

SELECTED MARKET INDICATORS FOR PERIODS ENDED 31 DECEMBER 2018

MONTHLY REPORT

MERCER COMMENTARY

Market volatility continued into December as global share markets fell sharply for the month posting negative returns. Tightening financial conditions, ongoing international trade tensions, slowing global growth and cautious corporate earnings forecasts combined to negatively impact investor sentiment, and in turn resulted in the share markets falling.

Political risks, fuelled by another US Government shutdown over budget negotiations, violent protests in France and uncertainty over the passage of Brexit negotiations, further compounded investors' concerns. A partial shutdown of the US Government started on 22 December 2018 as a result of Congress being unable to agree on a new federal budget, with the US-Mexico border wall apparently being the major obstacle to reaching agreement. This uncertainty impacted investor confidence and market performance.

However, in this risk-averse environment, bond markets rallied late-December, and Developed Markets increased from -12% to -7.9% after a post-Christmas incline to finish the month.

Emerging Markets (including South America, Asia, and the Middle East) observed a switch in the largest market ranking, with India passing Germany as the eighth largest stock market in the world.

The New Zealand and Australian share markets finished December well ahead (both down -0.1%) of their larger global counterparts in Developed Markets (-7.9%).

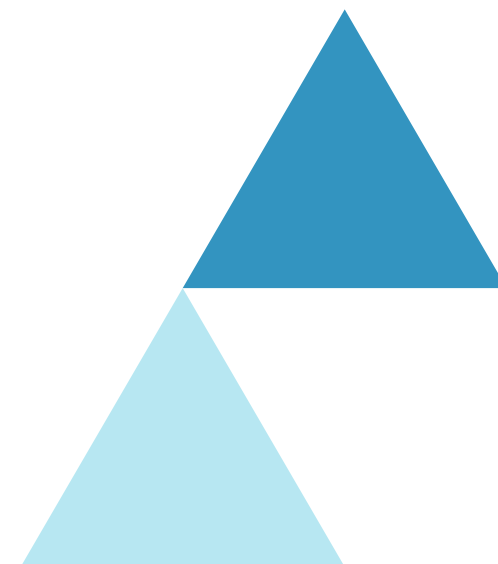
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MARKET PERFORMANCE SUMMARY

DECEMBER IN A SNAPSHOT

- Global share markets again went down in December as investor confidence continued to be impacted by international politics, slowing global growth and cautious corporate earnings forecasts. There was some positive news as bond markets rallied post-Christmas.
- All investment options were impacted, returning negative results for members, apart from the Cash option which had positive modest returns.
- It is important to consider your long-term objectives and goals. Don't rush to make short-term decisions. If you need financial advice on what to do about your investment choice, please contact our financial advisers on 0508 637 237. Take a moment to review your investment option to ensure you are in the best option(s) that aligns with your personal financial goals and risk tolerance.



SIGNIFICANT RECENT ITEMS INCLUDE:



▼ U.S.

The US Federal Reserve ('the Fed') continued to tighten monetary policy, raising the Fed Funds Rate target band a further 0.25% (to 2.25% – 2.50%), with the accompanying announcement doing little to control investors' concerns stemming from increased market volatility in the last calendar quarter of 2018.

▼ CANADA

The arrest of Huawei deputy chairwoman and CFO, Meng Wanzhou, in Canada (at the request of the US) risked escalating trade tensions between the world's two largest economies before meetings between the countries' leaders late in December relieved immediate concerns.

▼ U.S.

A partial shutdown of the US government started on 22 December 2018 as a result of Congress being unable to agree on a new federal budget. The shutdown has carried into 2019 with budget for a US-Mexico border wall apparently the major obstacle to reaching agreement.

▼ NEW ZEALAND

The New Zealand economy grew by +0.3% in the September quarter, coming in below the Reserve Bank of New Zealand expectations of +0.7%.

▼ NEW ZEALAND & AUSTRALIA

Interest rates in both New Zealand and Australia have been on hold since the second half of 2016, New Zealand at 1.75% and Australia at 1.5%.

INVESTMENT RETURNS

MERCER KIWISAVER SCHEME

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.12%	1.47%	1.93%
	Conservative	-0.36%	0.81%	4.29%
	Moderate	-0.83%	0.05%	na
	Balanced	-1.74%	-1.01%	5.86%
	Growth	-2.81%	-2.45%	na
	High Growth	-3.44%	-3.09%	7.54%
	Shares	-4.25%	-4.75%	na

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.14%	1.68%	2.21%
	Conservative	-0.32%	1.03%	4.72%
	Moderate	-0.81%	0.29%	na
	Balanced	-1.75%	-0.72%	6.33%
	Growth	-2.83%	-2.10%	na
	High Growth	-3.52%	-2.85%	8.00%
	Shares	-4.36%	-4.68%	na

