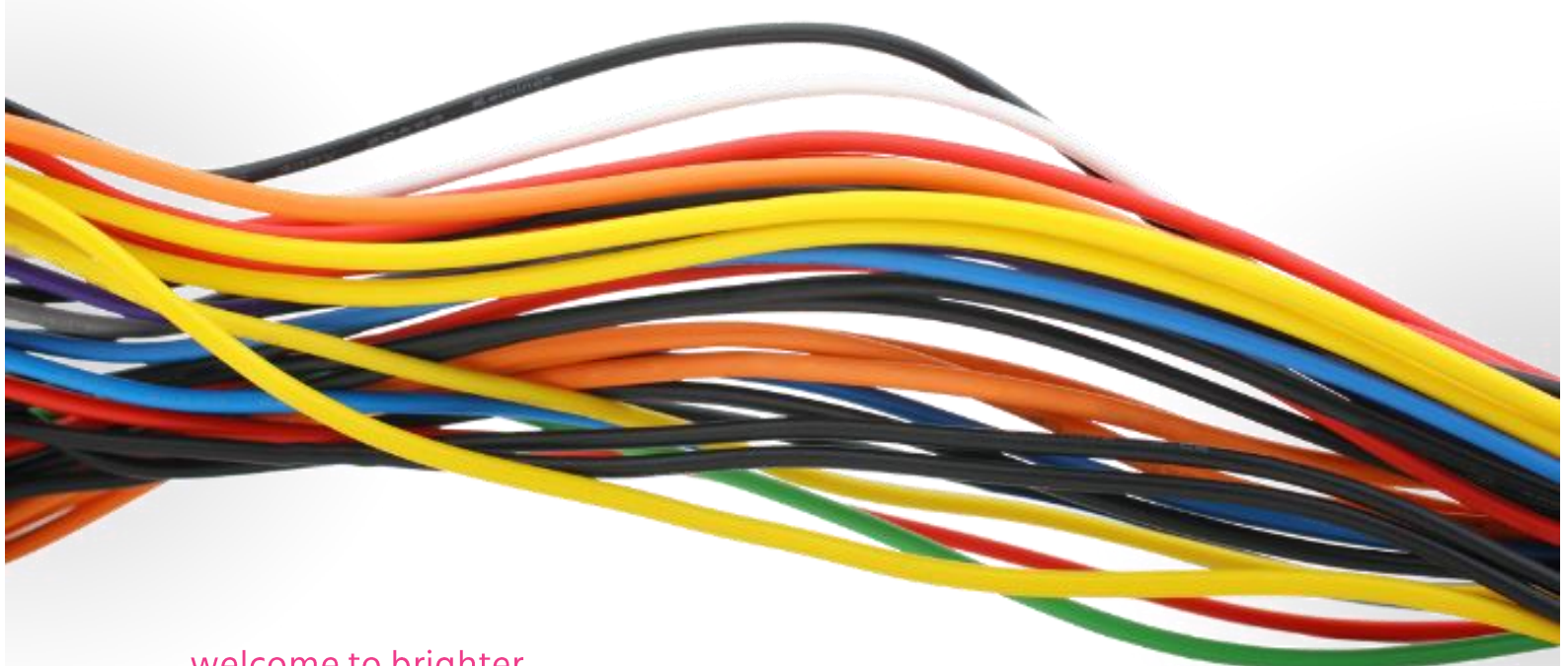


Mercer Super Investment Trust

Monthly report

July 2020



Financial markets update

The month of July generally saw positive returns across asset classes, as growth assets continue to gain. Emerging Markets were the strongest performing market in equities, with the MSCI EM Index (UH) returning 4.6% over the month. On the domestic front, Australian small caps outperformed large caps and overseas hedged investors realised greater gains from the appreciation of the Australian dollar. Investors were encouraged by positive economic data, as US non-farm payrolls showed strong results and global purchasing manager indices (PMI) showed a recovery in both manufacturing and services. However, there has also been some negative indicators from the structural damage of lockdowns and social distancing measures, including large lay-offs of workers and bankruptcies across the retail sector. COVID-19 remains uncontained with the US still the epicentre of the pandemic as case growth increased significantly over the past month. Consequently, the US dollar experienced its worst month in almost a decade. Questions around a sustainable global recovery beyond the pandemic continue to remain at the forefront.

Political tensions also materialised over the month. The US, UK, Australia and the EU took decisive actions against China in response to their treatment of Hong Kong, including sanctions, bans on Huawei's involvement in 5G networks and suspension of extradition treaties. Despite this, China saw large gains in mainland shares after state media encouraged retail investors to buy.

Monetary and fiscal support remains highly accommodative. In addition to keeping the benchmark interest rate unchanged, the Federal Reserve extended seven emergency lending programs and reiterated its pledge to maintain aggressive measures to support the economy for the near future. Similarly, the Reserve Bank of Australia (RBA) left rates on hold at 0.25% and maintained its stance that it will not raise rates again until it can see progress in domestic inflation and employment levels. Australian and global government bonds remained relatively stable over the month, with the Hedged FTSE World Government Bond (ex-Australia) Index returning 1.0% over July and 6.4% over the past 12 months to 31 July 2020. Across asset classes, this yearly return is amongst the strongest and illustrates the volatility and severity of the drawdown experienced earlier in the year. In terms of credit assets, spreads continued to tighten for investment grade, high yield and emerging market debt, driving positive performance, though currency movements meant the latter ended up in negative territory.

