



Mercer Funds **Monthly report**

November 2022



welcome to brighter

Financial markets update

November saw equities and other growth assets maintain the positive momentum from October. The main driver of improved investor confidence in November was a better than expected US inflation reading, which strengthened hopes that monetary tightening may slow down later this year and into 2023. However, the overall economic outlook remains soft as purchasing manager indices remaining in contraction territory, and layoffs increasing. Some regions, such as the UK and Europe, appear to be in a recession already, however, investors took this as a sign that monetary policy tightening is now taking effect, which perhaps lead to a slow down the pace of monetary tightening, along with better than expected inflation figures in the US strengthening this conviction.

Over November, Hedged Developed Markets Overseas Shares returned 5.4%, marking two strong consecutive positive months. The S&P 500 and Nasdaq indices returned 5.6% and 4.4% respectively in USD terms with the S&P 500 jumping 5.6% on the day the US CPI figure was released. The equity rally was even more noticeable outside the US. Major developed markets such as Australia, the UK and Europe enjoyed double digit returns in USD terms. Much of the outperformance was due to the sharp decline in the US dollar over the month, which sold off in a risk-on environment. Looking forward, analysts now project a year-over-year decline in earnings for the S&P 500 in Q4 2022. Value outperformed growth during the month by a wide margin as value sectors such as industrials and financials outperformed the technology sector.

Emerging markets were the best performer this month. They outperformed both Australian and Hedged Developed Markets Overseas Shares by a considerable margin. This was almost exclusively driven by a rally in Chinese equities and renminbi over rumors that Covid restrictions would be scaled back. However, later in the month additional restrictions were put in place, which led to unrest among the population. Brazilian equities declined over the month with negative sentiment around the reappointment of President da Silva.

Hedged Overseas Government Bonds returned 2.0% over the month, as bond yields fell across most major regions except Japan as investors priced in a slowing pace of monetary tightening. The decline was most pronounced in the UK where bond yields kept falling from still elevated levels. Ten-year US yields fell by 15 basis points to 3.7%, while 30-year yields were mostly unchanged at 3.8%. Ten-year government bond yields fell by 35 basis points to 3.1% in the UK, and by around 20 basis points in Germany. Inflation expectations for the US, as measured by the 10-year inflation breakeven rate, fell from 2.51% to 2.37%. The market consensus remains that inflation will stabilize in the medium term, but will likely stay above pre-2020 levels for the foreseeable future.

Australian shares outperformed their Hedged Overseas counterparts in November. The ASX 50 was the top performing Australian index, adding 7.0%, meanwhile the ASX Small was the worst performer, adding 4.9%. The best performing sector for the month was Utilities (20.9%), driven higher by Origin Energy which gained 41.6% over the month on the back of a buyout offer from a Brookfield-led consortium. BHP (23.0%) was the top contributor to the index over the month, followed by the other big miners in Fortescue and Rio Tinto. The big four banks were the top four detractors to the index over the month, with NAB (-2.4%) detracting the most.

