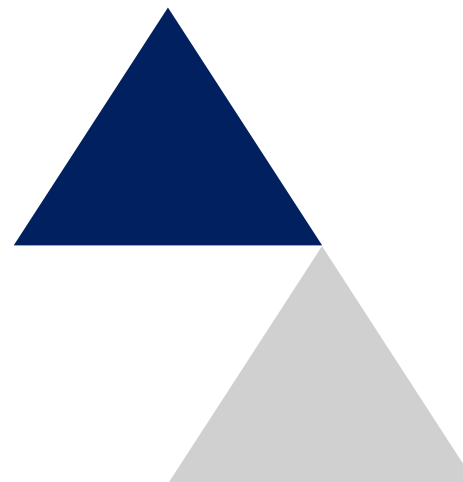


FUND UPDATE

MERCER MODERATE FUND

MERCER FLEXISAVER



Quarter ending 31 March 2019

This fund update was first made publicly available on: 1 May 2019.

WHAT IS THE PURPOSE OF THIS UPDATE?

This document tells you how the Mercer Moderate fund has performed and what fees were charged. The document will help you to compare the fund with other funds. Mercer (N.Z.) Limited prepared this update in accordance with the Financial Markets Conduct Act 2013.

This information is not audited and may be updated.

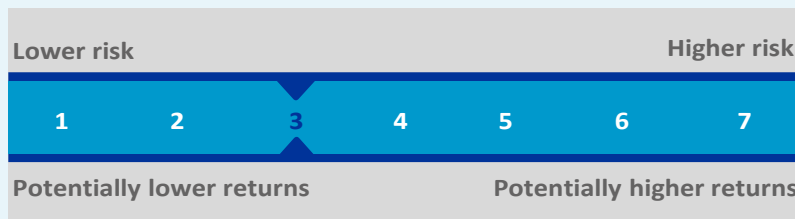
DESCRIPTION OF THIS FUND

Invests in cash and fixed interest, with about a third of investments being in growth assets such as shares and real assets. May be suitable for investors who want to invest in a broad mix of assets and who are comfortable with a higher degree of volatility in returns than can be expected from the Conservative fund.

Total value of the fund	\$4,748,206
Date the fund started	9 October 2015

WHAT ARE THE RISKS OF INVESTING?

Risk indicator for the Mercer Moderate fund:†



The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the fund's assets goes up and down. A higher risk generally means higher potential returns over time, but more ups and downs along the way.

To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at www.mercerfinancialservices.co.nz/riskprofile.

Note that even the lowest category does not mean a risk-free investment, and there are other risks that are not captured by this rating.

This risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for 5 years to 31 March 2019. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates.

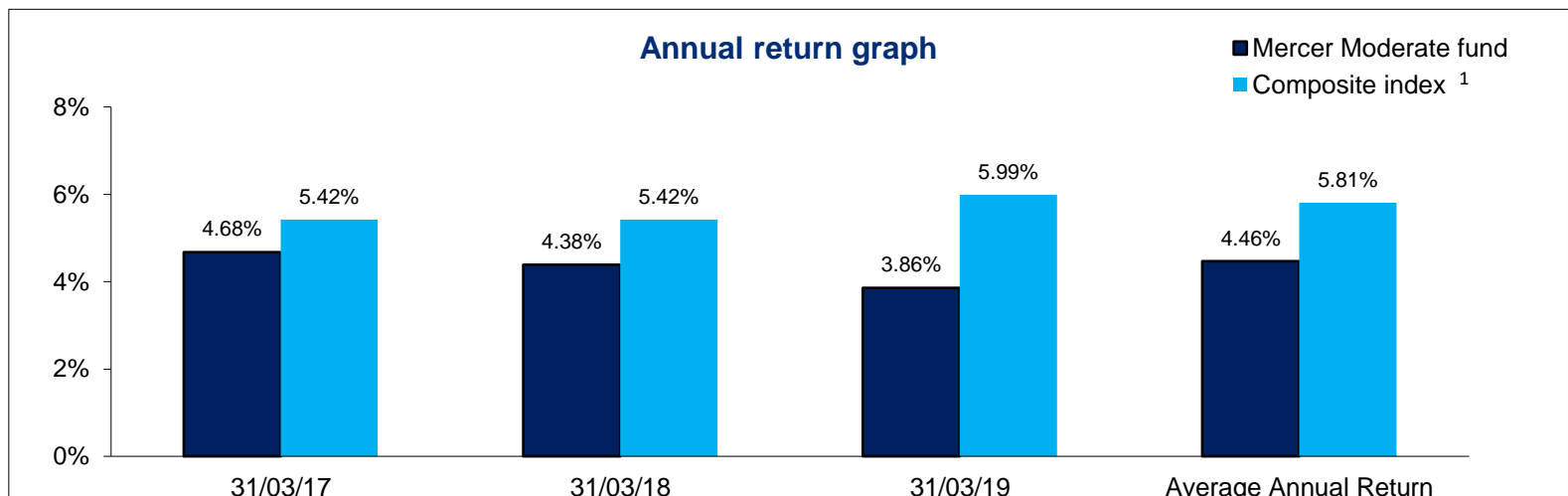
See the Product Disclosure Statement (PDS) for more information about the risks associated with investing in this fund.

