

Fund update

Mercer Core Hedged Global Shares Fund¹ Mercer Investment Funds

Quarter ending 31 March 2023

This fund update was first made publicly available on: 3 May 2023

What is the purpose of this update?

This document tells you how the Mercer Core Hedged Global Shares Fund has performed and what fees were charged. The document will help you to compare the fund with other funds. Mercer (N.Z.) Limited prepared this update in accordance with the Financial Markets Conduct Act 2013. This information is not audited and may be updated.

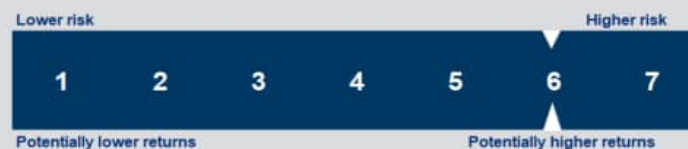
Description of this fund

The fund invests in shares listed on share markets predominately in developed economies and is fully hedged to the New Zealand dollar. The portfolio uses multiple managers and is diversified by region, manager and investment approaches. Environmental, Social and Governance characteristics are integrated into the underlying investment managers' investment processes. The fund aims to provide a Gross Return² above the return of the MSCI World ex Tobacco Index with net dividends reinvested (139% gross hedged to the New Zealand dollar) on a rolling three-year basis.

Total value of the fund	\$19,504,990
Date the fund started	26 November 2007

What are the risks of investing?

Risk indicator for the Mercer Core Hedged Global Shares Fund³:



The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the fund's assets goes up and down. A higher risk generally means higher potential returns over time, but more ups and downs along the way.

To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at www.sorted.org.nz

Note that even the lowest category does not mean a risk-free investment, and there are other risks that are not captured by this rating.

This risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for 5 years to 31 March 2023. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates.

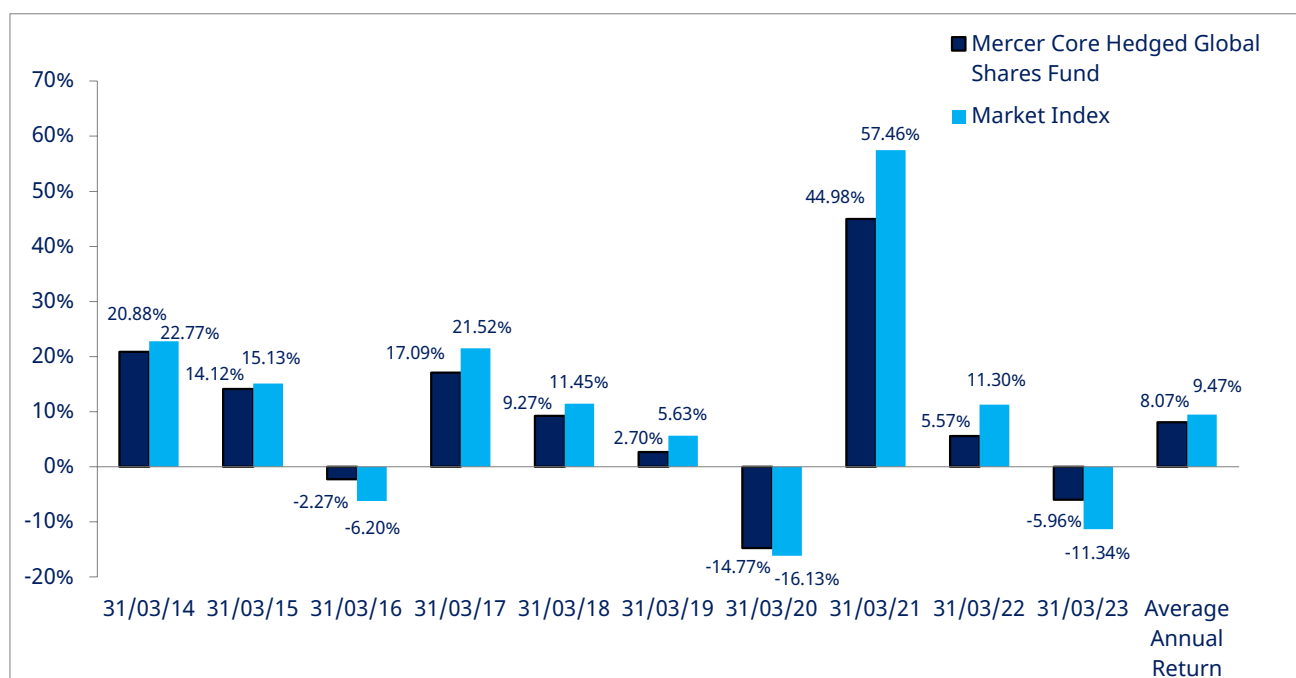
See the Product Disclosure Statement (PDS) for more information about the risks associated with investing in this fund.