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.15%	1.82%	2.39%
	Conservative	-0.28%	1.21%	4.97%
	Moderate	-0.79%	0.47%	na
	Balanced	-1.75%	-0.60%	6.57%
	Growth	-2.88%	-2.10%	na
	High Growth	-3.56%	-2.62%	8.22%
	Shares	-4.44%	-4.52%	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%	1.16%	1.61%
	Conservative	-0.41%	0.42%	3.97%
	Moderate	-0.87%	-0.20%	4.98%
	Balanced	-1.78%	-1.30%	5.79%
	Growth	-2.84%	-2.59%	6.66%
	High Growth	-3.45%	-3.29%	7.55%
	Shares	-4.27%	-4.92%	8.44%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.10%	1.32%	1.82%
	Conservative	-0.35%	0.64%	4.31%
	Moderate	-0.84%	0.01%	5.31%
	Balanced	-1.79%	-1.07%	6.13%
	Growth	-2.91%	-2.46%	6.95%
	High Growth	-3.51%	-3.02%	7.81%
	Shares	-4.35%	-4.79%	8.75%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.11%	1.42%	1.95%
	Conservative	-0.32%	0.77%	4.52%
	Moderate	-0.81%	0.14%	5.47%
	Balanced	-1.79%	-0.90%	6.32%
	Growth	-2.90%	-2.27%	7.12%
	High Growth	-3.60%	-2.93%	8.07%
	Shares	-4.44%	-4.65%	8.92%

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	3 YEARS
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.09%	1.19%	1.21%
	Conservative	-0.43%	0.40%	2.89%
	Moderate	-0.85%	-0.18%	3.59%
	Balanced	-1.76%	-1.29%	4.46%
	Growth	-2.82%	-2.59%	5.50%
	High Growth	-3.45%	-3.22%	6.27%
	Shares	-4.26%	-4.96%	6.72%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	3 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.11%	1.42%	1.50%
	Conservative	-0.35%	0.70%	3.28%
	Moderate	-0.80%	0.08%	3.86%
	Balanced	-1.72%	-0.88%	5.14%
	Growth	-2.85%	-2.33%	6.01%
	High Growth	-3.50%	-2.99%	6.62%
	Shares	-4.34%	-4.69%	7.13%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	3 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.12%	1.46%	1.48%
	Conservative	-0.31%	0.77%	3.55%
	Moderate	-0.80%	0.19%	4.03%
	Balanced	-1.75%	-0.79%	5.35%
	Growth	-2.89%	-2.16%	6.35%
	High Growth	-3.58%	-2.80%	6.95%
	Shares	-4.41%	-4.62%	7.49%

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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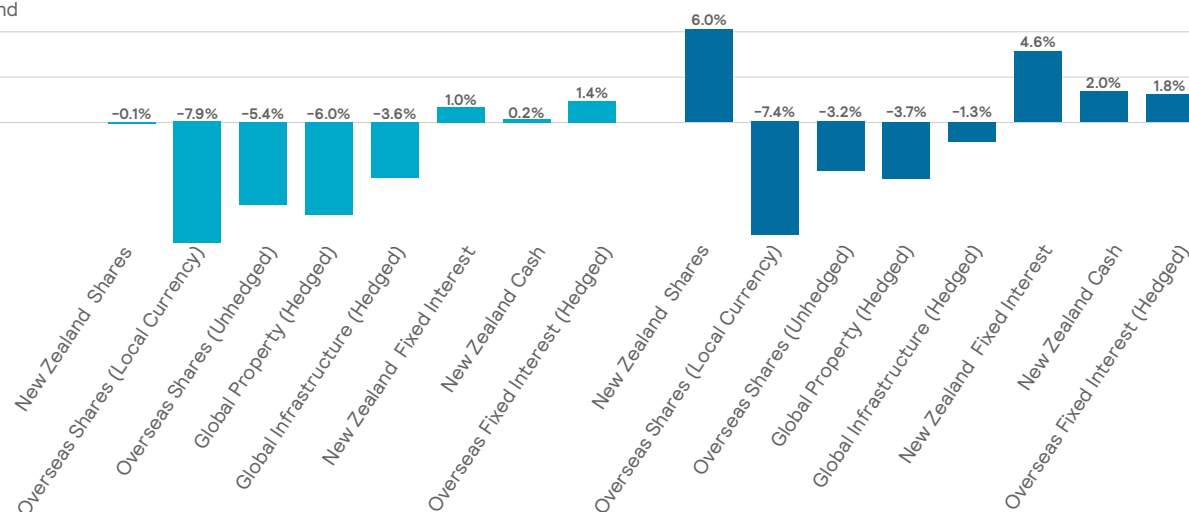
FINANCIAL MARKETS

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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