



Mercer Funds **Monthly report**

September 2022



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Financial markets update

September 2022 left few portfolios unscathed in a major drawdown that affected a vast majority of asset classes in public markets. Equities sold off across the board, bringing major indices back into bear market territory. Fears of increased monetary policy tightening caused unrest in markets, as inflation continued to be higher than anticipated. The sell-off was broad based across sectors and regions with emerging market equities faring worse than developed markets (Unhedged). A strengthening US dollar gave some reprieve to unhedged developed markets in Australian dollar (AUD). Equity market volatility returned to the heights seen in early June.

Over September, Hedged Developed Markets Overseas Shares returned -8.9%. Investor sentiment continued to deteriorate in September, according to the latest Bank of America Fund Manager Survey. Monetary policy is priced to be tighter for longer. Earnings expectations continue to decline amid weakening business conditions. Value stocks continued to outperformed growth stocks over September, with the continued increase in interest rates. On a sector level, healthcare was the only sector not to have a negative performance during September, while real estate and IT posted the most significant declines. Emerging markets underperformed developed markets in AUD terms.

Large Asian economies such as China, Taiwan and Korea posted negative returns in mid double digits. The primary drivers were slowing global growth hitting export demand, the downturn in China's housing market and disruptions due to Covid restrictions.

Hedged Overseas Government Bonds returned -3.4 over the month as major developed bond yields rose sharply over the month. Discouraging inflation readings across the developed world made it likely that monetary tightening will continue for the foreseeable future. Ten-year and 30-year yields rose by 68 and 52 basis points respectively in the US. The UK went through a major government bond (gilt) sell-off after its government announced a budget that markets deemed fiscally unsound.

