

MONTHLY REPORT

MERCER COMMENTARY

February delivered more good news to investors, including members of the Mercer schemes. Most asset classes posted positive returns (apart from Government bonds) for the second consecutive month. In most cases, share market gains in January and February 2019 have been sufficient to hide the falls experienced in the last quarter of 2018. The US Federal Reserve (the Fed) has reiterated its position that there will be no further short-term interest rate hikes for the foreseeable future and combined with signs of easing trade tensions between the United States and China, helped support investment markets over the month.

Positive returns in the New Zealand and Australian share markets continued into February. The NZX 50 and ASX 200 Indices rose +3.8% and +6.0% respectively over the month. In Australia, banking shares climbed – along with the wider ASX 200 Index – on the conclusion of the Royal Commission which looked into the conduct of the Banking and Financial Services sector and the assessment that the recommendations would be less damaging than originally expected.

Developed share markets such as US, UK, Canada and others returned +3.3% in February. Emerging Markets lagged their developed counterparts, returning +1.1%; rising US interest rates and a strong US dollar have weighed on the sector over the last year.

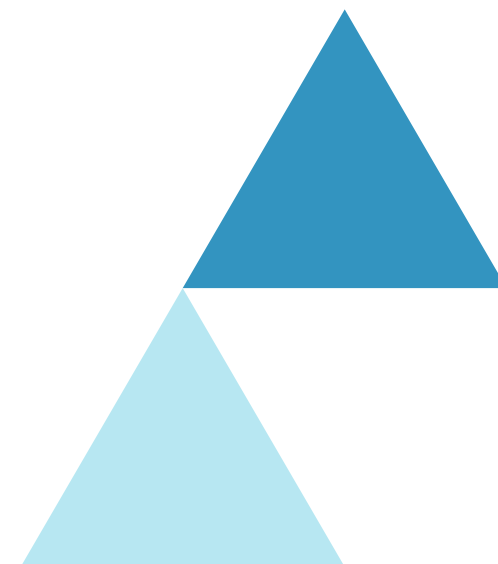
Global Listed Property and Global Listed Infrastructure, which members of the Schemes have exposure to, both delivered positive returns for the month, albeit less impressive than the strong gains in January as investor risk appetite favoured more return seeking assets like shares. The two sectors ended the month up +0.4% and +2.7% respectively.

New Zealand bonds continued to deliver good returns, up +0.5% in February. The RBNZ kept the Official Cash Rate at 1.75% at its February meeting, and continued to indicate that monetary policy would remain accommodative for the foreseeable future. The New Zealand Cash return was +0.2% for the month.

MARKET PERFORMANCE SUMMARY

FEBRUARY IN A SNAPSHOT

- Positive returns in January and February this year have now hidden the falls experienced towards the end of 2018. All Mercer Schemes' investment options had positive returns for the month.
- Now is the time to check your account online at www.mercerfinancialservices.co.nz to ensure you are contributing enough, you are maximising Government contributions if eligible, your investment choice is right for your circumstances and that you are on the right tax rate (PIR).
- For assistance and advice about your financial goals and savings strategy please contact Mercer's financial advice team on **0508 637 237**, and ensure you're on track to get the most out of 2019.



SELECTED MARKET INDICATORS FOR THE PERIOD ENDED 28 FEBRUARY 2019

SIGNIFICANT RECENT ITEMS INCLUDE:



▼ U.S.

The US Federal Reserve (Fed) has maintained its more conservative approach to US monetary policy. In testimony before the US Senate Banking Committee, Fed Chairman, Jerome Powell commented he was in “no rush” to make a judgment about a change in policy.

▼ UK

After her Brexit deal was roundly defeated in the House of Commons in January, UK Prime Minister Theresa May has proposed putting forward three separate bills in mid-March; these bills would offer the House a vote on whether it supported another revised deal, an extended Brexit deadline or a “No-deal” Brexit. As the 29 March deadline looms there is also growing support for a second referendum.

▼ U.S. & CHINA

US President Donald Trump, announced that the deadline for implementing a fresh round of tariffs against China (originally set for 1 March 2019) would be pushed back following “substantial progress” from meetings between the two nations.

INVESTMENT RETURNS

MERCER KIWISAVER SCHEME

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.11%	1.48%	1.92%
	Conservative	0.84%	2.98%	4.44%
	Moderate	1.11%	3.03%	na
	Balanced	1.61%	3.49%	6.51%
	Growth	2.19%	3.59%	na
	High Growth	2.66%	3.87%	8.71%
	Shares	3.44%	3.28%	na

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.13%	1.70%	2.18%
	Conservative	0.86%	3.25%	4.85%
	Moderate	1.13%	3.33%	na
	Balanced	1.61%	3.82%	6.97%
	Growth	2.18%	4.02%	na
	High Growth	2.65%	4.20%	9.17%
	Shares	3.42%	3.49%	na