How has the fund performed?

	Average over past 5 years	Past year
Annual return⁴ <i>(after deductions for charges and tax)</i>	4.73%	-5.96%
Annual return⁴ <i>(after deductions for charges but before tax)</i>	4.46%	-8.95%
Market index annual return⁴ <i>(reflects no deduction for charges and tax)</i>	6.60%	-11.34%

The market index annual return is based on the MSCI World ex Tobacco Index with net dividends reinvested (fully hedged to NZD on a net after tax basis, based on the current maximum PIR). Additional information about the market index is available on the offer register at www.disclose-register.companiesoffice.govt.nz

Annual Return Graph⁵



This shows the return after fund charges and tax for each of the last 10 years ending 31 March. The last bar shows the average annual return for the last 10 years, up to 31 March 2023.

Important: This does not tell you how the fund will perform in the future.

Returns in this update are after tax at the highest prescribed investor rate (PIR) of tax for an individual New Zealand resident. Your tax may be lower.

What fees are investors charged?

Investors in the Mercer Core Hedged Global Shares Fund are charged fund charges. In the year to 31 March 2022 these were:

	% of net asset value
Total Fund Charges	0.55%
Which are made up of:	
Total Management and Administration Charges	0.55%
Including:	
Manager's basic fee (excluding GST ⁶)	1.15%
Other management and administration charges (including GST)*	-0.60%
Total Performance Based Fees**	0.00%

* In the year to 31 March 2022, the fund held units in underlying funds, which pay performance fees to the managers of the underlying funds. One of the managers of the underlying funds paid a performance fee rebate back to the fund for the year. This has resulted in other management and administration charges being negative in this fund update.

** There were no performance fees paid in underlying funds for the year to 31 March 2022. See the product disclosure statements that applied for the year ending 31 March 2022 for more information about the basis on which performance fees were calculated. As at 1 April 2022 there are no longer any performance fee arrangements in underlying funds.

Investors may also be charged individual action fees for specific actions or decisions (for example, for withdrawing from or switching funds). See the PDS for the Mercer Global Shares Funds on the offer register at www.disclose-register.companiesoffice.govt.nz for more information about those fees.

Small differences in fees and charges can have a big impact on your investment over the long term.

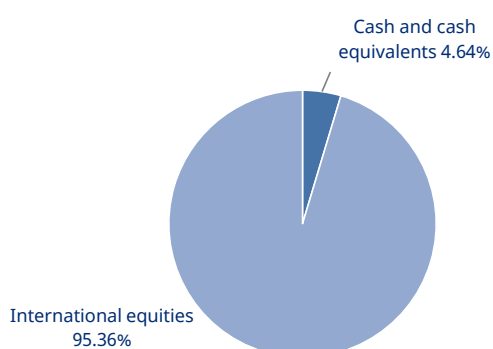
Example of how this applies to an investor ⁷

Ben had \$10,000 in the fund at the start of the year and did not make any further contributions. At the end of the year, Ben incurred a loss after fund charges were deducted of -\$596.00 (that is -5.96% of his initial \$10,000). Ben also paid \$0.00 in other charges. This gives Ben a total loss after tax of -\$596.00 for the year.

What does the fund invest in?

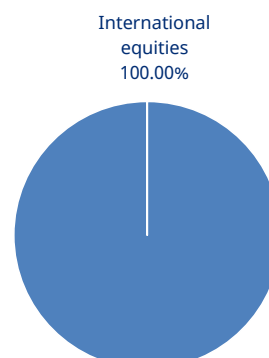
Actual investment mix

This shows the types of assets that the fund invests in.



Target investment mix

This shows the mix of assets that the fund generally intends to invest in.



