

MONTHLY REPORT

MERCER COMMENTARY

Strong performance was seen across global share markets during July, impacted by strong corporate earnings and economic indicators, particularly in the US, more than balanced the market's concerns over continuing international trade tensions. Share markets in the developed countries such as Australia, US and UK, returned +3.1% in July, with all major regions seeing positive returns.

The US economy continues to surprise, growing by 4.1% (annualised) in the second quarter, although inflation reached 2.9%, a six year high. Increasing inflation means the cost of living is increasing. This is not helped by the ongoing trade disputes between the US and China. These have escalated during the month with the US threatening further import tariffs on goods from China. In contrast, talks between US President, Donald Trump, and European Commission President, Jean-Claude Juncker, resulted in an agreement to work together to decrease tariffs on both sides.

New Zealand shares stood out as one of few markets posting a loss in July, returning -0.2% for the month, reflecting market sentiment that the New Zealand share market is now over valued. New Zealand bonds on the other hand continued to grow in July. New Zealand Government bonds outperforming corporate bonds, bringing 12 month returns broadly into alignment with one another.

Market commentators continue to expect the Reserve Bank of New Zealand to hold the Official Cash Rate unchanged at 1.75%, potentially through to 2020. This means lower returns if you are holding your money in the bank or in Term Deposits, but also low mortgage rates.

JULY IN A SNAPSHOT

- July was another good month for investors, even though politics and in New Zealand business confidence continue to impact investor sentiment. More on this in the report.
- All the investment options performed well during the month.
- By now you should have received your copy of the Annual Report. More information about what has been happening over the year to 31 March and subsequently is available in report. If you need financial advice, please call to speak with one of Mercer's financial advisers on 0508 637 237.

SIGNIFICANT RECENT ITEMS INCLUDE:



▼ CHINA

The US escalated the global trade disputes by imposing an import tariff (25%) on \$34bn of Chinese goods. As expected, China immediately responded in kind. The US subsequently threatened further tariffs on \$200bn of Chinese goods to be implemented within 60 days.

▼ USA

The US Federal Reserve ('Fed') maintained its target rate range of 1.75% - 2.0%, while continuing to indicate two further rate hikes this year, citing sustained expansion of economic activity and strong labour market conditions.

▼ USA

The US Technology sector experienced an interesting month with records being broken on two extremes: Facebook broke the record for the largest one day value loss in US history, while Apple became the first trillion (US) dollar company.

▼ NEW ZEALAND

There is growing concern in New Zealand over falling business confidence, which has persisted beyond the usual post-election blues experienced by business after a Labour win, suggesting that economic growth may have peaked.

INVESTMENT RETURNS

MERCER KIWISAVER SCHEME

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.13%	1.49%	1.96%
	Conservative	0.59%	4.38%	4.94%
	Moderate	0.74%	5.56%	na
	Balanced	1.08%	8.07%	7.60%
	Growth	1.41%	10.32%	na
	High Growth	1.61%	12.70%	10.48%
	Shares	1.87%	15.50%	na

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.15%	1.70%	2.27%
	Conservative	0.63%	4.56%	5.42%
	Moderate	0.78%	5.73%	na
	Balanced	1.13%	8.23%	8.14%
	Growth	1.47%	10.47%	na
	High Growth	1.68%	12.76%	11.02%
	Shares	1.95%	15.45%	na

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.17%	1.84%	2.46%
	Conservative	0.66%	4.67%	5.68%
	Moderate	0.81%	5.84%	na
	Balanced	1.16%	8.26%	8.40%
	Growth	1.52%	10.40%	na
	High Growth	1.74%	12.83%	11.24%
	Shares	2.01%	15.42%	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	0.10%	1.12%	1.63%
	Conservative	0.55%	3.92%	4.62%
	Moderate	0.71%	5.31%	6.17%
	Balanced	1.06%	7.76%	7.54%
	Growth	1.40%	10.13%	8.98%
	High Growth	1.58%	12.43%	10.51%
	Shares	1.85%	15.42%	12.50%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.12%	1.29%	1.84%
	Conservative	0.59%	4.13%	5.00%
	Moderate	0.75%	5.47%	6.55%
	Balanced	1.10%	7.85%	7.93%
	Growth	1.46%	10.20%	9.39%
	High Growth	1.66%	12.44%	10.79%
	Shares	1.93%	15.26%	12.90%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.13%	1.40%	1.98%
	Conservative	0.62%	4.20%	5.22%
	Moderate	0.78%	5.45%	6.70%
	Balanced	1.14%	7.83%	8.13%
	Growth	1.49%	10.12%	9.56%
	High Growth	1.68%	12.35%	11.06%
	Shares	1.98%	15.31%	13.07%

