

MONTHLY REPORT

MERCER COMMENTARY

Global shares, rose in May, but it wasn't all good news. While the returns were strong in the US and UK, falls in Europe, Japan and Emerging Markets such as Brazil offset the overall growth.

Market sentiment improved, around middle of May, following a joint statement from the US and China confirming that no new tariffs would be imposed against each other. Tariffs would have impacted trade between the countries, increasing costs for consumers and impacting sentiment of investors. However, fast forward to end of May and the US announced further tariffs, not only on Chinese, but Canadian, European and Mexican goods as well. Understandably, the market reacted negatively, not helped by political instability in Italy (arising from difficulty in forming a new Govt. Recent instability in Italy is significant as it is the fourth largest economy In the European Union).

- The New Zealand market (NZX 50) delivered positive returns in May, up +2.6%. Synlait Milk (+12.5%) was the top performer for the month, while a2 Milk (-10.5%) had its worst month in more than 3 years.
- The Australian market performed worse than the New Zealand market over the month, returning +1.1%. When looking at the last 12 months, the Australian market (ASX200) has returned +9.6%, compared to +18.1% for the New Zealand Index.
- Global share markets returned +1.3% in May after being up as much as +3.1% mid-month; the US U-turn on trade tariffs with China and other trade partners, coupled with political instability in the Eurozone, sparking a sell-off in share markets late in the month. The IT sector led the way in May, up 6.5%. Emerging markets lagged their developed (UK, US, Japan and others) counterparts over the month, falling -2.2%.



SELECTED MARKET INDICATORS FOR PERIODS ENDED 31 MAY 2018

MONTHLY REPORT

MONTH IN A SNAPSHOT

While May was a positive month for investors, it was clear that the political landscape will continue to impact the markets both in a positive and a negative way. The technology sector (e.g Google, Facebook, Amazon) will also play a big part when it comes to returns for investors. If you'd like to learn more about what is going on in the markets you can watch our Investment Insight video updates. You can view these online at www.mercerfinancialservices.co.nz.

All Mercer funds performed well during the month.

By now you would have received your annual member benefit statement. Statements are also available when you sign in to your account online at www.mercerfinancialservices.co.nz for this year and all previous years if you were a member. If you need financial advice, please call to speak with one of our financial advisers on **0508 637 237**.

MAKE TOMORROW, TODAY



SIGNIFICANT RECENT ITEMS INCLUDE:



▼ U.S

The US announced a 25% tariff on US\$50bn of Chinese goods, along with tariffs on steel and aluminium imports from Canada, Mexico and the European Union; representatives from the latter were quick to retaliate with counterbalancing measures of their own.

▼ ITALY

Italian political unrest and market positioning saw an adjustment in rates around the world; the US and UK 10 year bond yields dropped 0.16% and 0.13% as the Italian 2 year bond yield spiked from 1% to 2.77% and the 10 year from 2.69% to 3.16%.

▼ NORTH KOREA

Kim Jong-Un (Supreme Leader of North Korea) continued his recent spate of meetings with neighbouring heads of state, holding further talks with China's "paramount leader", Xi Jinping, and South Korean President, Moon Jae-in, during May.

▼ ARGENTINA

President of Argentina, Mauricio Macri, announced talks with the International Monetary Fund on financial support for the country's economy; the Central Bank of Argentina interest rate is now 40%, inflation is 25% and the value of the Argentine peso is at a record low. Argentina default on its debts in the late 1990's had a significant impact on investment markets.

INVESTMENT RETURNS

MERCER KIWISAVER SCHEME

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.14%	1.47%	1.98%
	Conservative	0.26%	3.48%	4.62%
	Moderate	0.28%	4.56%	na
	Balanced	0.42%	6.53%	7.13%
	Growth	0.54%	8.22%	na
	High Growth	0.76%	10.24%	9.83%
	Shares	0.93%	12.08%	na

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.16%	1.68%	2.30%
	Conservative	0.27%	3.70%	5.15%
	Moderate	0.29%	4.81%	na
	Balanced	0.46%	6.85%	7.72%
	Growth	0.59%	8.59%	na
	High Growth	0.79%	10.59%	10.44%
	Shares	0.97%	12.41%	na

