

CoreSeries Growth

Portfolio Performance to 31 May 2023

Portfolio details

Investment Objective

The portfolio aims to achieve an Inflation (Consumer Price Index "AUCPI") + 4% p.a. objective over rolling six year periods by taking exposures to a mix of growth and defensive asset classes.

Investment Strategy








The strategy is an actively managed diversified portfolio investing in both growth asset classes such as equities, property and infrastructure, and defensive asset classes such as cash and fixed interest securities. The portfolio's exposure will typically be 85% growth assets and 15% defensive assets; however over time these allocations may deviate within a range due to market movements and asset allocation decisions. These exposures are expected to provide a return in excess of inflation over the long-term and aim to minimise the impact of shorter-term market volatility through asset diversification, manager selection and risk management.

	1 Mth (%)	3 Mth (%)	6 Mth (%)	YTD (%)	1 Yr (%)	3 Yrs p.a. (%)	5 Yrs p.a. (%)	Since inception pa (%)*
CoreSeries Growth	-1.6	0.7	1.1	4.4	1.9	7.7	-	6.9
AUCPI + 4%	0.8	2.3	4.8	3.9	10.7	9.1	-	7.6
Excess return	-2.4	-1.6	-3.7	0.5	-8.8	-1.4	-	-0.7

* Performance since 30 November 2018.

Actual Asset Allocation



-  Australian Equities
-  International Equities
-  Property and Infrastructure
-  Alternatives
-  Australian Fixed Income
-  Global Fixed Income
-  Cash

May not sum to 100.0% due to rounding.

Market Commentary

The CoreSeries Growth portfolio returned -1.6% underperforming its CPI + 4.0% benchmark by -2.4%.

In May, risk asset returns in developed markets were mostly negative, bonds and real assets also generally declined. Emerging market equities returns were marginally positive. News flow during May focused predominantly on the debt ceiling deadline looming in early June. Overall, the market impact has been fairly limited, although ratings agencies have placed US credit on watch for potential downgrades. In spite of economic resilience, headline inflation continued to decline in most major economies with it falling to just under 5% in the US. Inflation in Japan rose to 3.5%, which is high by historical standards, but still lower than in other developed countries. In the UK and Eurozone, inflation remains more resilient, but also on a downward trajectory.

Australian equity returns were negative this month, with the ASX 300 returning -2.5%. Fidelity Australian Opportunities outperformed its respective benchmark primarily due to stock selection in the financials and materials, predominantly Suncorp and Cleanaway Waste Management. Platypus also outperformed its benchmark over May due to an overweight allocation to Information Technology and an underweight to Real Estate. The best performing sectors were IT (10.4%) and Utilities (1.1%), while the weakest performing sectors were Consumer Discretionary (-6.2%) and Consumer Staples (-4.5%).

The broad MSCI World ex Australia Accumulation Index returned -0.2% in hedged terms and 1.2% in unhedged terms over the month as the AUD depreciated against the USD and GBP. Most underlying international equity managers underperformed their respective benchmarks with the exception of T.Rowe. T.Rowe outperformed due to stock selection and sector allocation in the information technology sector which contributed to relative performance. However, Wellington underperformed over May due to security selection within information technology, industrials and consumer discretionary which detracted from performance.

The MSCI Emerging Markets Index was up 0.4% in AUD terms. The Russell Emerging Markets Fund underperformed the benchmark, due to stock selection in India and China.

Australian Listed Property, Global Listed Property and Global Listed Infrastructure benchmarks posted gains over the month, returning -1.8%, -3.8% and -4.8% respectively. Within Global Listed Infrastructure, Magellan outperformed its benchmark over the month of May. However, Principal underperformed its benchmark driven by stock selection in the US and an underweight to the data centre sector.

Returns for most Australian bondholders were negative over May as 10-year bond yields, five-year bond yields and two-year bond yields increased. All Australian fixed interest managers slightly outperformed the benchmark over the course of May. For Pental, an underweight duration contributed positively to performance as yields moved higher.

Global bond markets generated a negative return over May with the Barclays Capital Global Aggregate Bond Index (Hedged) returning -0.5% and the FTSE World Government Bond (ex-Australia) Index (Hedged) returning -0.6%. Most ten-year bond yields moved higher over the month, increasing in the UK, the US, and Japan, while decreasing in Germany. Rate markets continue to grapple with the question of how long monetary policy will remain tight. The bond market is pricing in an initial rate cut toward the end of this year or early next year, but US Fed officials have generally cast doubt on that timeline. Credit spreads moved slightly higher during the month. All International fixed interest managers slightly underperformed their respective managers. Western was a notable underperformer with an overweight duration to the US and UK detracting from returns as yield rose.

The CoreSeries Growth portfolio remains well positioned relative to its long-term objectives and did not require any changes to the strategic asset allocation or rebalancing over the period.



