

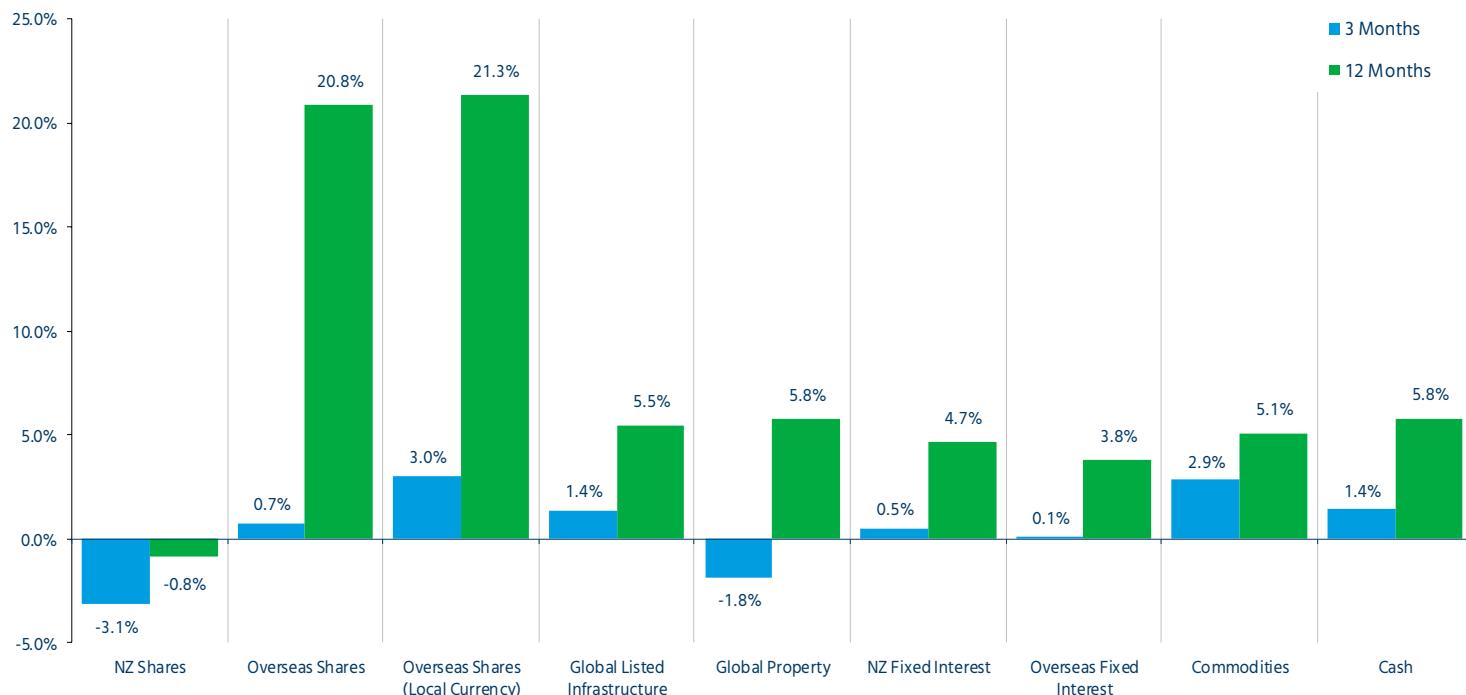
Quarterly Report

Quarter Ending 30 June 2024

welcome to brighter



ECONOMY & MARKETS



The second quarter of 2024 saw a continuation of the positive economic momentum from the first quarter. Equity markets experienced another period of growth, despite initial worries about an overheating US economy. However, as the quarter progressed, concerns eased and hopes for a soft landing resurfaced. Over in the Eurozone, the economy remained on a positive trajectory as the impact of the cost-of-living shock diminished.

While the worries about inflation at the end of Q1 turned out to be exaggerated in Q2, service sector inflation remained stubbornly high, exceeding the targets set by central banks. This caused expectations for rate cuts by Western central banks to decrease compared to projections from the beginning of the year. Despite this, most major asset classes ended the quarter in positive territory.