Top 10 Investments

Name	% of fund net assets	Type	Country	Credit rating (if available)
1 Microsoft Corp	4.77%	International equities	United States	NA
2 UnitedHealth Group Inc Stock	3.93%	International equities	United States	NA
3 TotalEnergies SE	3.04%	International equities	France	NA
4 Apple Inc	2.96%	International equities	United States	NA
5 Alphabet Inc Cap Class C	2.78%	International equities	United States	NA
6 AstraZeneca PLC (spons. ADR)	2.06%	International equities	United Kingdom	NA
7 Novo Nordisk A S	2.00%	International equities	Denmark	NA
8 HDFC Bank Ltd	1.80%	International equities	India	NA
9 Exxon Mobil Corporation	1.72%	International equities	United States	NA
10 Facebook Inc USD Class A	1.63%	International equities	United States	NA

The top 10 investments make up 26.69% of the fund.

Currency management

The fund targets a position of being 100% hedged to the New Zealand dollar (on a net of tax basis) with the hedges based on the currency weights of the underlying index. Currency hedges are normally rebalanced monthly but may be adjusted intra-month for significant cash flows. See the Statement of Investment Policy and Objectives on the scheme register at www.disclose-register.companiesoffice.govt.nz for more information about currency management.

Hedging coverage, on a net of tax basis, for the Fund's exposure to foreign currency as at 31 March 2023 was 100.30%.

Key personnel

This shows the directors and employees who have the most influence on the investment decisions of the fund.

Name	Current Position	Time in current position	Previous/other position	Time in previous/other position
Kristen Kohere-Soutar*	Chair - Mercer (N.Z.) Ltd	3 years 4 months	Director - Mercer (N.Z.) Ltd (current)	5 years 7 months
Martin Lewington*	CEO - Mercer (N.Z.) Ltd	14 years 1 month	Head of Investments - Mercer (N.Z.) Ltd	3 years 8 months
Kylie Willment*	Chief Investment Officer, Pacific, Mercer Australia (Pty) Ltd	5 years 5 months	Senior Manager, Investment & Client Strategy - TCorp (NSW Treasury Corporation)	17 years 0 months
Padraig Brown*	Chief Investment Officer - New Zealand, Mercer (N.Z.) Ltd	0 years 10 months	Head of Real Estate Investment Management, Mercer Australia (Pty) Ltd	11 years 2 months
Robert Kavanagh*	Head of Portfolio Management NZ - Mercer (N.Z.) Ltd	9 years 0 months	Vice President - Account Management, PIMCO Australia Pty Limited	7 years 0 months

* Key personnel not named in a previous fund update for the fund due to change in Manager on 3rd March 2023.

Further information

You can also obtain this information, the PDS for the Mercer Global Shares Funds and some additional information from the offer register at www.disclose-register.companiesoffice.govt.nz

Notes

1. On 3rd March 2023, Mercer (N.Z.) Ltd became the manager of the fund. The previous manager was Macquarie Asset Management Public Investments (NZ) Limited. From 3rd March 2023, the Macquarie Core Hedged Global Shares Fund is called the Mercer Core Hedged Global Shares Fund.
2. Gross Return is the return before the deduction of tax, expenses and fees and assumes all income is reinvested.
3. In previous quarters, the risk indicator has been calculated based on the weekly returns of the Fund. The basis of the risk indicator has changed to the monthly returns to be consistent with other investment options managed by Mercer (N.Z.) Ltd.
4. These returns are for the periods ending 31 March 2023.
5. The bar graph shows fund returns after the deduction of fees and tax, however, the market index returns are shown before any fees or tax are deducted.
6. GST is currently charged at 15% on 10% of the management fee in accordance with the non-binding IRD agreement with the Financial Services Council of New Zealand Incorporated on behalf of the funds management industry. GST on management fees is currently under review and therefore this percentage may change in the future.
7. The returns and tax calculations used in this example are the actual fund returns and tax charges (or rebates) for the year ended 31 March 2023. Net of tax returns can be more than gross of tax returns where, due to the fund's tax position, it receives a tax rebate rather than paying tax.

Other than Macquarie Bank Limited (MBL), none of the entities noted in this document are authorised deposit-taking institutions for the purposes of the Banking Act 1959 (Commonwealth of Australia). The obligations of these entities do not represent deposits or other liabilities of MBL. Any investments are subject to investment risk including possible delays in repayment and loss of income and principal invested. MBL does not guarantee or otherwise provide assurance in respect of the obligations of these entities, unless noted otherwise.