

MONTHLY REPORT

MERCER COMMENTARY

Global sharemarkets trended sideways in June as investors displayed some caution in response to rising US interest rates and political machinations across Europe (including the UK election results). Business sentiment remained mildly positive as year over year inflation and PMI indexes (which measure the health of a country's manufacturing sector) rose across the world's larger economies. Bond markets reversed recent gains as upward pressure on interest rates put downward pressure on bond prices.

The MSCI World Index closed out the month flat (in local currency terms). Unhedged investors received a return of -2.7%, hurt by a strengthening New Zealand dollar, which appreciated +3.2% against the US dollar. New Zealand shares outperformed developed markets, returning +2.7%, while New Zealand Government Bonds fell -0.7% over the month. Global aggregate and Government bonds also fell, returning -0.2% and -0.3% respectively.

Global Listed Property outperformed the broader equity market, up +0.5%, while Global Listed Infrastructure underperformed, falling -1.1%.

An estimate of a Balanced Fund gross index return based on selected market indicators for June is -0.1%.

SIGNIFICANT RECENT ITEMS INCLUDE:



▼ UNITED STATES

The US Federal Reserve (responsible for setting monetary policy in the US) raised the target rate by 25 basis points (0.25%) to 1.25%. The announcement was well anticipated and priced-in by the market. “The Fed” also confirmed that balance sheet normalisation (the reverse of Quantitative Easing) will commence later this year. US economic growth (measured by gross domestic product or “GDP”) for quarter one of 2017 was revised up for a second time in June. Improved consumer spending was the main driver of the latest revision, which raised the annual rate to 1.4%, compared to the April, was 0.7%.

▼ AUSTRALIA

Moody’s (credit rating agency) downgraded the credit rating of Australia’s “Big Four” banks (ANZ Banking Group, Commonwealth Bank, National Australia Bank and Westpac) to Aa3 – three grades below the highest rating of Aaa – from Aa2, citing “elevated risks” in the household sector. This could lead to higher funding costs for their New Zealand subsidiaries (ANZ, ASB, BNZ and Westpac).

▼ NEW ZEALAND

New Zealand business confidence climbed to a nine month high as sentiment improved. The RBNZ left the Official Cash Rate (OCR) unchanged at 1.75% at its June meeting and indicated that monetary policy will remain accommodative for a considerable period. The New Zealand dollar strengthened in June. The largest rise was against the Japanese yen (+4.8%). The +3.2% gain against the US dollar and +2.5% gain against the British pound reflected optimism in the domestic economy. The strong New Zealand dollar reduced returns for unhedged investors who are exposed to fluctuations in the value of foreign currencies. On a trade-weighted basis, the New Zealand dollar rose +2.0%.

INVESTMENT RETURNS

MERCER KIWISAVER SCHEME

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.12%	1.55%	2.07%
	Conservative	0.01%	3.97%	5.26%
	Moderate	-0.03%	5.35%	na
	Balanced	-0.10%	8.04%	8.27%
	Growth	-0.22%	10.96%	na
	High Growth	-0.16%	13.13%	11.19%
	Shares	-0.23%	15.59%	na

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.14%	1.78%	2.47%
	Conservative	0.05%	4.18%	5.89%
	Moderate	0.03%	5.69%	na
	Balanced	0.00%	8.50%	9.02%
	Growth	-0.12%	11.52%	na
	High Growth	-0.02%	13.81%	11.97%
	Shares	-0.04%	16.39%	na

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.15%	1.92%	2.67%
	Conservative	0.07%	4.33%	6.25%
	Moderate	0.07%	5.95%	na
	Balanced	0.05%	8.75%	9.41%
	Growth	-0.03%	11.86%	na
	High Growth	0.07%	14.20%	12.36%
	Shares	0.01%	16.67%	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%	1.22%	1.74%
	Conservative	-0.01%	3.50%	5.05%
	Moderate	-0.05%	5.13%	7.00%
	Balanced	-0.12%	7.81%	8.31%
	Growth	-0.24%	10.80%	9.66%
	High Growth	-0.19%	12.86%	11.28%
	Shares	-0.24%	15.45%	14.16%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.10%	1.38%	1.96%
	Conservative	0.02%	3.72%	5.52%
	Moderate	0.00%	5.37%	7.51%
	Balanced	-0.05%	8.13%	8.80%
	Growth	-0.11%	11.31%	10.23%
	High Growth	-0.05%	13.34%	11.74%
	Shares	-0.09%	16.04%	14.66%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	1 YEAR	5 YEARS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.11%	1.48%	2.09%
	Conservative	0.05%	3.77%	5.82%
	Moderate	0.04%	5.62%	7.78%
	Balanced	0.02%	8.37%	9.14%
	Growth	-0.04%	11.44%	10.51%
	High Growth	0.05%	13.77%	12.12%
	Shares	0.02%	16.58%	14.93%

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.
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- Fees may be deducted by redeeming units.

