

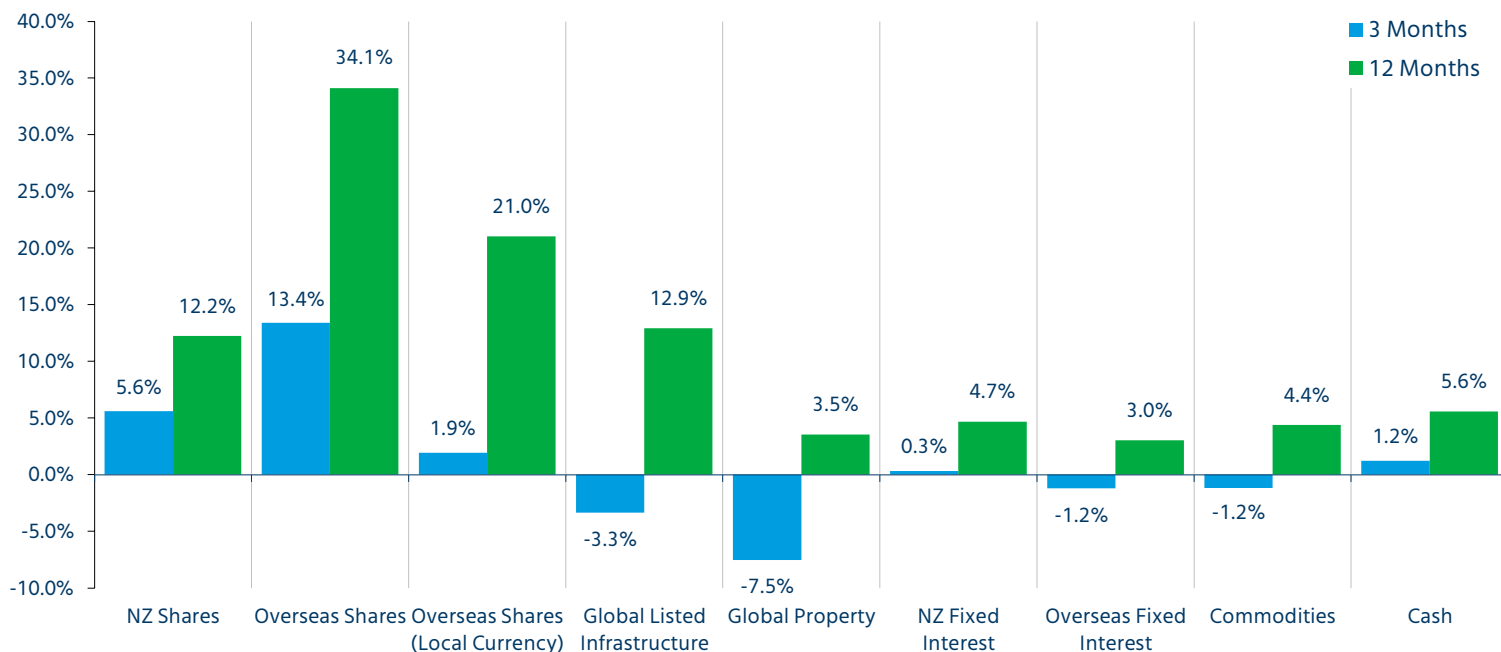
Quarterly Report

Quarter Ending 31 December 2024

welcome to brighter



ECONOMY & MARKETS



There were notable variations in market movements across regions and sectors in the final quarter of 2024, as global equities ended Q4 up despite a weak December. October and November delivered strong US and global equity returns, driven by optimism about interest rate cuts and a brief rally following Donald Trump's success in the US Presidential Elections. Investors were hopeful that his administration's proposed policies, including corporate tax reductions and less regulation, would enhance domestic US economic growth. However, by December the US Federal Reserve's cautious stance on future interest rate cuts put a dampener on markets heading into 2025.

Japanese stocks also performed well, benefiting from a weaker yen. Conversely, markets in China and Mexico faced challenges due to potential US tariffs, leading to declines. France struggled particularly after the failure of a proposed budget led to a rare no-confidence vote and the ultimate fall of Prime Minister Barnier's government.

