Mercer
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Waitara Perpetual Community Fund

Quarterly Report

Quarter Ending 31 March 2025

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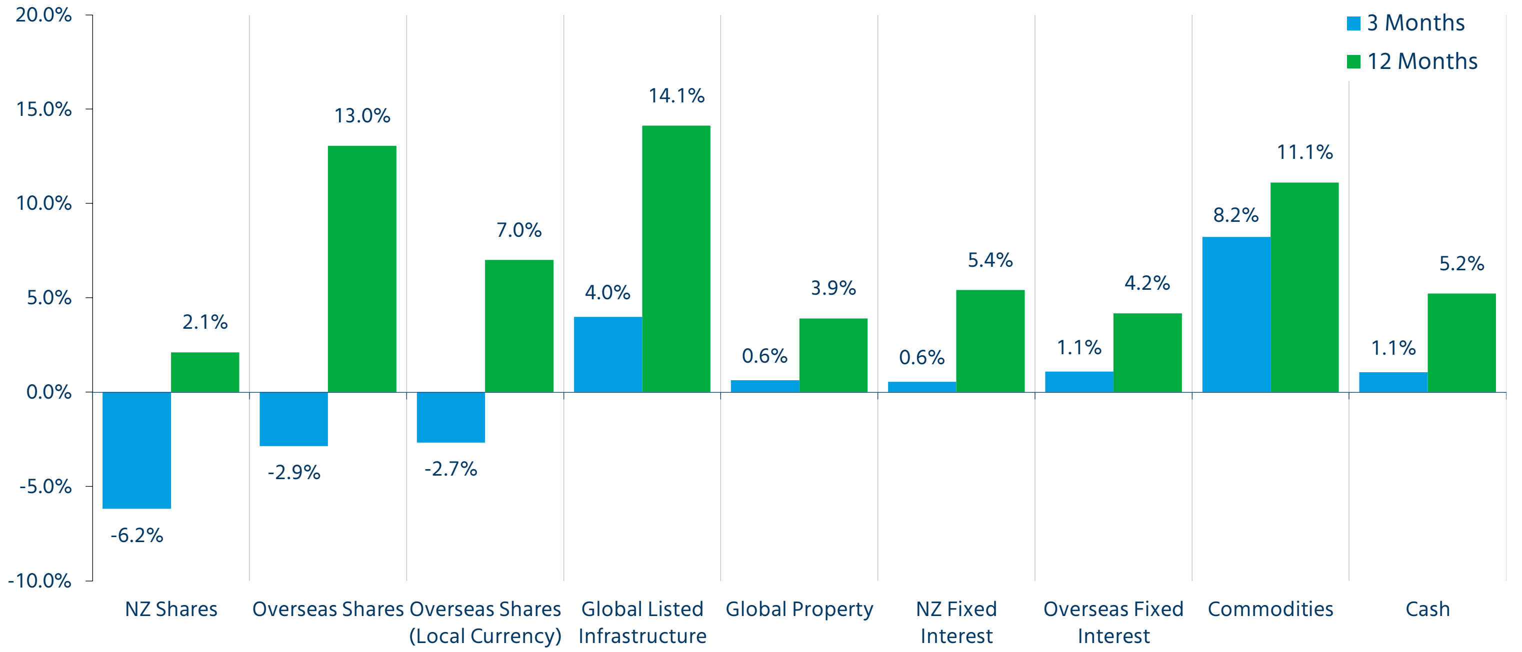
ECONOMY & MARKETS



The first quarter of 2025 was marked by considerable economic, geopolitical, and market instability in the United States. A combination of slowing economic indicators, escalating global tensions, and rising policy uncertainty has led to a reversal of the equity strength seen following Trump's election win. This has resulted in heightened market volatility, declining US Treasury yields, and corrections in the US equity markets. This uncertainty has intensified as the US Federal Reserve remains inactive, and the administration prioritises funding (i.e. lower interest rates) over the wealth effect (i.e. stock market performance).

After achieving a remarkable 57.8% cumulative return over the previous two years, the S&P 500 experienced a correction of over 10% in the latter half of Q1, resulting in its worst quarterly performance (-4.3%) since the peak of the interest rate hike cycle in Q3 2022.

However, many international economies remained resilient in Q1, aided by fiscal and monetary stimulus and a weakening US dollar. China's stimulus efforts included wage hikes for government workers, increased bond issuance, a consumer goods trade-in program, and a record-high budget deficit. In Europe, rising fiscal spending was partly driven by a renewed focus on national defence amid uncertainties regarding US leadership and NATO commitments. In addition, Germany looked to reform its longstanding debt rules and lift its "fiscal break."

In New Zealand, data released in March indicated that economic activity rose 0.7% in Q4 2024, coming in above expectations and pulling NZ out of a technical recession. With the largest industry contributors being rental, hiring and real estate, with a push from tourism and international visitors leading to increased activity during the quarter.