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.14%	1.84%	2.37%
	Conservative	0.88%	3.48%	5.09%
	Moderate	1.13%	3.59%	na
	Balanced	1.62%	4.00%	7.21%
	Growth	2.16%	4.09%	na
	High Growth	2.62%	4.45%	9.38%
	Shares	3.36%	3.65%	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%	1.18%	1.59%
	Conservative	0.82%	2.62%	4.13%
	Moderate	1.08%	2.75%	5.28%
	Balanced	1.59%	3.22%	6.36%
	Growth	2.18%	3.47%	7.57%
	High Growth	2.65%	3.67%	8.64%
	Shares	3.40%	3.12%	9.90%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.10%	1.34%	1.80%
	Conservative	0.83%	2.91%	4.44%
	Moderate	1.09%	3.01%	5.60%
	Balanced	1.59%	3.46%	6.69%
	Growth	2.17%	3.61%	7.85%
	High Growth	2.60%	3.94%	8.89%
	Shares	3.33%	3.21%	10.19%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.11%	1.43%	1.93%
	Conservative	0.85%	3.09%	4.66%
	Moderate	1.09%	3.19%	5.74%
	Balanced	1.59%	3.70%	6.88%
	Growth	2.14%	3.87%	8.01%
	High Growth	2.60%	4.08%	9.16%
	Shares	3.34%	3.37%	10.38%

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.
- 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%	1.21%	1.19%
	Conservative	0.81%	2.55%	3.44%
	Moderate	1.09%	2.78%	4.55%
	Balanced	1.60%	3.18%	6.21%
	Growth	2.17%	3.39%	8.11%
	High Growth	2.65%	3.76%	9.54%
	Shares	3.42%	3.08%	10.92%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	3 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.10%	1.37%	1.48%
	Conservative	0.84%	2.98%	3.76%
	Moderate	1.11%	3.06%	4.87%
	Balanced	1.58%	3.60%	6.90%
	Growth	2.16%	3.79%	8.67%
	High Growth	2.61%	4.00%	9.96%
	Shares	3.31%	3.35%	11.38%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	3 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.09%	1.45%	1.47%
	Conservative	0.85%	3.11%	4.06%
	Moderate	1.10%	3.28%	5.00%
	Balanced	1.59%	3.76%	7.11%
	Growth	2.15%	3.97%	8.96%
	High Growth	2.60%	4.21%	10.35%
	Shares	3.34%	3.53%	11.77%

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.

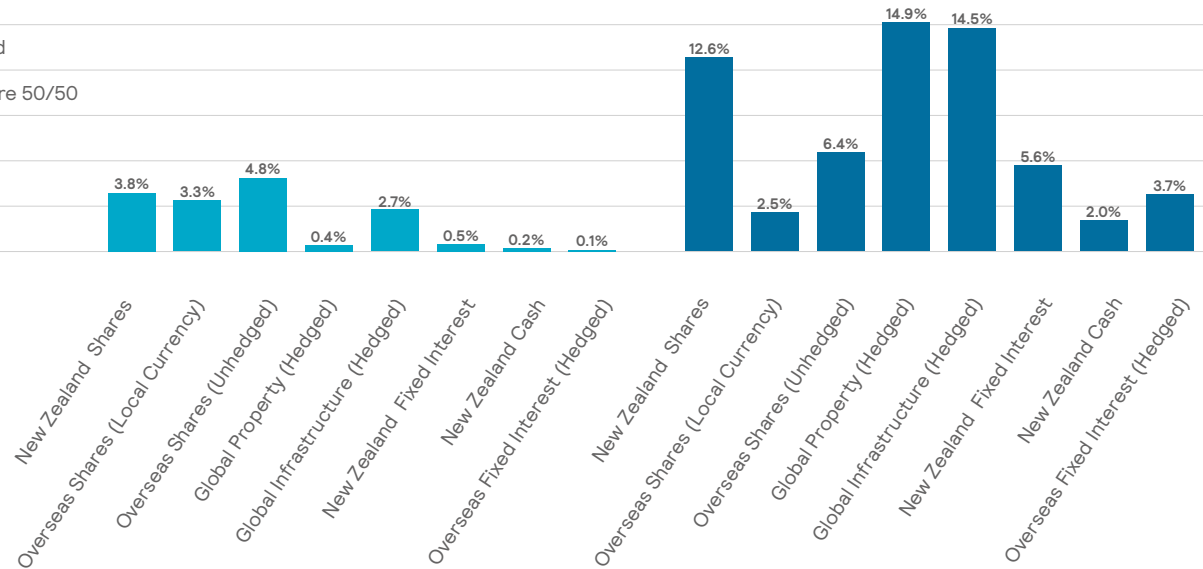
FINANCIAL MARKETS

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	Bloomberg NZ Bond
NZ CASH	S&P/NZX 90 Day Bank Bills
OVERSEAS FIXED INTEREST (HEDGED)	Bloomberg Global Agg



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