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Waitara Perpetual Community Fund

Quarterly Report

Quarter Ending 31 December 2023

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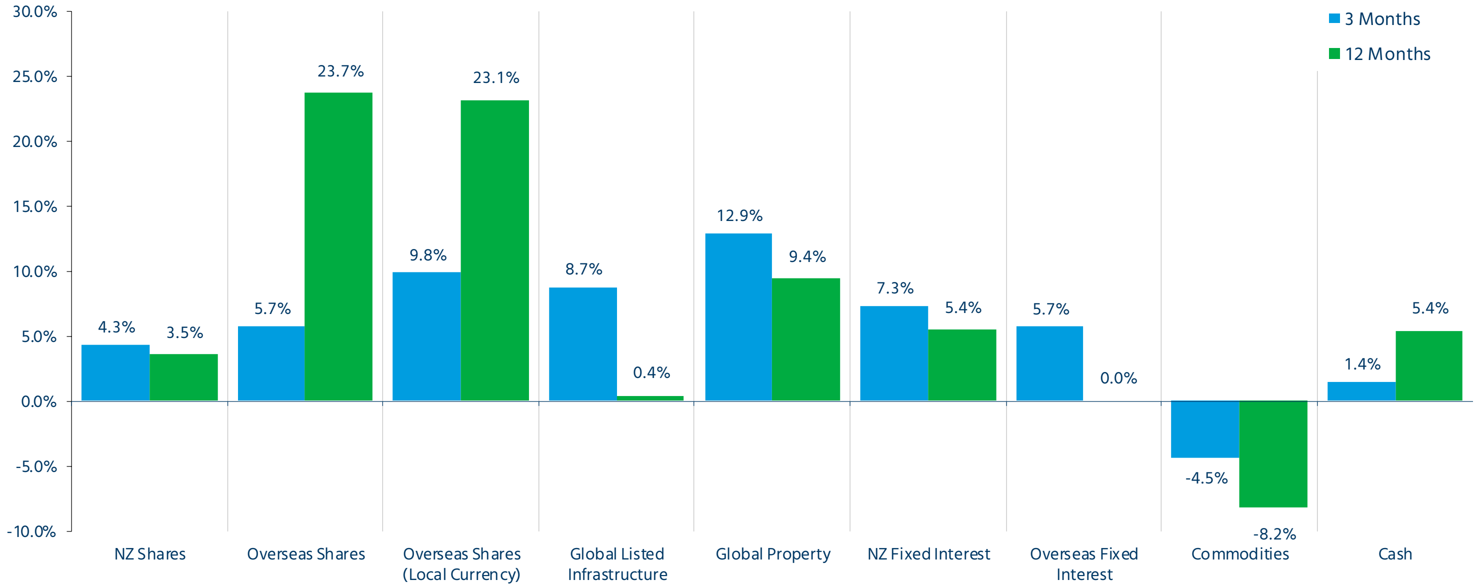
ECONOMY & MARKETS



The final chapter of 2023 started as the previous one finished, but soon recovered to see equity markets rallying back towards their 2023 highs. Both equites and bonds saw strong returns after a poor start in October, with November providing the strongest set of monthly returns in over three years.

US markets received a leg-up as investors reacted with fervour at the prospect of rate cuts in 2024. With market commentators pronouncing the rate hiking cycle to be at its end and rhetoric from the US Federal Reserve (Fed) striking a dovish tone, markets jumped at the first sign of a let-up in rates. Of particular note were the S&P 500 and NASDAQ, which were up 11.7% and 13.8%, respectively. As we have seen more than once in this cycle, Wall Street has been much more eager in its expectation for rate cuts, pricing in sharper and more prompt rate cuts than communicated by Fed officials.

This expectation of imminent rate cuts also fed through into global bond markets, with yields falling across the curve in response. The Bloomberg Global Aggregate Bond Index (100% hedged to NZD) returned 5.7% over the quarter.

US economic data softened through the quarter, with annual CPI slowing from 3.7% to 3.2% in October and to 3.1% in November. Economic growth for Q3 was revised down to an annualised 4.9% from 5.2%. Job growth also slowed in the US as unemployment hit 3.7%, while non-farm payrolls were up approximately 180k in November and 150k in October, both short of the 2023 average.

The same story played out in other territories, with weakening economic data and strong investment returns coming amidst a dovish monetary policy backdrop. The Eurozone and the UK largely followed the US, as the expectation that there would be no further rate hikes spurred equity returns. Eurozone CPI fell through the quarter, with November's data coming in at 2.4% year-on-year (y/y). In the UK, CPI dropped to 3.9% y/y, much lower than the previously predicted 4.4%. Moderating economic data gave credence to the argument for rate cuts to begin in 2024, though both central banks remained coy.

