

# MONTHLY REPORT

## MERCER COMMENTARY

The first month of 2018 picked up where 2017 left off, with most global share markets (Australia and the UK aside) delivering positive although somewhat modest returns. Until the more recent events in February, global growth to end of January was at its fastest pace since the financial crisis and it continued to support growing share prices. However rising interest rates have put an upward pressure on global yields, which contributed to negative returns from bond markets and other yield-sensitive sectors such as property and infrastructure over the month. Both Global Listed Property and Global Listed Infrastructure lost value in January, -1.3% and -1.2% respectively. The two sectors continue to trail the broader global share market over the last 12 months but have still produced positive returns, +7.6% and +13.5% respectively.

The New Zealand share market underperformed developed markets in January, returning +0.5%. The Australian market also struggled, falling -0.4% over the month. Higher yielding markets such as New Zealand and Australia fell out of favour as investors sought higher returns in other markets. Returns for the New Zealand market over 12 months are now broadly in line with global markets, and still well ahead of Australia.

The MSCI World index (in local currency) had a strong month, returning +3.8%, supported by synchronised growth (this is where one market supports growth of another market) across most markets.

Defensive sectors (e.g. Real Estate, Telecommunications, Utilities and Consumer Staples) underperformed as continued stability in the markets and higher interest rates made riskier assets more attractive. Emerging markets, such as India, China, Russia and others upstaged developed markets such as US, UK, Australia and others yet again delivering +6.8%.

## SIGNIFICANT RECENT ITEMS INCLUDE:



### ▼ CHINA

China remains the engine room of global growth, growing 6.9% in 2017; the first annual acceleration for the economy since 2010.

### ▼ US

The first anniversary of the inauguration of US President Donald Trump was marked by a government shutdown, after a failure to pass legislation to fund government operations. The tax cuts enacted last year look set to put further pressure on the US debt ceiling in 2018.

### ▼ JAPAN

Both the Bank of Japan and the European Central Bank maintained their respective monetary policies. Interest rates were left unchanged along with asset purchase programs. Most economic data in Europe indicates the economy is continuing to strengthen.

### ▼ EUROPE

Coalition negotiations in Germany continued throughout January with a deal still outstanding at month end. The outcome could be crucial to political stability across Europe, with Italian and Russian Elections on the horizon (4 March and 18 March respectively).

### ▼ NEW ZEALAND

New Zealand inflation (CPI) came in under expectations in Q4, up just 0.1%, as a range of food and retail prices fell over the December quarter. The annual increase for 2017 was 1.6%, led by construction (+5.3%), housing and household utilities (both +3%) and food and rent (+2.3%).

# INVESTMENT RETURNS

## MERCER KIWISAVER SCHEME

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.13%	1.50%	2.02%
	Conservative	0.31%	5.90%	5.00%
	Moderate	0.62%	7.82%	na
	Balanced	0.99%	11.41%	7.93%
	Growth	1.40%	14.92%	na
	High Growth	1.71%	18.08%	11.00%
	Shares	2.11%	22.22%	na

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.15%	1.71%	2.37%
	Conservative	0.34%	6.20%	5.57%
	Moderate	0.67%	8.16%	na
	Balanced	1.09%	11.74%	8.59%
	Growth	1.53%	15.22%	na
	High Growth	1.87%	18.43%	11.71%
	Shares	2.28%	22.66%	na

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.16%	1.85%	2.56%
	Conservative	0.35%	6.37%	5.90%
	Moderate	0.70%	8.37%	na
	Balanced	1.15%	11.95%	8.93%
	Growth	1.62%	15.49%	na
	High Growth	1.97%	18.62%	12.00%
	Shares	2.38%	22.79%	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%	1.69%
	Conservative	0.25%	5.38%	4.72%
	Moderate	0.59%	7.53%	6.47%
	Balanced	0.97%	11.12%	7.93%
	Growth	1.39%	14.71%	9.46%
	High Growth	1.67%	17.78%	11.10%
	Shares	2.09%	22.15%	13.58%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.11%	1.28%	1.90%
	Conservative	0.28%	5.74%	5.16%
	Moderate	0.64%	7.80%	6.94%
	Balanced	1.05%	11.34%	8.38%
	Growth	1.50%	15.00%	9.97%
	High Growth	1.83%	17.96%	11.49%
	Shares	2.27%	22.40%	14.01%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.12%	1.38%	2.03%
	Conservative	0.30%	5.83%	5.43%
	Moderate	0.67%	7.92%	7.17%
	Balanced	1.12%	11.47%	8.68%
	Growth	1.59%	15.00%	10.24%
	High Growth	1.93%	18.10%	11.81%
	Shares	2.39%	22.61%	14.26%