Australian shares outperformed their Hedged Overseas counterparts in August, with the ASX 300 returning -6.3%. The S&P/ASX Small Companies was the biggest detractor for the index returning -11.2%, meanwhile the S&P/ASX 50 was the greatest contributor, returning -5.4 for the month. The best performing sector for the month was Materials, returning -2.6%. Utilities (-13.8%) and Real Estate (-13.5%) were the worst performing sectors. CSL (-2.8%) was the biggest contributor to the S&P/ASX 300 over the month, meanwhile Macquarie (-13.2%) 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	-5.8	1.0	-8.4	2.7	6.4	7.6	8.1
Mercer Australian Shares Fund for Tax Exempt Investors	-5.0	2.6	-4.2	5.1	8.9	9.9	n/a
Mercer Australian Shares Plus Fund	-6.1	0.8	-9.8	2.9	6.5	7.9	8.2
Mercer Sustainable Plus Australian Shares Fund	-6.5	-0.1	-10.2	3.2	6.0	7.3	8.5
Mercer Australian Small Companies Fund	-8.6	0.3	-20.2	3.9	7.5	8.1	6.4
Mercer International Shares Fund	-3.2	-0.5	-11.2	5.3	8.6	8.6	12.8
Mercer Hedged International Shares Fund	-9.0	-6.1	-18.6	3.0	4.4	7.5	9.1
Mercer Sustainable Plus International Shares Fund – Unhedged	-3.8	-1.1	-16.9	4.3	7.5	n/a	n/a
Mercer Sustainable Plus International Shares Fund – Hedged	-9.3	-6.7	-23.6	2.5	3.9	n/a	n/a
Mercer Passive Sustainable International Shares Fund	-3.3	-0.3	n/a	n/a	n/a	n/a	n/a
Mercer Global Small Companies Shares Fund	-3.7	-0.1	-17.3	3.8	6.2	6.6	12.2
Mercer Emerging Markets Shares Fund	-5.0	-4.8	-22.8	-1.7	1.5	4.5	5.4
Mercer Passive Emerging Markets Shares Fund	-5.9	-5.5	-19.5	-0.8	1.9	4.9	n/a
Real Assets							
Mercer Australian Direct Property Fund	0.1	2.6	14.7	9.3	9.6	10.2	9.9
Mercer Passive Australian Listed Property Fund	-13.6	-6.9	-21.7	-5.4	2.3	4.0	7.3
Mercer Global Listed Property Fund	-11.1	-9.9	-19.5	-6.3	0.0	2.0	5.3
Mercer Global Listed Infrastructure Fund	-12.5	-10.1	-8.5	-3.2	1.5	4.9	7.8
Mercer Global Unlisted Infrastructure Fund	0.9	2.1	11.4	11.5	11.3	12.3	11.2
Fixed Interest							
Mercer Australian Sovereign Bond Fund - Class 1	-1.4	-0.8	-12.0	-4.1	0.7	1.0	2.0
Mercer Global Sovereign Bond Fund - Class 1	-2.1	-2.4	-9.8	-3.0	1.0	1.9	3.3
Mercer Global Short Term Bond Fund	-0.8	-0.5	n/a	n/a	n/a	n/a	n/a
Mercer Australian Inflation Plus Fund	0.6	1.4	6.1	3.8	4.0	3.5	2.9
Mercer Global Absolute Return Bond Fund	-1.1	0.0	-5.0	-0.3	0.7	1.1	n/a
Mercer Global Credit Fund	-5.4	-5.2	-17.7	-4.4	-0.9	0.9	2.3
Mercer Emerging Market Debt Fund	0.7	3.1	-8.7	-4.7	-0.7	1.2	1.6
Mercer Global High Yield Bond Fund	-5.5	-2.8	-16.6	-2.7	0.1	2.9	n/a
Mercer Global Private Debt Fund	-1.2	-0.5	1.4	3.3	4.6	5.1	n/a
Cash							
Mercer Cash Fund – Cash Units	0.1	0.4	0.3	0.3	0.9	1.2	1.7
Mercer Cash Fund – Term Deposit Units	0.1	0.4	0.4	0.4	1.0	1.3	1.8
Diversified							
Mercer Diversified Shares Fund	-5.3	-0.8	-11.4	3.2	6.2	7.4	9.1
Mercer High Growth Fund	-3.7	0.7	-8.2	3.6	6.2	6.9	8.1
Mercer Growth Fund – Active Units	-3.4	0.5	-7.0	3.6	5.9	6.3	7.6
Mercer Moderate Growth Fund – Active Units	-2.3	0.6	-5.4	1.9	4.3	4.8	5.9
Mercer Conservative Growth Fund – Active Units	-1.7	0.4	-4.6	1.2	3.3	3.6	4.4
Mercer Growth Fund – Enhanced Passive Units	-4.7	-1.3	-10.3	1.8	n/a	n/a	n/a
Mercer Moderate Growth Fund – Enhanced Passive Units	-3.7	-1.2	-9.3	1.3	n/a	n/a	n/a