Significant Recent Developments Include:

- As has been the theme for the past two years, the Fed's monetary policy decisions and accompanying talking points have dominated market sentiment. During the quarter, the Fed opted to hold rates twice, continuing their 'pause' since the end of July. The November decision triggered a strong equity rally, sending the S&P 500 up 1.9% for the day and 9.1% for the month. The December meeting also shook up the market, as the Fed projected three rate cuts in 2024, with the median projection for the 2024 end-of-year federal funds rate sitting at 4.6%. Despite the Fed predicting cuts in the new year, they were careful to hedge their bets, as they stopped short of declaring the hiking cycle over, and left the door open to further rate increases if deemed necessary.

- After six years in government, the lone-governing Labour Party suffered a major defeat in the New Zealand election, only managing 34 seats, compared to the 65 they won in 2020. This saw the return of the National Party to government, who won 48 seats, down from 50 on election night. With a majority of 62 seats needed, the National Party were forced to turn to ACT and New Zealand First, the latter of whom National had initially been reluctant to go into coalition with. The deal struck between the two parties will see Winston Peters and David Seymour share the Deputy Prime Minister position, with concessions made by all parties to align the policies of the new government.

- Geopolitical risks remained in the forefront as conflicts in Gaza and Ukraine persisted and missile attacks in December caused temporary disruptions to shipping in the Red Sea. Although the initial market effects were relatively minor, there is a looming risk of escalation that could have significant implications for oil markets.

Trans-Tasman Equities

Trans-Tasman equities were up in Q4, with the S&P/NZX 50 and S&P/ASX 200 returning 4.3% and 8.4% (local currency), respectively. The interest rate situation remained the same on both sides of the Tasman, with both countries seemingly further along the road than global counterparts after opting to begin hiking earlier than peers. At home, business confidence had reached a two-year high, indicating a positive outlook in the market. This shift in sentiment may have been influenced by expectations of interest rates reaching their peak and the outcome of the NZ election, which resulted in the formation of a National-led Government who are perceived to be economically and business friendly.

Global Equities

Equities were again the star for the quarter, as the continued strength in US tech mega-caps was this time supported by positive returns across the board. The S&P 500 finished up 11.7%, despite falling -2.1% in October. Growth stocks (7.6%) outperformed Value (3.7%), as the prospect of 2024 rate cuts was too much for the market to resist. Emerging market equities were up 5.6% but fell short of developed markets. China continues to be a drag on performance, as the much talked about post-COVID recovery continues to stutter.

Listed Property

The real estate sector proved to be a strong performer in the final quarter of the year, as global REITs outperformed traditional equities and bonds. A future easing of interest rates has opened the door to a more positive lending environment, in turn making the property sector more appealing. Much has been said about the impact of workers not returning to the office in recent times. This has provided a cloudy sentiment over the sector, however, given the limited exposure within the FTSE EPRA NAREIT Developed Index, we consider the impact to have been somewhat overstated. The FTSE EPRA NAREIT Developed Index returned 12.9% (100% hedged to NZD) over the quarter and 9.4% over the 2023 calendar year.

Listed Infrastructure

Listed infrastructure assets were up for the quarter, as they benefitted from the potential end of the hiking cycle. Toll roads were a strength of portfolios as the trend to cars from public transport in the wake of COVID continues to boost the user base and frequency of use of toll roads despite the associated cost increases due to inflation. Airports have performed well, up 9%, as the post-COVID travel boom continues to gather momentum. Mexican airport stocks were a particular highlight as a result of regulatory changes which saw increasing tariffs chargeable to airlines.

Global Bonds

Government bonds benefitted from expectations of dovish monetary policy as yields fell in the face of tight market conditions. The Fed opted to hold rates twice more, while the European Central Bank (ECB) and Bank of England (BoE) also kept rates flat. After the Fed's December meeting, the market began to price in three cuts in 2024 instead of two. The US 10-year Treasury yield was down 46bps to 3.89%, while the UK 10-year gilt was down 90bps to 3.54%. Corporate bonds also fared well in November's mini-boom, as soft-landing scenarios look more and more likely.