Significant Recent Developments Include:

- Since the start of the year the Reserve Bank of New Zealand (RBNZ) has only made one policy announcement, cutting the Official Cash Rate (OCR) by a further 50bps (for the third time in a row). Inflation lifted higher to 2.5% but remains within the target band as economic activity remains subdued while the economy continues to recover. Consumer Price Inflation in NZ is anticipated to be unstable in the short term, influenced by a declining exchange rate and rising fuel prices. The overall impact of upcoming trade policy changes on inflation in the country remains uncertain.

- Throughout Q1, tariffs dominated discussions as the US government implemented a wide range of new tariffs. These affected goods such as steel, aluminium, and automobiles. The shifting expectations surrounding the severity of tariff announcements (in April 2025) led to fluctuations in market sentiment, with investors closely monitoring for signs that uncertainty is affecting US economic activity. This concern was highlighted by a recent decline in capital expenditure intentions reported in small business surveys.

- News from Chinese AI (artificial intelligence) company DeepSeek caused chaos at the beginning of the quarter, suggesting that AI can be delivered much more cheaply than expected, undermining the valuation multiples of key AI stocks such as US owned Nvidia. Claiming to cost only $6m (USD), opposed to OpenAI's "over $100 million".

Trans-Tasman Equities

During the quarter the NZX50 underperformed its Australian counterpart, down -6.2% compared to 2.8% for the ASX200. Domestically, inflation has continued to trend down with unemployment rising to 5.1% in February, prompting a further 25bps cut during the quarter. The departure of Reserve Bank of New Zealand Governor Adrian Orr introduced additional uncertainty around forward looking monetary policy. Both New Zealand and Australian indices were also reactive to global equity trends during the quarter as investors became concerned as to the flow on effects of the instigated tariff wars.

Global Equities

In Q1, global stock markets erased all the gains achieved in Q4 2024, resulting in a loss of -4.5%. The majority of this decline was driven by US stocks, which make up just over 70% of the MSCI World Index. Emerging market equities outperformed those in developed markets, with strong performances from Chinese and Korean stocks; and over in Europe, UK equities quietly outperformed many other regions year-to-date. Value stocks surpassed growth stocks, while smaller companies underperformed, posting a return of -3.6% due to increasing trade uncertainty which raised concerns about weaker growth and higher inflation. Early in the quarter, the unveiling of DeepSeek (a Chinese competitor in the AI race) drove significant volatility within US mega-cap technology stocks as the proclaimed low expense training of the Chinese product raised questions around the valuation put on its US counterparts.

Listed Property & Infrastructure

Germany was influential in the infrastructure sector during Q1 as proposals were made for a €500bn infrastructure spending plan, shocking markets in March. Following the announcement, 10-year German Bund yields increased by over 30 basis points in a single day and borrowing costs in other eurozone countries also climbed throughout the quarter.

Global Bonds

In the bond markets, increasing recession risks resulted in a 2.9% return from U.S. Treasuries. This followed a run up in yields in the wake of US President Donald Trump's election. In contrast, in Europe, expectations of significantly higher issuance to fund new government spending programs negatively impacted sovereign bond returns, with German Bunds finishing the quarter down 1.6%. Japanese government bonds were particularly weak, declining by 2.4%, as recent data highlighted rising inflationary pressures.

Commodities

Commodities emerged as the top performers for the quarter, largely driven by a 19% increase in gold prices as investors sought a "safe haven" during times of economic instability (finishing the quarter at ~USD3,145/oz). The Oil prices rallied in early January before falling away on concerns of a potential recession and its impacts on demand. WTI Crude finished the quarter at USD71.5 per barrel.

New Zealand Bonds and Cash

The escalating global trade wars is also causing volatility locally and providing a complex backdrop for central bankers and the fixed income sector. NZ Government Bond Index and 90 Day Bank Bills are up for the quarter by 0.6% and 1.1% as investors pivot in a risk-off environment.

Currency

The NZD struggled to perform in Q4 of 2025 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	-1.0	6.9	5.9	5.1
Benchmark	-1.4	6.6	5.1	4.8
Excess	*+0.4*	*+0.3*	*+0.8*	*+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	-0.6	6.7	5.4	7.9
Benchmark	-1.0	6.3	4.6	6.8
Excess	*+0.4*	*+0.4*	*+0.8*	*+1.2*

Mercer Growth

Gross Returns – Before fees & taxes	3 Months (%)	1 Year (%)	3 Years (% p.a)	5 Years (% p.a)
Mercer Growth	-1.4	7.1	6.4	10.3
Benchmark	-1.9	6.9	5.6	9.2
Excess	*+0.5*	*+0.2*	*+0.8*	*+1.1*