Bond yields across the US Treasury curve increased during the quarter, initially reacting to Donald Trump's election victory and then hawkish comments from the Federal Reserve. In Europe, while sovereign bond yields rose, the European Central Bank's interest rate cuts and concerns over inflation led to mixed market reactions. UK yields rose significantly following the announcement of the first Labour budget in 14 years, despite a rate cut from the Bank of England.

The Reserve Bank of NZ delivered two consecutive rate cut announcements during the quarter as CPI (Consumer Price Index) and core inflation fell back within the 1-3% target range. The official cash rate currently sits at 4.25%.

Geopolitical events were also significant, as the use of US long-range missiles by Ukraine prompted Russia to adjust its nuclear policy. In the Middle East, a ceasefire between Israel and Hamas was briefly established before war erupted once again.

Significant Recent Developments Include:

- The Reserve Bank of New Zealand (RBNZ) made two policy rate reductions of 50bps during Q4 2024. This news came as annual consumer price inflation fell towards the midpoint of the target range of 1% to 3%. Inflationary pressures continued to ease due to excess productive capacity and falling import prices. Economic activity in New Zealand remains subdued, with output still below potential. The Committee anticipates further rate cuts early next year if conditions continue as expected, with economic growth projected to improve towards the end of 2025. Employment growth is likely to remain weak until mid-2025.
- Despite assassination attempts, criminal convictions, and a change in democratic opponent, Republican Donald Trump was elected the 47th President of the United States on the 7th of November. The win was secured by Trump managing to capture several key battleground states. Directly following this news, equity markets surged on expectations of reduced corporate taxes, favourable tariffs, and deregulation, benefiting shares of banks, small-cap companies, and Trump Media. Trump's commitment to appoint Tesla CEO Elon Musk as head of a government efficiency commission, following Musk's support during the campaign, resulted in a 12.5% increase in Tesla's stock. Wall Street's major indexes opened at all-time highs, and the small-cap Russell 2000 index rose approximately 4.8%, reaching its highest level in nearly three years.

- During December, Stats NZ announced that NZ's GDP (gross domestic product) had fallen -1.0% during Q3 2024. This news came as 11 of the 16 industries contributing to GDP experienced a decline in activity during the September quarter, with the most significant decreases occurring in manufacturing, business services, and construction. Both goods-producing and service sectors saw reductions, while primary industries experienced growth. Rental, hiring, real estate services, and agriculture recorded increases, with dairy farming driving the growth in agriculture. Per capital, GDP decreased by -1.2% during this quarter, marking the eighth consecutive decline in this metric.

Trans-Tasman Equities

During the quarter the NZX50 significantly outperformed its Australian counterpart, returning 5.6% compared to 0.5% for the ASX200. Investors responded positively to consecutive rate cuts by the RBNZ while the Reserve Bank of Australia (RBA) continued to hold rates at 4.35%. Local NZ markets remain optimistic for more cuts to follow, further bolstering returns late in the quarter.

Global Equities

Global stock markets returned 6.4% in the fourth quarter of 2024 with positive returns concentrated in November as equities rallied during the month. This performance coincided with President-Elect Donald Trump's decisive victory, which lifted the cloud of uncertainty and allowed the positive economic data from October to take effect. November marked the best month for global stock markets in over two years. In contrast, other regional equity markets delivered more lacklustre performances in Q4. The UK and emerging markets remained relatively stagnant, while continental European markets experienced declines, impacted by political instability in France and Germany. France ended 2024 with its fourth government of the year, while Germany faced the collapse of its coalition government and is now preparing for an election in February 2025, in hopes of restoring political stability.

Listed Property & Infrastructure

The real estate sector significantly underperformed due to its sensitivity to changing expectations of the future path of interest rates, falling -7.5% (FTSE EPRA NAREIT Developed Index NZD hedged) by the end of the quarter. Global Core Infrastructure fared similarly down -3.3% in Q4.