Commodities

WTI Crude Oil had a torrid quarter as tensions in the Middle East weighed on prices. WTI Crude Oil fell -20.8% over the quarter to ~$72 per barrel, after prices reached over $90 per barrel in September. This came in spite of another round of supply cuts by OPEC ("Organisation of Petroleum Exporting Countries"), aimed at supporting prices. Tensions caused by the Israel-Hamas war have made it unsafe for supply vessels, who have been targeted by various groups in the region.

New Zealand Bonds and Cash

With the Reserve Bank of New Zealand (RBNZ) leaving interest rates untouched throughout the quarter, yields on NZ Bonds fell. the yield on the NZ 10-year Government Bond, which had reached a peak of 5.6%, ended the year at 4.4%. Before the RBNZ's November meeting, the general feeling was that the OCR would be cut in the second half of 2024, however, the accompanying announcement put the kibosh on that, with forecasts indicating cuts to begin in mid-2025 and potential for another hike before then.

Currency

The NZD was strong against most majors through Q4, particularly against the US Dollar, with a 5.4% increase for the quarter. This can be attributed to the weakening of the US dollar, which has been influenced by softening economic data. The Sterling also experienced declines against all major currencies except the USD. Meanwhile, the Yen rallied as investors speculated on the possibility of the Bank of Japan (BoJ) tightening rates following comments from its governor. However, in their final meeting of 2023, the BoJ decided to hold rates at -0.1%.

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FUND PERFORMANCE & ASSET ALLOCATION

Waitara Perpetual Community Fund

Gross Returns – Before fees & taxes	3 Months (%)	1 Year (%)	3 Years (% p.a)	Since Inception (% p.a)
Waitara Perpetual Community Fund	-0.9	3.6	-	0.5
Benchmark	-1.2	3.5	-	0.2
Excess	*+0.3*	*+0.1*	-	*+0.2*

Notes:
Past performance is not a reliable indicator of future performance.
Excess: this is the excess return (either + / -) relative to the benchmark, before investment fees and taxes.
* Since inception is from the Fund's initial investment date of 15 February 2021.
Where applicable returns include, and assume the full utilisation of, tax credits.

Mercer Balanced

Gross Returns – Before fees & taxes	3 Months (%)	1 Year (%)	3 Years (% p.a)	5 Years (% p.a)
Mercer Balanced	6.3	10.5	3.2	6.4
Benchmark	6.0	10.2	2.5	5.7
Excess	*+0.3*	*+0.2*	*+0.7*	*+0.7*

Mercer Growth

Gross Returns – Before fees & taxes	3 Months (%)	1 Year (%)	3 Years (% p.a)	5 Years (% p.a)
Mercer Growth	6.7	12.2	4.6	8.1
Benchmark	6.3	12.0	4.0	7.5
Excess	*+0.4*	*+0.2*	*+0.6*	*+0.6*

Notes:
Returns shown for the Mercer Balanced and Growth Portfolios include the full returns history for those funds. Waitara Perpetual Community Fund returns are estimated returns for the Fund based on its investment in the Mercer Balanced and Growth Portfolios, for the period which it has been invested.

Asset Allocation

ASSET CLASS	Waitara Perpetual Community Fund	
Asset Allocation	Target (%)	Actual (%)
Trans Tasman Shares	14.0	13.7
Trans Tasman Shares	14.0	13.7
Overseas Shares	30.3	29.3
Overseas Shares Low Volatility	4.6	3.9
Overseas Shares Small Caps	3.6	3.5
Emerging Market Shares	4.5	5.5
Overseas Shares	43.0	42.3
Listed Property	3.3	4.6
Unlisted Property	3.3	3.2
Listed Infrastructure	3.3	3.3
Unlisted Infrastructure	3.3	3.3
Real Assets	13.0	14.3
Overseas Sovereign Bonds	8.0	7.9
NZ Sovereign Bonds	7.5	8.3
Global Credit	6.0	6.0
Other Fixed Income	6.0	5.7
Fixed Income	27.5	28.0
Cash	2.5	1.7
Cash	2.5	1.7
Total	100.0	100.0
Growth Assets	70.0	70.3
Defensive Assets	30.0	29.7
Overseas Shares Currency Hedging	**50%**	**50%**

Transaction Summary – Quarter ended 31 December 2023

	Opening Balance ($)	Applications ($)	Redemptions ($)	Investment Gain / (Loss) ($)	Closing Balance ($)
Mercer Balanced	9,440,108.02	-	-	567,236.79	10,007,344.81
Mercer Growth	9,483,750.46	-	-	605,861.72	10,089,612.18
Total	**18,923,858.48**	**-**	**-**	**1,173,098.51**	**20,096,956.99**

The units held in these funds by Waitara Perpetual Community Fund can be redeemed at any time and are considered "current". Liquidity provisions in times of market stress are detailed in our Information Memorandum.

