

MONTHLY REPORT

MERCER COMMENTARY

Global markets had positive returns overall during August. The United States (US) received especially positive gains and achieved the longest bull-market in history currently running since March 2009. Despite the trade tensions between the US and China that have impacted markets in recent months, these appear to have had little effect on business sentiment and the major US economic indicators during August.

Strong returns in the US were driven by healthy economic performance and low inflation kept the price of goods and services in line with GDP. However, these strong returns impacted performance of other regions with other major markets not performing as well as in previous months.

Within Emerging Markets, Turkey's fragile economy was exposed by a perceived tightening of financial conditions globally and increased tension with the US. This caused a ripple effect across the whole sector.

During the month the Reserve Bank of New Zealand (RBNZ) set market expectations that current low interest rates are likely to remain in place until late 2020. This saw investments fully exposed to currency exchange rate ups and downs achieve positive returns as the New Zealand dollar weakened further.

This also resulted in the 10 year government bond yield to fall over the month to 2.61%. This announcement by the RBNZ also caused New Zealand investments to look less attractive to global investors searching for high yield growth, because the New Zealand Dollar (NZD) weakened against most major currencies. The NZD was valued at 0.66 USD at month end.

For Developed Markets, such as Australia, US and UK, the MSCI World Index was up +1.3%. New Zealand markets posted strong gains returning +4.5% for the month.

The New Zealand share market also continues to outperform the Australian Stock Exchange (ASX) over 12 months, the two markets returning +20.5% and +15.4% respectively.



SELECTED MARKET INDICATORS FOR PERIODS ENDED 31 AUGUST 2018

MONTHLY REPORT

MONTH IN A SNAPSHOT

- Global markets continue to deliver positive returns across the month of August for investors both internationally and here in New Zealand.
- Despite recent international political tensions and trade tariffs hitting headlines in recent months, these appear to have had little effect on business confidence during August.
- Take time to review your investment option to ensure you are in the best fund(s) that align with your personal financial objectives and risk tolerance. For assistance and advice related to your personal financial goals, please contact the Helpline on 0508 MERCER (0508 637 237).

MAKE TOMORROW, TODAY



SELECTED MARKET INDICATORS FOR PERIODS ENDED 31 AUGUST 2018

SIGNIFICANT RECENT ITEMS INCLUDE:



▼ TURKEY

The Turkish Lira plummeted in early August as the US imposed further tariffs on steel and aluminium imports from the country in response to the imprisonment of a US citizen by the Turkish government.

▼ U.S

The US markets extended their gains to mark the longest bull-run in history, as trade tensions appear to be having little impact on business sentiment and the major US economic indicators.

▼ NEW ZEALAND

Locally, the New Zealand market saw exceptional returns as the earnings season drew to a close with most NZX 50 companies surprising on the upside, seemingly unaffected by the business confidence index hitting a 10-year low.

The RBNZ signaled that current low rates should be expected to remain until late 2020, much longer than markets had previously forecast, with RBNZ Governor, Adrian Orr, citing concerns around persistently disappointing growth.

INVESTMENT RETURNS

MERCER KIWISAVER SCHEME

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.12%	1.48%	1.95%
	Conservative	0.54%	4.17%	5.06%
	Moderate	0.65%	5.17%	na
	Balanced	0.99%	7.58%	7.78%
	Growth	1.36%	9.81%	na
	High Growth	1.75%	12.19%	10.77%
	Shares	2.27%	14.98%	na

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.13%	1.69%	2.26%
	Conservative	0.54%	4.35%	5.56%
	Moderate	0.64%	5.39%	na
	Balanced	0.96%	7.83%	8.33%
	Growth	1.30%	10.05%	na
	High Growth	1.69%	12.41%	11.32%
	Shares	2.16%	15.05%	na

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.14%	1.83%	2.45%
	Conservative	0.53%	4.47%	5.83%
	Moderate	0.62%	5.52%	na
	Balanced	0.94%	7.91%	8.61%
	Growth	1.26%	10.07%	na
	High Growth	1.66%	12.59%	11.57%
	Shares	2.19%	15.23%	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%	1.11%	1.63%
	Conservative	0.51%	3.72%	4.74%
	Moderate	0.63%	4.92%	6.28%
	Balanced	0.97%	7.27%	7.72%
	Growth	1.36%	9.60%	9.23%
	High Growth	1.74%	11.91%	10.79%
	Shares	2.25%	14.86%	12.78%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.10%	1.27%	1.84%
	Conservative	0.51%	3.95%	5.13%
	Moderate	0.61%	5.13%	6.70%
	Balanced	0.93%	7.45%	8.13%
	Growth	1.27%	9.78%	9.64%
	High Growth	1.70%	12.11%	11.10%
	Shares	2.15%	14.82%	13.19%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.11%	1.37%	1.97%
	Conservative	0.49%	4.01%	5.37%
	Moderate	0.59%	5.13%	6.86%
	Balanced	0.92%	7.51%	8.33%
	Growth	1.24%	9.80%	9.83%
	High Growth	1.61%	12.10%	11.37%
	Shares	2.11%	15.00%	13.38%

