

FUND UPDATE

MERCER MODERATE FUND

MERCER SUPER TRUST

Quarter ending 31 December 2018

This fund update was first made publicly available on: 8 February 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.

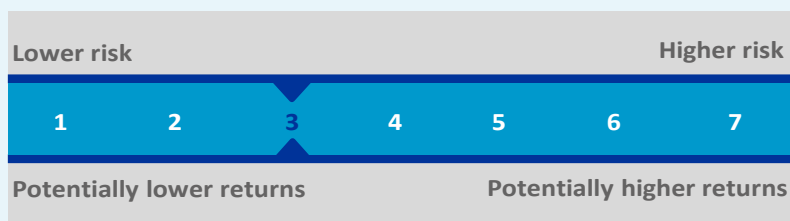
DESCRIPTION OF THIS FUND

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	\$51,510,834
Number of members in the fund	1,036
Date the fund started	1 May 2003

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.

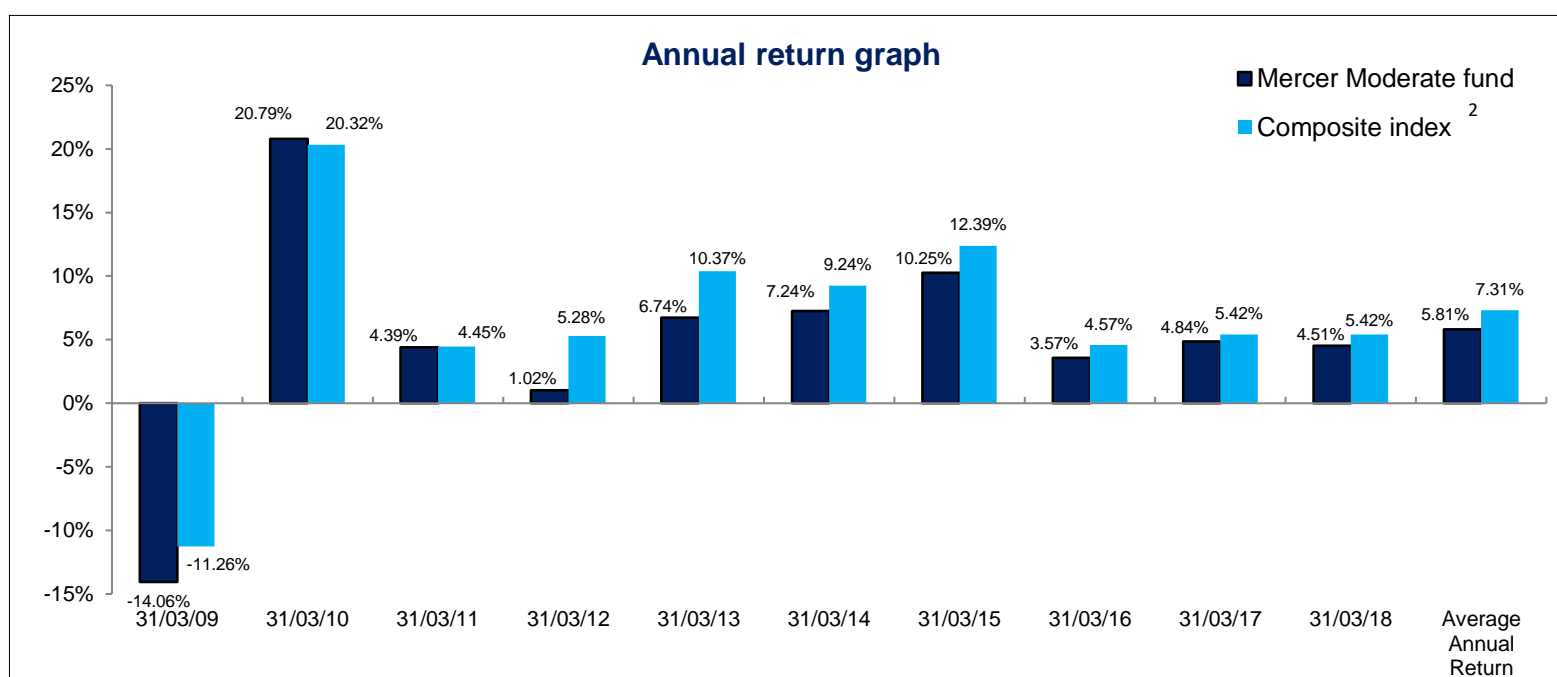
This risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for 5 years to 31 December 2018. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates.

