – Active Units	-0.4	-0.7	-0.7	0.5	0.1	0.3	0.4
Mercer Conservative Growth Fund – Active Units	-0.4	-0.7	-0.7	0.3	0.1	0.3	0.4
Mercer Growth Fund – Enhanced Passive Units	0.0	-0.3	-0.3	-0.2	n/a	n/a	n/a
Mercer Moderate Growth Fund – Enhanced Passive Units	-0.1	-0.2	-0.2	0.2	n/a	n/a	n/a
Mercer Conservative Growth Fund – Enhanced Passive Units	-0.1	-0.3	-0.3	-0.2	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&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 <i>Prior to June 2023 the benchmark was Bloomberg AusBond Bank Bill Index +1%</i>
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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