

FUND UPDATE

MERCER SHARES FUND MERCER KIWISAVER SCHEME

Quarter ending 30 June 2017

This fund update was first made publicly available on: 28 July 2017.

WHAT IS THE PURPOSE OF THIS UPDATE?

This document tells you how the Mercer Shares 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.

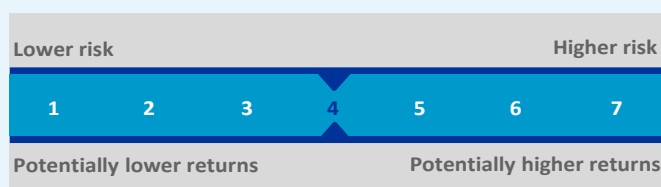
DESCRIPTION OF THIS FUND

The Mercer Shares fund invests almost entirely in the share market. This may be suitable for investors seeking exposure mostly to shares and who are comfortable with a high level of volatility in returns.

| | |
|-------------------------------|------------------|
| Total value of the fund | \$12,618,157 |
| Number of members in the fund | 712 |
| Date the fund started | 18 February 2015 |

WHAT ARE THE RISKS OF INVESTING?

Risk indicator for the Mercer Shares 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 June 2017. 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.

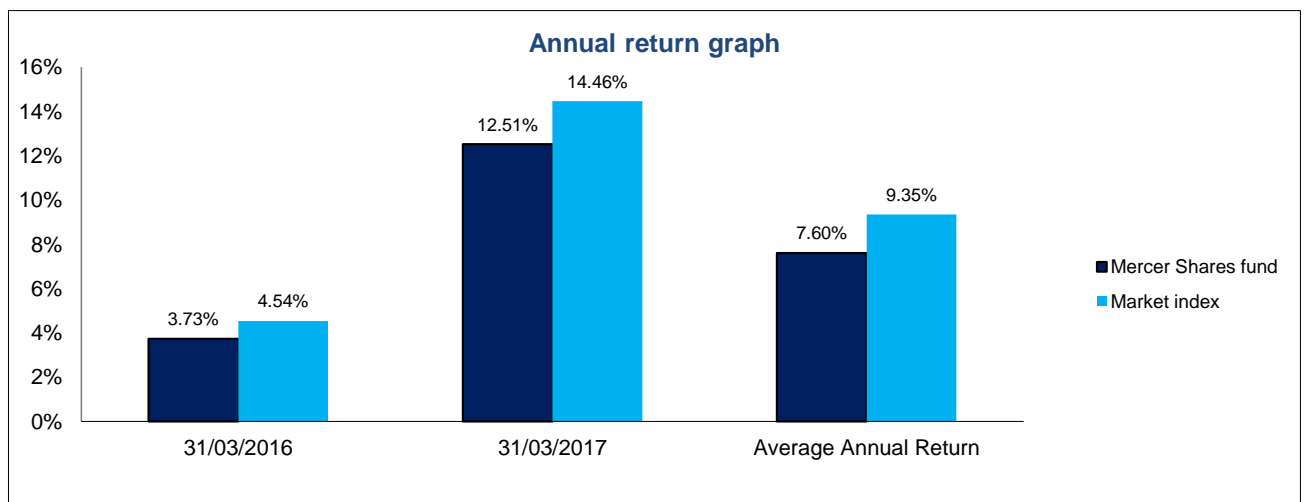
See the Product Disclosure Statement (PDS) for more information about the risks associated with investing in this fund.

† 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 30 June 2017, market index returns have been used up to 28 February 2015 with actual fund returns used for the balance of the period to 30 June 2017.

HOW HAS THE FUND PERFORMED?

| | Past year |
|--|-----------|
| Annual return <i>(after deductions for charges and tax)</i> | 15.59% |
| Annual return <i>(after deductions for charges but before tax)</i> | 17.36% |
| Market index annual return <i>(reflects no deductions for charges and tax)</i> | 15.88% |

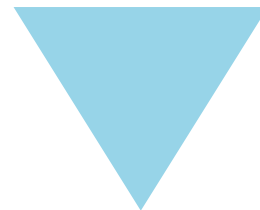
The market index return is the strategic asset allocation weighted benchmark index return, where the benchmark indices are defined in the Statement of Investment Policy and Objectives. Additional information about the market index is available on the offer register.



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 30 June 2017. 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 Shares fund pay fund charges. In the year to 31 March 2017 these were:

| | % of net asset value |
|--|-----------------------------------|
| TOTAL FUND CHARGES | 0.96% |
| Which are made up of: | |
| TOTAL MANAGEMENT AND ADMINISTRATION CHARGES | 0.96% |
| Including: | |
| Manager's basic fee | 0.90% |
| Other management and administration charges | 0.06% |
| TOTAL PERFORMANCE BASED FEES | 0.00% |
| OTHER CHARGES | Dollar amount per investor |
| Membership Fee | \$30.00 ¹ |

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.