### 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	0.10%	1.15%	1.20%
	Conservative	0.26%	5.18%	4.43%
	Moderate	0.59%	7.42%	6.14%
	Balanced	0.94%	10.78%	8.75%
	Growth	1.39%	14.77%	11.83%
	High Growth	1.65%	17.48%	14.01%
	Shares	2.00%	21.73%	16.68%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	2 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.16%	1.56%	1.55%
	Conservative	0.28%	5.68%	4.74%
	Moderate	0.64%	7.77%	6.52%
	Balanced	1.09%	11.36%	9.67%
	Growth	1.51%	14.95%	12.64%
	High Growth	1.85%	17.76%	14.66%
	Shares	2.20%	22.15%	17.39%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	2 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.14%	1.48%	1.51%
	Conservative	0.28%	5.85%	5.14%
	Moderate	0.64%	7.88%	6.62%
	Balanced	1.13%	11.46%	9.99%
	Growth	1.60%	15.23%	13.06%
	High Growth	1.96%	18.12%	15.18%
	Shares	2.31%	22.41%	17.99%

### 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.

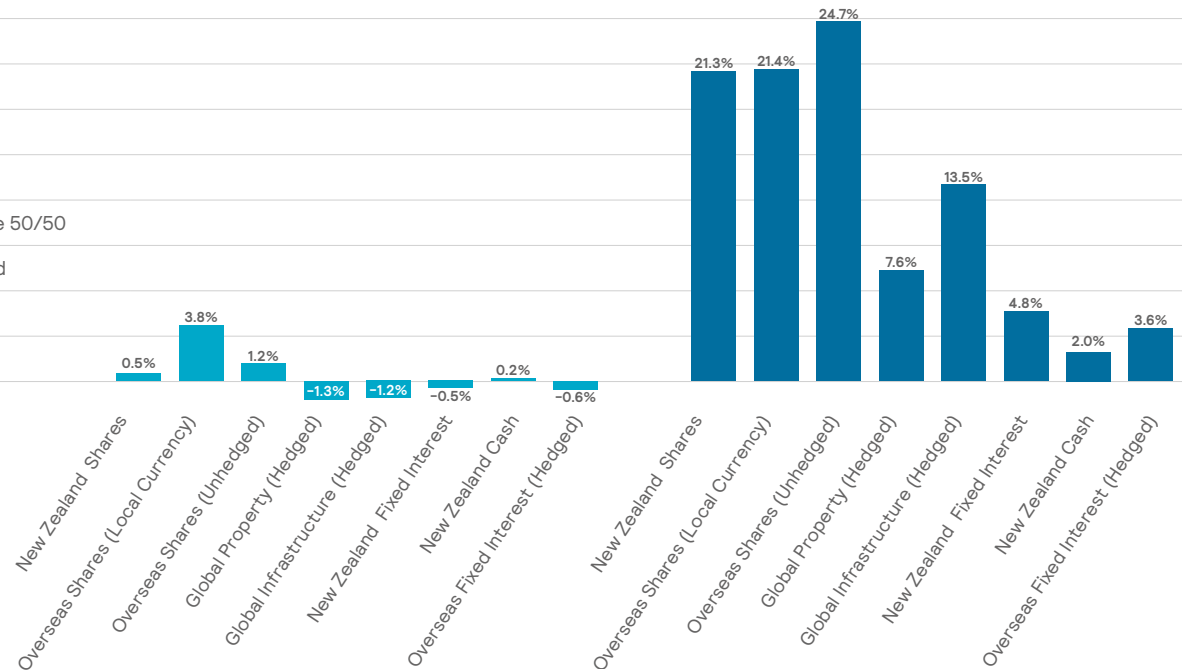
# FINANCIAL MARKETS

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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