

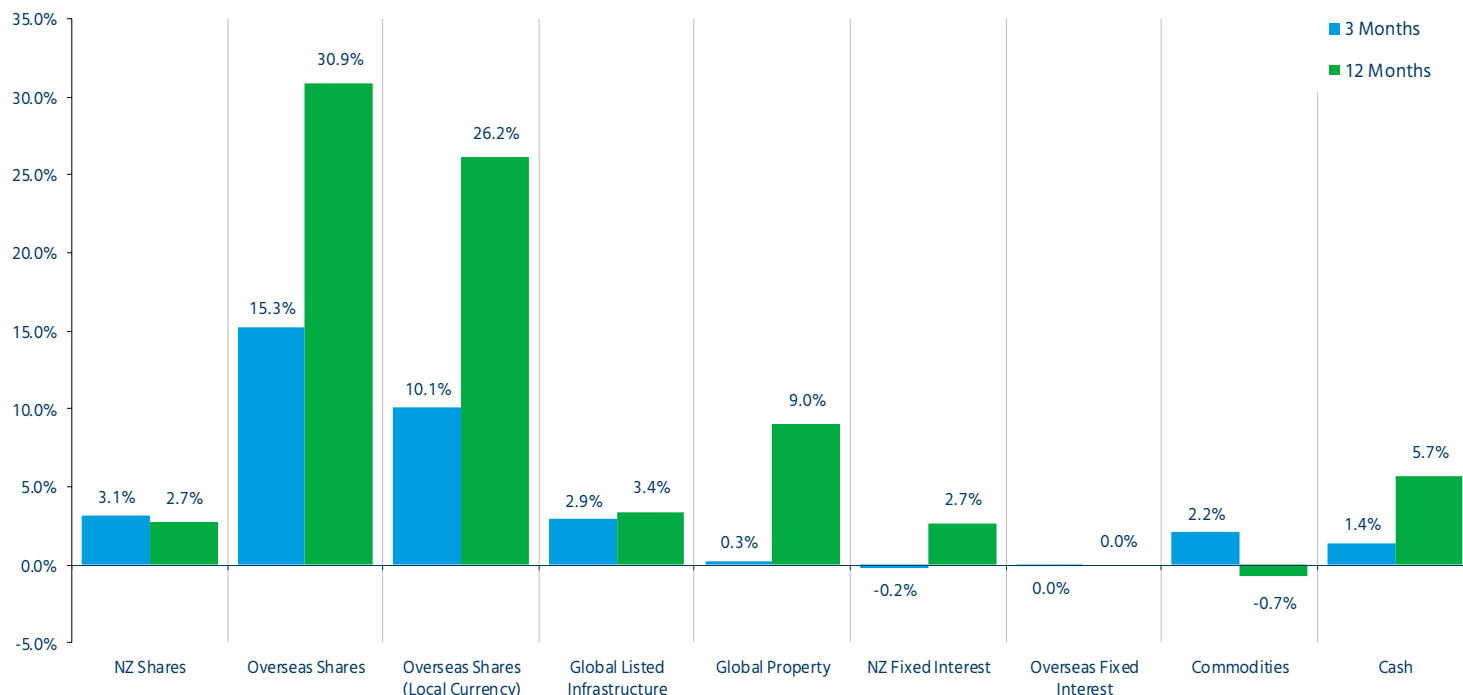
Quarterly Report

Quarter Ending 31 March 2024

welcome to brighter



ECONOMY & MARKETS



Investors were rewarded in the first quarter of 2024 as equities continued to soar, while fixed income assets struggled to keep pace.

January kicked off with hopefulness for rate cuts in the near term, however, such hopes were ultimately dampened as annual inflation figures came in higher than expected for the US, Eurozone and the UK. US headline CPI rose to 3.4% year-on-year (y/y) from 3.1%, driven by housing costs, while Eurozone governments rolled back energy and food subsidies as inflation rose from 2.4% y/y to 2.9%. It was a similar story in the UK where inflation ticked up to 4.0% y/y.

Despite this, equities experienced robust gains across all major indices, buoyed by a resilient US economy and positive company earnings reports.

