

MONTHLY REPORT

MERCER COMMENTARY

Global share markets still delivered a small positive return in September (+0.7%) despite international politics and ongoing trade negotiations casting uncertainty among investors. Recent trade disputes reached amicable outcomes during the month as South Korea made trade concessions with the United States (US), and an agreement was reached between the US, Canada and Mexico on a new tri-lateral trade agreement, though still needs to be ratified by all three governments. These agreements are good as heightened trade tensions run the risk of damaging world economic growth. For NZ there are also benefits as our economy is heavily dependent upon free trade.

The MSCI World Index, representing developed share markets such as the US, Canada, Europe, Australia and New Zealand, had a positive return (+0.7%) for the month, that was led by gains in Japanese stocks (+5.5%). New Zealand markets kept pace with its offshore counterparts as it also returned +0.7%, however Australian shares fell (-1.3%), weighed down by the banking sector as investors expected a negative outcome from the release of the Royal Commission's interim report. UK stocks delivered a solid return (+1.4%) over the month recovering from recent market apprehensions about Brexit.

For Emerging Markets, Turkey's central bank raised its official interest rate mid-September (from 17.75% up to 24%) in an attempt to reverse the heavy decline in the Turkish lira and loss of investor confidence in Turkey. Overall the Emerging Markets fell -1.2% for the month, and -2.9% calendar year-to-date.

Global listed property (NZ dollar hedge) lost ground (-1.8%) in September, while global listed infrastructure took less of a hit (-0.5%). Both sectors, which predominately deliver returns through yields (income as opposed to growth in the value of assets) were negatively affected by the US Federal Reserve Interest rate rise and accompanying fall in investor sentiment.

New Zealand bond returns were subdued with government bonds down (-0.2%) and corporate bonds having no change (0.0%). Global bond markets lost ground (-0.4%) during September.

Stock Exchange (ASX) over 12 months, the two markets returning +20.5% and +15.4% respectively.

SIGNIFICANT RECENT ITEMS INCLUDE:



NEW ZEALAND

▼ NEW ZEALAND

The Reserve Bank of New Zealand kept the Official Cash Rate (OCR) on hold at 1.75% in its September meeting, stating that while Gross Domestic Product (GDP) growth in the June quarter was stronger than anticipated, the downside risks to the growth outlook remain. It is likely lower interest rates would likely remain until 2020. This is good for borrowers but not so good for savers or investors.

▼ U.S., CANADA & MEXICO

The US, Canada and Mexico reached agreement on the tri-lateral United States-Mexico-Canada Agreement (USMCA). This appears to be Trump's replacement for the North American Free Trade Agreement (NAFTA).

▼ U.S

The US Federal Reserve increased its official rate target range late in the month to 2.0% - 2.25%, keeping in line with expectations. The US Fed is acting now to reduce the risk of stronger inflation in the future.

Oil prices rocketed up across the month, with US Crude Oil ending the month at over US\$73 per barrel. Prices were supported by an OPEC decision to limit further increases in production, despite Trump demanding a price reduction.

▼ TURKEY

Turkey's central bank raised its official interest rate in mid-September. The move was made in an attempt to reverse the heavy decline in the Turkish lira and loss of investor confidence in Turkey.

INVESTMENT RETURNS

MERCER KIWISAVER SCHEME

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.11%	1.47%	1.95%
	Conservative	0.16%	4.10%	4.94%
	Moderate	0.15%	5.01%	na
	Balanced	0.15%	7.21%	7.53%
	Growth	0.18%	9.21%	na
	High Growth	0.21%	11.33%	10.39%
	Shares	0.31%	13.82%	na

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.13%	1.68%	2.25%
	Conservative	0.19%	4.28%	5.40%
	Moderate	0.17%	5.19%	na
	Balanced	0.19%	7.42%	8.02%
	Growth	0.24%	9.40%	na
	High Growth	0.25%	11.46%	10.88%
	Shares	0.37%	13.85%	na

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.14%	1.82%	2.43%
	Conservative	0.20%	4.39%	5.66%
	Moderate	0.20%	5.32%	na
	Balanced	0.22%	7.47%	8.27%
	Growth	0.25%	9.36%	na
	High Growth	0.28%	11.58%	11.09%
	Shares	0.37%	13.95%	na

Notes

- The investment returns shown on this page are based on the unit price movements of each investment portfolio and are net of tax at the rate indicated and net of fund charges that are charged within the unit prices.
- Each investor's returns within an investment portfolio will depend on timing of contribution payments and actual fees charged allowing for any fee rebates. The net returns shown are therefore indicative of investment results but may differ from the actual net of fees and tax returns achieved by individual investors.
- 'na' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

