

MONTHLY REPORT

MERCER KIWISAVER SCHEME, MERCER SUPER TRUST, AND MERCER FLEXISAVER

Confidence returned to global markets in July as investors put aside worries related to the surprise Brexit result in June. Equity markets rebounded, delivering strong returns for the month across all developed countries. Financials, Information Technology and Consumer Discretionary were the standout sectors, whereas sectors that did well last quarter, Energy and Telecoms in particular, generally lagged. Despite the markets' increased appetite for riskier assets, investors demand for safe haven investments continued, pushing interest rates around the world to new lows (pushing up bond prices); 74% of developed market government bonds now have yields below 1%, with 35% in negative territory.

The MSCI World Index rose +4.1% during the month (in local currency), making back ground lost in June and boosting the year-to-date return back into the black at +3.4%. Unhedged investors received a return of +2.9%, with the New Zealand dollar rising against most currencies. Locally, the New Zealand Exchange S&P/NZX 50 Index was up +6.5%, finishing at yet another all-time high. Across the ditch, Australian shares had their largest monthly increase since October 2011 (+6.3% in Australian dollar). Global Aggregate Bonds returned +0.8% for the month. New Zealand Government Bonds rose +0.9%. Global Listed Property and Global Listed Infrastructure returned +5.0% and +2.0% respectively (both New Zealand dollar hedged).

For more information call 0508 MERCER (0508 637 237) or visit www.mymercer.co.nz



SIGNIFICANT RECENT ITEMS INCLUDE:

An estimate of a Balanced Fund gross index return based on selected market indicators for July is +2.3%.



WORLDWIDE

Oil prices fell to 3 month lows, impacted by global excess supply (high inventories) and lower demand due to slower economic growth.

▼ AUSTRALIA

The Australian election resulted in a victory (by a narrow margin) to the Liberal/National coalition and provided a boost to their sharemarket.

▼ NEW ZEALAND

The Reserve Bank of New Zealand (RBNZ) announced further loan-to-value restrictions to mitigate risks arising from the heated housing market. The RBNZ also signalled the need for further rate cuts in its July economic update due to the strong New Zealand dollar and weak inflation outlook.

▼ JAPAN

The Bank of Japan kept its policy rate and bond purchase program unchanged, disappointing markets that were anticipating more stimulus.

▼ UNITED STATES

United States job data exceeded market expectations, adding 287,000 new jobs in June (107k more than expected), a positive sign that the US economy is growing. Despite this, the US Federal Reserve left rates unchanged, noting that inflation is "expected to remain low in the near term".

INVESTMENT RETURNS

MERCER KIWISAVER SCHEME

| MERCER-MANAGED INVESTMENT OPTIONS | | 1 MONTH | 1 YEAR | 5 YEARS |
|------------------------------------|--------------|---------|--------|---------|
| 28% PRESCRIBED INVESTOR RATE (PIR) | Cash | 0.14% | 1.93% | 2.18% |
| | Conservative | 1.29% | 4.27% | 5.44% |
| | Moderate | 1.80% | 4.10% | na |
| | Balanced | 2.64% | 3.96% | 7.32% |
| | Growth | 3.44% | 3.01% | na |
| | High Growth | 4.21% | 3.29% | 9.06% |
| | Shares | 4.98% | 1.90% | na |

| MERCER-MANAGED INVESTMENT OPTIONS | | 1 MONTH | 1 YEAR | 5 YEARS |
|--------------------------------------|--------------|---------|--------|---------|
| 17.5% PRESCRIBED INVESTOR RATE (PIR) | Cash | 0.16% | 2.22% | 2.60% |
| | Conservative | 1.34% | 5.00% | 6.09% |
| | Moderate | 1.83% | 4.71% | na |
| | Balanced | 2.72% | 4.80% | 8.04% |
| | Growth | 3.52% | 3.93% | na |
| | High Growth | 4.25% | 4.08% | 9.76% |
| | Shares | 5.14% | 2.39% | na |

| MERCER-MANAGED INVESTMENT OPTIONS | | 1 MONTH | 1 YEAR | 5 YEARS |
|--------------------------------------|--------------|---------|--------|---------|
| 10.5% PRESCRIBED INVESTOR RATE (PIR) | Cash | 0.18% | 2.41% | 2.83% |
| | Conservative | 1.34% | 5.38% | 6.44% |
| | Moderate | 1.86% | 5.29% | na |
| | Balanced | 2.74% | 5.32% | 8.42% |
| | Growth | 3.50% | 4.52% | na |
| | High Growth | 4.27% | 4.46% | 10.15% |
| | Shares | 5.13% | 3.04% | na |

