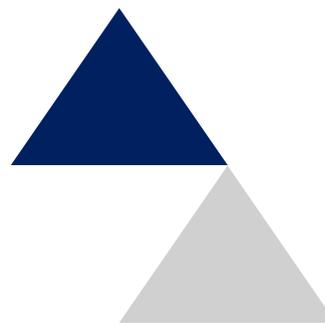


FUND UPDATE

MERCER MODERATE FUND MERCER FLEXISAVER



Quarter ending 30 June 2017

This fund update was first made publicly available on: 30 November 2017.

This is a replacement fund update. It replaces the 30 June 2017 Mercer FlexiSaver - Mercer Moderate Fund fund update first made publicly available on 28 July 2017. The following changes have been made in the replacement fund update:

- other management and administration charges, total management and administration charges and total fund charges have been updated;
- footnote 4 has been expanded to clarify the updated management and administration charges.

WHAT IS THE PURPOSE OF THIS UPDATE?

This document tells you how the Mercer Moderate fund has performed and what fees were charged. The document will help you to compare the fund with other funds. Mercer (N.Z.) Limited prepared this update in accordance with the Financial Markets Conduct Act 2013.

This information is not audited and may be updated.

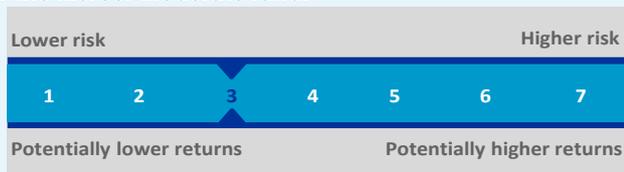
DESCRIPTION OF THIS FUND

The Mercer Moderate fund invests in cash and fixed interest, with about a third of investments being in growth assets such as shares and real assets. This may be suitable for investors who want to reduce the risk of a negative return by investing in a broader mix of assets and who are willing to accept slightly more volatile returns in the shorter term in exchange for improved longer-term returns.

Total value of the fund	\$1,585,901
Date the fund started	9 October 2015

WHAT ARE THE RISKS OF INVESTING?

Risk indicator for the Mercer Moderate fund:[†]



The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the fund's assets goes up and down. A higher risk generally means higher potential returns over time, but more ups and downs along the way.

To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at www.sorted.org.nz/tools/investor-kickstarter.

Note that even the lowest category does not mean a risk-free investment, and there are other risks that are not captured by this rating.

This risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for 5 years to 30 June 2017. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates.

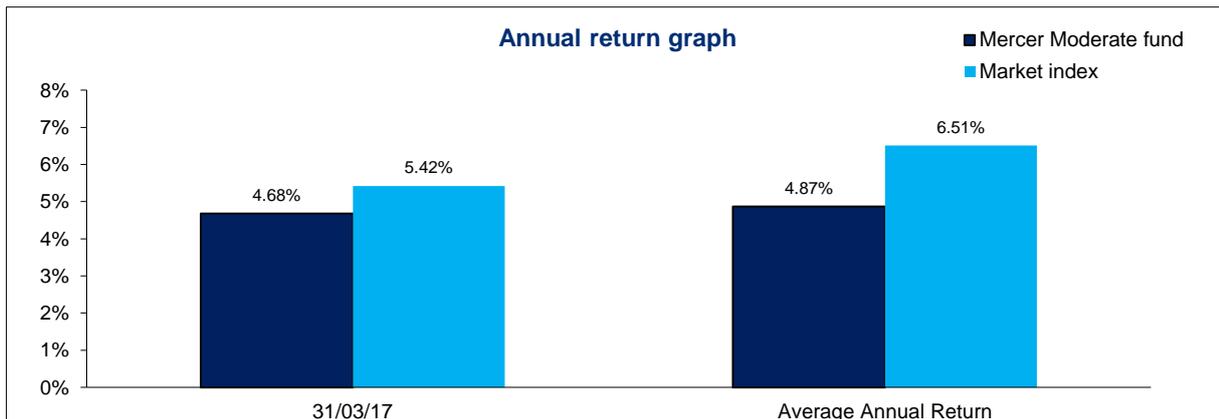
See the Product Disclosure Statement (PDS) for more information about the risks associated with investing in this fund.

[†] A combination of actual fund returns and market index returns have been used to determine the risk indicator as the fund commenced operation on 9 October 2015. The risk indicator may therefore provide a less reliable indicator of the potential future volatility of the fund. For the five year period ending 30 June 2017, market index returns have been used up to 31 December 2015 with actual fund returns used for the balance of the period to 30 June 2017.

HOW HAS THE FUND PERFORMED?

