

Fund update

Mercer Income Generator Fund Mercer Investment Funds

Quarter ending 31 December 2023

This fund update was first made publicly available on: 13 February 2024.

What is the purpose of this update?

This document tells you how the Mercer Income Generator 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 aims to provide a gross fixed monthly income in excess of bank deposit rates, along with a positive return on capital over the long term. To achieve this, the fund invests in a diversified mix of growth and defensive assets, with a focus on reliable income generation. Environmental, Social and Governance characteristics are integrated into the underlying investment managers' investment processes.

The fund aims to maximise the amount of the monthly distribution payments to investors by outperforming, over the medium term, the weighted average return of the market indices used to measure performance of the underlying funds/assets in which the fund invests.

| | |
|---------------------------|--------------|
| Total value of the fund | \$38,077,188 |
| The date the fund started | 30 June 2014 |

What are the risks of investing?

Risk indicator for the Mercer Income Generator Fund:



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/tools/investor-profiler

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 December 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.

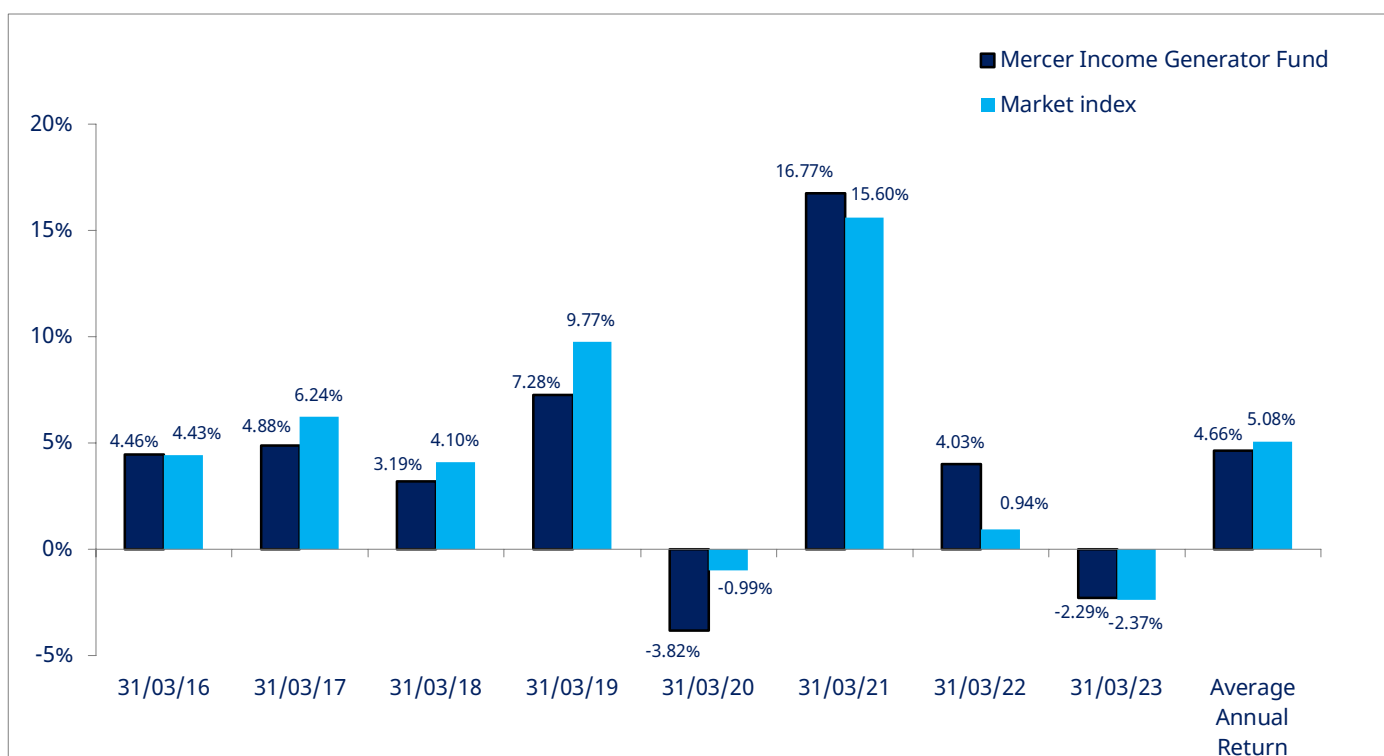
See the product disclosure statement (PDS) for more information about the risks associated with investing in this fund.

How has the fund performed?

| | Average over past 5 years | Past year |
|---|---------------------------|-----------|
| Annual return¹ <i>(after deductions for charges and tax)</i> | 4.64% | 5.28% |
| Annual return¹ <i>(after deductions for charges but before tax)</i> | 5.43% | 6.52% |
| Market index annual return¹ <i>(reflects no deduction for charges and tax)</i> | 4.59% | 6.76% |

The market index annual return is based on the weighted average return of the market indices used to measure performance of the underlying funds/assets. Additional information about the market index is available on the offer register at www.disclose-register.companiesoffice.govt.nz.

