

# MONTHLY REPORT

## MERCER KIWISAVER SCHEME, MERCER SUPER TRUST, AND MERCER FLEXISAVER

Global markets ended the first half of 2016 the same way they started: with volatility and uncertainty. Any semblance of normality was forgotten on 24 June as markets around the world responded to the Brexit vote with a sharp equity selloff, falling currencies and rising bond prices. The outcome, and the impending UK exit from the European Union, reignited political and economic concerns that had been looming large. The lament, however, appeared to be short lived (for now at least), as investors rediscovered their faith in central banks and equity markets rebounded, closing out the month with three straight days of positive returns.

The MSCI World Index declined -1.3% during the month (in local currency), lowering the year-to-date return back into the red at -0.7%. Unhedged investors received a return of -6.1%, with the New Zealand dollar rising sharply against the British pound (+14.6%), United States dollar (+5.3%) and euro (+5.5%). New Zealand Shares declined -1.9%. Global Aggregate Bonds surged, returning +2.0% for the month. Similarly, New Zealand Bonds rose +0.9%. Global Listed Property and Global Listed Infrastructure returned +3.1% and +3.4% respectively (both New Zealand dollar hedged).



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## SIGNIFICANT RECENT ITEMS INCLUDE:

An estimate of a Balanced Fund gross index return based on selected market indicators for June is -0.6%.



### ▼ UNITED KINGDOM

The UK's referendum on membership of the European Union resulted in a victory for the "leave" campaign, sending markets into a temporary tailspin.

### ▼ UNITED KINGDOM/EUROPE

Following the vote to leave, Brexit sparked a series of events: on the morning of the announcement the UK Prime Minister, David Cameron, resigned, Scotland reignited speculation of a UK breakup, and European leaders started to request the resignation of the EU President.

### ▼ JAPAN/GERMANY/FRANCE

Risk aversion spawned by the Brexit vote pushed yet more bonds into negative yield territory. According to Fitch Ratings, negative yielding debt in United States dollar terms now totals \$11.7 trillion, with the majority of this coming from Japan (\$7.9 trillion), Germany and France (both at \$1 trillion).

### ▼ ITALY

The Italian banking system deteriorated further during the month as its banks ended June sitting on a combined United States dollar \$401 billion of bad debts (25% of Italy's Gross Domestic Product). Overcoming this obstacle will be largely dependent on negotiations between the Italian government and the Eurozone.

# INVESTMENT RETURNS

## MERCER KIWISAVER SCHEME

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.13%	2.01%	2.19%
	Conservative	-0.09%	3.94%	5.13%
	Moderate	-0.37%	3.26%	na
	Balanced	-1.01%	2.48%	6.51%
	Growth	-1.79%	0.95%	na
	High Growth	-2.51%	0.62%	7.71%
	Shares	-3.73%	-1.18%	na

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.15%	2.30%	2.61%
	Conservative	0.04%	4.71%	5.81%
	Moderate	-0.23%	3.92%	na
	Balanced	-0.79%	3.32%	7.27%
	Growth	-1.57%	1.86%	na
	High Growth	-2.25%	1.42%	8.46%
	Shares	-3.57%	-0.94%	na

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.16%	2.50%	2.84%
	Conservative	0.10%	5.14%	6.19%
	Moderate	-0.11%	4.49%	na
	Balanced	-0.65%	3.87%	7.68%
	Growth	-1.38%	2.38%	na
	High Growth	-2.11%	1.82%	8.88%
	Shares	-3.36%	-0.31%	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	0.09%	1.70%	1.89%
	Conservative	-0.13%	3.67%	4.81%
	Moderate	-0.45%	3.27%	6.08%
	Balanced	-1.10%	2.18%	6.69%
	Growth	-1.90%	1.07%	7.14%
	High Growth	-2.62%	0.54%	7.89%
	Shares	-3.80%	-1.04%	9.63%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.11%	1.96%	2.12%
	Conservative	0.00%	4.31%	5.24%
	Moderate	-0.28%	3.75%	6.64%
	Balanced	-0.87%	2.94%	7.15%
	Growth	-1.62%	1.64%	7.70%
	High Growth	-2.34%	1.19%	8.37%
	Shares	-3.59%	-0.72%	10.26%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.11%	2.13%	2.26%
	Conservative	0.02%	4.61%	5.54%
	Moderate	-0.10%	4.26%	6.89%
	Balanced	-0.76%	3.32%	7.50%
	Growth	-1.49%	2.25%	7.96%
	High Growth	-2.12%	1.67%	8.65%
	Shares	-3.48%	-0.43%	10.67%