	Past year
Annual return¹ <i>(after deductions for charges and tax)</i>	4.92%
Annual return¹ <i>(after deductions for charges but before tax)</i>	5.78%
Market index annual return <i>(reflects no deductions for charges and tax)</i>	4.87%

The market index return is the strategic asset allocation weighted benchmark index return, where the benchmark indices are defined in the Statement of Investment Policy and Objectives. Additional information about the market index is available on the offer register.



This shows the return after fund charges and tax for each year ending 31 March since the fund started. The last bar shows the average annual return since the fund started, up to 30 June 2017.² Note that market indices reflect no deduction for charges and tax.

Important: This does not tell you how the fund will perform in the future.

Returns in this update are after tax at the highest prescribed investor rate (PIR) of tax for an individual New Zealand resident. Your tax may be lower.

WHAT FEES ARE INVESTORS CHARGED?

Investors in the Mercer Moderate fund pay fund charges. In the year to 31 March 2017 these were:

	% of net asset value
TOTAL FUND CHARGES	1.27%
Which are made up of:	
TOTAL MANAGEMENT AND ADMINISTRATION CHARGES	1.27%
Including:	
Manager's basic fee	0.88% ³
Other management and administration charges	0.39% ⁴
TOTAL PERFORMANCE BASED FEES	0.00%
OTHER CHARGES	Dollar amount per investor ⁵
Membership Fee	Nil or \$30

*Note: Included within 'Other management and administration charges' are performance-based fees charged by external managers of underlying funds that the fund invested into of 0.13%. Over the past five years, performance based fees have averaged 0.04% using data from similar funds Mercer manages. Performance-based fees are subject to market movements and external manager performance and the amount of these fees may differ from those disclosed for the year 31 March 2017.

These are not included in the line 'Total Performance Based Fees' as this line relates to any performance based fee paid directly to the Manager.

Investors are not currently charged individual action fees for specific actions or decisions (for example, for withdrawing from or switching funds). See the Mercer FlexiSaver scheme PDS for more information about Scheme fees. Small differences in fees and charges can have a big impact on your investment over the long term.

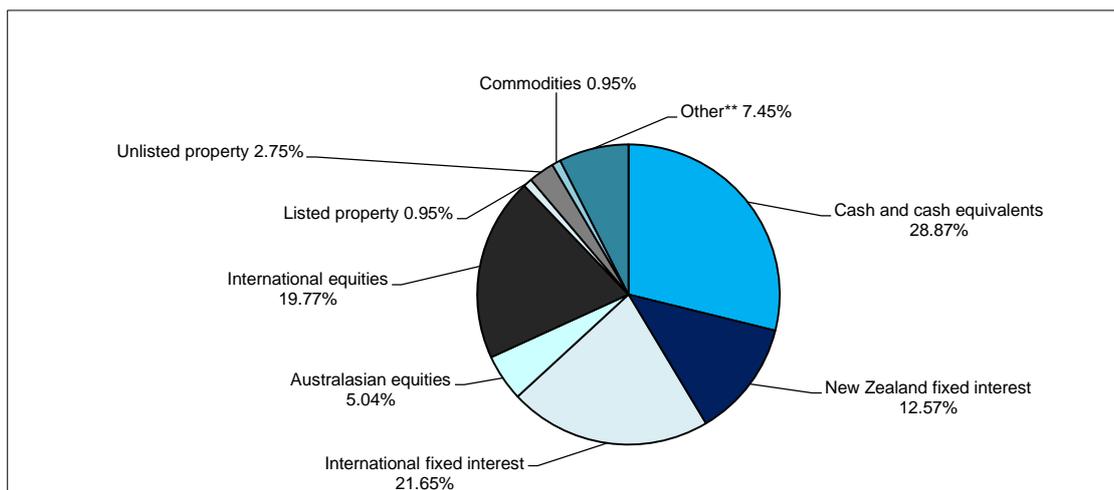
EXAMPLE OF HOW THIS APPLIES TO AN INVESTOR

Ben had \$10,000 in the fund at the start of the year and didn't make any further contributions. At the end of the year, Ben received a return after fund charges were deducted of \$492.00 (4.92% of his initial \$10,000). Ben also paid \$30.00 in other charges. This gives Ben a total return after tax of \$462.00 for the year. ⁶

WHAT DOES THE FUND INVEST IN?

Actual investment mix

This shows the types of assets that the fund invests in. ⁷



**Includes listed and unlisted infrastructure assets and alternatives

TARGET INVESTMENT MIX

This shows the mix of assets that the fund generally intends to invest in.