Technology stocks led the charge, with companies benefitting from the accelerated adoption of digital technologies and artificial intelligence. Hawkish commentary from the US Federal Reserve (Fed) and other global central banks paired with decisions to maintain rates at current levels did little to dishearten equity markets more broadly as the MSCI World ended the quarter up 10.1% (in local currency terms). Global fixed income markets were generally weak over the quarter as the initial anticipation of lower interest rates were scaled back to later in the year.

Overall, the first quarter of 2024 highlighted equities' resilience as the bull kept running in the stock market.

Significant Recent Developments Include:

- During the first quarter of 2024, major central banks, including the Fed (current federal funds rate of 5.25 - 5.50%), European Central Bank (4.50%), Bank of England (5.25%), Reserve Bank of New Zealand (5.50%), and Reserve Bank of Australia (4.35%), opted to leave interest rates unchanged in their respective monetary policy meetings. Perhaps more notably, global central banks also signalled that forthcoming rate cuts will be made at a slower pace than markets had initially priced in.
- New Zealand fell into its second "technical" recession in 18 months, after Q4 2023 economic data released in March showed that GDP had shrunk 0.1%. This downturn came amid a backdrop of global economic uncertainties and domestic inflation challenges. Factors contributing to the recession have included supply chain disruptions, labour shortages, and a slowdown in key sectors such as tourism and hospitality.
- The ongoing conflicts in the Middle East, Eastern Europe and a major terror attack in Russia continue to pose significant geopolitical risks. Investors remain cautious and closely monitor geopolitical developments as any escalation could further disrupt global supply chains, capital flows and commodity markets, in particular oil supplies. WTI crude oil prices increased dramatically over Q1 (16.8% in USD), primarily driven by the Israel-Gaza conflict and a shifting assessment of the demand and supply outlooks.

Trans-Tasman Equities

Trans-Tasman equities underperformed international developed market counterparts over the quarter but demonstrated resilience in light of mixed reporting seasons. The S&P/NZX 50 and the S&P ASX 200 (in AUD) returned 3.1% and 5.3% respectively over the quarter. New Zealand CPI data for Q4 was in-line with market expectations but fell below the Reserve Bank of New Zealand's (RBNZ) expectation by -0.3%. This did little to sway the RBNZ's tough stance on inflation, and rather strengthened their position of maintaining course.

Global Equities

Global equities were strong during Q1. Developed markets outperformed Emerging markets, with the S&P 500 and NASDAQ indices both advancing to new all-time highs in February (driven once again by the stellar performance of the 'magnificent seven'). Japan's Nikkei 225 Index also reached a new all-time high (19.2% in local currency) for the first time in over 30 years on the back of a weak yen, solid earnings results and improvements in corporate governance. Growth stocks outperformed value over Q1, however, equity performance broadened beyond just technology stocks towards the end of the quarter. The MSCI World returned 10.1% (local currency) and 15.3% in unhedged NZD thanks to a weak Kiwi dollar, while Emerging market equities returned 4.5%.

Listed Property & Infrastructure

Global REITs returned 0.3% (in hedged NZD) during Q1, underperforming broader equity markets. Up 2.9% (in hedged NZD) over the quarter, infrastructure assets performed better than their listed property counterparts but still lagged global equities by a wide margin. Higher rate sensitivities for both sectors were a headwind this quarter.

Global Bonds

Global bonds were generally weak over Q1 with the Bloomberg Global Aggregate Bond Index (NZD Hedged) finishing flat. Treasury yields rose sharply over the quarter as markets positioned themselves for a slower pace in rate cuts than expected at the end of 2023. The 2-year Treasury yield rose by 40bps, while the 10-year Treasury rose by approximately 30bps. UK, German and Japanese 10-year yields were also on the rise by 39bps, 28bps, and 12bps respectively over the quarter. Most central banks left rates unchanged in Q1 while the Bank of Japan (BoJ) exited yield curve control and increased interest rates for the first time in 17 years. This move from the BoJ also brought an end to Japan's era of negative interest rates which have been in place since 2016. Elsewhere, the Swiss National Bank surprised the markets with a 25bp policy rate cut to 1.5%. In credit, spreads on US investment-grade debt narrowed which benefitted credit returns. On the whole, corporate bonds surpassed government bonds in performance with the Bloomberg Global Aggregate Corporate Bond Index (NZD Hedged) returning -0.3% and the JP Morgan Global Government Bond Index (NZD Hedged) finishing down -0.5% for the quarter.