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SECTOR RETURNS

GROSS RETURNS RELATIVE TO BENCHMARK BEFORE FEES & TAXES	3 MONTH (%)	1 YEAR (%)	3 YEAR (%)	5 YEARS (% P.A)	7 YEARS (% P.A)*
EQUITIES					
Mercer Trans Tasman Shares**	4.9	4.6	-1.3	8.1	9.4
Excess	*+0.6*	*+1.1*	*+1.4*	*+1.3*	*+0.5*
Mercer Overseas Shares Plus	4.9	21.0	10.5	13.6	12.4
Excess	*-0.8*	*-2.7*	*-1.5*	*-0.5*	*+0.2*
Mercer Hedged Overseas Shares Plus	10.0	20.0	5.1	10.5	9.2
Excess	*-0.7*	*-2.6*	*-1.1*	*-0.7*	*-0.0*
Mercer Socially Responsible Global Shares*	7.5	16.6	7.7	12.0	10.8
Excess	*+1.8*	*-7.0*	*-4.2*	*-2.1*	*-1.7*
Mercer Hedged Socially Responsible Global Shares*	12.6	15.1	2.2	9.0	6.9
Excess	*+1.8*	*-7.5*	*-4.5*	*-2.4*	*-2.0*
Mercer SR Overseas Shares Index*	6.5	25.7	12.0	-	11.4
Excess	*+0.8*	*+1.5*	*+0.1*	*-*	*-0.2*
Mercer Hedged SR Overseas Shares Index*	11.4	24.1	6.4	-	8.6
Excess	*+0.7*	*+1.0*	*+0.2*	*-*	*-0.1*
Mercer Overseas Small Companies	3.3	21.5	17.4	17.8	14.4
Excess	*-3.5*	*+5.3*	*+9.5*	*+6.3*	*+4.9*
Mercer Emerging Markets	2.7	11.4	-0.2	5.6	7.2
Excess	*+0.3*	*+1.3*	*+0.3*	*+0.3*	*+0.5*
Mercer Low Volatility	1.8	9.8	10.3	8.2	8.4
Excess	*+0.0*	*+2.0*	*+2.2*	*-0.0*	*+0.0*
REAL ASSETS					
Mercer Unlisted Property	1.2	1.9	10.1	7.9	8.7
Excess	*+1.8*	*+4.4*	*+3.1*	*+2.5*	*+2.9*
Mercer Listed Property	14.6	11.2	1.0	3.9	4.4
Excess	*+0.4*	*+2.2*	*+0.2*	*+2.3*	*+2.9*
Mercer Listed Infrastructure	12.2	3.4	4.4	6.1	5.9
Excess	*+4.0*	*+4.1*	*+0.9*	*+0.9*	*+0.4*
Mercer Unlisted Infrastructure	2.0	11.9	13.2	13.4	12.6
Excess	*+0.1*	*+1.3*	*+2.1*	*+4.2*	*+4.1*
FIXED INTEREST					
New Zealand Sovereign Bonds	7.6	6.2	-3.0	0.6	1.7
Excess	*+0.3*	*+0.8*	*+0.5*	*+0.7*	*+0.4*
Mercer Overseas Sovereign Bonds	3.9	3.7	-2.5	1.3	2.1
Excess	*-1.5*	*-1.6*	*+0.9*	*+0.9*	*+1.1*
Mercer Global Credit	7.1	7.5	-3.0	1.6	1.9
Excess	*+0.1*	*-0.3*	*-0.1*	*+0.1*	*+0.0*
Mercer Absolute Return Bonds*	2.4	5.8	1.2	2.5	2.2
Excess	*+0.9*	*-0.0*	*-1.5*	*+0.4*	*+0.2*
Mercer Short Term Bonds*	2.2	7.0	-	-	4.3
Excess	*+0.8*	*+1.2*	*-*	*-*	*-0.0*
Mercer Cash	1.5	5.6	2.8	2.3	2.3
Excess	*+0.0*	*+0.2*	*+0.2*	*+0.2*	*+0.3*

Notes:

Past performance is not a reliable indicator of future performance.

Excess: this is the excess return (either + / -) relative to the benchmark, before investment fees and taxes.

* If there is less than seven years performance, performance since inception is shown.

Where applicable returns include, and assume the full utilisation of, tax credits.