Developed market equities, as represented by the MSCI World index, achieved a positive total return of 3.0%. This performance was primarily driven by larger companies, while smaller cap stocks and real estate investment trusts (REITs), which are more sensitive to interest rates, faced challenges due to the anticipation of higher rates in the long term. Fixed income investors generally experienced an underwhelming quarter with more muted gains. The Bloomberg Global Aggregate Bond Index (NZD Hedged) was up just 0.1% over the quarter.

All in all, the second quarter of 2024 maintained the positive trend established in the first quarter, with risk assets generating favourable returns for investors.

Significant Recent Developments Include:

- Tensions in the Middle East heightened at the beginning of the quarter following a suspected Israeli airstrike that hit the consular section of Iran's embassy in Damascus. Iran retaliated in mid-April, launching a barrage of drones as well as cruise and ballistic missiles against Israel, most of which were shot down.
- UK Prime Minister Rishi Sunak called for a surprise snap general election to be held on the 4th of July. The Conservative Party, which had held power for more than 14 years, suffered a major defeat resulting in the most successful outcome in modern history for the Labour Party. Elsewhere, President Macron announced a snap election in France in response to the outcome of the European parliamentary election. Market concerns regarding the potential outcome led to significant volatility and a decline in the French equity market in June, causing a negative impact on broader European returns over the quarter.
- The European Central Bank became one of the first developed regions to begin its easing cycle, lowering interest rates by 25 basis points to 3.75% in June. The bank stated that the decision to cut rates was in response to a 2.5% decrease in Eurozone inflation since the last rate increase in September 2023.

Trans-Tasman Equities

During the quarter, Trans-Tasman equities performed poorly compared to global counterparts as inflation remains elevated in Australia and New Zealand. During the quarter each respective share market returned -1.1% and -3.1%. Australia witnessed an unexpected surge in headline inflation, rising from 3.6% year-on-year (y/y) to 4.0% in April. While in New Zealand, inflation decreased to 4.0% y/y, but non-tradables inflation remained stubbornly high at 5.8% y/y. These factors contributed to the expectation that both central banks would lag other developed market nations in initiating their easing cycles, negatively impacting equity returns.

Global Equities

Global developed market equities delivered a return of 3.0% during Q2. US companies with exposure to artificial intelligence continued to outperform other sectors, leading to another strong performance period for US equities (+3.9%). UK equities (+3.6%) also performed well as released GDP showed a rebound during the first quarter (+0.7%), and headline inflation fell back to the Bank of England's target rate of 2% y/y for the first time since July 2021. However, political uncertainty in France had a negative impact on Eurozone shares (+0.9%), particularly in the latter stages of the quarter. Elsewhere, Chinese equities received a boost from measures taken by Chinese authorities to support the real estate sector. Additionally, the Taiwanese stock market (which is exposed to artificial intelligence) performed strongly. These factors contributed to emerging markets delivering a return of 6.2% over the quarter, which more than offset lacklustre performance within Latin America.

Listed Property & Infrastructure

Yields experienced an initial increase during the quarter as US inflation consistently surpassed expectations during the first quarter, leading the market to adjust its rate cut expectations. However, due to the sector's rate sensitivity, global REITs continue to face broader recovery challenges, returning -6.4% (NZD Hedged) in April and ending the quarter down -1.8%. On the other hand, listed infrastructure performed relatively well, with a return of 1.4% (NZD Hedged).

Global Bonds

Global bonds (NZD Hedged) ended the quarter in positive territory, albeit by a narrow margin of 0.1%. The quarter began with a disappointing start for global bond markets as concerns about US inflation prompted investors to reconsider the timing of interest rate cuts. However, as the quarter progressed, the market environment became more favourable due to softer labour market conditions and encouraging inflation news. Global Central Bank action was plentiful with the European Central Bank, Bank of Canada, and Swiss National Bank all implementing interest rate cuts. In contrast, the US Federal Reserve and Bank of England adopted a more cautious approach and chose to maintain interest rates at their current levels.

