

# MONTHLY REPORT

## MERCER COMMENTARY

Significant market ups and downs were experienced in October and some reports called it the “worst month in ten years” after many major global share markets had much of their year to date gains slashed. Globally, all shares markets struggled during the month with emerging markets (a group of countries in South America, Asia, Middle East, and some in Europe) and small companies caused global markets to lag. However, it’s not all bad news as all fund options for Mercer’s savings schemes are still tracking favorably for the full year.

The MSCI World Index, representing developed share markets including the US, Canada, Europe, Australia and New Zealand, was down (-6.8%) for the month, a far change from the strong growth in recent months. Despite the magnitude of falls experienced during October, the VIX Index (a measure of expected future volatility) remained well short of the highs reached in February.

While the exact cause of the recent market ups and downs remains unclear, continued economic strength in the US, combined with comments from the US Federal Reserve Chairman that US interest rates are still a “long way from neutral” are being blamed for prompting investors to begin selling assets, such as shares which drags prices of these shares down.

Investors are also closely watching the Chinese market particularly as it shows signs of an economic slowdown. Although there was progress on the United States-Mexico-Canada Agreement (USMCA), trade friction between the US and China remains as problematic as ever, with Chinese President, Xi Jinping, giving no indication that China is in a hurry to sign an agreement with the US.

The US mid-term elections also caused market uncertainty as several planned policies of the Trump Administration, could be out-voted (for or against), making it more difficult for new policies to be brought into law.

The New Zealand market did not perform much better than global markets, closing the month down -6.3%.

### OCTOBER IN A SNAPSHOT

- Markets took a turn away from recent positive trends in prior months. The ups and downs in the market appear to have been caused by uncertainty from the US mid-term elections and ongoing international trade negotiations.
- New Zealand market performed marginally better than other developed share markets, albeit, still impacted by poor international performance.
- If you are concerned about your savings balance going down and considering switching investment options please call to speak to one of our financial advisers on 0508 637 237. Take a moment to review your investment option to ensure you are in the best fund(s) that aligns with your personal financial goals and risk tolerance.

## SIGNIFICANT RECENT DEVELOPMENTS INCLUDE:



### ▼ U.S

The US mid-term elections took place on 6 November 2018. If the Republicans lost control of Congress or the Senate during this election, several planned policies of the Trump Administration could be halted.

### ▼ CANADA, MEXICO, U.S & CHINA

Although there was progress on the United States-Mexico-Canada Agreement (USMCA), trade friction between the US and China remains as problematic as ever.

### ▼ IRAN

Oil Prices peaked and slumped during October. Oil prices rose to a four year high amid rising fears of Iranian oil sanctions (making petrol at the pump more expensive), and then just as quickly fell, as investors dumped shares and risk-oriented assets like oil.

### ▼ NEW ZEALAND

The New Zealand Stock Exchange has updated its listing rules in a bid to attract new listings and expand the relatively underdeveloped and illiquid (compared to other developed nations) New Zealand share market.

# 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%	1.94%
	Conservative	-1.12%	1.88%	4.48%
	Moderate	-1.76%	1.67%	na
	Balanced	-2.83%	1.85%	6.46%
	Growth	-3.95%	1.77%	na
	High Growth	-4.88%	2.16%	8.68%
	Shares	-6.52%	1.81%	na

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.15%	1.68%	2.23%
	Conservative	-1.12%	2.07%	4.95%
	Moderate	-1.76%	1.90%	na
	Balanced	-2.83%	2.16%	6.95%
	Growth	-3.96%	2.10%	na
	High Growth	-4.89%	2.45%	9.16%
	Shares	-6.58%	2.00%	na

