

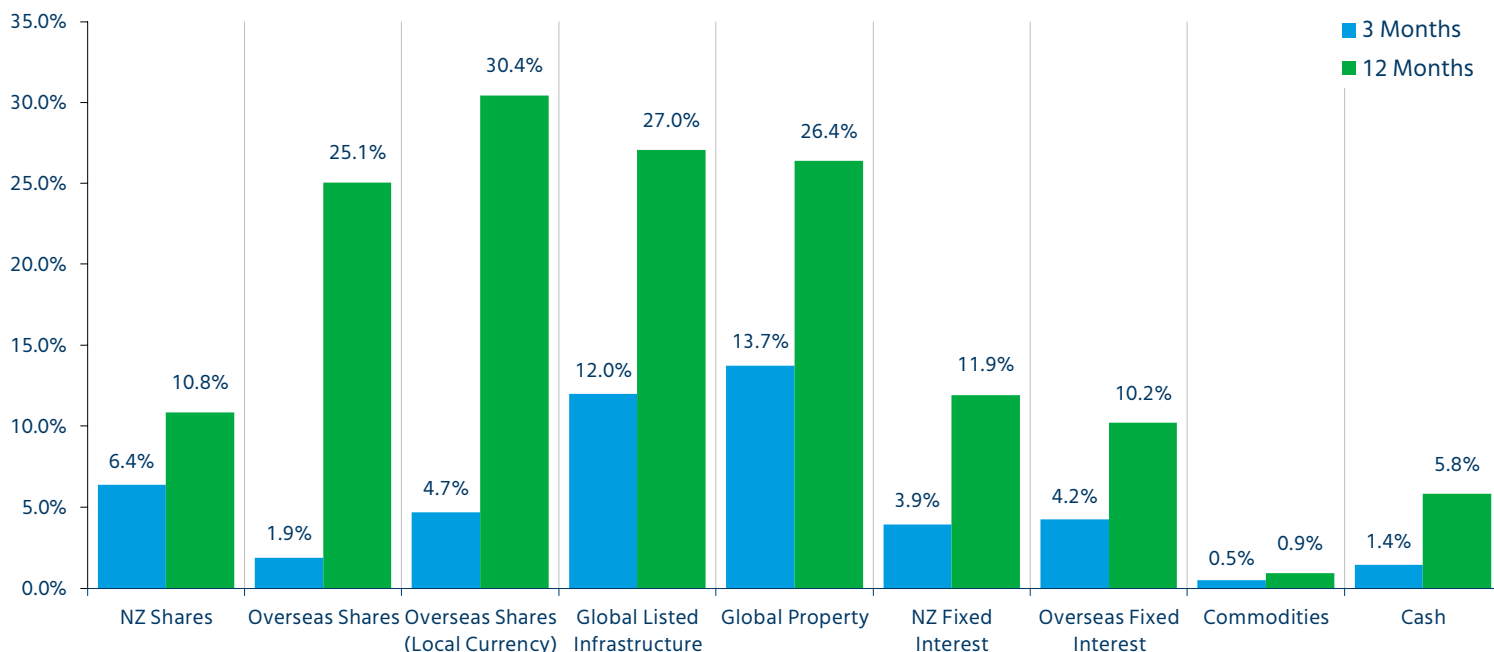
Quarterly Report

Quarter Ending 30 September 2024

welcome to brighter



ECONOMY & MARKETS



Interest rate cuts were the talk-of-the-town during Q3 as most major global economies began their easing cycles, including New Zealand, the US and major Eurozone players.

July was coined “the great rotation” for equities and jumpstarted a trend which continued throughout the quarter as markets turned their focus to small caps and value-style sectors, with funds starting to flow out of mega-caps and into interest-rate sensitive asset classes. Such activity was influenced by a growing hope for an economic soft landing and underwhelming quarterly earnings reports from the “Magnificent 7” in July.

Japanese stocks dropped -4.9% following the Bank of Japan's July rate hike and comments from Governor Ueda suggesting more increases ahead, coinciding with a weak US labour market report. As interest rate differentials between the US and Japan decreased, the yen strengthened, leading to a rapid unwinding of carry trades that depended on low Japanese borrowing costs. Although a more positive tone from Bank of Japan officials helped mitigate some losses, the market still finished the third quarter down. In contrast, European equity returns were modest, with MSCI UK and MSCI Europe gaining 3.4% and 2.1%, respectively (local currency), while the S&P 500 rose 5.9%, indicating a potential broadening of returns for equity investors.

