

CoreSeries Balanced

Portfolio Performance to the quarter ended to 31 March 2024

Portfolio details

Investment Objective

The portfolio aims to achieve an Inflation (Consumer Price Index "AUCPI") + 3.5% pa objective over rolling 5 year periods by taking exposures to a mix of growth and defensive asset classes.

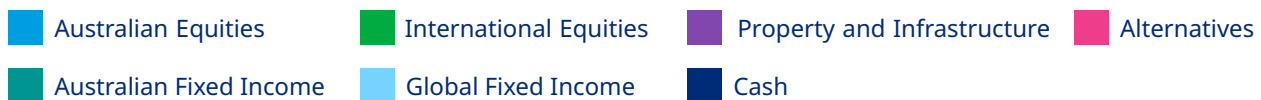
Investment Strategy

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 70% growth assets and 30% 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 Balanced	2.5	5.6	12.6	5.6	12.2	5.2	6.2	7.2
AUCPI + 3.5%	0.6	1.7	3.1	1.7	7.0	8.7	7.3	7.1
Excess return**	1.9	3.9	9.5	3.9	5.2	-3.5	-1.1	0.1

* Performance since 30 November 2018.

Actual Asset Allocation



May not sum to 100.0% due to rounding.

Market Commentary

The portfolio delivered a return of 5.5% for the March quarter compared to its benchmark return of 1.7%.

Australian equities enjoyed a solid March quarter, with the S&P/ASX 300 Accumulation Index returning 5.4%. Encouraging economic data releases and supportive global central bank comments around the outlook for interest rates underpinned performance. Financials (16.2%), Real Estate (16.2%) and Consumer Discretionary (13.4%) were the stronger performing sectors, whilst Materials (-5.9%), Consumer Staples (2.1%) and Utilities (3.4%) were among the poorer performers. Many of the themes that influenced the broader market were also evident in the Australian small-cap sector, which outperformed its large counterparts with the ASX Small Ordinaries index delivering 7.5% for the period.

The Solaris Core Australian Equity MPS Fund returned 6.2% over the quarter, outperforming its benchmark by 0.8% as stock selection in key names such as Goodman Group and Altium delivered outsized returns. The Platypus Australian Equity MPS Fund also saw strong outperformance, with a 9.5% return over the period. The strategy's stock selection within the Australian Real Estate and Technology sectors were key drivers of positive performance.

Global equities delivered another remarkable quarter with the MSCI World ex-Australia Index returning 10.1% in hedged terms and 14.1% in unhedged AUD terms. This momentum was driven by a series of positive economic releases, from GDP growth to labour data, which signalled global economies remain resilient. Further, with the US Federal Reserve (Fed), European Central Bank (ECB) and Bank of England (BoE) each indicating rate cuts are still on the table for later in 2024, plus a solid US corporate earnings season, equities pushed higher. Emerging markets lagged developed market counterparts, returning 7.1% on an unhedged basis over the period. China's equity market remained a key drag despite rebounding during the quarter. Performance was balanced between the positive factors of lowered requirements in banking reserves, a tightening in short selling restrictions and an increase in a government-owned investment company's ability to hold exchange traded funds (ETFs), against the negative headlines around its property development sector.

The Guardcap Global Equity MPS Fund returned 7.4% in the March quarter, underperforming its benchmark. Relative performance was driven by stock selection, with Accenture a key detractor on the back of the company lowering earnings guidance. Meanwhile, Russell Investments Wholesale Plus Emerging Markets Fund returned 7.7% over the quarter, modestly exceeding its benchmark. Performance was driven by stock selection in East Asia, with Taiwanese Semiconductor Manufacturing (TSMC) and MediaTek key drivers of returns.

The rise in government bond yields proved to be headwind for listed real assets, with Global REITs (FTSE EPRA/NAREIT Developed, -0.1% in AUD hedged terms) marginally lower and Global Listed Infrastructure (FTSE Developed Core Infrastructure index, AUD hedged) returning a modest 2.5% for the three months to end March. In contrast, Australian Listed Property (S&P/ASX 300 A-REIT Accumulation Index) produced a very strong 16.2% return for the quarter.

Its largest constituent security, Goodman Group (GMG), was 34.0% higher as analysts lifted forecasts post GMG's raising of its full-year profit guidance based on strong growth in its data centre division.

The Magellan Wholesale Plus Infrastructure Fund returned 1.5% over the quarter, with stock selection from the Energy sector a drag on performance, whilst Tollroad exposures were positive. The Principal Global Property MPS Fund returned -0.6% over the quarter, underperforming its benchmark. The strategy lagged based on stock selection in the Americas and Europe, with an underweight to the US Shopping Mall sector a notable detractor.