INVESTMENT RETURNS

MERCER SUPER TRUST

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.09%	1.10%	1.62%
	Conservative	0.13%	3.66%	4.62%
	Moderate	0.13%	4.76%	6.08%
	Balanced	0.13%	6.89%	7.46%
	Growth	0.16%	8.99%	8.92%
	High Growth	0.17%	11.03%	10.41%
	Shares	0.30%	13.68%	12.37%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.10%	1.26%	1.83%
	Conservative	0.17%	3.90%	4.99%
	Moderate	0.15%	4.92%	6.44%
	Balanced	0.16%	7.02%	7.82%
	Growth	0.19%	9.10%	9.29%
	High Growth	0.23%	11.15%	10.66%
	Shares	0.37%	13.63%	12.72%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.10%	1.36%	1.97%
	Conservative	0.17%	3.95%	5.21%
	Moderate	0.16%	4.93%	6.58%
	Balanced	0.20%	7.09%	8.00%
	Growth	0.21%	9.08%	9.45%
	High Growth	0.28%	11.14%	10.94%
	Shares	0.38%	13.73%	12.86%

Notes

- The investment returns shown on this page are based on the unit price movements of each investment portfolio and are net of tax at the rate indicated, net of investment management fees and net of any administration fees that are charged within the unit prices. Administration charges can vary between plans in Mercer Super Trust and portions of such fees may be rebated through the granting of extra units to investors.
- Each investor's returns within an investment portfolio will depend on timing of contribution payments and actual fees charged allowing for any fee rebates. The net returns shown are therefore indicative of investment results but may differ from the actual net of fees and tax returns achieved by individual investors.
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- Fees may be deducted by redeeming units.

INVESTMENT RETURNS

MERCER FLEXISAVER

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	2 YEARS
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.09%	1.18%	1.16%
	Conservative	0.10%	3.69%	3.33%
	Moderate	0.13%	4.78%	4.74%
	Balanced	0.14%	6.79%	7.02%
	Growth	0.17%	9.04%	9.76%
	High Growth	0.19%	11.03%	11.71%
	Shares	0.29%	13.53%	14.32%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	2 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.10%	1.43%	1.50%
	Conservative	0.17%	3.91%	3.65%
	Moderate	0.13%	4.95%	4.92%
	Balanced	0.17%	7.12%	7.41%
	Growth	0.21%	9.20%	9.97%
	High Growth	0.26%	11.24%	11.92%
	Shares	0.38%	13.65%	14.56%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	2 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.11%	1.43%	1.44%
	Conservative	0.18%	3.99%	3.77%
	Moderate	0.18%	5.04%	4.97%
	Balanced	0.19%	7.12%	7.49%
	Growth	0.23%	9.21%	10.15%
	High Growth	0.27%	11.30%	12.14%
	Shares	0.39%	13.64%	14.71%

Notes

- The investment returns shown on this page are based on the unit price movements of each investment portfolio and are net of tax at the rate indicated, net of investment management fees and net of any administration fees that are charged within the unit prices. Certain fund charges can vary between investors in Mercer FlexiSaver and portions of such fees may be rebated through the granting of extra units to investors.
- Each investor's returns within an investment portfolio will depend on timing of contribution payments and actual fees charged allowing for any fee rebates. The net returns shown are therefore indicative of investment results but may differ from the actual net of fees and tax returns achieved by individual investors.
- 'na' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

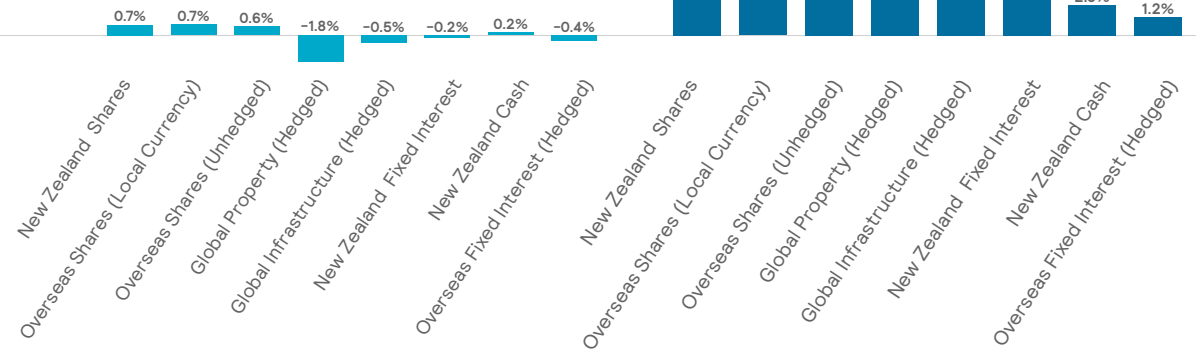
FINANCIAL MARKETS

ONE MONTH

ONE YEAR

KEY

NZ SHARES	S&P/NZX 50 (with ICs)
OVERSEAS SHARES (LOCAL CURRENCY)	MSCI World (Local Currency)
OVERSEAS SHARES (UNHEDGED)	MSCI World (Unhedged)
GLOBAL PROPERTY (HEDGED)	FTSE EPRA NAREIT Developed
GLOBAL INFRASTRUCTURE (HEDGED)	FTSE Global Core Infrastructure 50/50
NZ FIXED INTEREST	S&P/NZX NZ Government Bond
NZ CASH	S&P/NZX 90 Day Bank Bills
OVERSEAS FIXED INTEREST (HEDGED)	Bloomberg Global Agg



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