Fixed income markets experienced a boost from the anticipation of lower interest rates, with the Bloomberg Global Aggregate Index (NZD Hedged) posting a return of 7.0% in the third quarter. Both government bonds and credit instruments generated strong returns, while emerging market debt surged by 6.1% during the quarter,

positioning it near the top of the performance rankings for fixed income sectors year-to-date.

Significant Recent Developments Include:

- As global inflation levels stabilise, the rate-cutting trend is quickly picking up pace, with seven of the ten major central banks beginning or continuing their easing cycle in Q2. Switzerland was the first Western peer to initiate a rate cut back in Q2 and made further reductions in September, bringing the country's key interest rate down to 1.0%. As inflation slowed in the Eurozone, the European Central Bank made an additional cut 25 basis points (bps) this quarter, with investors pricing in more to follow closely. The Bank of England chose to make the same change in August but remained unchanged at the September meeting. The Reserve Bank of New Zealand lowered interest rates for the first time in August, bringing rates down to 5.25%, a full year earlier than previously anticipated. Australia's rate remain unchanged at 4.35% during Q3, with a low likelihood of a rate cut before the end of the year. However, the US Federal Reserve (Fed) had other plans, surprising markets with a 50bp cut after forecasters had priced in only a 25bp cut to the key overnight borrowing rate. Japan, however, remains a key outlier, hiking its benchmark interest rate from 0.1% to 0.25% in July.

- On July 21st Biden withdrew from the US presidential election and endorsed Vice President Harris as the new Democratic candidate. This move has led to an even tighter race as the outcome of the election hinges on six battleground states, particularly Pennsylvania, where both campaigns are heavily investing in advertising. Both candidates will have a different effect on the economy. While Trump's deregulatory agenda could stimulate economic growth, his tariff policies might lead to higher inflation compared to a potential Harris presidency. Investors should be cautious, as a split Congress could necessitate compromise for legislation, and unexpected events could shift voter sentiment. Also occurring Q3 was two unsuccessful assassination attempts on former president Trump at a Pennsylvania rally in July and on a Florida golf course in August.
- As tensions rise between Israel and Iran, the global economy faces potential upheaval, particularly in the oil market. President Biden has hinted at discussions regarding support for an Israeli strike on Iran's oil facilities, which has already caused fluctuations in oil prices. While analysts suggest that such an attack could disrupt Iran's oil production, they believe the overall impact on the global economy might be manageable, given Iran's current output challenges. The looming US elections add another layer of complexity, as political considerations could influence strategic decisions. In this delicate landscape, the interplay between geopolitical manoeuvres and economic stability remains a critical concern.

Trans-Tasman Equities

New Zealand equities (+6.4%) bounced back this quarter, outperforming developed market equities after the Reserve Bank of New Zealand initiated monetary policy easing. Across the Tasman, the Reserve Bank of Australia has yet to make any rate cuts, but at its September meeting, it refrained from discussing the possibility of a rate hike, which is new and points towards a change in outlook. The S&P/ASX 200 rose by 7.2% in September, also outperforming many major developed markets, as the Australian materials sector benefited indirectly from the late-month stimulus package announced by China.

Global Equities

US shares advanced in the quarter, though sector performances were mixed. While utilities and real estate thrived, energy and information technology lagged. Eurozone shares also gained, led by real estate, utilities, and healthcare, as lower interest rates attracted investors. UK equities rose following a Labour election win, boosting hopes for economic recovery and expectations of a Bank of England interest rate cut, which occurred in August. The Japanese stock market experienced high volatility, peaking in July before correcting sharply due to weaker US economic data and the Bank of Japan's interest rate hike, which strengthened the yen against the US dollar. Emerging market equities outperformed developed markets, rebounding strongly in September after initial volatility and a Bank of Japan rate hike. The MSCI World Index returned 4.7% in Q3, while the MSCI Emerging Markets Index

returned 6.6%.