## 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	0.10%	0.75%
	Conservative	-0.08%	2.52%
	Moderate	-0.40%	2.36%
	Balanced	-1.04%	1.92%
	Growth	-1.80%	1.48%
	High Growth	-2.54%	1.13%
	Shares	-3.82%	0.35%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	6 MONTHS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.14%	0.75%
	Conservative	0.01%	3.01%
	Moderate	-0.21%	2.66%
	Balanced	-0.81%	2.74%
	Growth	-1.57%	2.20%
	High Growth	-2.34%	1.66%
	Shares	-3.54%	0.67%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	6 MONTHS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.13%	0.87%
	Conservative	0.09%	3.23%
	Moderate	-0.14%	2.99%
	Balanced	-0.68%	3.05%
	Growth	-1.41%	2.62%
	High Growth	-2.09%	1.93%
	Shares	-3.41%	1.16%

### 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.

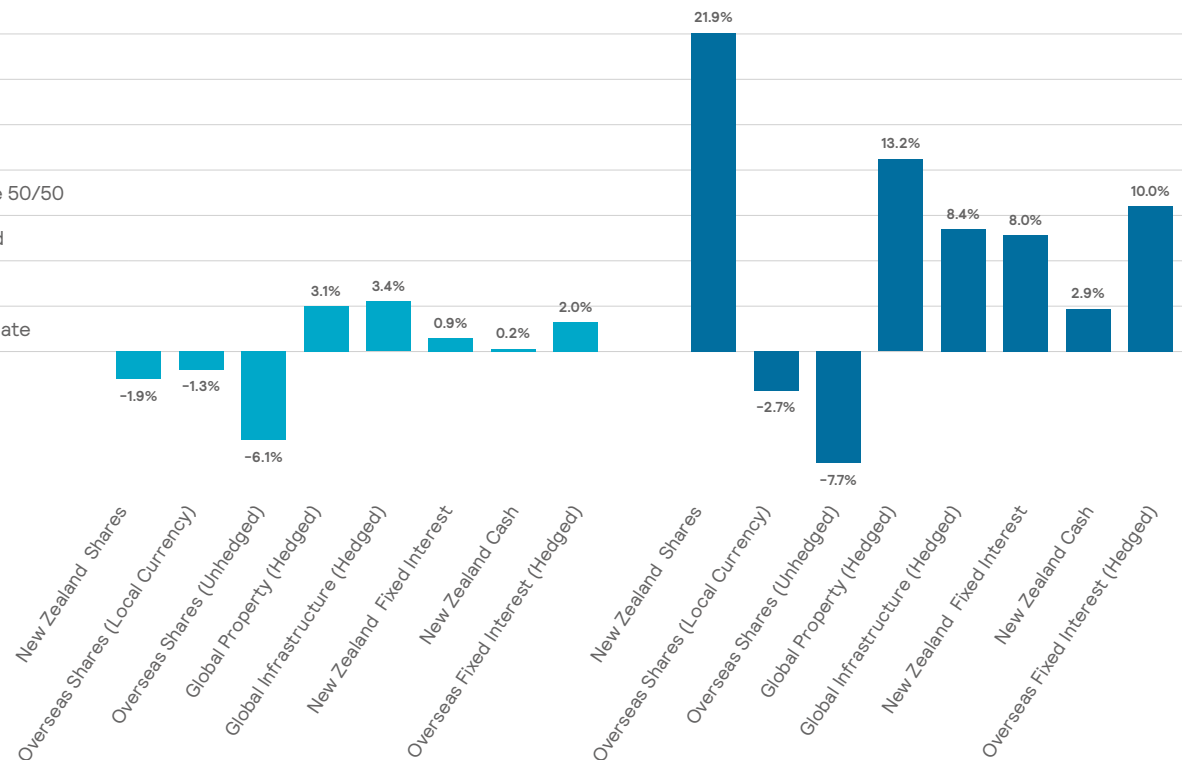
# FINANCIAL MARKETS

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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