Cash and cash equivalents	24.00%
New Zealand fixed interest	13.00%
International fixed interest	28.00%
Australasian equities	7.00%
International equities	16.00%
Listed property	2.00%
Unlisted property	2.00%
Commodities	1.00%
Other*	7.00%

*Includes listed and unlisted infrastructure assets and alternatives



TOP 10 INVESTMENTS

Name	% of fund net assets	Type	Country	Credit rating (if available)
1 AMP Capital Investors NZ Cash Fund	26.75%	Cash and cash equivalents	New Zealand	NA
2 ANZ Wholesale Sovereign Bond Fund	12.42%	New Zealand fixed interest	New Zealand	NA
3 Challenger Harris Global Sovereign Bond Trust	5.01%	International fixed interest	Australia	NA
4 Schroder Global Core Fund	3.19%	International equities	Australia	NA
5 Colonial First State Wholesale Investment Grade Corporate Bond Fund	2.79%	International fixed interest	Australia	NA
6 Westpac Business Interest Account	1.29%	Cash and cash equivalents	New Zealand	AA-
7 Fisher Institutional Property Fund	0.74%	Unlisted property	New Zealand	NA
8 First State Investments Global Listed Infrastructure Fund	0.68%	Other**	New Zealand	NA
9 Fidelity Select Global Small Cap Fund	0.65%	International equities	Australia	NA
10 iShares Trust Core S&P 500 ETF	0.63%	International equities	United States	NA

**An investment in a fund that is primarily comprised of listed infrastructure assets.

The top 10 investments make up 54.15% of the fund.

Currency hedging

Currency hedging can apply to some of the asset classes this fund invests in. The level of currency hedging for global shares is managed between 0% and 100% and may change over time depending on Mercer's view of the relative strength (or weakness) of the New Zealand dollar. Other global assets classes (Global Fixed Interest and Real Assets), target a 100% net of tax hedge to the New Zealand dollar.

Refer to the Statement of Investment Policy and Objectives for more information which is available from

www.companiesoffice.govt.nz/disclose.

KEY PERSONNEL

This shows the directors and employees who have the most influence on the investment decisions of the fund.

Name	Current Position	Time in current position	Previous/other position	Time in previous/other position
Ross Butler	Chairman - Mercer (N.Z) Ltd	4 years 6 months	Chairman - Mercer Investment Nominees (NZ) Ltd	2 years
Martin Lewington	CEO - Mercer (N.Z.) Ltd	8 years 4 months	Head of Investments - Mercer (N.Z.) Ltd	3 years 8 months
Philip Houghton-Brown	Chief Investment Officer - New Zealand, Mercer (N.Z.) Ltd	4 years 11 months	Chief Investment Officer - Onepath (NZ) Ltd	5 years 3 months
Philip Graham ⁸	Deputy Chief Investment Officer - Pacific, Mercer Australia (Pty) Ltd	5 years 11 months	Senior Portfolio Strategist - Mercer Australia (Pty) Ltd	4 years 2 months

FURTHER INFORMATION

You can also obtain this information, the PDS for the Mercer FlexiSaver scheme and some additional information from the offer register at www.companiesoffice.govt.nz/disclose.

NOTES

1. Returns may vary for some investors depending on the fund charges applicable to them.
2. The average annual return is from 31 December 2015.
3. The manager's basic fee varies for some investors including those who joined through an employer based group. Therefore, as one fee rate is not able to be used, the amounts stated have been calculated on an average basis, being the total fees incurred over the average net asset value for the year. The actual fee charged to investors may be higher or lower.
4. Other management and administration charges include the use of average charges which means that the fee applicable to some investors, including those who joined through an employer based group, may be higher or lower. The supervisor and custodian fee included in other management and administration charges has been calculated based on the unit price deduction for the year ended 31 March 2017.
5. Other charges in the form of an administration fee of up to \$2.50 per investor per month (\$30.00 per year) can apply to some investors who join through an employer based group.
6. Returns may vary for some investors depending on the fund charges applicable to them. Returns may also differ for some investors who do not incur the other charges shown.
7. For asset allocation reporting purposes cash retained for liquidity management at a sector level is assigned to the asset class to which it relates to and is not separately identified.
8. For the Quarter ending June 2017, Philip Graham has also held the role of Acting Chief Investment Officer – Pacific, Mercer Australia (Pty) Ltd.

Got any questions?

Visit our website www.mymercer.co.nz or call our Helpline on **0508 637 237** (if calling from within New Zealand)

If you're calling from overseas you can contact us on **+61 3 8687 1886**. Helpline hours are from 9am to 7pm, Monday to Friday except public holidays.