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

HOW HAS THE FUND PERFORMED?

	Average over past 5 years	Past year
Annual return <i>(after deductions for charges and tax)</i> ¹	4.98%	-0.20%
Annual return <i>(after deductions for charges but before tax)</i> ¹	5.73%	0.30%
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> ²	6.18%	0.89%

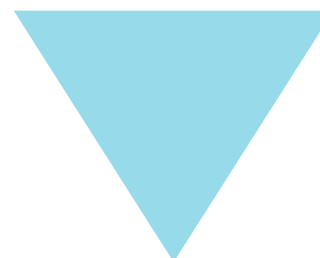
The composite index return is the strategic asset allocation weighted benchmark index return, where the benchmark indices are defined in the Statement of Investment Policy and Objectives. Additional information about the composite index is available on the offer register.



This shows the return after fund charges and tax for each of the last 10 years ending 31 March. The last bar shows the average annual return for the last 10 years up to 31 December 2018.

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 CHARGES⁶	1.03% ^{3,4 (estimate)}
Which are made up of:	
TOTAL MANAGEMENT AND ADMINISTRATION CHARGES	1.03% ^{3,4 (estimate)}
Including:	
Manager's basic fee	0.59%
Other management and administration charges	0.44% ^{3,4 (estimate)}
TOTAL PERFORMANCE BASED FEES	0.00%
OTHER CHARGES	Dollar amount per investor ⁵
Membership Fee	Varies by Plan. An average across the Scheme of \$56.13 is used for the purposes of the example below.

*Note: Included within '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 where applicable. Performance-based fees are subject to market movements and external manager performance and the 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 may also be charged individual action fees for specific actions or decisions (for example, for withdrawing from or switching funds). See the Mercer Super Trust PDS and Your Plan Details for more information about fees.

Small differences in fees and charges can have a big impact on your investment over the long term.

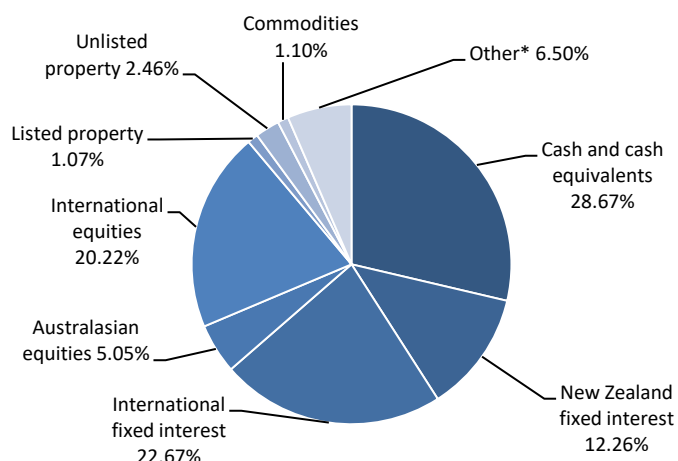
EXAMPLE OF HOW THIS APPLIES TO AN INVESTOR⁷

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 incurred a loss after fund charges were deducted of -\$20.00 (-0.20% of his initial \$10,000). Ben also paid \$56.13 in other charges. This gives Ben a total loss after tax of -\$76.13 for the year.

WHAT DOES THE FUND INVEST IN?