Global Bonds

In the US, bond yields rose across the Treasury curve following Donald Trump's election victory, as markets adjusted to heightened fiscal risks and hawkish comments from the Federal Reserve indicated a slower pace of monetary policy easing. In the UK, the 10-year gilt yield significantly increased after the announcement of the first Labour budget in 14 years, despite a rate cut by the Bank of England, as the market reacted to the implications of higher borrowing. While the European Central Bank cut interest rates, sovereign bond yields rose in Europe, driven by concerns over inflation, and political turmoil in France.

Commodities

Commodity markets experienced mixed results in the fourth quarter of 2024. Oil prices were volatile, with Brent crude ending the year at approximately \$75 per barrel, reflecting a 2% increase in December but a 3% decline for the year, as concerns over Middle East supply disruptions were offset by slowing demand from China and potential increased supply. Meanwhile, natural gas prices surged following Ukraine's missile strikes in Russia. Gold saw a slight decline after a strong year and industrial metal prices fell due to weak demand in China. Agricultural commodities such as corn rose due to expectations of tighter supply from the EU and Ukraine.

New Zealand Bonds and Cash

Performance in Q4 for NZ Government Bonds was relatively flat with the index returning 0.3%. The Bloomberg NZ Bond Composite 0+ yr index was in the same boat returning 0.7% while NZ 90-Day Bank Bills led the pack, delivering 1.1%. Affecting NZ bonds and cash this quarter was the delivery of two Official Cash Rate cuts by the RBNZ, dampened by the disappointing and surprising GDP announcement in December.

Currency

The NZD struggled to perform in Q4 of 2024 as soft economic data soured demand for the domestic currency against most major pairs. The NZD fell -11.9% against the USD over the quarter to a 2-year low following a hawkish US Fed rate announcement in December and consequently strong USD. The NZD fell -5.7% against the GBP and -5.1% against the EUR.

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	2.7	13.9	4.6	5.7
Benchmark	3.1	13.7	4.2	5.5
Excess	-0.4	+0.2	+0.4	+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.

* 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	2.2	12.3	4.0	6.0
Benchmark	2.5	12.0	3.6	5.2
Excess	-0.3	+0.3	+0.4	+0.7

Mercer Growth

Gross Returns – Before fees & taxes	3 Months (%)	1 Year (%)	3 Years (% p.a)	5 Years (% p.a)
Mercer Growth	3.2	15.6	5.2	7.6
Benchmark	3.6	15.3	4.8	6.9
Excess	-0.4	+0.2	+0.4	+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	16.0	16.5
Trans Tasman Shares	16.0	16.5
Overseas Shares	40.8	39.3
Overseas Shares Low Volatility	0.0	0.0
Overseas Shares Small Caps	0.0	0.0
Emerging Market Shares	4.8	4.9
Overseas Shares	45.5	44.3
Listed Property	0.0	0.5
Unlisted Property	3.0	3.0
Listed Infrastructure	2.5	2.3
Unlisted Infrastructure	3.0	3.1
Real Assets	8.5	8.9
Overseas Sovereign Bonds	8.3	8.0
NZ Sovereign Bonds	7.5	8.2
Global Credit	7.3	7.3
Other Fixed Income	4.5	4.4
Fixed Income	27.5	28.0
Cash	2.5	2.4
Cash	2.5	2.4
Total	100.0	100.0
Growth Assets	70.0	69.7
Defensive Assets	30.0	30.3
Overseas Shares Currency Hedging	50%	50%

Transaction Summary – Quarter ended 31 December 2024

	Opening Balance (\$)	Applications (\$)	Redemptions (\$)	Investment Gain / (Loss) (\$)	Closing Balance (\$)
Mercer Balanced	10,916,086.98	555,000.00	-	223,734.61	11,694,821.59
Mercer Growth	11,196,761.32	270,000.00	-	337,652.80	11,804,414.12
Total	22,112,848.30	825,000.00	-	561,387.41	23,499,235.71