† A combination of actual fund returns and composite index returns have been used to determine the risk indicator as the fund has less than 5 years of actual returns. The risk indicator may therefore provide a less reliable indicator of the potential future volatility of the fund. For the five year period ending 31 March 2019, composite index returns have been used up to 30 November 2015 with actual fund returns used for the balance of the period to 31 March 2019.¹

HOW HAS THE FUND PERFORMED?

	Past year
Annual return² <i>(after deductions for charges and tax)</i>	3.86%
Annual return² <i>(after deductions for charges but before tax)</i>	4.77%
Composite of market index annual return <i>(reflects no deduction for charges and tax)</i> and peer group index annual return <i>(after deduction for charges but before tax)</i> ¹	5.99%

The composite index return is the strategic asset allocation weighted benchmark index return, where the benchmark indices are defined in the Statement of Investment Policy and Objectives. Additional information about the composite index is available on the offer register.



This shows the return after fund charges and tax for each year ending 31 March since the fund started. The last bar shows the average annual return since the fund started, up to 31 March 2019.³

Important: This does not tell you how the fund will perform in the future.

Returns in this update are after tax at the highest prescribed investor rate (PIR) of tax for an individual New Zealand resident. Your tax may be lower.

WHAT FEES ARE INVESTORS CHARGED?

Investors in the Mercer Moderate fund pay fund charges. In the year to 31 March 2018 these were:

	% of net asset value
TOTAL FUND CHARGES⁸	1.15% ^{4 (estimate)}
Which are made up of:	
TOTAL MANAGEMENT AND ADMINISTRATION CHARGES	1.15% ^{4 (estimate)}
Including:	
Manager's basic fee	0.76% ^{4,5 (estimate)}
Other management and administration charges	0.39% ⁶
TOTAL PERFORMANCE BASED FEES	0.00%
OTHER CHARGES	Dollar amount per investor ⁷
Membership Fee	Nil or \$30

*Included in 'Other management and administration charges' are performance-based fees. charged by external managers of underlying funds that the fund invested into of 0.15%. Over the past five years, performance based fees have averaged 0.07% using data from similar funds Mercer manages. Performance-based fees are subject to market movements and external manager performance and these fees may differ from those disclosed for the year 31 March 2018. These are not included in the line 'Total Performance Based Fees' as this line relates to any performance based fee paid directly to the Manager.

Investors are not currently charged individual action fees for specific actions or decisions (for example, for withdrawing from or switching funds). See the Mercer FlexiSaver scheme PDS for more information about Scheme fees. Small differences in fees and charges can have a big impact on your investment over the long term.

