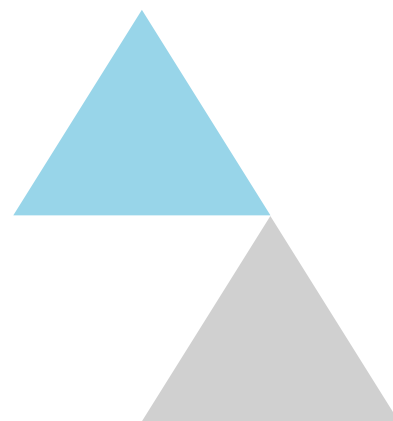


FUND UPDATE

MERCER MODERATE FUND MERCER KIWISAVER SCHEME



Quarter ending 31 March 2018

This fund update was first made publicly available on: 1 May 2018.

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.

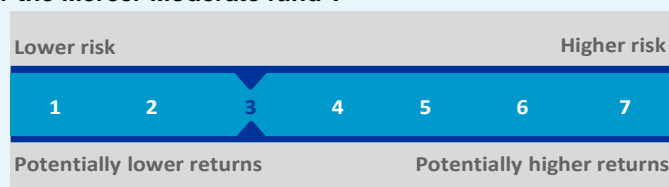
DESCRIPTION OF THIS FUND

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	\$90,471,681
Number of members in the fund	3,251
Date the fund started	18 February 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 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.

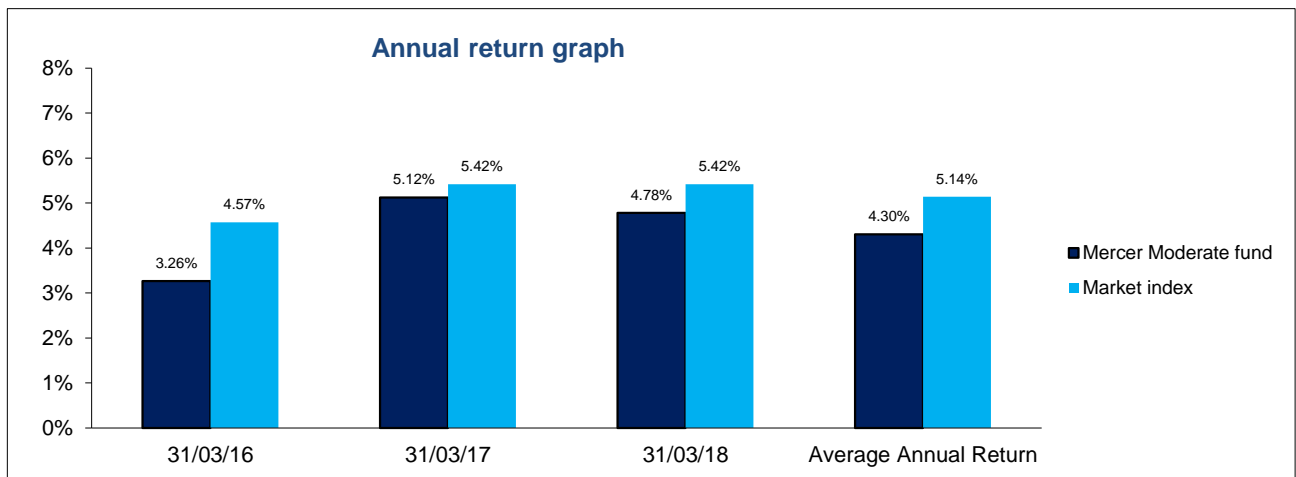
See the Product Disclosure Statement (PDS) for more information about the risks associated with investing in this fund.

† A combination of actual fund returns and market index returns have been used to determine the risk indicator as the fund commenced operation on 18 February 2015. 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 2018, market index returns have been used up to 28 February 2015 with actual fund returns used for the balance of the period to 31 March 2018.

HOW HAS THE FUND PERFORMED?

	Past Year
Annual return <i>(after deductions for charges and tax)</i>	4.78%
Annual return <i>(after deductions for charges but before tax)</i>	5.87%
Market index annual return <i>(reflects no deductions for charges and tax)</i>	5.42%

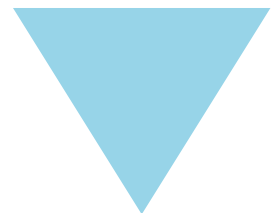
The market index return is the strategic asset allocation weighted benchmark index return, where the benchmark indices are defined in the Statement of Investment Policy and Objectives. Additional information about the market index is available on the offer register.



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 2018. Note that market indices reflect no deduction for charges and tax.

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 2017 these were:

	% of net asset value
TOTAL FUND CHARGES	0.78%
Which are made up of:	
TOTAL MANAGEMENT AND ADMINISTRATION CHARGES	0.78%
Including:	
Manager's basic fee	0.59%
Other management and administration charges*	0.19%
TOTAL PERFORMANCE BASED FEES	0.00%

OTHER CHARGES

Dollar amount per investor

Membership Fee \$30.00 ¹

*Note: Included within 'Other management and administration charges' are performance-based fees charged by external managers of underlying funds that the fund invested into which totalled 0.13%. Over the past five years, for similar funds operated by Mercer, performance based fees have averaged 0.04%. Performance-based fees are subject to market movements and external manager performance and the amount of these fees for any given period may materially differ from those disclosed for the year 31 March 2017.

These are not included in the line 'Total Performance Based Fees' as this line relates to direct charges from 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 KiwiSaver 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.

