

# MONTHLY REPORT

## MERCER COMMENTARY

Early in February the announcement that the Government debt in US would reach close to US\$1 trillion in 2018 aroused fears of inflation (price increases) and higher interest rates (which would make borrowing more expensive), pushed up bond yields (which sent bond prices down) and sent shocks through global share markets. The S&P 500 Index (a measure of US share prices) experienced its biggest loss in six years (at one point down -10%) before rebounding 8% in the next three days. This was the largest weekly gain since 2013.

However, the rebound wasn't enough to preserve the 15 month streak of positive returns from global share markets.

The MSCI World (Global Shares) Index closed out the month down -3.5% (in local terms), erasing much of January's gains. The New Zealand dollar fell against the US dollar over the month, cushioning the blow for unhedged global share assets, which fell by -1.8%. While global market volatility spilled over into the New Zealand and Australian markets, the strong performance of a2 milk softened the fall in New Zealand (down -0.8%) and contributed to a positive return in Australia (+0.4%). Bonds delivered flat returns due to the expectation of higher interest rates in the future (not a good thing for bond prices).

Infrastructure and Property shares underperformed the broader share market as higher interest rates have a greater impact on this sector, as it increases borrowing costs as well as makes the dividend yield less attractive relative to corporate bonds (bonds issued by companies) and bank deposit rates.

## SIGNIFICANT RECENT ITEMS INCLUDE:



### ▼ US

After keeping interest rates on hold at the end of January the US Federal Reserve signaled its expectation of three interest rate hikes over the course of 2018. The next rate rise is widely anticipated to be announced following the next meeting on 21 March. Higher interest rates will increase borrowing costs and increase savings rates; this could in turn lead to less investment in growth.

### ▼ GERMANY

A coalition agreement has finally been struck between Germany's Christian Democratic Union and the Social Democrats; it will see Angela Merkel continue to be Chancellor of Germany for her fourth term.

### ▼ ITALY

The Italians head to the polls on the 4th of March. Much like the German election, it is expected to take some time to form a coalition.

### ▼ KOREA

History was made this month when a member of the ruling North Korean Kim Dynasty visited South Korea for the first time since the end of the Korean War in 1953, sparking hopes of further diffusion of political tension between North Korea and the rest of the world.

# INVESTMENT RETURNS

## MERCER KIWISAVER SCHEME

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.11%	1.50%	2.01%
	Conservative	-0.41%	4.48%	4.83%
	Moderate	-0.72%	5.80%	na
	Balanced	-1.20%	8.27%	7.55%
	Growth	-1.66%	10.65%	na
	High Growth	-1.93%	13.04%	10.44%
	Shares	-2.18%	16.17%	na

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.13%	1.71%	2.35%
	Conservative	-0.41%	4.75%	5.40%
	Moderate	-0.72%	6.10%	na
	Balanced	-1.21%	8.58%	8.19%
	Growth	-1.71%	10.92%	na
	High Growth	-1.99%	13.34%	11.11%
	Shares	-2.27%	16.51%	na

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.14%	1.85%	2.54%
	Conservative	-0.41%	4.88%	5.71%
	Moderate	-0.74%	6.29%	na
	Balanced	-1.23%	8.77%	8.52%
	Growth	-1.78%	11.14%	na
	High Growth	-2.01%	13.54%	11.39%
	Shares	-2.33%	16.58%	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%	1.68%
	Conservative	-0.44%	3.98%	4.55%
	Moderate	-0.71%	5.53%	6.21%
	Balanced	-1.25%	7.96%	7.54%
	Growth	-1.70%	10.41%	8.97%
	High Growth	-1.95%	12.73%	10.53%
	Shares	-2.23%	16.03%	12.93%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.10%	1.27%	1.89%
	Conservative	-0.47%	4.28%	4.98%
	Moderate	-0.72%	5.78%	6.66%
	Balanced	-1.23%	8.19%	7.99%
	Growth	-1.71%	10.72%	9.46%
	High Growth	-2.00%	12.95%	10.90%
	Shares	-2.29%	16.26%	13.33%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.11%	1.38%	2.02%
	Conservative	-0.45%	4.35%	5.24%
	Moderate	-0.74%	5.87%	6.88%
	Balanced	-1.28%	8.29%	8.27%
	Growth	-1.78%	10.67%	9.70%
	High Growth	-2.03%	13.06%	11.20%
	Shares	-2.31%	16.44%	13.57%

