



Mercer Super Investment Trust

Monthly report

July 2021



welcome to brighter

Financial markets update

Over July, forward-looking purchasing manager indices revealed that growth in highly vaccinated countries has started to stabilise at high levels. Despite the encouraging news, investors remain concerned about how the Delta variant will hinder the global recovery. As the next phase of the global economic recovery relies on the progress of vaccinations, largely unvaccinated economies such as Australia, and many emerging markets, currently face a more challenging environment and remain vulnerable to lockdowns and associated restrictions.

Hedged Developed Market Overseas Shares returned 1.8% over July as the United States (US) reopened its economy. The more technology-heavy US market outperformed other developed markets as growth stocks rallied over the month, supported by strong quarterly earnings from large technology leaders. Whilst not returning as strong as the US over the month, the Australian share market still fared relatively well compared to other development market indices. Unhedged Emerging Market Shares faced their worst month since the Covid-19 sell-off, returning -4.7%. This came about as the regulatory crackdown on technology companies in China intensified over the month, with strict regulations coming into play causing a sharp sell-off of Chinese shares. Additionally, commodity-heavy indices such as Brazil and Russia were negatively affected by global risk sentiment.

Global government bond yields declined over the month due to signs of global growth moderating. Domestically, Australia's 10-year government bond yield fell by 35bps due to the recent lockdowns and moderate inflation expectations. Over the month, the June quarterly CPI numbers were released and were broadly in line with expectations, supporting the Reserve Bank's narrative that inflation is transitory and will fall back towards target levels over the coming year, as supply bottlenecks ease.

The Australian dollar depreciated against the US dollar over the month as investor concerns over the global recovery negatively affected sentiment for cyclical commodities.

The Australian equity market hit another record high as the S&P/ASX 300 finished the month up 1.1%. All other domestic share indices provided positive returns, with the S&P/ASX Mid 50 and S&P/ASX Small Ordinaries being the lowest, both returning 0.7%. Materials (7.1%) and Industrials (4.1%) were the standout sectors over the month, rising due to strong earnings expectations. Financials (-1.4%) lagged as the recent domestic COVID lockdowns weighed on sentiment towards banks, while the worst performing sector was IT (-6.4%).

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	1.8	6.4	1.8	31.1	9.8	10.8	9.0	10.3
<i>Benchmark Return</i>	1.1	5.8	1.1	29.1	9.7	10.1	8.4	9.8
Excess Return	0.7	0.6	0.7	2.0	0.1	0.7	0.6	0.5
Total Returns – After Fees ¹	1.6	5.7	1.6	27.8	9.6	10.1	8.4	9.6
Mercer Shares								
Total Returns – Before Fees	2.1	7.0	2.1	31.0	11.6	12.6	11.3	12.3
<i>Benchmark Return</i>	1.7	6.5	1.7	29.4	11.6	12.3	11.0	12.1
Excess Return	0.4	0.5	0.4	1.6	0.0	0.3	0.3	0.2
Total Returns – After Fees ¹	1.8	6.4	1.8	27.8	10.4	11.0	9.8	10.5
Mercer High Growth								
Total Returns – Before Fees	1.7	5.9	1.7	26.1	10.7	11.2	10.2	10.8
<i>Benchmark Return</i>	1.3	5.3	1.3	23.1	9.9	10.1	9.3	10.1
Excess Return	0.4	0.6	0.4	3.0	0.8	1.1	0.9	0.7
Total Returns – After Fees ¹	1.3	4.9	1.3	21.8	8.8	9.2	8.4	9.0
Mercer Growth								
Total Returns – Before Fees	1.5	5.3	1.5	21.8	10.1	10.1	9.4	10
<i>Benchmark Return</i>	1.4	4.7	1.4	18.0	9.0	8.9	8.4	9.2
Excess Return	0.1	0.6	0.1	3.8	1.1	1.2	1.0	0.8
Total Returns – After Fees ¹	1.2	4.6	1.2	18.4	8.3	8.2	7.6	8.3
Mercer Moderate Growth								
Total Returns – Before Fees	1.3	4.2	1.3	14.5	7.5	7.6	7.4	8.1
<i>Benchmark Return</i>	1.1	3.8	1.1	11.7	6.9	6.9	6.8	7.5
Excess Return	0.2	0.4	0.2	2.8	0.6	0.7	0.6	0.6
Total Returns – After Fees ¹	1.0	3.5	1.0	12.1	6.0	6.0	5.8	6.6
Mercer Conservative Growth								
Total Returns – Before Fees	1.2	3.3	1.2	9.7	6.2	6.0	6.1	6.5
<i>Benchmark Return</i>	1.2	2.9	1.2	7.4	5.6	5.3	5.4	5.9
Excess Return	0.0	0.4	0.0	2.3	0.6	0.7	0.7	0.6
Total Returns – After Fees ¹	0.9	2.5	0.9	7.7	4.9	4.5	4.6	5.1

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.

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