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**	5.6	14.0	1.8	5.3	8.2
<i>Excess</i>	-0.1	+1.7	+0.8	+1.8	+0.8
Mercer Overseas Shares Plus	12.2	31.7	12.3	14.4	13.5
<i>Excess</i>	-1.1	-2.4	-1.4	-0.9	-0.5
Mercer Hedged Overseas Shares Plus	-3.1	14.8	3.6	8.4	8.2
<i>Excess</i>	-0.7	-1.7	-0.8	-0.9	-0.6
Mercer Socially Responsible Global Shares*	10.3	28.0	8.2	13.1	11.8
<i>Excess</i>	-3.1	-6.1	-5.4	-2.3	-2.3
Mercer Hedged Socially Responsible Global Shares*	-5.0	11.2	-0.8	7.0	6.8
<i>Excess</i>	-2.6	-5.3	-5.2	-2.5	-2.4
Mercer SR Overseas Shares Index*	13.6	35.3	14.1	-	16.5
<i>Excess</i>	+0.1	+1.0	+0.5	-	+0.0
Mercer Hedged SR Overseas Shares Index*	2.1	22.5	6.3	-	11.7
<i>Excess</i>	+0.1	+0.8	+0.5	-	+0.1
Mercer Emerging Markets	4.0	22.9	5.9	6.2	6.0
<i>Excess</i>	-0.7	+0.9	+0.6	+0.3	+0.8
REAL ASSETS					
Mercer Unlisted Property	0.5	-1.1	5.4	6.1	7.1
<i>Excess</i>	+0.6	+4.6	+4.7	+3.6	+3.1
Mercer Listed Property	-11.0	0.8	-6.5	-0.5	2.6
<i>Excess</i>	+0.2	+1.4	+0.6	+1.9	+2.4
Mercer Listed Infrastructure	-8.9	0.2	-0.8	1.2	3.9
<i>Excess</i>	-6.1	-12.0	-2.9	-1.9	-1.3
Mercer Unlisted Infrastructure	4.7	13.8	13.1	13.8	13.3
<i>Excess</i>	+2.3	+5.7	+3.4	+5.6	+4.4
FIXED INTEREST					
New Zealand Sovereign Bonds	0.5	5.7	0.6	0.6	1.8
<i>Excess</i>	+0.2	+1.0	+0.5	+0.7	+0.6
Mercer Overseas Sovereign Bonds	-2.3	1.1	-1.5	-0.2	1.7
<i>Excess</i>	-0.4	-0.1	+0.9	+0.5	+0.8
Mercer Global Credit	-1.8	3.7	-1.5	0.3	1.6
<i>Excess</i>	+0.1	+0.5	+0.1	+0.1	+0.1
Mercer Absolute Return Bonds*	1.1	4.6	2.7	2.5	2.6
<i>Excess</i>	-0.1	-0.9	-1.7	-0.3	+0.1
Mercer Short Term Bonds*	1.5	6.8	-	-	5.2
<i>Excess</i>	+0.3	+1.2	-	-	+0.4
Mercer Cash	1.3	5.8	4.6	3.0	2.8
<i>Excess</i>	+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:		31/12/24 Value	Sector Allocation	Heat Map
		Lower	Upper			
Global Equities - Developed	38.5%	25.5%	60.5%	\$9,245,304	39.3%	
Global Equities - Emerging	4.5%			\$1,158,042	4.9%	
Trans-Tasman Equities	14%	2.5%	25.5%	\$3,875,259	16.5%	
Real Assets	13%	3.5%	26%	\$2,093,077	8.9%	
Alternatives	0%	0%	10%	\$0	0.0%	
Total Growth Assets	70%	40%	90%	\$16,371,683	69.7%	
Global Fixed Income	20%	7%	48%	\$4,639,924	19.7%	
New Zealand Fixed Income	7.5%			\$1,936,807	8.2%	
Cash	2.5%	0%	20%	\$550,822	2.3%	
Total Income Assets	30%	10%	60%	\$7,127,553	30.3%	
Total	100%			\$23,499,236	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 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

BRIAN KEARNEY

t: +64 9 928 3193

e: brian.l.kearney@mercer.com

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