Underlying Fund Returns

	1 Mth (%)	3 Mth (%)	1 Yr (%)	3 Yrs p.a. (%)	5 Yrs p.a. (%)
Australian Equities					
Fidelity Australian Opportunities MPS Fund	-1.9	-2.3	0.2	9.5	-
Platypus Australian Equity MPS Fund	-2.2	1.4	9.3	-	-
Realindex Australian Shares MPS Fund	-3.5	-2.4	1.9	13.9	-
Solaris Core Australian Equity MPS Fund	-2.2	-1.9	2.2	9.7	-
International Equities					
Ardevora Global Equities MPS Fund	-0.1	5.0	6.8	5.0	-
Blended Global Equities Hedged MPS Fund	-1.6	1.1	-1.2	6.9	-
Guardcap Global Equity MPS Fund	-1.7	8.6	16.6	13.3	-
Russell Investments Wholesale Plus Emerging Markets Fund	0.2	2.8	-1.7	4.1	-
T. Rowe Price Global Focused Equity MPS Fund	4.0	10.7	13.4	8.7	-
Wellington Global Equity MPS Fund	-2.1	0.9	11.1	11.8	-
Property and Infrastructure					
Mercer Indexed Australian Listed Property Fund	-1.8	-3.8	-3.8	7.9	4.1
Principal Global Property MPS Fund	-3.9	-5.2	-15.7	1.6	-
Magellan Wholesale Plus Infrastructure Fund	-4.4	0.3	-6.3	3.8	3.7
Alternatives					
BT Multi-Strategy Alternatives Fund	-0.1	-1.0	-1.7	-	-
Australian Fixed Interest					
Macquarie Australian Bond MPS Fund	-1.1	2.3	2.5	-2.2	-
Janus Henderson Australian Fixed Interest MPS Fund	-1.1	2.0	2.5	-2.2	-
Kapstream Wholesale Plus Absolute Return Income Fund	0.3	0.9	2.5	1.4	1.6
Pendal Australian Fixed Interest MPS Fund	-1.1	2.2	1.6	-2.8	-
Global Fixed Interest					
PIMCO Global Fixed Interest MPS Fund	-0.6	1.2	-2.8	-2.7	-
Wellington Global Bond MPS Fund	-0.8	1.0	-3.1	-3.6	-
Western Asset Global Bond MPS Fund	-1.0	2.0	-3.5	-2.9	-
Cash					
Advance Cash Multi-Blend Fund	0.3	0.9	2.8	1.0	1.3
Panorama Cash	0.2	-	-	-	-



Important Notices

This document is issued by Mercer Investments (Australia) Limited ABN 66 008 612 397 AFSL 244385 (MIAL). MIAL is the distributor of this document. MIAL is a wholly owned subsidiary of Mercer (Australia) Pty Ltd ABN 32 005 315 917 (Mercer Australia). References to Mercer shall be construed to include Mercer LLC and/or its associated companies. 'MERCER' is a registered trademark of Mercer Australia.

This document contains confidential and proprietary information of Mercer and is intended for the exclusive use of the parties to whom it was provided by Mercer. Its content may not be modified, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's prior written permission.

The findings, ratings and/or opinions expressed herein are the intellectual property of Mercer and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the Fund, asset classes or capital markets discussed.

Information contained herein has been obtained from a range of third-party sources, including underlying investment managers. While the information is believed to be reliable, Mercer has not sought to verify it independently. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages), for any error, omission or inaccuracy in the data supplied by any third party.

CoreSeries Portfolios are available through selected IDPS platforms. 'CoreSeries' is a registered trademark of Advance Asset Management Limited ABN 98 002 538 329 AFSL 240902 (AAML). Please contact your adviser to find out what platforms this is available on.

AAML is the responsible entity and issuer of interests in some of the underlying funds of the Core Series Portfolios, namely Fidelity Australian Opportunities MPS Fund, Realindex Australian Shares MPS Fund, Solaris Core Australian Equity MPS Fund, Platypus Australian Equity MPS Fund, Ardevora Global Equities MPS Fund, Blended Global Equities Hedged MPS Fund, Guardcap Global Equity MPS Fund, T. Rowe Price Global Focused Equity MPS Fund, Wellington Global Equity MPS Fund, Principal Global Property MPS Fund, Macquarie Australian Bond MPS Fund, Pental Australian Fixed Interest MPS Fund, Janus Henderson Australian Fixed Interest MPS Fund, PIMCO Global Fixed Interest MPS Fund, Wellington Global Bond MPS Fund, Western Asset Global Bond MPS Fund, BT Multi-Strategy Alternatives Fund, BT Property Securities Index Fund and Advance Cash Multi-Blend Fund (collectively the 'AAML Funds'). AAML is a wholly owned subsidiary of Mercer Australia, which is part of the Mercer global group of companies. Investors should be aware that the value of an investment in any AAML Fund may rise and fall from time to time and that neither AAML nor Mercer guarantees the investment performance, earnings or return of capital invested in any AAML Funds. Past performance does not guarantee future results.

If you are investing in or considering an investment in any AAML Fund, you should note that the information contained in this document is general in nature only, and does not constitute an offer or a solicitation of an offer to buy or sell securities, commodities and/or any other financial instruments or products or constitute a solicitation on behalf of any of the investment managers, their affiliates, products or strategies that Mercer may evaluate or recommend. It does not take into account your personal needs and circumstances.

Before deciding whether to acquire, continue to hold or dispose of an investment, you should refer to the Product Disclosure Statement (PDS) and Target Market Determination (TMD) available from your financial adviser, or the relevant IDPS platform, before making a decision about the product and consider seeking independent financial advice. The Financial Services Guide (FSG) for AAML can be obtained via mercer.com.au/mercerfunds. Conditions, fees and charges apply to AAML Fund/s and may change from time to time

Where AAML has appointed third party manager(s) as the investment manager of the Fund, the relevant investment manager has consented to the statements pertaining to it in this document, in the form and context in which they appear and has not withdrawn its consent as at the date this document was published.

© Copyright 2023 Mercer Investments (Australia) Limited. All rights reserved.