Commodities

Commodities had a strong Q1 but remain negative over one year, with the Bloomberg Commodity Index (NZD Hedged) returning 2.2% and -0.7% over the respective periods. Energy and livestock were strong performers in Q1, while agriculture and industrial metals achieved more modest growth. Within energy, all sub-sectors achieved strong price growth apart from natural gas. Impacted by conflicts in the Middle East and a shifting assessment of the demand and supply outlooks, the price of WTI crude oil rose by 16.8% (USD) ending the quarter at around \$87 per barrel. Gold and silver also saw strong price gains driven by the markets expectations of the end of a high interest rate regime and the worsening geopolitical situation in the Middle East.

New Zealand Bonds and Cash

There was momentary apprehension in Q1 as New Zealand's largest bank tipped the RBNZ to raise the OCR by 25 basis points (bps) in their February meeting (which would have brought it to 5.75%). To the relief of many, the RBNZ held true and stayed on message, maintaining rates at current levels. This announcement was paired with commentary from the RBNZ that dampened optimism surrounding mid-year rate cuts, however, they did express that current policy levels are working as intended. For Q1, the Bloomberg NZ Bond Composite 0+ Yr Index returned 0.3%, while the S&P/NZX Bank Bills 90-Day Index was up 1.4%.

Currency

The US dollar strengthened against most major developed currencies due to the continued resilience of the US economy which has caused investors to push expected rate cuts to later in the year. The Japanese Yen was no exception despite the BoJ abandoning its negative interest rate policy and yield curve control target. By the end of the quarter, the USD/JPY reached a 34-year high at just under 152. The NZD was weak against most major currencies this quarter, down -1.2% against the AUD, -5.5% against the USD, -1.6% against the EUR and -4.7% against the GBP. On a trade-weighted basis, the NZD was down -2.9% over the quarter.

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	5.5	13.0	4.9	4.6
Benchmark	4.9	11.9	4.2	4.1
Excess	+0.6	+1.2	+0.7	+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	4.6	11.5	4.1	6.1
Benchmark	4.1	10.4	3.4	5.2
Excess	+0.5	+1.0	+0.7	+0.9

Mercer Growth

Gross Returns – Before fees & taxes	3 Months (%)	1 Year (%)	3 Years (% p.a)	5 Years (% p.a)
Mercer Growth	6.4	14.6	5.6	7.8
Benchmark	5.7	13.3	4.9	7.0
Excess	+0.7	+1.3	+0.7	+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	16.1
Trans Tasman Shares	16.0	16.1
Overseas Shares	36.0	34.6
Overseas Shares Low Volatility	0.0	0.7
Overseas Shares Small Caps	4.0	4.1
Emerging Market Shares	5.0	6.3
Overseas Shares	45.0	45.6
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	10.0
Overseas Sovereign Bonds	8.3	8.1
NZ Sovereign Bonds	7.5	8.1
Global Credit	8.3	8.1
Other Fixed Income	2.5	2.2
Fixed Income	26.5	26.6
Cash	3.5	1.9
Cash	3.5	1.9
Total	100.0	100.0
Growth Assets	70.0	71.6
Defensive Assets	30.0	28.4
Overseas Shares Currency Hedging	50%	50%

Transaction Summary – Quarter ended 31 March 2024

	Opening Balance (\$)	Applications (\$)	Redemptions (\$)	Investment Gain / (Loss) (\$)	Closing Balance (\$)
Mercer Balanced	10,007,344.81	-	-	441,630.30	10,448,975.11
Mercer Growth	10,089,612.18	-	-	615,513.26	10,705,125.44
Total	20,096,956.99	-	-	1,057,143.56	21,154,100.56