Listed Property & Infrastructure

Global REITs returned an impressive 13.7% during the quarter, while listed infrastructure assets returned 12.0%. The industrial sector continues to support returns due to retailers and a strong consumer base, while office space remains a laggard. However, the outlook for global real estate performance is becoming more positive, bolstered by gradual policy adjustments and increasing rental rates.

Global Bonds

Changes in investor expectations regarding interest rates contributed to a strong performance in government bonds. US Treasuries decreased significantly throughout the quarter, falling -1.01% (local currency). While UK Gilts also lagged with a return of -1.57% (local currency). The tight labour market in the UK is leading to consistently high wage growth, prompting the Bank of England to adopt a more cautious approach regarding the speed of future easing measures. The Bloomberg Global Aggregate Index (NZD Hedged) returned 7.0% in the third quarter of 2024.

Commodities

The Bloomberg Commodity Index (NZD Hedged) produced modest returns of 0.5% in the third quarter, with energy being the weakest sector due to lower global demand. In contrast, agriculture, industrial metals, livestock, and precious metals saw gains. Despite heightened tensions in the Middle East, energy prices fell sharply amid growth concerns. Precious metals, particularly gold, experienced substantial increases in Q3.

New Zealand Bonds and Cash

Performance in the September quarter was primarily driven by a dovish shift from the RBNZ and other global central banks. The short end of the curve experienced a more pronounced decline as the market anticipates a more aggressive easing cycle ahead. A total of 135bps in cuts is now expected over the three RBNZ meetings leading up to February. The domestic bond market, represented by the Bloomberg NZ Bond Composite 0+ Yr Index, delivered a return of 3.9% during the quarter.

Currency

The NZD exhibited mixed performance against major currencies, rising by a strong +4.4% against the USD, while returning only 0.5% and 0.3% against the AUD and EUR, respectively. Weakness was observed against the GBP (-1.6%) and JPY (-7.2%), the latter being a strong currency contender this month following the Bank of Japan's decision to raise interest rates.

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	4.4	18.1	4.8	5.4
Benchmark	4.3	17.1	4.3	5.0
Excess	+0.1	+1.0	+0.5	+0.4

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	4.3	16.8	4.2	6.0
Benchmark	4.1	15.8	3.7	5.2
Excess	+0.2	+0.9	+0.5	+0.9

Mercer Growth

Gross Returns – Before fees & taxes	3 Months (%)	1 Year (%)	3 Years (% p.a)	5 Years (% p.a)
Mercer Growth	4.5	19.5	5.4	7.7
Benchmark	4.4	18.3	4.9	6.9
Excess	+0.1	+1.1	+0.5	+0.8

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	16.0	16.0
Trans Tasman Shares	16.0	16.0
Overseas Shares	36.0	36.0
Overseas Shares Low Volatility	0.0	0.0
Overseas Shares Small Caps	4.0	3.9
Emerging Market Shares	5.0	6.2
Overseas Shares	45.0	46.1
Listed Property	0.0	1.1
Unlisted Property	3.3	3.1
Listed Infrastructure	2.5	2.5
Unlisted Infrastructure	3.3	3.1
Real Assets	9.0	9.9
Overseas Sovereign Bonds	8.3	8.1
NZ Sovereign Bonds	7.5	8.1
Global Credit	8.3	8.3
Other Fixed Income	2.5	2.0
Fixed Income	26.5	26.5
Cash	3.5	1.7
Cash	3.5	1.7
Total	100.0	100.0
Growth Assets	70.0	71.9
Defensive Assets	30.0	28.1
Overseas Shares Currency Hedging	50%	50%

Transaction Summary – Quarter ended 30 September 2024

	Opening Balance (\$)	Applications (\$)	Redemptions (\$)	Investment Gain / (Loss) (\$)	Closing Balance (\$)
Mercer Balanced	10,493,795.01	-	-	422,291.97	10,916,086.98
Mercer Growth	10,751,566.11	-	-	445,195.21	11,196,761.32
Total	21,245,361.12	-	-	867,487.18	22,112,848.30

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.