INVESTMENT RETURNS

MERCER FLEXISAVER

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	6 MONTHS	12 MONTHS
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.09%	0.58%	1.15%
	Conservative	-0.02%	2.14%	3.17%
	Moderate	-0.06%	3.00%	4.92%
	Balanced	-0.13%	4.13%	7.42%
	Growth	-0.24%	5.55%	10.61%
	High Growth	-0.20%	6.36%	12.64%
	Shares	-0.26%	7.62%	14.87%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	6 MONTHS	12 MONTHS
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.11%	0.77%	1.58%
	Conservative	-0.02%	2.50%	3.37%
	Moderate	0.00%	3.27%	5.10%
	Balanced	-0.03%	4.53%	8.08%
	Growth	-0.12%	5.72%	11.11%
	High Growth	-0.11%	6.59%	12.87%
	Shares	-0.03%	8.00%	15.50%

MERCER-MANAGED INVESTMENT OPTIONS		1 MONTH	6 MONTHS	12 MONTHS
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.12%	0.78%	1.45%
	Conservative	0.05%	2.67%	3.85%
	Moderate	0.04%	3.26%	5.05%
	Balanced	-0.01%	4.62%	8.26%
	Growth	-0.03%	6.00%	11.55%
	High Growth	0.02%	6.87%	13.36%
	Shares	-0.01%	8.21%	15.93%

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.

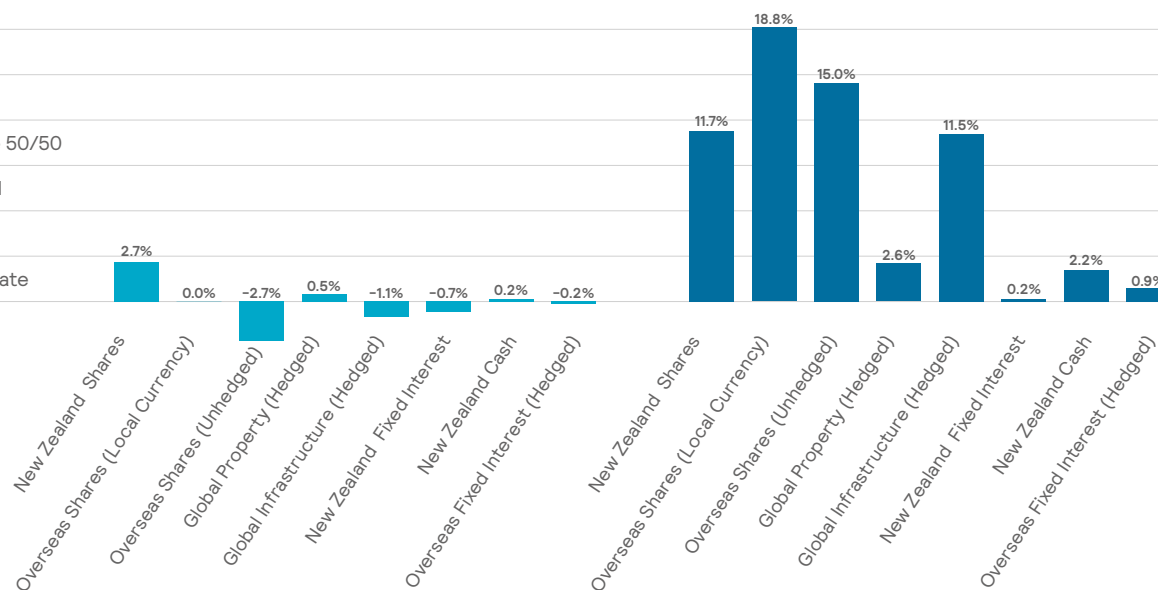
FINANCIAL MARKETS

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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