Mercer Conservative Growth Fund – Enhanced Passive Units	-2.7	-0.9	-8.2	0.2	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	0.5	0.7	0.5	0.8	0.4	0.5	0.7
Mercer Australian Shares Fund for Tax Exempt Investors	0.9	1.7	3.5	2.2	1.7	1.4	n/a
Mercer Australian Shares Plus Fund	0.3	0.6	-0.7	1.2	0.8	1.0	1.0
Mercer Sustainable Plus Australian Shares Fund	-0.1	-0.3	-0.9	1.6	0.3	0.3	1.3
Mercer Australian Small Companies Fund	2.6	1.1	3.5	6.3	4.8	2.3	3.0
Mercer International Shares Fund	0.1	-0.7	-0.6	0.0	0.1	0.5	0.2
Mercer Hedged International Shares Fund	0.1	-0.6	-0.2	0.0	0.1	0.4	0.3
Mercer Sustainable Plus International Shares Fund – Unhedged	-0.4	-1.2	-6.4	-0.9	-1.2	n/a	n/a
Mercer Sustainable Plus International Shares Fund – Hedged	-0.3	-1.3	-5.7	-0.6	-0.5	n/a	n/a
Mercer Passive Sustainable International Shares Fund	0.0	-0.7	n/a	n/a	n/a	n/a	n/a
Mercer Global Small Companies Shares Fund	0.7	-1.1	-0.6	0.5	0.8	-0.1	0.6
Mercer Emerging Markets Shares Fund	1.0	0.8	-2.7	-0.2	0.3	0.4	0.5
Mercer Passive Emerging Markets Shares Fund	0.0	0.1	0.0	-0.1	-0.1	-0.1	n/a
Real Assets							
Mercer Australian Direct Property Fund	-0.7	0.2	6.5	3.8	4.6	5.1	3.6
Mercer Passive Australian Listed Property Fund	0.0	0.0	0.1	0.3	0.1	0.1	-0.1
Mercer Global Listed Property Fund	0.9	0.8	1.0	1.3	1.5	1.3	1.5
Mercer Global Listed Infrastructure Fund	-1.5	-2.3	-4.1	-2.1	-1.3	-0.5	-0.5
Mercer Global Unlisted Infrastructure Fund	0.1	-0.4	3.2	6.2	7.0	9.1	7.4
Fixed Interest							
Mercer Australian Sovereign Bond Fund - Class 1	0.0	0.1	0.1	0.2	0.3	0.3	0.3
Mercer Global Sovereign Bond Fund - Class 1	1.2	1.8	3.1	1.3	1.5	1.3	1.3
Mercer Global Short Term Bond Fund	-0.9	-0.8	n/a	n/a	n/a	n/a	n/a
Mercer Australian Inflation Plus Fund	0.0	-0.5	-0.5	0.1	0.9	0.7	0.5
Mercer Global Absolute Return Bond Fund	-1.2	-0.6	-6.1	-1.2	-0.7	-0.5	n/a
Mercer Global Credit Fund	-0.4	-0.1	0.0	0.2	0.3	0.2	0.4
Mercer Emerging Market Debt Fund	-0.6	1.6	3.7	2.1	0.6	0.7	0.3
Mercer Global High Yield Bond Fund	-1.2	-1.5	-1.4	0.2	0.1	-0.1	n/a
Mercer Global Private Debt Fund	-1.4	-1.3	-0.2	1.7	2.0	2.0	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	0.1	0.3	0.4	0.4	0.4	0.5
Diversified							
Mercer Diversified Shares Fund	0.4	0.0	0.1	0.4	0.2	0.1	0.2
Mercer High Growth Fund	0.5	0.8	-0.6	0.7	0.7	0.5	0.6
Mercer Growth Fund – Active Units	0.0	0.7	-0.2	1.0	1.0	0.7	0.9
Mercer Moderate Growth Fund – Active Units	0.0	0.7	-0.2	0.5	0.6	0.3	0.6
Mercer Conservative Growth Fund – Active Units	0.1	0.8	-0.1	0.7	0.6	0.4	0.6
Mercer Growth Fund – Enhanced Passive Units	0.0	0.0	0.0	-0.3	n/a	n/a	n/a
Mercer Moderate Growth Fund – Enhanced Passive Units	0.0	0.0	-0.3	0.1	n/a	n/a	n/a
Mercer Conservative Growth Fund – Enhanced Passive Units	0.0	0.0	-0.8	-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.

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	-3.9	0.7	0.7	-7.9	3.5	6.2	6.9
Mercer SmartPath 1984—1988	-3.9	0.6	0.6	-7.9	3.6	6.3	6.9
Mercer SmartPath 1979—1983	-3.9	0.6	0.6	-7.8	3.6	6.3	7.0
Mercer SmartPath 1974—1978	-3.9	0.6	0.6	-7.8	3.6	6.2	6.9
Mercer SmartPath 1969—1973	-3.9	0.6	0.6	-7.8	3.5	6.2	6.9
Mercer SmartPath 1964—1968	-3.5	0.7	0.7	-7.0	3.3	5.8	6.5
Mercer SmartPath 1959—1963	-3.1	0.6	0.6	-6.3	2.7	5.2	5.8
Mercer SmartPath 1954—1958	-2.5	0.7	0.7	-5.4	2.3	4.7	5.2

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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