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**	6.3	13.3	0.0	5.4	8.3
Excess	-0.1	+2.4	+1.4	+2.0	+0.8
Mercer Overseas Shares Plus	1.6	23.2	10.5	12.1	12.8
Excess	+0.0	-1.9	-1.6	-0.6	-0.3
Mercer Hedged Overseas Shares Plus	5.5	30.3	6.7	11.2	9.5
Excess	+0.1	-1.8	-1.2	-0.7	-0.4
Mercer Socially Responsible Global Shares*	1.3	24.8	7.0	11.0	11.3
Excess	-0.3	-0.3	-5.1	-1.7	-1.9
Mercer Hedged Socially Responsible Global Shares*	5.2	31.7	2.9	9.3	8.6
Excess	-0.1	-0.4	-5.1	-2.3	-1.9
Mercer SR Overseas Shares Index*	1.8	26.8	12.4	-	14.0
Excess	+0.3	+1.7	+0.4	-	+0.0
Mercer Hedged SR Overseas Shares Index*	5.6	33.7	8.3	-	11.9
Excess	+0.3	+1.5	+0.5	-	+0.1
Mercer Overseas Small Companies	1.7	21.9	14.4	17.5	15.2
Excess	-3.5	+3.5	+8.9	+8.3	+5.9
Mercer Emerging Markets	4.2	21.4	4.5	6.2	6.6
Excess	-0.6	+2.0	+1.0	+0.4	+0.8
REAL ASSETS					
Mercer Unlisted Property	-1.0	-0.5	6.1	6.5	7.4
Excess	+1.6	+5.9	+4.4	+3.4	+3.2
Mercer Listed Property	14.7	29.9	0.5	2.7	5.0
Excess	-0.8	+2.0	+0.7	+2.1	+2.6
Mercer Listed Infrastructure	11.4	23.5	4.8	3.6	5.3
Excess	-0.8	-1.6	-0.9	-0.8	-0.6
Mercer Unlisted Infrastructure	2.3	10.8	12.3	13.2	13.0
Excess	+0.2	+3.2	+2.0	+4.8	+4.2
FIXED INTEREST					
New Zealand Sovereign Bonds	4.4	13.1	-0.1	-0.1	2.0
Excess	+0.4	+1.2	+0.6	+0.8	+0.5
Mercer Overseas Sovereign Bonds	3.8	7.4	-0.7	0.0	2.1
Excess	-0.1	-1.3	+0.8	+0.6	+0.9
Mercer Global Credit	4.7	13.1	-0.9	0.8	2.1
Excess	+0.0	+0.5	+0.0	+0.2	+0.1
Mercer Absolute Return Bonds*	1.5	6.0	2.2	2.4	2.5
Excess	+0.1	+0.2	-1.8	-0.2	+0.1
Mercer Short Term Bonds*	1.9	7.6	-	-	5.1
Excess	+0.5	+1.8	-	-	+0.4
Mercer Cash	1.5	6.0	4.2	2.8	2.7
Excess	+0.1	+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:		30/09/24 Value	Sector Allocation	Heat Map
		Lower	Upper			
Global Equities - Developed	38.5%	25.5%	60.5%	\$8,814,624	39.9%	
Global Equities - Emerging	4.5%			\$1,371,439	6.2%	
Trans-Tasman Equities	14%	2.5%	25.5%	\$3,530,537	16.0%	
Real Assets	13%	3.5%	26%	\$2,179,663	9.9%	
Alternatives	0%	0%	10%	\$0	0.0%	
Total Growth Assets	70%	40%	90%	\$15,896,263	71.9%	
Global Fixed Income	20%	7%	48%	\$4,063,678	18.4%	
New Zealand Fixed Income	7.5%			\$1,785,391	8.1%	
Cash	2.5%	0%	20%	\$367,516	1.7%	
Total Income Assets	30%	10%	60%	\$6,216,585	28.1%	
Total	100%			\$22,112,848	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 30 September 2024.

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	Composite: 70% MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index – NAV Weighted Post-Fee Total Return (All Funds) 1M Lag (100% hedged to NZD on an after-tax basis), & 30% MSCI/Property Council of New Zealand Annual Property Index published quarterly
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 Developed Core Infrastructure & Utilities 50/50 Net Index (100% hedged to NZD on a net of tax basis)
Unlisted Infrastructure	MSCI Australia Quarterly Private Infrastructure Fund Index (unfrozen) – 50th percentile Post-Fee Total Return (All Funds) 3M Lag (100% hedged to NZD on an after-tax basis)
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	Bloomberg Barclay's Global Aggregate Corporate Index (100% hedged to NZD on an after 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

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