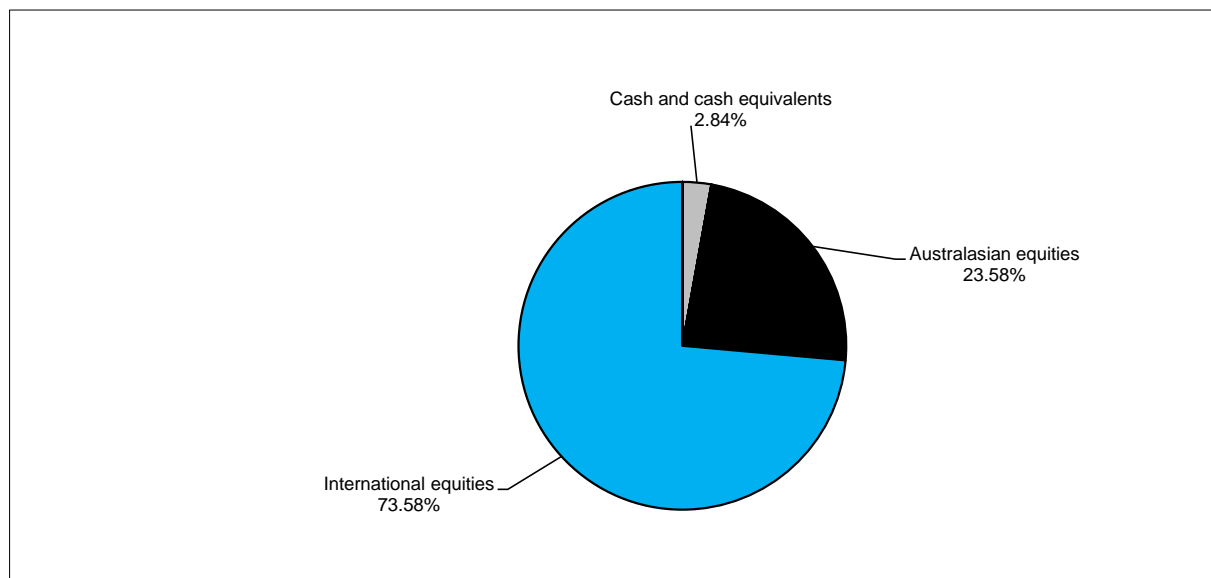
EXAMPLE OF HOW THIS APPLIES TO AN INVESTOR

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 \$1559.00 (15.59% of his initial \$10,000). Ben also paid \$30.00 in other charges. This gives Ben a total return after tax of \$1529.00 for the year.

WHAT DOES THE FUND INVEST IN?

Actual investment mix

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



TARGET INVESTMENT MIX

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

| | |
|------------------------------|--------|
| Cash and cash equivalents | 0.00% |
| New Zealand fixed interest | 0.00% |
| International fixed interest | 0.00% |
| Australasian equities | 26.00% |
| International equities | 74.00% |
| Listed property | 0.00% |
| Unlisted property | 0.00% |
| Commodities | 0.00% |
| Other | 0.00% |

TOP 10 INVESTMENTS

| Name | % of fund net assets | Type | Country | Credit rating (if available) |
|---|----------------------|---------------------------|---------------|------------------------------|
| 1 Schroder Global Core Fund | 11.20% | International equities | Australia | NA |
| 2 Fidelity Select Global Small Cap Fund | 2.79% | International equities | Australia | NA |
| 3 Blackrock Global Enhanced Emerging Markets Fund - E Class | 2.70% | International equities | Australia | NA |
| 4 Fisher & Paykel Healthcare Corporation Limited | 2.46% | Australasian equities | New Zealand | NA |
| 5 iShares Trust Core S&P 500 ETF | 2.28% | International equities | United States | NA |
| 6 Westpac Business Interest Account | 1.97% | Cash and cash equivalents | New Zealand | AA- |
| 7 Investec Emerging Markets Equity Fund | 1.79% | International equities | Australia | NA |
| 8 Macquarie True Index Emerging Markets Value Weighted Fund | 1.77% | International equities | Australia | NA |
| 9 Macquarie True Index Emerging Market Fund | 1.77% | International equities | Australia | NA |
| 10 Fletcher Building Limited | 1.54% | Australasian equities | New Zealand | NA |

The top 10 investments make up 30.27% 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. 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 | 4 years 6 months | Chairman - Mercer Investment Nominees (NZ) Ltd | 2 years |
| Martin Lewington | CEO - Mercer (N.Z.) Ltd | 8 years 4 months | Head of Investments - Mercer (N.Z.) Ltd | 3 years 8 months |
| Philip Houghton-Brown | Chief Investment Officer - New Zealand, Mercer (N.Z.) Ltd | 4 years 11 months | Chief Investment Officer - Onepath (NZ) Ltd | 5 years 3 months |
| Philip Graham ³ | Deputy Chief Investment Officer - Pacific, Mercer Australia (Pty) Ltd | 5 years 11 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 asset allocation reporting purposes cash retained for liquidity management at a sector level is assigned to the asset class to which it relates to and is not separately identified.
3. For the Quarter ending June 2017, Philip Graham has also held the role of Acting Chief Investment Officer – Pacific, Mercer Australia (Pty) Ltd

Got any questions?

Visit our website mercerkiwisaverscheme.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.