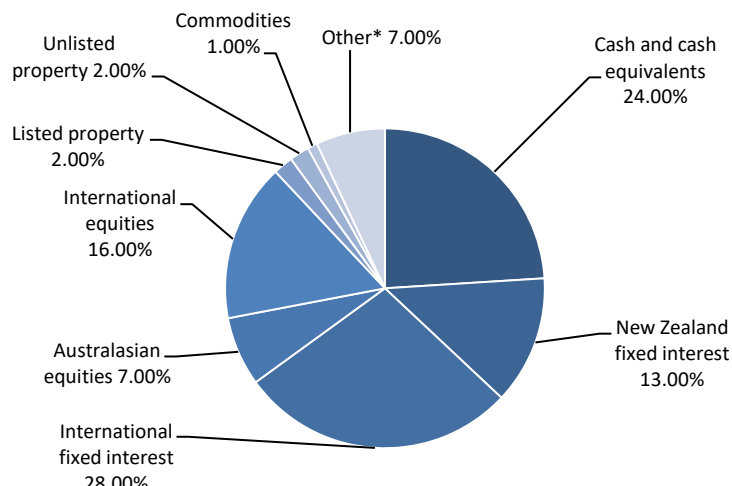
Actual investment mix

This shows the types of assets that the fund invests in.⁸



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 INVESTMENTS⁸

Name	% of fund net assets	Type	Country	Credit rating (if available)
1 AMP Capital Investors NZ Cash Fund	28.15%	Cash and cash equivalents	New Zealand	NA
2 Challenger Harris Global Sovereign Bond Trust	2.93%	International fixed interest	Australia	NA
3 Robeco Global Credit Fund	2.71%	International fixed interest	Australia	NA
4 New Zealand Government Bond 6% 15/05/2021	2.25%	New Zealand fixed interest	New Zealand	AA+
5 New Zealand Government Bond 3% 15/04/2020	1.88%	New Zealand fixed interest	New Zealand	AA+
6 New Zealand Government Bond 5.5% 15/04/2023	1.74%	New Zealand fixed interest	New Zealand	AA+
7 New Zealand Government Bond 5% 15/03/2019	1.64%	New Zealand fixed interest	New Zealand	AA+
8 BNP Paribas US Dollar Account	0.94%	International equities	United States	NA
9 New Zealand Government Indexed Bond 2% 20/09/2025	0.81%	New Zealand fixed interest	New Zealand	AA+
10 New Zealand Government Bond 4.5% 15/04/2027	0.81%	New Zealand fixed interest	New Zealand	AA+

The top 10 investments make up 43.86% 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 0 months	Chairman - Mercer Investment Nominees (NZ) Ltd	2 years 0 months
Martin Lewington	CEO - Mercer (N.Z.) Ltd	9 years 10 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 5 months	Chief Investment Officer - Onepath (NZ) Ltd	5 years 3 months
Kylie Willment	Chief Investment Officer, Pacific, Mercer Australia (Pty) Ltd	1 year 2 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 the Mercer Super Trust and some additional information from the offer register at www.disclose-register.companiesoffice.govt.nz/

NOTES

1. The total deductions applied include a percentage based administration fee of 0.40% per annum. This is the rate applied to the unit price and may be higher or lower for some investors meaning returns may differ.

2. 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.

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

3. The administration fee within other management and administration charges has been determined as an average for the year. This fee can vary by Plan: the fee applicable for investors maybe higher or lower. Refer to Your Plan Details for information relating to the total fund charges applicable if you are a member of a Plan. For investors in a closed Plan please contact Mercer on 0508 637 237 for the charges that apply to you. The expense recovery of 0.10% has been determined based on the unit price deduction for the year ended 31 March 2018, during October 2018 this was reduced to 0.07%.

4. Underlying in-fund costs and underlying external performance based fees have been estimated based on data available for 31 March 2018.

5. Membership fees are the fixed dollar charges for membership of the Scheme. As the fee varies by Plan, the value stated is the average fee charged across the Scheme for the year ended 31 March 2018. The fee can be higher or lower for investors with more details relating to the applicable fee noted in Your Plan Details. If you are a member of a Plan with insurance refer to your annual statement for details of any applicable insurance charges.

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

7. Returns can vary for investors depending on the fund charges applicable to the Plan they are a member of. Returns may also differ for some investors given the other charges value used in this example is an average and may be higher or lower depending on the Plan.

8. 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.