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**	3.7	4.3	1.1	6.6	9.1
<i>Excess</i>	+0.6	+1.5	+1.5	+1.6	+0.5
Mercer Overseas Shares Plus	15.3	30.1	12.6	14.6	13.7
<i>Excess</i>	+0.0	-0.7	-1.9	-0.5	+0.1
Mercer Hedged Overseas Shares Plus	8.6	24.0	5.8	9.6	9.6
<i>Excess</i>	+0.1	-0.5	-1.3	-0.6	-0.0
Mercer Socially Responsible Global Shares*	14.3	25.3	10.4	13.0	12.6
<i>Excess</i>	-1.0	-5.6	-4.0	-2.0	-1.8
Mercer Hedged Socially Responsible Global Shares*	7.5	18.7	3.3	8.4	7.8
<i>Excess</i>	-1.0	-5.7	-4.1	-2.2	-2.1
Mercer SR Overseas Shares Index*	15.4	32.4	14.6	-	15.1
<i>Excess</i>	+0.1	+1.1	+0.1	-	-0.2
Mercer Hedged SR Overseas Shares Index*	8.8	25.7	7.5	-	10.6
<i>Excess</i>	+0.2	+0.8	+0.3	-	-0.0
Mercer Overseas Small Companies	20.5	37.8	18.0	20.0	16.8
<i>Excess</i>	+10.1	+16.3	+10.9	+8.8	+6.5
Mercer Emerging Markets	9.9	16.1	1.1	5.9	7.0
<i>Excess</i>	+1.9	+2.9	+0.8	+0.6	+0.7
Mercer Low Volatility	12.0	17.9	12.1	9.5	9.1
<i>Excess</i>	+0.4	+1.5	+1.5	+0.7	+0.0
REAL ASSETS					
Mercer Unlisted Property	-0.4	0.0	9.0	7.3	8.4
<i>Excess</i>	+1.8	+4.8	+3.9	+2.9	+3.2
Mercer Listed Property	-1.1	8.9	-1.2	0.6	4.0
<i>Excess</i>	+0.4	+1.4	+0.6	+2.2	+2.8
Mercer Listed Infrastructure	-1.8	0.6	2.2	3.0	4.6
<i>Excess</i>	-3.5	-0.7	-0.1	+0.0	-0.2
Mercer Unlisted Infrastructure	3.6	12.9	13.5	13.4	13.0
<i>Excess</i>	+2.3	+3.5	+3.0	+4.6	+4.5
FIXED INTEREST					
New Zealand Sovereign Bonds	0.2	3.2	-1.9	0.0	1.6
<i>Excess</i>	+0.3	+0.5	+0.5	+0.7	+0.4
Mercer Overseas Sovereign Bonds	-0.5	1.0	-1.6	0.7	1.9
<i>Excess</i>	-0.1	-0.9	+0.8	+0.9	+0.9
Mercer Global Credit	0.2	5.5	-1.9	0.8	1.7
<i>Excess</i>	+0.1	+0.6	-0.0	+0.1	+0.0
Mercer Absolute Return Bonds*	1.5	5.6	1.7	2.5	2.4
<i>Excess</i>	+0.1	-0.0	-1.4	+0.3	+0.2
Mercer Short Term Bonds*	1.9	7.4	-	-	4.7
<i>Excess</i>	+0.5	+1.7	-	-	+0.2
Mercer Cash	1.4	5.8	3.3	2.5	2.4
<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:		31/03/24 Value	Sector Allocation	Heat Map
		Lower	Upper			
Global Equities - Developed	38.5%	25.5%	60.5%	\$8,319,485	39.3%	
Global Equities - Emerging	4.5%			\$1,322,131	6.3%	
Trans-Tasman Equities	14%	2.5%	25.5%	\$3,398,406	16.1%	
Real Assets	13%	3.5%	26%	\$2,109,275	10.0%	
Alternatives	0%	0%	10%	\$0	0.0%	
Total Growth Assets	70%	40%	90%	\$15,149,298	71.6%	
Global Fixed Income	20%	7%	48%	\$3,898,066	18.4%	
New Zealand Fixed Income	7.5%			\$1,718,771	8.1%	
Cash	2.5%	0%	20%	\$387,966	1.8%	
Total Income Assets	30%	10%	60%	\$6,004,803	28.4%	
Total	100%			\$21,154,101	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 March 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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