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.17%	1.81%	2.49%
	Conservative	0.28%	3.81%	5.45%
	Moderate	0.31%	4.96%	na
	Balanced	0.45%	6.99%	8.03%
	Growth	0.59%	8.72%	na
	High Growth	0.82%	10.81%	10.70%
	Shares	0.97%	12.53%	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%	1.08%	1.64%
	Conservative	0.21%	3.02%	4.31%
	Moderate	0.26%	4.29%	5.81%
	Balanced	0.39%	6.20%	7.08%
	Growth	0.53%	8.03%	8.43%
	High Growth	0.75%	9.98%	9.88%
	Shares	0.95%	11.96%	11.79%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.12%	1.24%	1.86%
	Conservative	0.22%	3.25%	4.72%
	Moderate	0.26%	4.52%	6.26%
	Balanced	0.40%	6.44%	7.52%
	Growth	0.55%	8.32%	8.90%
	High Growth	0.76%	10.23%	10.23%
	Shares	0.95%	12.19%	12.22%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.13%	1.35%	1.99%
	Conservative	0.23%	3.34%	4.98%
	Moderate	0.27%	4.56%	6.44%
	Balanced	0.42%	6.52%	7.76%
	Growth	0.57%	8.41%	9.13%
	High Growth	0.76%	10.37%	10.54%
	Shares	0.94%	12.44%	12.42%

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	0.12%	1.13%	1.15%
	Conservative	0.23%	2.97%	3.04%
	Moderate	0.26%	4.22%	4.39%
	Balanced	0.40%	6.09%	6.27%
	Growth	0.54%	8.06%	8.47%
	High Growth	0.75%	9.80%	9.90%
	Shares	0.90%	11.78%	11.28%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	2 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.12%	1.47%	1.54%
	Conservative	0.25%	3.26%	3.33%
	Moderate	0.29%	4.52%	4.70%
	Balanced	0.42%	6.49%	6.86%
	Growth	0.55%	8.35%	8.92%
	High Growth	0.78%	10.13%	10.25%
	Shares	0.99%	12.22%	11.83%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	2 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.14%	1.40%	1.43%
	Conservative	0.24%	3.31%	3.60%
	Moderate	0.30%	4.67%	4.77%
	Balanced	0.42%	6.58%	7.06%
	Growth	0.56%	8.52%	9.26%
	High Growth	0.82%	10.43%	10.70%
	Shares	0.97%	12.36%	12.18%

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.

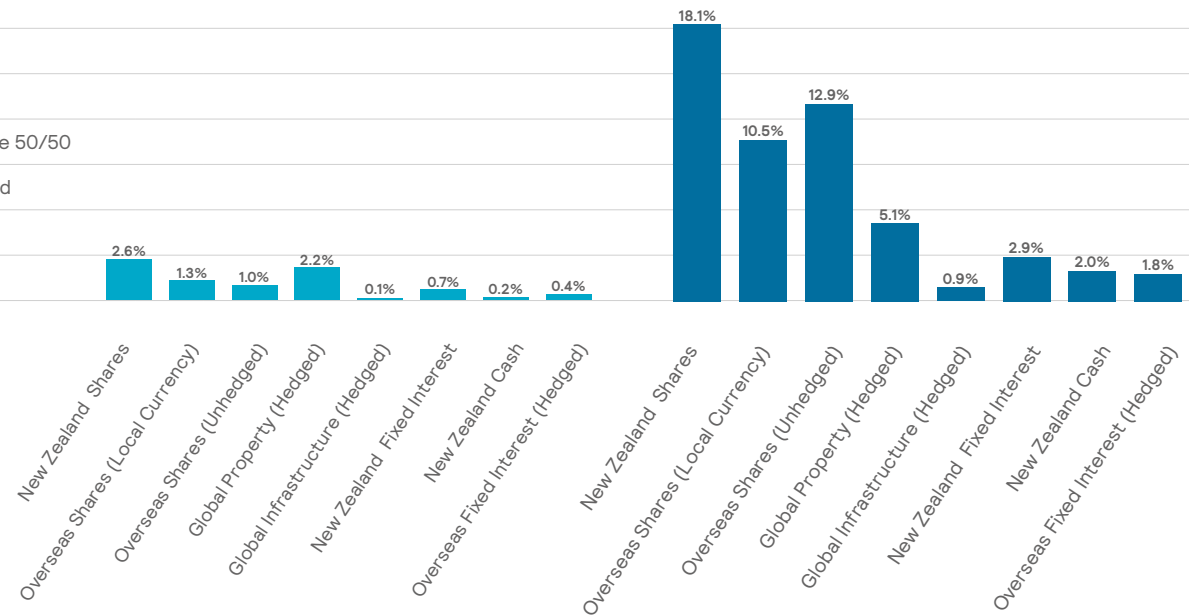
FINANCIAL MARKETS

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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