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	15.5
Trans Tasman Shares	16.0	15.5
Overseas Shares	40.8	38.3
Overseas Shares Low Volatility	0.0	0.0
Overseas Shares Small Caps	0.0	0.1
Emerging Market Shares	4.8	4.7
Overseas Shares	45.5	43.1
Listed Property	0.0	0.4
Unlisted Property	3.0	3.1
Listed Infrastructure	2.5	2.5
Unlisted Infrastructure	3.0	3.2
Real Assets	8.5	9.2
Overseas Sovereign Bonds	8.3	8.3
NZ Sovereign Bonds	7.5	8.5
Global Credit	7.3	7.6
Other Fixed Income	4.5	4.6
Fixed Income	27.5	29.1
Cash	2.5	3.1
Cash	2.5	3.1
Total	100.0	100.0
Growth Assets	70.0	67.8
Defensive Assets	30.0	32.2
Overseas Shares Currency Hedging	**50%**	**50%**

Transaction Summary – Quarter ended 31 March 2025

	Opening Balance ($)	Applications ($)	Redemptions ($)	Investment Gain / (Loss) ($)	Closing Balance ($)
Mercer Balanced	11,694,821.59	-	-	-103,611.64	11,591,209.95
Mercer Growth	11,804,414.12	-	-	-201,559.78	11,602,854.34
Total	**23,499,235.71**	**-**	**-**	**- 305,171.42**	**23,194,064.29**

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.

Mercer

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**	-7.2	1.9	1.7	6.6	7.4
Excess	*-1.1*	*-0.2*	*+0.4*	*+1.2*	*+0.8*
Mercer Overseas Shares Plus	-1.2	12.9	15.5	17.2	13.6
Excess	*+1.7*	*-0.2*	*+0.3*	*+0.0*	*-0.4*
Mercer Hedged Overseas Shares Plus	-1.1	4.5	5.5	15.2	8.2
Excess	*+1.7*	*+0.1*	*+0.6*	*+0.1*	*-0.5*
Mercer Socially Responsible Global Shares*	-3.6	8.0	11.3	14.2	11.7
Excess	*-0.7*	*-5.1*	*-3.9*	*-3.0*	*-2.3*
Mercer Hedged Socially Responsible Global Shares*	-3.5	-0.2	1.1	10.3	6.6
Excess	*-0.7*	*-4.6*	*-3.7*	*-3.8*	*-2.5*
Mercer SR Overseas Shares Index*	-3.1	13.5	15.7	-	14.8
Excess	*-0.0*	*+0.7*	*+0.6*	*-*	*+0.0*
Mercer Hedged SR Overseas Shares Index*	-2.9	9.3	6.9	-	10.3
Excess	*-0.0*	*+0.5*	*+0.5*	*-*	*+0.1*
Mercer Emerging Markets	2.4	14.6	10.1	9.9	6.2
Excess	*+0.5*	*-0.5*	*+1.0*	*+0.6*	*+0.7*
REAL ASSETS					
Mercer Unlisted Property	0.9	0.2	3.1	7.3	6.8
Excess	*+0.0*	*+3.2*	*+3.6*	*+5.0*	*+2.8*
Mercer Listed Property	0.0	1.9	-5.6	6.3	2.9
Excess	*-0.9*	*+0.1*	*+0.4*	*+0.6*	*+1.8*
Mercer Listed Infrastructure	5.0	7.2	-0.3	6.6	5.6
Excess	*-0.0*	*-7.7*	*-2.8*	*-2.2*	*-0.9*
Mercer Unlisted Infrastructure	1.3	11.5	12.3	15.9	12.8
Excess	*-2.3*	*+0.9*	*+2.5*	*+8.0*	*+3.4*
FIXED INTEREST					
New Zealand Sovereign Bonds	0.6	6.2	2.4	0.2	1.8
Excess	*+0.1*	*+0.7*	*+0.6*	*+1.0*	*+0.6*
Mercer Overseas Sovereign Bonds	1.6	3.2	0.3	0.0	1.7
Excess	*+0.6*	*+0.5*	*+0.8*	*+1.3*	*+0.8*
Mercer Global Credit	1.8	5.5	1.3	1.6	2.0
Excess	*+0.1*	*+0.6*	*+0.2*	*+0.4*	*+0.1*
Mercer Short Term Bonds*	1.2	6.1	-	-	5.2
Excess	*+0.1*	*+0.9*	*-*	*-*	*+0.4*
Mercer Cash	1.1	5.5	4.9	3.2	2.9
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	31/12/24 Value	Sector Allocation	Heat Map
Global Equities - Developed	38.5%	25.5%	60.5%	$8,907,912	38.4%	
Global Equities - Emerging	4.5%			$1,093,600	4.7%	
Trans-Tasman Equities	14%	2.5%	25.5%	$3,595,544	15.5%	
Real Assets	13%	3.5%	26%	$2,130,143	9.2%	
Alternatives	0%	0%	10%	$0	0.0%	
Total Growth Assets	**70%**	**40%**	**90%**	**$15,727,199**	**67.8%**	
Global Fixed Income	20%	7%	48%	$4,779,833	20.6%	
New Zealand Fixed Income	7.5%			$1,967,321	8.5%	
Cash	2.5%	0%	20%	$719,712	3.1%	
Total Income Assets	**30%**	**10%**	**60%**	**$7,466,865**	**32.2%**	
Total	**100%**			**$23,194,064**	**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 2025.

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
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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