SIPO Range Monitoring

Asset Class	SAA	Rebalancing Ranges: Lower	Rebalancing Ranges: Upper	31/12/23 Value	Sector Allocation	Heat Map
Global Equities - Developed	38.5%	25.5%	60.5%	$7,401,508	36.8%	
Global Equities - Emerging	4.5%			$1,106,337	5.5%	
Trans-Tasman Equities	14%	2.5%	25.5%	$2,753,685	13.7%	
Real Assets	13%	3.5%	26%	$2,869,042	14.3%	
Alternatives	0%	0%	10%	$0	0.0%	
Total Growth Assets	**70%**	**40%**	**90%**	**$14,130,572**	**70.3%**	
Global Fixed Income	20%	7%	48%	$3,958,900	19.7%	
New Zealand Fixed Income	7.5%			$1,672,067	8.3%	
Cash	2.5%	0%	20%	$335,418	1.7%	
Total Income Assets	**30%**	**10%**	**60%**	**$5,966,385**	**29.7%**	
Total	**100%**			**$20,096,957**	**100.0%**	

Green = Between the SAA level, and half-way to the rebalancing range, either side of the SAA.
Orange = Between half-way to the rebalancing range (either side of the SAA), and the rebalancing range itself.
Red = Outside of the rebalancing range.

Compliance Statement

The table below details compliance with various documents during the quarter ending 31 December 2023.

Document	Breaches
MITNZ SIPO	There were no breaches reported in the quarter.
Investments held in MITNZ	**Breaches**
Segregated mandates	There were no breaches reported in the quarter.
Mercer Managed Funds	There were no breaches reported in the quarter.
External Managed Funds	There were no breaches reported in the quarter.

BENCHMARKS

ASSET CLASS	BENCHMARK INDICES
Trans Tasman Shares	S&P/NZX 50 Index with Imputation Credits
Overseas Shares SR/Plus	MSCI World Index with net dividends reinvested
Hedged Overseas Shares SR/Plus	MSCI World Index with net dividends reinvested (100% hedged to NZD on a net of tax basis)
SR Overseas Shares Index	MSCI World Index with net dividends reinvested excluding Tobacco, Controversial and Nuclear Weapons companies in NZD
SR Hedged Overseas Shares Index	MSCI World Index with net dividends reinvested excluding Tobacco, Controversial and Nuclear Weapons companies in NZD (100% hedged to NZD on a net of tax basis)
Emerging Market Shares	MSCI Emerging Markets Index in NZD
Small Company Shares	MSCI World Small Cap Index Net Dividends Reinvested Index in NZD
Low Volatility Shares	MSCI World Minimum Volatility Index with net dividends reinvested in NZD
Unlisted Property	70% Mercer/IPD Australia Monthly Property Fund Index Core Wholesale 30% Property Council / IPD New Zealand Property Index
Listed Property	FTSE EPRA/NAREIT Global Real Estate Index (with net dividends reinvested) (100% hedged to NZD on a net of tax basis)
Listed Infrastructure	FTSE Global Core Infrastructure & Utilities 50/50 Net Index (100% hedged to NZD on a net of tax basis)
Unlisted Infrastructure	MSCI Australia Quarterly Unlisted Infrastructure Asset Index
New Zealand Sovereign Bonds	S&P/NZX NZ Government Bond Index
Overseas Sovereign Bonds	JP Morgan Government Bond Index Global (100% hedged to NZD on a net of tax basis)
Global Credit	Composite: 60% Bloomberg Barclay's Global Aggregate Corporate Index (100% hedged to NZD on an after tax basis), & 40% Bloomberg Barclay's Global Aggregate ex-Treasury ex-Government Related Index (100% hedged to NZD on a net of tax basis)
Other Fixed Interest	S&P/NZX Bank Bills 90-Day Index
Cash	S&P/NZX Bank Bills 90-Day Index

For further information

BRIAN KEARNEY
t: +64 9 928 3193
e: brian.l.kearney@mercer.com

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The information contained in this Report is of a general nature only and does not take into account the personal objectives, financial situation or needs of individual investors. It is important that you consider these matters, read the MITNZ Information Memorandum and obtain advice from an appropriately qualified financial adviser before making any investment decision. The investment returns shown for the MITNZ throughout this Report do not take into account the unique characteristics that apply to each investor (such as timing of cash flow). As a result, the actual investment returns applying to a particular investor may differ from the investment returns shown in this Report. You should also remember that past performance should not be relied upon as an indicator of future performance. All services provided in this report are delivered strictly on the basis of advice to a wholesale client in terms of the Financial Advisers Act 2013.