The Australian share market has continued its positive run, with the S&P/ASX300 returning 0.6% over July but lagged its hedged overseas counterpart. Materials (+5.9%) and IT (+4.8%) were the top performing sectors, whilst Energy was the bottom performing sector, returning -6.3%.

Mercer's most recent views and commentary regarding the Coronavirus can be found through the following link: [Coronavirus Outbreak Investment Implications Update](#).

Total returns (%)

| Investment Option | 1 month | 3 months | Financial year to date | 1 year | 3 years (p.a.) | 5 years (p.a.) | 7 years (p.a.) | 10 years (p.a.) |
|---|---------|----------|------------------------|--------|----------------|----------------|----------------|-----------------|
| Mercer Australian Shares | | | | | | | | |
| Total Returns – Before Fees | 0.8 | 8.2 | 0.8 | -9.2 | 5.4 | 5.5 | 7.2 | 7.4 |
| <i>Benchmark Return</i> | 0.6 | 7.8 | 0.6 | -9.7 | 5.4 | 5.2 | 6.8 | 7.3 |
| Excess Return | 0.2 | 0.4 | 0.2 | 0.5 | 0.0 | 0.3 | 0.4 | 0.1 |
| Total Returns – After Fees ¹ | 0.7 | 7.3 | 0.7 | -7.2 | 5.5 | 5.2 | 6.7 | 6.8 |
| Mercer Shares | | | | | | | | |
| Total Returns – Before Fees | 1.5 | 7.0 | 1.5 | -2.9 | 7.6 | 6.8 | 9.2 | 9.6 |
| <i>Benchmark Return</i> | 1.3 | 6.4 | 1.3 | -3.1 | 7.8 | 6.9 | 9.1 | 9.8 |
| Excess Return | 0.2 | 0.6 | 0.2 | 0.2 | -0.2 | -0.1 | 0.1 | -0.2 |
| Total Returns – After Fees ¹ | 1.2 | 6.0 | 1.2 | -2.9 | 6.6 | 5.7 | 7.8 | 8.1 |
| Mercer High Growth | | | | | | | | |
| Total Returns – Before Fees | 1.1 | 6.4 | 1.1 | -1.5 | 7.4 | 6.7 | 8.4 | 8.8 |
| <i>Benchmark Return</i> | 0.9 | 4.9 | 0.9 | -1.8 | 6.8 | 6.3 | 7.9 | 8.6 |
| Excess Return | 0.2 | 1.5 | 0.2 | 0.3 | 0.6 | 0.4 | 0.5 | 0.2 |
| Total Returns – After Fees ¹ | 0.8 | 5.2 | 0.8 | -2.3 | 6.0 | 5.2 | 6.9 | 7.3 |
| Mercer Growth | | | | | | | | |
| Total Returns – Before Fees | 1.1 | 6.0 | 1.1 | 0.2 | 7.2 | 6.4 | 8.1 | 8.5 |
| <i>Benchmark Return</i> | 0.8 | 4.0 | 0.8 | 0.5 | 6.6 | 6.1 | 7.5 | 8.1 |
| Excess Return | 0.3 | 2.0 | 0.3 | -0.3 | 0.6 | 0.3 | 0.6 | 0.4 |
| Total Returns – After Fees ¹ | 0.8 | 5.1 | 0.8 | -0.7 | 5.7 | 4.9 | 6.5 | 7 |
| Mercer Moderate Growth | | | | | | | | |
| Total Returns – Before Fees | 0.9 | 4.1 | 0.9 | 0.1 | 6.0 | 5.4 | 6.7 | 7.3 |
| <i>Benchmark Return</i> | 0.5 | 2.6 | 0.5 | 1.0 | 5.8 | 5.5 | 6.4 | 7.1 |
| Excess Return | 0.4 | 1.5 | 0.4 | -0.9 | 0.2 | -0.1 | 0.3 | 0.2 |
| Total Returns – After Fees ¹ | 0.7 | 3.4 | 0.7 | -0.8 | 4.6 | 4.0 | 5.3 | 5.9 |
| Mercer Conservative Growth | | | | | | | | |
| Total Returns – Before Fees | 0.7 | 3.0 | 0.7 | 1.7 | 5.3 | 4.8 | 5.7 | 6.2 |
| <i>Benchmark Return</i> | 0.4 | 1.7 | 0.4 | 1.8 | 5.1 | 4.8 | 5.3 | 5.9 |
| Excess Return | 0.3 | 1.3 | 0.3 | -0.1 | 0.2 | 0.0 | 0.4 | 0.3 |
| Total Returns – After Fees ¹ | 0.5 | 2.2 | 0.5 | 1.1 | 4.1 | 3.5 | 4.3 | 4.8 |

NOTES

Past performance is not a reliable indicator of future performance.

- Total Returns** are based on exit prices and allow for deduction of tax and investment management fees. Returns are only shown for those investment options that had money invested in them during each respective period and, in some cases, the option has not operated long enough to calculate a return for the period. Returns greater than one year are shown on an annualised basis.

For further information:

Phone: 1300 728 928

Email: Australia.multimanager@mercer.com

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