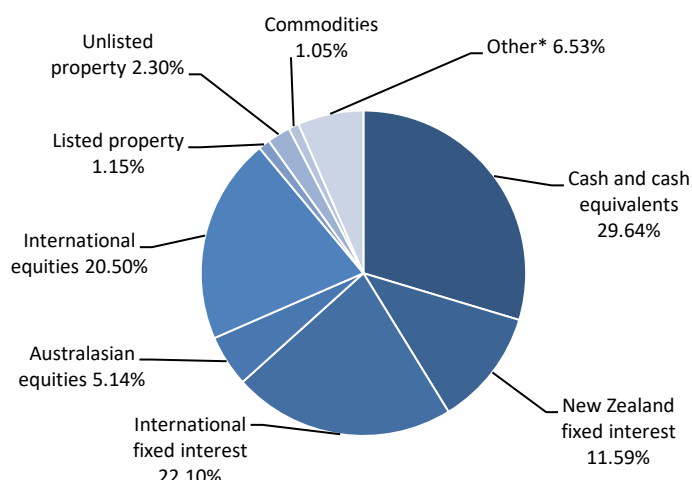
EXAMPLE OF HOW THIS APPLIES TO AN INVESTOR

Ben had \$10,000 in the fund at the start of the year and didn't make any further contributions. At the end of the year, Ben received a return after fund charges were deducted of \$386.00 (3.86% of his initial \$10,000). Ben also paid \$30.00 in other charges. This gives Ben a total return after tax of \$356.00 for the year.⁹

WHAT DOES THE FUND INVEST IN?

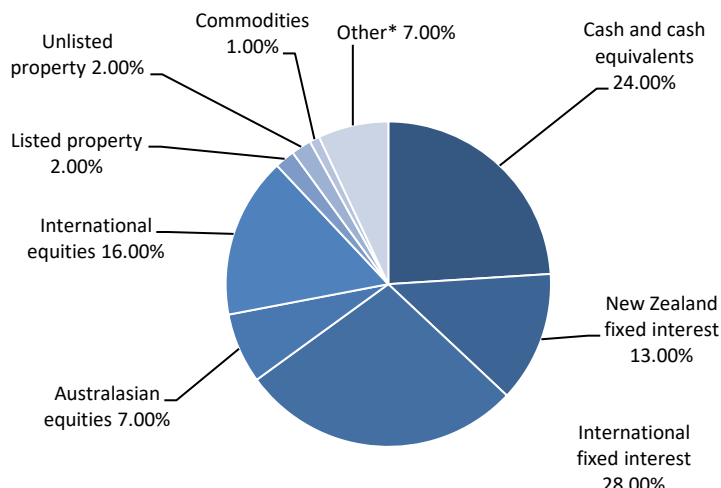
Actual investment mix¹⁰

This shows the types of assets that the fund invests in.



Target investment mix

This shows the mix of assets that the fund generally intends to invest in.



*Includes listed and unlisted infrastructure assets and alternatives

TOP 10 INVESTMENTS¹⁰

Name	% of fund net assets	Type	Country	Credit rating (if available)
1 AMP Capital Investors NZ Cash Fund	26.92%	Cash and cash equivalents	New Zealand	NA
2 Robeco Global Credit Fund	2.55%	International fixed interest	Australia	NA
3 New Zealand Government Bond 3% 15/04/2020	1.86%	New Zealand fixed interest	New Zealand	AA+
4 New Zealand Government Bond 6% 15/05/2021	1.71%	New Zealand fixed interest	New Zealand	AA+
5 Westpac Business Interest Account	1.49%	Cash and cash equivalents	New Zealand	AA-
6 New Zealand Government Bond 5.5% 15/04/2023	1.27%	New Zealand fixed interest	New Zealand	AA+
7 New Zealand Government Indexed Bond 2% 20/09/2025	1.17%	New Zealand fixed interest	New Zealand	AA+
8 New Zealand Local Government Funding Agency Bond 3.5% 14/04/2033	1.14%	New Zealand fixed interest	New Zealand	AA+
9 Housing New Zealand Ltd Bond 3.42% 18/10/2028	1.02%	New Zealand fixed interest	New Zealand	AA+
10 BNP New Zealand Dollar Custodial Account Moderate Portfolio	0.90%	Cash and cash equivalents	New Zealand	NA

The top 10 investments make up 40.03% of the fund.