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	5.7	13.0	2.7	5.5	7.6	8.7	8.9
Mercer Australian Shares Fund for Tax Exempt Investors	6.2	15.2	7.9	8.2	10.3	11.1	n/a
Mercer Australian Shares Plus Fund	5.3	12.4	0.5	5.5	7.5	8.8	9.0
Mercer Sustainable Plus Australian Shares Fund	5.9	11.9	0.4	6.1	7.4	8.3	9.3
Mercer Australian Small Companies Fund	3.0	8.7	-13.0	6.3	7.4	8.5	7.3
Mercer International Shares Fund	2.3	9.5	-6.2	6.8	9.1	9.6	13.9
Mercer Hedged International Shares Fund	5.9	6.7	-9.8	5.6	6.1	8.3	10.4
Mercer Sustainable Plus International Shares Fund – Unhedged	3.0	10.0	-11.7	6.8	8.2	n/a	n/a
Mercer Sustainable Plus International Shares Fund – Hedged	6.4	6.9	-15.1	6.0	5.9	n/a	n/a
Mercer Passive Sustainable International Shares Fund	2.3	9.3	n/a	n/a	n/a	n/a	n/a
Mercer Global Small Companies Shares Fund	2.4	10.7	-7.0	5.1	6.9	7.6	13.3
Mercer Emerging Markets Shares Fund	8.5	2.3	-13.8	-0.6	1.6	5.8	6.4
Mercer Passive Emerging Markets Shares Fund	9.6	0.8	-12.9	0.2	1.9	5.9	n/a
Real Assets							
Mercer Australian Direct Property Fund	0.2	4.0	14.1	9.2	9.6	10.1	9.9
Mercer Passive Australian Listed Property Fund	5.8	8.2	-13.3	-1.7	3.9	5.9	8.6
Mercer Global Listed Property Fund	4.5	-4.1	-17.6	-4.8	0.7	2.3	5.7
Mercer Global Listed Infrastructure Fund	5.7	-0.4	1.3	0.4	3.5	5.9	8.8
Mercer Global Unlisted Infrastructure Fund	1.0	3.3	10.8	11.8	11.3	11.9	11.3
Fixed Interest							
Mercer Australian Sovereign Bond Fund - Class 1	1.4	1.8	-8.3	-3.3	0.7	1.5	2.3
Mercer Global Sovereign Bond Fund - Class 1	1.5	-1.6	-9.4	-2.4	0.9	1.9	3.3
Mercer Global Short Term Bond Fund	1.2	1.0	n/a	n/a	n/a	n/a	n/a
Mercer Australian Inflation Plus Fund	-2.3	1.6	6.1	3.7	3.9	3.4	2.9
Mercer Global Absolute Return Bond Fund	1.2	1.1	-3.0	0.1	0.8	1.2	n/a
Mercer Global Credit Fund	4.1	-2.0	-14.7	-3.4	-0.3	1.2	2.4
Mercer Emerging Market Debt Fund	2.0	5.8	-4.3	-4.1	-0.5	2.0	1.7
Mercer Global High Yield Bond Fund	1.8	2.8	-10.8	-1.1	1.1	3.6	n/a
Mercer Global Private Debt Fund	0.2	1.5	2.3	3.7	4.8	5.1	n/a
Cash							
Mercer Cash Fund – Cash Units	0.2	0.9	0.9	0.4	0.9	1.2	1.6
Mercer Cash Fund – Term Deposit Units	0.2	0.8	0.9	0.5	1.0	1.3	1.8
Diversified							
Mercer Diversified Shares Fund	4.3	9.9	-3.2	5.5	7.1	8.3	10.0
Mercer High Growth Fund	3.3	8.3	-2.1	5.1	6.7	7.5	8.7
Mercer Growth Fund – Active Units	2.8	7.0	-1.9	4.9	6.3	6.9	8.1
Mercer Moderate Growth Fund – Active Units	2.1	5.2	-1.7	2.9	4.5	5.2	6.3
Mercer Conservative Growth Fund – Active Units	1.2	3.3	-2.4	1.8	3.4	3.9	4.6
Mercer Growth Fund – Enhanced Passive Units	3.9	6.9	-4.2	3.8	n/a	n/a	n/a
Mercer Moderate Growth Fund – Enhanced Passive Units	2.9	5.1	-4.3	2.8	n/a	n/a	n/a
Mercer Conservative Growth Fund – Enhanced Passive Units	2.0	3.5	-4.5	1.3	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	-0.7	0.1	-0.7	0.4	0.2	0.2	0.6
Mercer Australian Shares Fund for Tax Exempt Investors	-0.4	1.4	3.0	2.0	1.7	1.3	n/a
Mercer Australian Shares Plus Fund	-1.1	-0.5	-2.7	0.6	0.5	0.6	0.9