Global government bond yields ended the quarter higher as recent economic data came in a little stronger against market estimates, resulting in a modestly negative return (-0.3%, Bloomberg Global Treasury Hedged). Market participants have lowered expectations for near-term interest rate cuts, with the market pricing in less than three cuts from the Fed as of the end of March quarter, compared to almost five cuts expected at the start of 2024. Against this backdrop, credit spreads broadly contracted over the quarter aided by the more supportive economic environment, with the result being a modest +0.1% return from the Bloomberg Global Credit (hedged).

The PIMCO Global Fixed Interest MPS Fund returned 0.2% over the period, exceeding its benchmark by 0.5%. The strategy saw a strong March, where an overweight to securitised assets and tactical positioning within Australian and UK duration pared the losses generated early-quarter. The Western Asset Global Bond MPS Fund returned -1.3% over the quarter, underperforming its benchmark as duration positioning in the US and Europe, as well as Emerging Market currency positioning dragged.

Australian government bond yields were more mixed, with longer-dated yields rising less than their global counterparts driven, in part, by the RBA's comments around future changes for interest rate softening from "a further increase in interest rates cannot be ruled out" to be one where the RBA is "not ruling anything in or out". This resulted in Australian Government Bonds (Bloomberg AusBond Treasury 0+ year) returning +0.9% for the quarter.

The Macquarie Australian Bond MPS Fund returned 1.1% over the quarter, with outperformance relative to the benchmark driven by security selection and sector rotation. The Pental Australian Fixed Interest MPS Fund delivered a 0.9% return over the quarter, broadly in line with the benchmark. The strategy saw contributions from the active duration component, as well as government sector positioning.

Portfolio changes during the quarter:

No changes were made to the portfolio over the March quarter.

Underlying Fund Returns

	1 Mth (%)	3 Mth (%)	1 Yr (%)	3 Yrs p.a. (%)	5 Yrs p.a. (%)
Australian Equities					
Fidelity Australian Opportunities MPS Fund	3.0	4.7	9.4	6.2	7.3
Platypus Australian Equity MPS Fund	2.5	9.5	21.5	-	-
Realindex Australian Shares MPS Fund	3.3	5.4	15.8	11.5	10.5
Solaris Core Australian Equity MPS Fund	3.6	6.2	14.8	9.7	7.5
International Equities					
Blended Global Equities Hedged MPS Fund	3.1	7.5	17.8	2.5	7.9
Guardcap Global Equity MPS Fund	0.8	7.4	13.2	7.3	9.0
Russell Investments Wholesale Plus Emerging Markets Fund	2.0	7.7	9.4	-1.0	3.2
T. Rowe Price Global Focused Equity MPS Fund	3.0	18.2	33.4	7.6	15.4
Wellington Global Equity MPS Fund	4.2	9.2	17.8	12.3	12.8
Property and Infrastructure					
Mercer Indexed Australian Listed Property Fund	9.5	16.1	35.1	11.3	6.5
Principal Global Property MPS Fund	3.2	-0.6	7.2	-1.5	-1.1
Magellan Wholesale Plus Infrastructure Fund	2.1	1.5	1.9	3.7	2.3
Alternatives					
Mercer Multi-Strategy Alternatives Fund	0.5	2.3	6.1	-	-
Australian Fixed Income					
Macquarie Australian Bond MPS Fund	1.1	1.1	1.9	-1.1	0.4
Janus Henderson Australian Fixed Interest MPS Fund	1.3	1.4	2.9	-1.1	0.7
Kapstream Wholesale Plus Absolute Return Income Fund	0.5	1.1	5.6	2.2	2.1
Pendal Australian Fixed Interest MPS Fund	1.1	0.9	1.9	-1.5	0.2
Global Fixed Income					
PIMCO Global Fixed Interest MPS Fund	1.2	0.2	4.2	-2.0	0.4
Wellington Global Bond MPS Fund	0.7	-0.4	1.4	-2.6	-0.5
Western Asset Global Bond MPS Fund	0.7	-1.3	1.8	-2.5	0.0
Cash					
Advance Cash Multi-Blend Fund	0.3	1.1	4.3	2.2	1.6
Platform Cash	0.3	0.9	3.4	-	-

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, 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 [mercercfunds.com.au/mercercfunds](https://www.mercer.com.au/mercercfunds). 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 2024 Mercer Investments (Australia) Limited. All rights reserved.