### 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	0.09%	1.12%	1.18%
	Conservative	-0.44%	3.75%	3.88%
	Moderate	-0.72%	5.38%	5.45%
	Balanced	-1.19%	7.66%	7.76%
	Growth	-1.68%	10.44%	10.55%
	High Growth	-1.95%	12.42%	12.55%
	Shares	-2.16%	15.67%	15.06%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	2 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.12%	1.47%	1.54%
	Conservative	-0.44%	4.20%	4.16%
	Moderate	-0.68%	5.74%	5.78%
	Balanced	-1.21%	8.22%	8.60%
	Growth	-1.73%	10.60%	11.19%
	High Growth	-1.99%	12.70%	13.06%
	Shares	-2.24%	16.07%	15.63%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	2 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.11%	1.43%	1.49%
	Conservative	-0.45%	4.33%	4.54%
	Moderate	-0.71%	5.84%	5.87%
	Balanced	-1.25%	8.28%	8.82%
	Growth	-1.75%	10.85%	11.54%
	High Growth	-2.01%	13.07%	13.56%
	Shares	-2.28%	16.27%	16.13%

### 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.

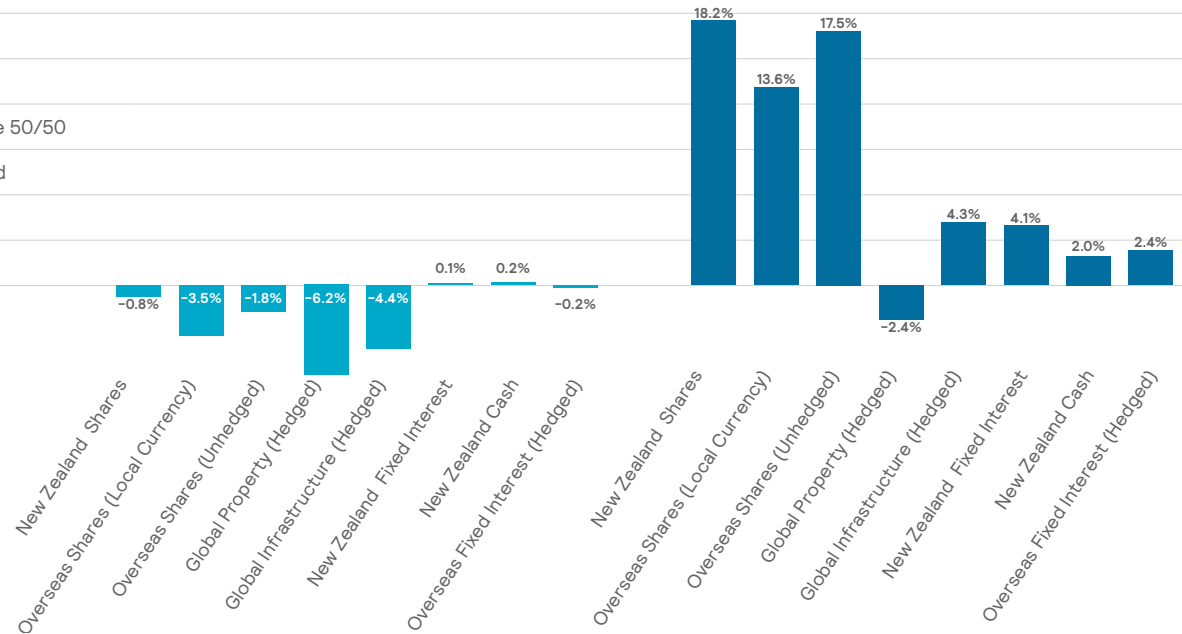
# FINANCIAL MARKETS

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



This document has been prepared and published by Mercer (N.Z.) Limited (Mercer). The document has been published as a general information service and does not take account of the investment objectives, financial situation and/or particular needs of any person. Before making any investment decision, you should consider, with or without the assistance of an adviser, whether the information is appropriate in light of your particular investment needs, objectives and financial circumstances. Neither Mercer or any related party accepts any responsibility for any inaccuracy. Past performance is no guarantee or indicator of future performance.

Mercer (N.Z.) Limited