Notes

- The investment returns shown on this page are based on the unit price movements of each investment portfolio and are net of tax at the rate indicated and net of fund charges that are charged within the unit prices.
- Each investor's returns within an investment portfolio will depend on timing of contribution payments and actual fees charged allowing for any fee rebates. The net returns shown are therefore indicative of investment results but may differ from the actual net of fees and tax returns achieved by individual investors.
- 'na' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

INVESTMENT RETURNS MERCER SUPER TRUST

| MERCER-MANAGED INVESTMENT OPTIONS | | 1 MONTH | 1 YEAR | 5 YEARS |
|------------------------------------|--------------|---------|--------|---------|
| 28% PRESCRIBED INVESTOR RATE (PIR) | Cash | 0.12% | 1.62% | 1.88% |
| | Conservative | 1.23% | 3.97% | 5.13% |
| | Moderate | 1.76% | 4.08% | 6.64% |
| | Balanced | 2.65% | 3.68% | 7.48% |
| | Growth | 3.45% | 3.18% | 8.19% |
| | High Growth | 4.17% | 3.14% | 9.22% |
| | Shares | 5.06% | 2.17% | 11.51% |

| MERCER-MANAGED INVESTMENT OPTIONS | | 1 MONTH | 1 YEAR | 5 YEARS |
|--------------------------------------|--------------|---------|--------|---------|
| 17.5% PRESCRIBED INVESTOR RATE (PIR) | Cash | 0.13% | 1.87% | 2.11% |
| | Conservative | 1.28% | 4.60% | 5.53% |
| | Moderate | 1.83% | 4.54% | 7.15% |
| | Balanced | 2.68% | 4.39% | 7.89% |
| | Growth | 3.47% | 3.72% | 8.69% |
| | High Growth | 4.22% | 3.74% | 9.65% |
| | Shares | 5.08% | 2.46% | 12.02% |

| MERCER-MANAGED INVESTMENT OPTIONS | | 1 MONTH | 1 YEAR | 5 YEARS |
|--------------------------------------|--------------|---------|--------|---------|
| 10.5% PRESCRIBED INVESTOR RATE (PIR) | Cash | 0.14% | 2.03% | 2.25% |
| | Conservative | 1.32% | 4.86% | 5.80% |
| | Moderate | 1.84% | 5.01% | 7.35% |
| | Balanced | 2.72% | 4.69% | 8.22% |
| | Growth | 3.45% | 4.21% | 8.91% |
| | High Growth | 4.26% | 4.35% | 9.89% |
| | Shares | 5.17% | 2.89% | 12.41% |

Notes

- The investment returns shown on this page are based on the unit price movements of each investment portfolio and are net of tax at the rate indicated, net of investment management fees and net of any administration fees that are charged within the unit prices. Administration charges can vary between plans in Mercer Super Trust and portions of such fees may be rebated through the granting of extra units to investors.
- Each investor's returns within an investment portfolio will depend on timing of contribution payments and actual fees charged allowing for any fee rebates. The net returns shown are therefore indicative of investment results but may differ from the actual net of fees and tax returns achieved by individual investors.
- 'na' indicates that investment option was not operating for the full period or did not have funds invested for the full period.
- Fees may be deducted by redeeming units.

INVESTMENT RETURNS

MERCER FLEXISAVER

| MERCER-MANAGED INVESTMENT OPTIONS | | 1 MONTH | 6 MONTHS |
|------------------------------------|--------------|---------|----------|
| 28% PRESCRIBED INVESTOR RATE (PIR) | Cash | 0.13% | 0.73% |
| | Conservative | 1.21% | 4.02% |
| | Moderate | 1.77% | 4.78% |
| | Balanced | 2.59% | 6.07% |
| | Growth | 3.37% | 7.33% |
| | High Growth | 4.17% | 8.63% |
| | Shares | 4.87% | 9.83% |

| MERCER-MANAGED INVESTMENT OPTIONS | | 1 MONTH | 6 MONTHS |
|--------------------------------------|--------------|---------|----------|
| 17.5% PRESCRIBED INVESTOR RATE (PIR) | Cash | 0.20% | 0.82% |
| | Conservative | 1.21% | 4.25% |
| | Moderate | 1.79% | 5.23% |
| | Balanced | 2.65% | 7.01% |
| | Growth | 3.43% | 8.31% |
| | High Growth | 4.19% | 9.43% |
| | Shares | 5.00% | 10.49% |

| MERCER-MANAGED INVESTMENT OPTIONS | | 1 MONTH | 6 MONTHS |
|--------------------------------------|--------------|---------|----------|
| 10.5% PRESCRIBED INVESTOR RATE (PIR) | Cash | 0.14% | 0.90% |
| | Conservative | 1.30% | 4.64% |
| | Moderate | 1.83% | 5.42% |
| | Balanced | 2.67% | 7.42% |
| | Growth | 3.48% | 8.66% |
| | High Growth | 4.14% | 9.72% |
| | Shares | 5.03% | 11.02% |