Commodities

Commodities delivered a positive return of 2.9% (NZD Hedged) during the second quarter. Industrial and precious metals stood out, with zinc

and silver prices experiencing notable gains. However, the broader index was weighed down by agriculture components, despite significant price increases in coffee. WTI Crude Oil (USD) experienced a decline of -1.3% over the quarter.

New Zealand Bonds and Cash

Despite the increase in New Zealand interest rates by the end of the quarter, bonds still achieved a positive return. This was due to the monthly income accrual outweighing the impact of rising interest rates. The domestic bond market, represented by the Bloomberg NZ Bond Composite 0+ Yr Index, delivered a return of 0.8% during the quarter. Additionally, the 10-year government bond yield concluded the quarter at 4.67%, which was an increase from 4.59% in Q1. Cash generated a return of 1.4%, and over the course of one year, has delivered a return of 5.8%. Notably, cash has outperformed New Zealand aggregate bonds in both timeframes.

Currency

The NZD exhibited strong performance against developed market peers during the second quarter. It registered gains of 1.9%, 8.3%, 1.8%, and 2.7% against the USD, JPY, GBP, and EUR, respectively. When measured on a trade-weighted basis, the NZD appreciated by 2.1% over the quarter. On the other hand, the performance of the USD was mixed, however notably appreciated against the JPY due to wide interest rate differentials which continued to drive the underperformance of the JPY.

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	0.7	10.5	3.5	4.4
Benchmark	0.7	9.7	3.1	4.1
Excess	+0.1	+0.8	+0.4	+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	0.7	9.5	3.0	5.6
Benchmark	0.6	8.8	2.5	4.8
Excess	+0.1	+0.7	+0.4	+0.8

Mercer Growth

Gross Returns – Before fees & taxes	3 Months (%)	1 Year (%)	3 Years (% p.a)	5 Years (% p.a)
Mercer Growth	0.7	11.5	4.1	7.3
Benchmark	0.7	10.6	3.7	6.5
Excess	+0.0	+0.9	+0.4	+0.7

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	15.7
Trans Tasman Shares	16.0	15.7
Overseas Shares	36.0	34.9
Overseas Shares Low Volatility	0.0	0.0
Overseas Shares Small Caps	4.0	4.0
Emerging Market Shares	5.0	6.3
Overseas Shares	45.0	45.1
Listed Property	0.0	1.1
Unlisted Property	3.3	3.1
Listed Infrastructure	2.5	2.5
Unlisted Infrastructure	3.3	3.2
Real Assets	9.0	9.9
Overseas Sovereign Bonds	8.3	8.1
NZ Sovereign Bonds	7.5	8.1
Global Credit	8.3	8.2
Other Fixed Income	2.5	2.3
Fixed Income	26.5	26.7
Cash	3.5	2.7
Cash	3.5	2.7
Total	100.0	100.0
Growth Assets	70.0	70.7
Defensive Assets	30.0	29.3
Overseas Shares	50%	50%
Currency Hedging		

Transaction Summary – Quarter ended 30 June 2024

	Opening Balance (\$)	Applications (\$)	Redemptions (\$)	Investment Gain / (Loss) (\$)	Closing Balance (\$)
Mercer Balanced	10,448,975.11	-	-	44,819.90	10,493,795.01
Mercer Growth	10,705,125.44	-	-	46,440.67	10,751,566.11
Total	21,154,100.56	-	-	91,260.56	21,245,361.12