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%	1.17%	1.16%
	Conservative	0.51%	3.80%	3.26%
	Moderate	0.63%	4.93%	4.68%
	Balanced	0.95%	7.10%	6.94%
	Growth	1.32%	9.62%	9.68%
	High Growth	1.74%	11.86%	11.62%
	Shares	2.27%	14.69%	14.08%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	2 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.10%	1.45%	1.49%
	Conservative	0.50%	3.95%	3.51%
	Moderate	0.61%	5.10%	4.83%
	Balanced	0.94%	7.50%	7.33%
	Growth	1.30%	9.87%	9.88%
	High Growth	1.70%	12.18%	11.77%
	Shares	2.14%	14.84%	14.28%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	2 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.12%	1.42%	1.45%
	Conservative	0.51%	4.04%	3.65%
	Moderate	0.60%	5.22%	4.86%
	Balanced	0.91%	7.56%	7.41%
	Growth	1.25%	9.92%	10.03%
	High Growth	1.63%	12.24%	12.01%
	Shares	2.11%	14.92%	14.50%

Notes

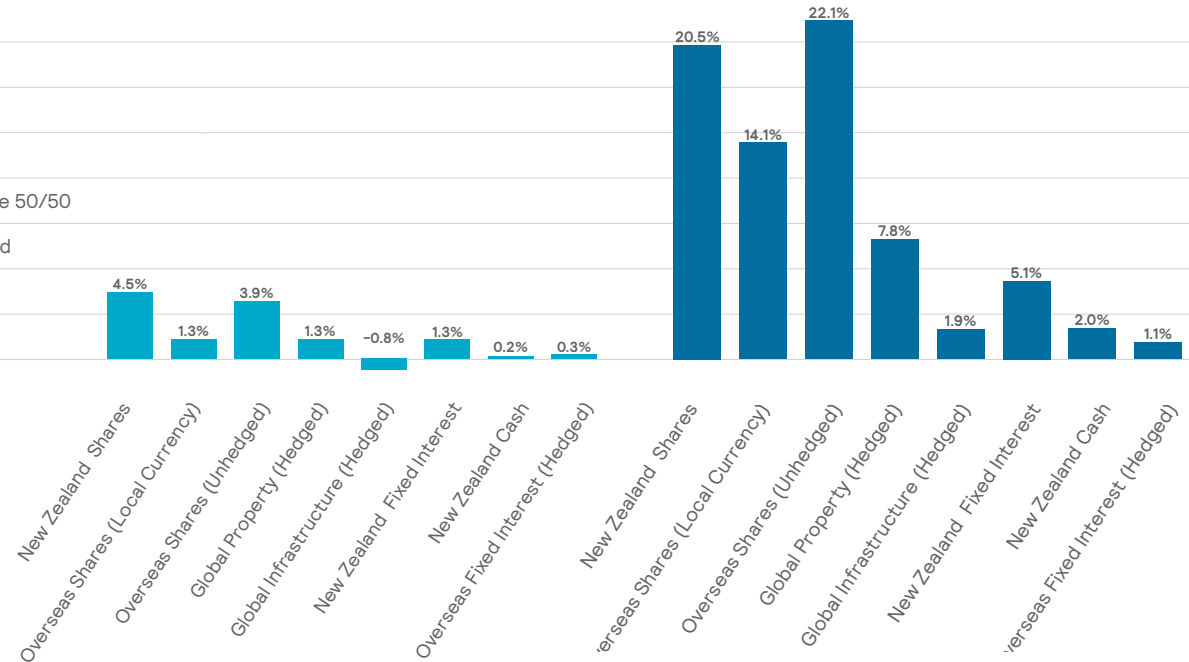
- The investment returns shown on this page are based on the unit price movements of each investment portfolio and are net of tax at the rate indicated, net of investment management fees and net of any administration fees that are charged within the unit prices. Certain fund charges can vary between 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.
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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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