Currency hedging

Currency hedging can apply to some of the asset classes this fund invests in. The level of currency hedging for global shares is managed between 0% and 100% on a net of tax basis and may change over time depending on Mercer's view of the relative strength (or weakness) of the New Zealand dollar. Other global assets classes (Global Fixed Interest and Real Assets), target a 100% net of tax hedge to the New Zealand dollar. Refer to the Statement of Investment Policy and Objectives for more information which is available from www.disclose-register.companiesoffice.govt.nz/

KEY PERSONNEL

This shows the directors and employees who have the most influence on the investment decisions of the fund.

Name	Current Position	Time in current position	Previous/other position	Time in previous/other position
Ross Butler	Chairman - Mercer (N.Z.) Ltd	6 years 3 months	Chairman - Mercer Investment Nominees (NZ) Ltd	2 years 0 months
Martin Lewington	CEO - Mercer (N.Z.) Ltd	10 years 1 month	Head of Investments - Mercer (N.Z.) Ltd	3 years 8 months
Philip Houghton-Brown	Chief Investment Officer - New Zealand, Mercer (N.Z.) Ltd	6 years 8 months	Chief Investment Officer - Onepath (NZ) Ltd	5 years 3 months
Kylie Willment	Chief Investment Officer, Pacific, Mercer Australia (Pty) Ltd	1 year 5 months	Senior Manager, Investment & Client Strategy - TCorp (NSW Treasury Corporation)	17 years 0 months
Ronan McCabe ¹¹	Head of Portfolio Management, Delegated Solutions Pacific, Mercer Australia (Pty) Ltd	1 month	Senior Investment Manager - Ireland Strategic Investment Fund (ISIF)	3 years 7 months

FURTHER INFORMATION

You can also obtain this information, the PDS for the Mercer FlexiSaver scheme and some additional information from the offer register at www.disclose-register.companiesoffice.govt.nz/

NOTES

1. The benchmark is a composite of market, peer group and absolute return indices. The absolute return indices were used up to 30 September 2018. A composite has been used as market indices are not applicable for some of the asset classes in this fund. The composite index may be a less reliable indicator of performance than a market index. The composite has been used to calculate the risk indicator (where actual returns are not available for the period specified) and is also used in the section *How has the fund performed?*

Additional detail regarding indices can be found on the Disclose register www.disclose-register.companiesoffice.govt.nz/

2. Returns may vary for some investors depending on the fund charges applicable to them.

3. The average annual return is from 31 December 2015.

4. Underlying in-fund costs and external underlying performance based fees have been estimated as at 31 March 2018.

5. Manager's basic fee is noted as an estimate as it varies for some investors including those who joined through an employer based group. Due to this, the amount stated is the maximum fee. The actual fee charged to investors may therefore be lower for some investors. Refer to the PDS listed under the Mercer FlexiSaver or New Zealand Defence Force FlexiSaver Scheme offers on Disclose for further details of the applicable manager's basic fee.

6. Other management and administration charges include the use of an average deduction from an investors account which means that the fee applicable to some investors, including those who joined through an employer based group, may be higher or lower. The supervisor and custodian fee has been calculated based the unit price deduction.

7. Other charges in the form of an administration fee of up to \$2.50 per investor per month (\$30.00 per year) can apply to some investors who join through an employer based group.

8. The fees disclosed are on a GST exclusive basis.

9. Returns may vary for some investors depending on the fund charges applicable to them. Returns may also differ for some investors who do not incur the other charges shown.

10. For the reporting of the types of assets under Actual investment mix and Top 10 investments, cash retained for liquidity management at a sector level is assigned to the asset class to which it relates to.

11. Ronan McCabe has not been named as a key person in the previous fund update as he was appointed on 25th March 2019.

Got any questions?

Visit our website www.mercerfinancialservices.co.nz or call our Helpline on **0508 637 237** (if calling from within New Zealand)

If you're calling from overseas you can contact us on **+61 3 8687 1886**. Helpline hours are from 9am to 7pm, Monday to Friday except public holidays.