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.17%	1.82%	2.42%
	Conservative	-1.11%	2.23%	5.22%
	Moderate	-1.76%	2.06%	na
	Balanced	-2.86%	2.27%	7.20%
	Growth	-3.97%	2.17%	na
	High Growth	-4.90%	2.68%	9.38%
	Shares	-6.59%	2.17%	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	0.11%	1.11%	1.62%
	Conservative	-1.14%	1.47%	4.12%
	Moderate	-1.79%	1.39%	5.31%
	Balanced	-2.85%	1.52%	6.38%
	Growth	-3.97%	1.56%	7.51%
	High Growth	-4.92%	1.83%	8.68%
	Shares	-6.55%	1.62%	10.09%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.12%	1.27%	1.82%
	Conservative	-1.16%	1.72%	4.50%
	Moderate	-1.80%	1.61%	5.67%
	Balanced	-2.89%	1.74%	6.74%
	Growth	-4.02%	1.77%	7.88%
	High Growth	-4.90%	2.19%	8.95%
	Shares	-6.61%	1.74%	10.43%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.13%	1.37%	1.96%
	Conservative	-1.16%	1.77%	4.72%
	Moderate	-1.80%	1.67%	5.83%
	Balanced	-2.90%	1.87%	6.93%
	Growth	-3.99%	1.93%	8.03%
	High Growth	-4.89%	2.34%	9.23%
	Shares	-6.61%	1.96%	10.57%

### 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%	1.18%	1.16%
	Conservative	-1.12%	1.55%	3.04%
	Moderate	-1.78%	1.43%	4.16%
	Balanced	-2.82%	1.50%	5.95%
	Growth	-3.97%	1.61%	8.08%
	High Growth	-4.86%	1.95%	9.63%
	Shares	-6.54%	1.58%	11.41%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	2 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.12%	1.44%	1.47%
	Conservative	-1.14%	1.78%	3.40%
	Moderate	-1.79%	1.67%	4.34%
	Balanced	-2.85%	1.93%	6.34%
	Growth	-3.98%	1.87%	8.28%
	High Growth	-4.97%	2.24%	9.79%
	Shares	-6.54%	1.92%	11.60%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	2 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.13%	1.45%	1.44%
	Conservative	-1.15%	1.83%	3.49%
	Moderate	-1.80%	1.77%	4.39%
	Balanced	-2.84%	2.04%	6.44%
	Growth	-3.95%	2.08%	8.45%
	High Growth	-4.92%	2.46%	10.02%
	Shares	-6.57%	1.98%	11.74%

### 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.

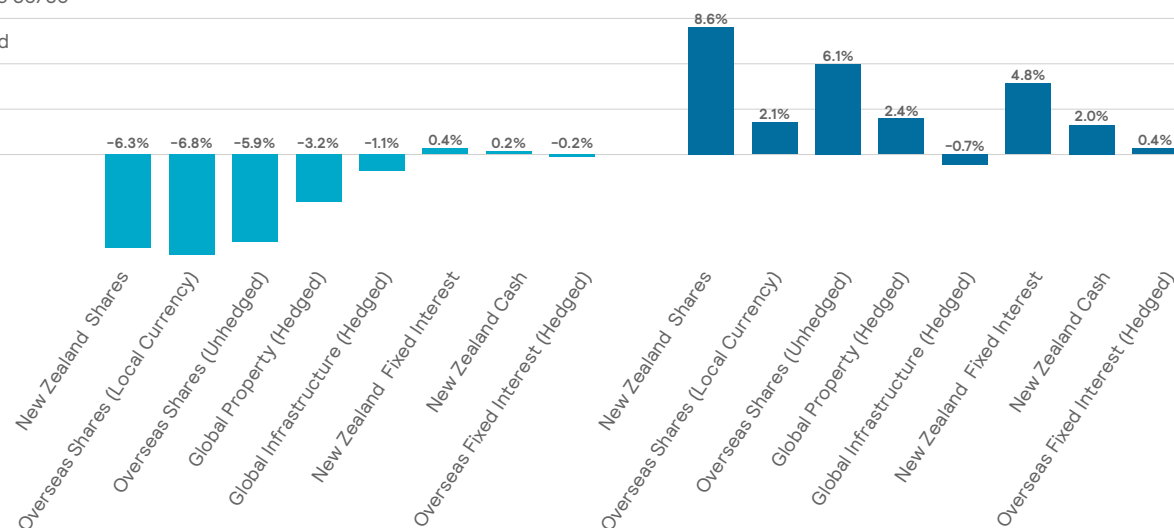
# FINANCIAL MARKETS

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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