Mercer Sustainable Plus Australian Shares Fund	-0.5	-1.0	-2.7	1.2	0.3	0.0	1.2
Mercer Australian Small Companies Fund	-1.6	-1.5	2.6	5.5	4.6	2.1	2.6
Mercer International Shares Fund	0.4	-0.5	0.6	-0.1	0.0	0.6	0.2
Mercer Hedged International Shares Fund	0.6	0.0	1.4	0.1	0.1	0.6	0.3
Mercer Sustainable Plus International Shares Fund – Unhedged	1.0	0.1	-5.2	-0.1	-0.9	n/a	n/a
Mercer Sustainable Plus International Shares Fund – Hedged	1.0	0.1	-4.6	0.4	-0.2	n/a	n/a
Mercer Passive Sustainable International Shares Fund	0.3	-0.9	n/a	n/a	n/a	n/a	n/a
Mercer Global Small Companies Shares Fund	1.2	-0.3	1.7	0.4	0.7	0.0	0.6
Mercer Emerging Markets Shares Fund	-1.0	1.7	-0.2	0.0	0.6	0.7	0.8
Mercer Passive Emerging Markets Shares Fund	-0.1	0.0	-0.1	-0.1	-0.1	-0.1	n/a
Real Assets							
Mercer Australian Direct Property Fund	-0.6	0.0	5.3	3.5	4.4	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	-0.3	-0.5	-0.2	0.6	1.1	1.1	1.3
Mercer Global Listed Infrastructure Fund	-0.3	-1.1	-2.5	-1.8	-0.5	-0.5	-0.3
Mercer Global Unlisted Infrastructure Fund	0.2	-1.2	1.2	6.1	6.7	8.6	7.5
Fixed Interest							
Mercer Australian Sovereign Bond Fund - Class 1	0.0	0.1	0.2	0.2	0.3	0.3	0.3
Mercer Global Sovereign Bond Fund - Class 1	-0.4	1.3	3.1	1.1	1.3	1.1	1.2
Mercer Global Short Term Bond Fund	1.0	0.3	n/a	n/a	n/a	n/a	n/a
Mercer Australian Inflation Plus Fund	-2.9	-1.6	-1.3	-0.2	0.6	0.5	0.3
Mercer Global Absolute Return Bond Fund	1.0	0.0	-4.5	-0.9	-0.7	-0.5	n/a
Mercer Global Credit Fund	0.1	0.1	0.3	0.3	0.3	0.2	0.4
Mercer Emerging Market Debt Fund	-0.1	2.7	4.4	2.4	0.9	1.2	0.4
Mercer Global High Yield Bond Fund	-0.5	-0.8	-0.7	0.4	0.2	0.1	n/a
Mercer Global Private Debt Fund	-0.1	-0.1	0.1	2.0	2.2	2.1	n/a
Cash							
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	0.0	0.2	0.3	0.4	0.4	0.5
Diversified							
Mercer Diversified Shares Fund	-0.5	-0.3	-0.2	0.2	0.0	0.0	0.2
Mercer High Growth Fund	-0.5	-0.3	-1.5	0.2	0.4	0.3	0.5
Mercer Growth Fund – Active Units	-0.5	0.0	-1.0	0.7	0.7	0.6	0.8
Mercer Moderate Growth Fund – Active Units	-0.5	0.1	-0.8	0.2	0.4	0.2	0.5
Mercer Conservative Growth Fund – Active Units	-0.5	0.1	-0.9	0.4	0.3	0.3	0.5
Mercer Growth Fund – Enhanced Passive Units	-0.2	-0.3	-0.4	-0.4	n/a	n/a	n/a
Mercer Moderate Growth Fund – Enhanced Passive Units	-0.3	-0.3	-0.5	0.0	n/a	n/a	n/a
Mercer Conservative Growth Fund – Enhanced Passive Units	-0.4	-0.2	-0.9	-0.3	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	3.6	3.8	8.7	-1.5	5.3	6.7	7.6
Mercer SmartPath 1984—1988	3.6	3.8	8.7	-1.4	5.3	6.8	7.6
Mercer SmartPath 1979—1983	3.6	3.9	8.7	-1.3	5.3	6.8	7.6
Mercer SmartPath 1974—1978	3.6	3.8	8.7	-1.3	5.3	6.8	7.6
Mercer SmartPath 1969—1973	3.6	3.9	8.7	-1.3	5.2	6.7	7.6
Mercer SmartPath 1964—1968	3.2	3.6	8.1	-1.1	4.9	6.3	7.1
Mercer SmartPath 1959—1963	2.7	3.0	6.9	-1.4	4.1	5.6	6.3
Mercer SmartPath 1954—1958	2.2	2.5	5.9	-1.2	3.5	5.0	5.6

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)
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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