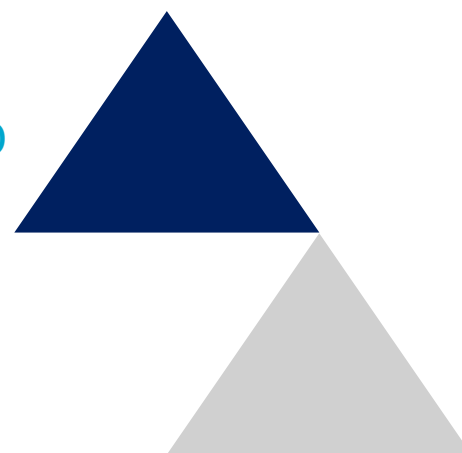


FUND UPDATE

MERCER OVERSEAS SHARES (HEDGED) FUND MERCER FLEXISAVER



Quarter ending 30 September 2018

This fund update was first made publicly available on: 26 October 2018.

WHAT IS THE PURPOSE OF THIS UPDATE?

This document tells you how the Mercer Overseas Shares (Hedged) 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.

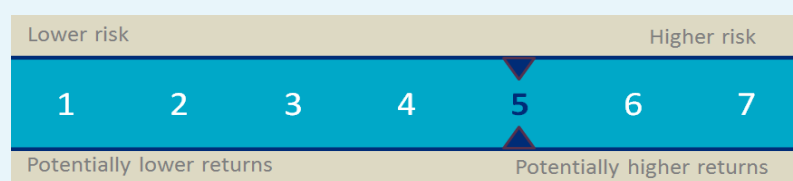
DESCRIPTION OF THIS FUND

Invests almost entirely in overseas share markets hedged into New Zealand dollars. May be suitable for investors seeking exposure to international shares and who are comfortable with a high level of volatility in returns.

Total value of the fund	\$806,159
Date the fund started	20 December 2017

WHAT ARE THE RISKS OF INVESTING?

Risk indicator for the Mercer Overseas Shares (Hedged) 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.sorted.org.nz/tools/investment-kickstarter.

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 30 September 2018. 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 market 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 30 September 2018, market index returns have been used up to 28 February 2018 with actual fund returns used for the balance of the period to 30 September 2018.

HOW HAS THE FUND PERFORMED?

	Past year
Annual return <i>(after deductions for charges and tax)</i>	Not applicable
Annual return <i>(after deductions for charges but before tax)</i>	Not applicable
Market index annual return <i>(reflects no deductions for charges and tax)</i>	10.32%

The market 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 market index is available on the offer register.

WHAT FEES ARE INVESTORS CHARGED?

Investors in the Mercer Overseas Shares (Hedged) fund pay fund charges. Based on the PDS dated 21 June 2018, these are expected to be¹:

	% of net asset value
TOTAL FUND CHARGES³	0.98% ² (estimated)
<i>Which are made up of:</i>	
TOTAL MANAGEMENT AND ADMINISTRATION CHARGES	0.98% ² (estimated)
<i>Including:</i>	
Manager's basic fee	0.82%
Other management and administration charges	0.16% ² (estimated)
TOTAL PERFORMANCE BASED FEES	0.00%
	Dollar amount per investor
OTHER CHARGES	\$0.00

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

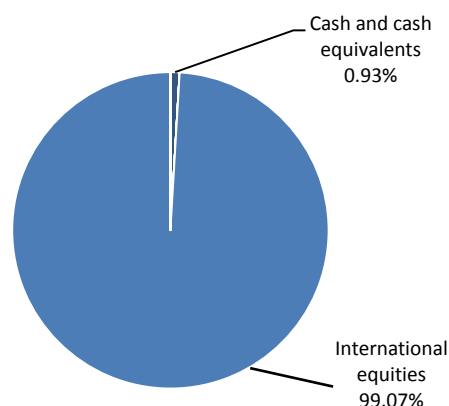
EXAMPLE OF HOW THIS APPLIES TO AN INVESTOR

Ben had \$10,000 in the fund at the start of the period and didn't make any further contributions. At the end of the period, Ben received a return after fund charges were deducted of \$52.00 (0.52% of his initial \$10,000). Ben also paid \$0.00 in other charges. This gives Ben a total return after tax of \$52.00 for the period.⁴

WHAT DOES THE FUND INVEST IN?

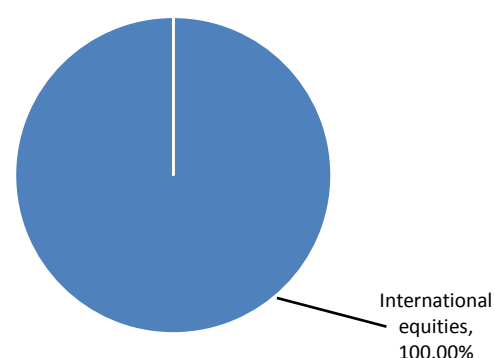
Actual investment mix

This shows the types of assets that the fund invests in⁵.



Target investment mix

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



TOP 10 INVESTMENTS⁵

Name	% of fund net assets	Type	Country	Credit rating (if available)
1 BNP Paribas US dollar account	5.25%	International equities	United States	NA
2 Microsoft Corp.	1.27%	International equities	United States	NA
3 Mastercard Inc.	1.24%	International equities	United States	NA
4 Amazon.Com Inc.	1.04%	International equities	United States	NA
5 Visa Inc.	0.97%	International equities	United States	NA
6 Westpac Business Interest Account	0.93%	Cash and cash equivalents	New Zealand	AA-
7 AbbVie Inc.	0.84%	International equities	United States	NA
8 Commodities Future Margins - US dollars	0.78%	International equities	United States	NA
9 New Zealand Dollar Custodial Account – MITNZ Overseas Shares Portfolio B	0.72%	International equities	New Zealand	NA
10 Naspers Limited	0.71%	International equities	South Africa	NA

The top 10 investments make up 13.75% of the fund.

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	5 years 9 months	Chairman - Mercer Investment Nominees (NZ) Ltd	2 years 0 months
Martin Lewington	CEO - Mercer (N.Z.) Ltd	9 years 7 months	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 2 months	Chief Investment Officer - Onepath (NZ) Ltd	5 years 3 months
Kylie Willment	Chief Investment Officer, Pacific, Mercer Australia (Pty) Ltd	0 years 11 months	Senior Manager, Investment & Client Strategy - TCorp (NSW Treasury Corporation)	17 years 0 months

FURTHER INFORMATION

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

NOTES

1. As the fund commenced on 20 December 2017 a full year had yet to be completed and therefore PDS fee data was used for the fund charges table. The PDS version used was dated 21 June 2018 as this was the most recent version available at the time this fund update was first made publicly available.
2. The annual fund charges include estimates for certain costs incurred and expenses recovered such as indirect costs charged by external investment trusts or managers of underlying funds. Estimates have been based on the total amount of such costs recovered for the previous financial year to 31 March 2018 (where this is available). Mercer and the Supervisor also incur a number of expenses for which they are entitled to be reimbursed out of the scheme assets.
3. The fees disclosed are on a GST exclusive basis.
4. The period used for this example is 28 February 2018 to 30 September 2018 as February 2018 was the first full month investors were present in the fund.
5. For the report of the type of assets under actual investment mix and Top 10 investments, cash retained for liquidity management at sector level is assigned to the asset class to which it relates to.