Notes

- The investment returns shown on this page are based on the unit price movements of each investment portfolio and are net of tax at the rate indicated, net of investment management fees and net of any administration fees that are charged within the unit prices. Certain fund charges can vary between investors in Mercer FlexiSaver and portions of such fees may be rebated through the granting of extra units to investors.
- Each investor's returns within an investment portfolio will depend on timing of contribution payments and actual fees charged allowing for any fee rebates. The net returns shown are therefore indicative of investment results but may differ from the actual net of fees and tax returns achieved by individual investors.
- 'na' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

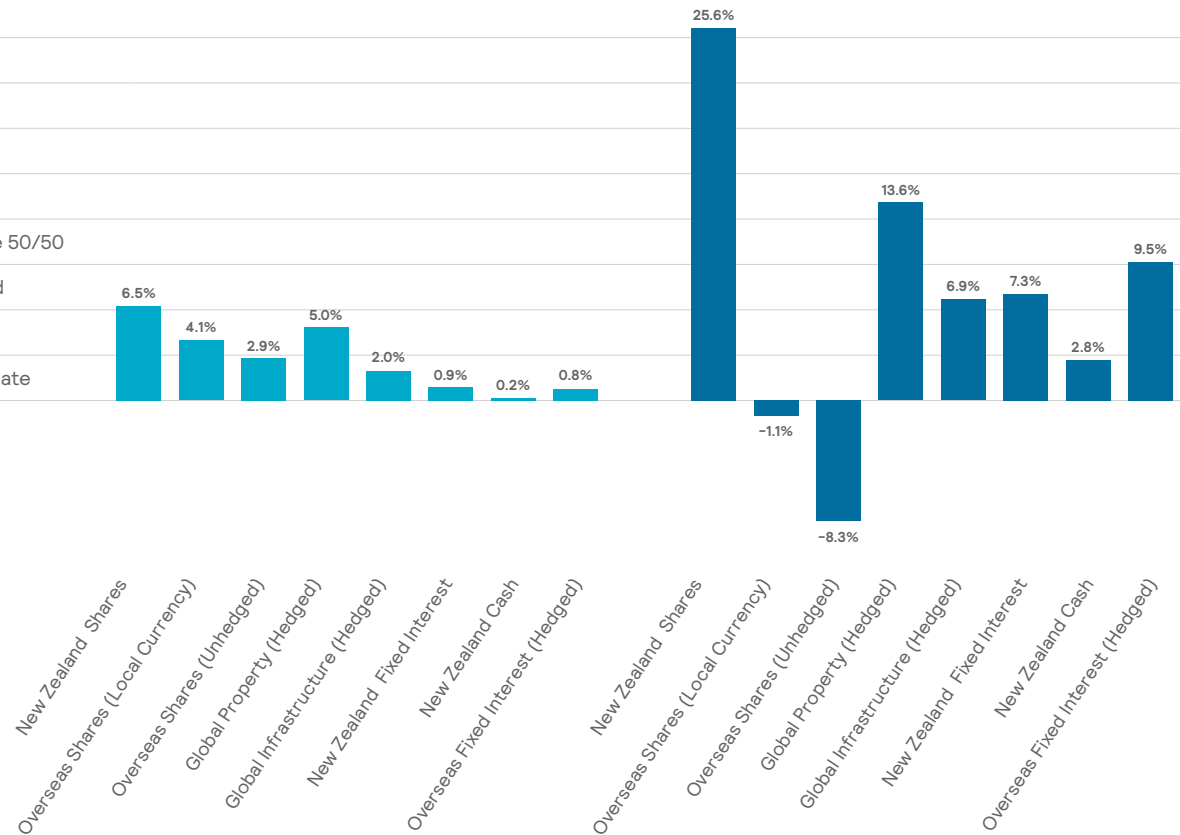
FINANCIAL MARKETS

ONE MONTH

ONE YEAR

KEY

| | |
|----------------------------------|---------------------------------------|
| NZ SHARES | S&P/NZX 50 (with ICs) |
| OVERSEAS SHARES (LOCAL CURRENCY) | MSCI World (Local Currency) |
| OVERSEAS SHARES (UNHEDGED) | MSCI World (Unhedged) |
| GLOBAL PROPERTY (HEDGED) | FTSE EPRA NAREIT Developed |
| GLOBAL INFRASTRUCTURE (HEDGED) | FTSE Global Core Infrastructure 50/50 |
| NZ FIXED INTEREST | S&P/NZX NZ Government Bond |
| NZ CASH | ANZ 90 Day Bank Bills |
| OVERSEAS FIXED INTEREST (HEDGED) | Barclays Capital Global Aggregate |



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