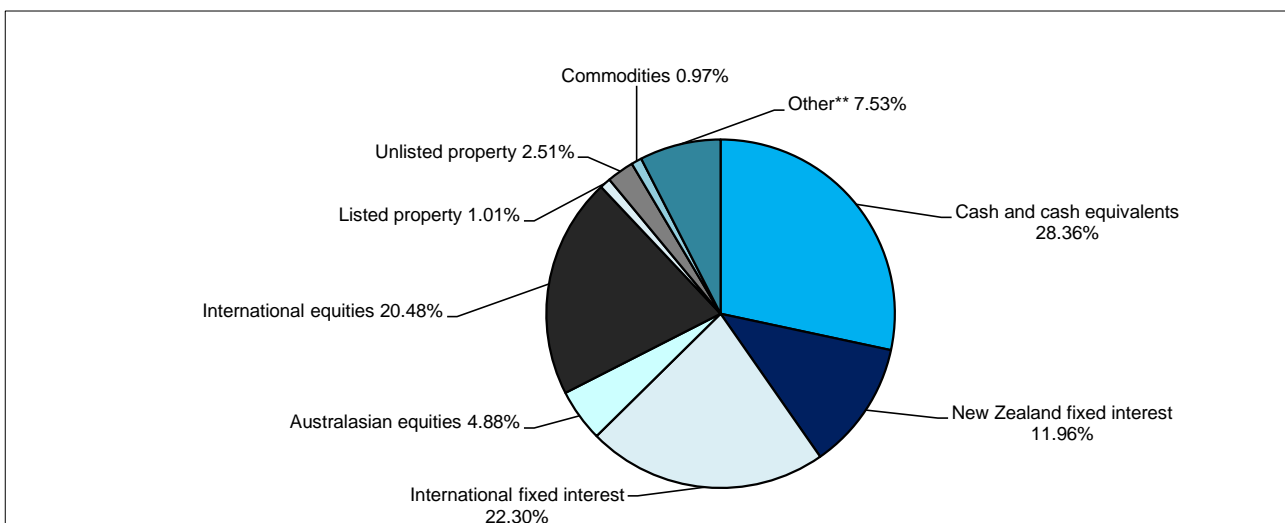
EXAMPLE OF HOW THIS APPLIES TO AN INVESTOR

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 \$478.00 (4.78% of his initial \$10,000). Ben also paid \$30.00 in other charges. This gives Ben a total return after tax of \$448.00 for the year.

WHAT DOES THE FUND INVEST IN?

Actual investment mix

This shows the types of assets that the fund invests in.²



**Includes listed and unlisted infrastructure assets and alternatives

TARGET INVESTMENT MIX

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

Cash and cash equivalents	24.00%
New Zealand fixed interest	13.00%
International fixed interest	28.00%
Australasian equities	7.00%
International equities	16.00%
Listed property	2.00%
Unlisted property	2.00%
Commodities	1.00%
Other*	7.00%

*Includes listed and unlisted infrastructure assets and alternatives

TOP 10 INVESTMENTS ²

Name	% of fund net assets	Type	Country	Credit rating (if available)
1 AMP Capital Investors NZ Cash Fund	26.72%	Cash and cash equivalents	New Zealand	NA
2 ANZ Wholesale Sovereign Bond Fund	11.85%	New Zealand fixed interest	New Zealand	NA
3 Challenger Harris Global Sovereign Bond Trust	4.19%	International fixed interest	Australia	NA
4 Robeco Global Credit Fund	2.59%	International fixed interest	Australia	NA
5 BNP Paribas US Dollar account	0.95%	International equities	United States	NA
6 BNP New Zealand Dollar Custodial Account Moderate Portfolio	0.69%	Cash and cash equivalents	New Zealand	NA
7 First State Investments Global Listed Infrastructure Fund	0.64%	Other**	New Zealand	NA
8 Fisher Institutional Property Fund	0.62%	Unlisted property	New Zealand	NA
9 IFM Australian Infrastructure Wholesale Fund	0.59%	Other***	Australia	NA
10 Colonial First State Infrastructure Income Fund	0.58%	Other***	Australia	NA

**An investment in a fund that is primarily comprised of listed infrastructure assets.

***An investment in a fund that is primarily comprised of unlisted infrastructure assets.

The top 10 investments make up 49.42% 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% 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.companiesoffice.govt.nz/disclose.

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 3 months	Chairman - Mercer Investment Nominees (NZ) Ltd	2 years 0 months
Martin Lewington	CEO - Mercer (N.Z.) Ltd	9 years 1 months	Head of Investments - Mercer (N.Z.) Ltd	3 years 8 months
Philip Houghton-Brown	Chief Investment Officer - New Zealand, Mercer (N.Z.) Ltd	5 years 8 months	Chief Investment Officer - Onepath (NZ) Ltd	5 years 3 months
Kylie Willment	Chief Investment Officer, Pacific, Mercer Australia (Pty) Ltd	0 years 5 months	Senior Manager, Investment & Client Strategy - TCorp (NSW Treasury Corporation)	17 years 0 months
Philip Graham	Deputy Chief Investment Officer - Pacific, Mercer Australia (Pty) Ltd	6 years 8 months	Senior Portfolio Strategist - Mercer Australia (Pty) Ltd	4 years 2 months

FURTHER INFORMATION

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

NOTES

1. Membership fees are the fixed dollar charges for membership of the scheme. A lower membership fee may apply for some investors.
2. 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.

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.