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.
- 'na' indicates that investment option was not operating for the full period or did not have funds invested for the full period.
- 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	0.11%	1.17%	1.13%
	Conservative	0.58%	3.98%	3.02%
	Moderate	0.75%	5.29%	4.34%
	Balanced	1.05%	7.62%	6.41%
	Growth	1.41%	10.18%	8.91%
	High Growth	1.61%	12.31%	10.57%
	Shares	1.82%	15.18%	12.66%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	2 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.13%	1.49%	1.49%
	Conservative	0.59%	4.14%	3.26%
	Moderate	0.74%	5.44%	4.52%
	Balanced	1.09%	7.90%	6.87%
	Growth	1.46%	10.20%	9.16%
	High Growth	1.63%	12.45%	10.75%
	Shares	1.92%	15.21%	12.97%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	2 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.14%	1.40%	1.42%
	Conservative	0.62%	4.18%	3.48%
	Moderate	0.78%	5.53%	4.54%
	Balanced	1.14%	7.91%	6.96%
	Growth	1.50%	10.20%	9.38%
	High Growth	1.72%	12.49%	11.09%
	Shares	2.00%	15.23%	13.22%

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.

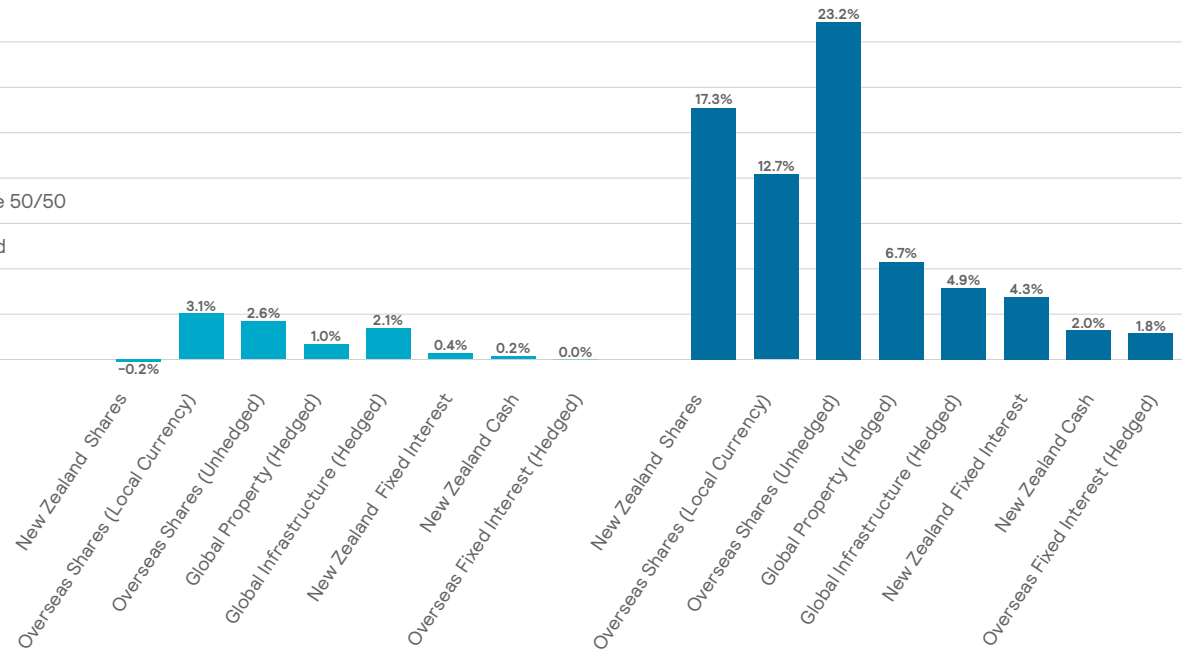
FINANCIAL MARKETS

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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