Mercer

CoreSeries High Growth

Portfolio Performance to 30 November 2023

Portfolio details

Investment Objective

The portfolio aims to achieve an Inflation (Consumer Price Index "AUCPI") + 4.5% p.a. objective over rolling seven year periods by taking exposures to mix of growth asset classes.

Investment Strategy

The strategy is an actively managed diversified portfolio investing in predominately growth asset classes such as equities, property and infrastructure. The portfolio's exposure will typically be 97% growth assets and 3% 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 p.a. (%)*
CoreSeries High Growth	5.1	-0.8	3.1	8.5	4.6	5.4	7.8	7.8
AUCPI + 4.5%	0.8	2.4	4.6	8.5	9.5	9.8	8.2	8.2
Excess return	4.3	-3.2	-1.5	0.0	-4.9	-4.4	-0.4	-0.4

* Performance since 30 November 2018.

Actual Asset Allocation

May not sum to 100.0% due to rounding.

Market Commentary

In November, the CoreSeries High Growth portfolio returned 5.1% outperforming its AUCPI + 4.5% benchmark by 4.3%.

Economic data releases over the past month continue to paint a mixed picture for the Australian economy. NAB's monthly business survey suggests ongoing resilience in trading conditions whilst other surveys point to softer conditions. Meanwhile, house prices rose again last month, with a further 0.6% Month-on-Month increase in November, despite the elevated level of interest rates. A tight labour market is playing a crucial role in sustaining the housing market and limiting weaknesses in consumer spending.

Australian Shares had a strong performance in November, with the S&P/ASX 300 Index returning 5.1%, driven by the soft-landing narrative that grew in prominence. The increasing risk-on sentiment led to particularly strong outperformance in the Small Caps space, with the ASX Small Ordinaries index up 7.0% over the period. Increased risk appetite also led to outperformance of Information Technology names, with the sector returning 8% in November. Growth managers outperformed Value managers over November, as reflected through Platypus' outperformance against the benchmark, driven by the manager's overweight to Healthcare and IT. In contrast, Value manager Realindex underperformed the benchmark, due to their underweight to Healthcare. Core manager Solaris, performed in line with the benchmark, with stock selection, notably an overweight to James Hardie and underweight allocation to Origin Energy contributing to positive performance.

The MSCI World ex-Australia Index performed strongly over November, returning 8.0% in hedged terms and 4.4% in unhedged AUD terms. Global Equities rallied on a shift in positive risk sentiment, while consumers remained strong despite rates remaining at restrictive levels. From a factor perspective, Growth outperformed as the market returned to narrow leadership over the month, with the 7 US Mega Cap Technology names contributing over a quarter of the Index's performance over the period. T Rowe outperformed its benchmark with stock selection in IT contributing positively to returns. This is in line with expectations given the outperformance of growth names over the month. Value manager Wellington underperformed its benchmark with an underweight to Information Technology and Consumer Discretionary.

The MSCI Emerging Markets Index returned 3.1% over the month. The Russell Investments Wholesale Plus Emerging Markets Fund underperformed the benchmark due to an underweight exposure and poor stock selection within South Korea, including an underweight to Kakao Corp, an internet company, and LG energy Solution, a battery manufacturer.

The S&P/ASX 300 A-REIT Accumulation Index experienced a significant increase of 10.9% in November whilst the FTSE EPRA/NAREIT Developed Index (AUD hedged) rose by 9.1%. This is largely driven by a decline in global bond yields. REITs continue to trade with high sensitivity to interest rate expectations, despite earnings and balances sheets remaining in relatively good condition. Similarly, the FTSE Global Core Infrastructure 50/50 Index (AUD hedged) returned 6.5% in November. The Magellan Wholesale Plus Infrastructure Fund outperformed its benchmark slightly over the month with stock selection in Aena, Ferrovial and Vinci contributing positively to returns.

Changes over the quarter

The CoreSeries High 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	4.2	-3.3	-3.3	3.8	6.9
Platypus Australian Equity MPS Fund	10.3	-1.1	5.0	-	-
Realindex Australian Shares MPS Fund	4.6	-0.3	3.2	9.9	10.0
Solaris Core Australian Equity MPS Fund	4.9	-1.6	0.3	6.4	7.2
International Equities					
Blended Global Equities Hedged MPS Fund	7.0	1.6	7.6	2.3	6.6
Guardcap Global Equity MPS Fund	1.9	-0.4	13.7	9.3	8.4
Russell Investments Wholesale Plus Emerging Markets	2.6	-2.4	3.4	-1.3	3.6
T. Rowe Price Global Focused Equity MPS Fund	5.0	-0.5	16.5	3.0	16.9
Wellington Global Equity MPS Fund	3.0	-1.7	8.3	10.6	11.9
Property and Infrastructure					
Mercer Indexed Australian Listed Property Fund	10.9	-4.5	0.6	2.2	4.2
Principal Global Property MPS Fund	9.5	-0.5	-2.9	-0.6	-0.9
Magellan Wholesale Plus Infrastructure Fund	7.9	3.7	-2.2	3.0	3.4
Cash					
Advance Cash Multi-Blend Fund	0.4	1.1	4.0	1.7	1.5
Platform Cash	0.3	0.8	-	-	-

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