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**	-2.1	1.3	-0.2	4.8	8.1
<i>Excess</i>	+1.1	+2.2	+1.6	+1.8	+0.8
Mercer Overseas Shares Plus	0.2	19.0	9.9	13.3	13.7
<i>Excess</i>	-0.8	-2.1	-2.1	-0.7	-0.2
Mercer Hedged Overseas Shares Plus	3.3	19.7	4.4	9.7	9.3
<i>Excess</i>	-1.0	-2.1	-1.7	-0.8	-0.4
Mercer Socially Responsible Global Shares*	0.3	17.9	7.5	12.1	12.2
<i>Excess</i>	-0.8	-3.2	-4.4	-1.9	-1.8
Mercer Hedged Socially Responsible Global Shares*	3.3	18.0	1.8	8.5	8.0
<i>Excess</i>	-1.1	-3.7	-4.6	-2.2	-2.1
Mercer SR Overseas Shares Index*	1.3	22.6	12.2	-	14.4
<i>Excess</i>	+0.2	+1.2	+0.2	-	-0.1
Mercer Hedged SR Overseas Shares Index*	4.5	23.0	6.5	-	11.1
<i>Excess</i>	+0.0	+0.9	+0.3	-	-0.0
Mercer Overseas Small Companies	-3.7	22.8	13.5	18.4	16.1
<i>Excess</i>	+0.9	+12.9	+9.8	+9.0	+6.4
Mercer Emerging Markets	3.3	16.0	0.4	6.0	7.3
<i>Excess</i>	+0.2	+3.0	+0.8	+0.6	+0.8
Mercer Low Volatility	-	-	-	-	#N/A
<i>Excess</i>	-	-	-	-	#N/A
REAL ASSETS					
Mercer Unlisted Property	-0.2	-0.7	8.0	7.0	7.8
<i>Excess</i>	+0.8	+5.2	+4.2	+3.1	+3.1
Mercer Listed Property	-0.2	7.7	-4.1	0.4	3.3
<i>Excess</i>	+1.5	+2.7	+0.9	+2.1	+2.9
Mercer Listed Infrastructure	0.6	1.5	1.4	2.2	4.0
<i>Excess</i>	-0.6	-2.0	-0.6	-0.4	-0.4
Mercer Unlisted Infrastructure	2.6	10.9	12.6	13.3	12.7
<i>Excess</i>	+0.9	+2.8	+2.1	+4.6	+4.2
FIXED INTEREST					
New Zealand Sovereign Bonds	0.6	5.2	-1.8	-0.3	1.4
<i>Excess</i>	+0.0	+0.5	+0.6	+0.7	+0.4
Mercer Overseas Sovereign Bonds	0.2	2.7	-1.9	0.2	1.7
<i>Excess</i>	+0.4	+0.5	+0.9	+1.0	+0.9
Mercer Global Credit	0.8	5.7	-2.4	0.4	1.5
<i>Excess</i>	+0.3	+0.2	+0.1	+0.2	+0.1
Mercer Absolute Return Bonds*	0.4	4.3	1.6	2.3	2.4
<i>Excess</i>	-1.0	-1.5	-1.9	-0.1	+0.1
Mercer Short Term Bonds*	1.4	7.5	-	-	4.8
<i>Excess</i>	-0.0	+1.7	-	-	+0.2
Mercer Cash	1.4	5.9	3.7	2.6	2.6
<i>Excess</i>	+0.0	+0.1	+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:		30/06/24 Value	Sector Allocation	Heat Map
		Lower	Upper			
Global Equities - Developed	38.5%	25.5%	60.5%	\$8,249,149	38.8%	
Global Equities - Emerging	4.5%			\$1,330,597	6.3%	
Trans-Tasman Equities	14%	2.5%	25.5%	\$3,331,698	15.7%	
Real Assets	13%	3.5%	26%	\$2,107,115	9.9%	
Alternatives	0%	0%	10%	\$0	0.0%	
Total Growth Assets	70%	40%	90%	\$15,018,558	70.7%	
Global Fixed Income	20%	7%	48%	\$3,939,102	18.5%	
New Zealand Fixed Income	7.5%			\$1,723,211	8.1%	
Cash	2.5%	0%	20%	\$564,489	2.7%	
Total Income Assets	30%	10%	60%	\$6,226,803	29.3%	
Total	100%			\$21,245,361	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 June 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	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 Developed 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	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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