Annual Return Graph²



This shows the return after fund charges and tax for each year ending 31 March since the fund started. The last bar shows the average annual return since the fund started, up to 31 December 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 Income Generator Fund are charged fund charges. In the year to 31 March 2023 these were:

| | % of net asset value |
|---|----------------------|
| Total fund charges | 0.91% |
| Which are made up of: | |
| Total management and administration charges | 0.91% |
| Including: | |
| Manager's basic fee (excluding GST ³) | 0.72% |
| Other management and administration charges (including GST) | 0.19% |
| Total performance based fees | 0.00% |

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 Goals Based Funds 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.

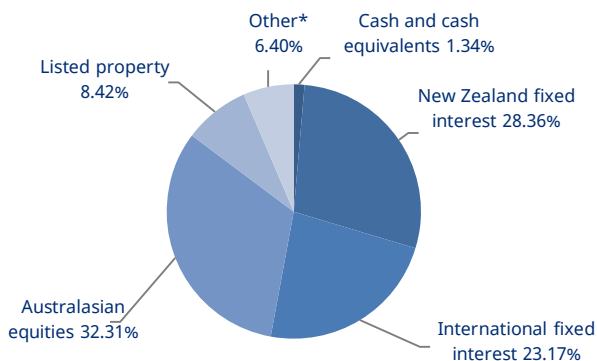
Example of how this applies to an investor

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 received a return after fund charges were deducted of \$528.00 (that is 5.28% of his initial \$10,000). Ben also paid \$0.00 in other charges. This gives Ben a total return after tax of \$528.00 for the year.

What does the fund invest in?

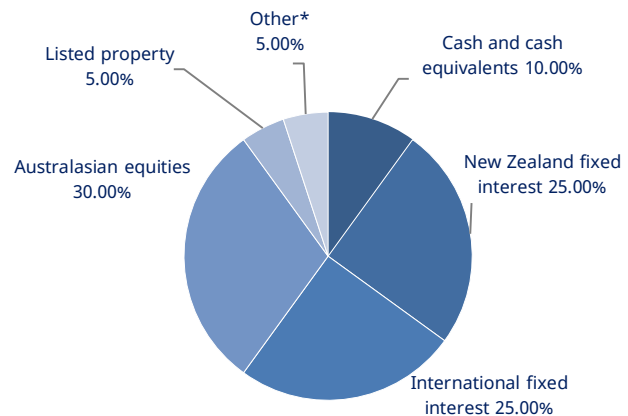
Actual investment mix⁴

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.



*Listed Infrastructure

Top 10 Investments⁵

| Name | % of fund net assets | Type | Country | Credit rating (if available) |
|---|----------------------|------------------------------|---------------|------------------------------|
| 1 Macquarie True Index Listed Property Fund | 4.73% | Australasian equities | Australia | NA |
| 2 iShares MBS ETF | 3.01% | International fixed interest | United States | NA |
| 3 Fisher & Paykel Healthcare Corporation Ltd | 2.39% | Australasian equities | New Zealand | NA |
| 4 Infratil Ltd | 1.73% | Australasian equities | New Zealand | NA |
| 5 International Bank for Reconstruction & Development Corporate Bond 5.00% maturing 22/06/26 | 1.68% | International fixed interest | United States | AAA |
| 6 Spark New Zealand Ltd | 1.65% | Australasian equities | New Zealand | NA |
| 7 Auckland International Airport Ltd | 1.63% | Australasian equities | New Zealand | NA |
| 8 Contact Energy Ltd | 1.41% | Australasian equities | New Zealand | NA |
| 9 MUFG Bank Ltd Auckland Branch FRN 05/11/24 | 1.35% | New Zealand fixed interest | New Zealand | A |
| 10 Christchurch City Holdings Ltd Corporate Bond 3.58% maturing 27/11/24 | 1.32% | New Zealand fixed interest | New Zealand | AA |

The top 10 investments make up 20.90% of the fund.

Currency management

The assets included in the international listed property category are hedged back to New Zealand dollars. For the international listed infrastructure category, the currency weights of the underlying index are hedged back to New Zealand dollars. The assets included in the global corporate bonds category are also hedged back to New Zealand dollars. The Australian dollar assets are not currently hedged, but the investment manager retains discretion to adjust this exposure. 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 December 2023 was 77.23%.

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 |
|------------------|---|--------------------------|---|---------------------------------|
| Ross Butler | Chair - Mercer (N.Z.) Ltd | 0 years 8 months | Director - Mercer Investments (Australia) Limited (current) | 10 years 4 months |
| Martin Lewington | CEO - Mercer (N.Z.) Ltd | 14 years 10 months | Head of Investments - Mercer (N.Z.) Ltd | 3 years 8 months |
| Kylie Willment | Chief Investment Officer, Pacific, Mercer Australia (Pty) Ltd | 6 years 2 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 | 1 year 7 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 9 months | Vice President - Account Management, PIMCO Australia Pty Limited | 7 years 0 months |

Further information

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

Notes

1. These returns are for the periods ending 31 December 2023.
2. 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.
3. 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.
4. For the Actual investment mix, foreign exchange hedging positions have been assigned to the asset class that they relate to.
5. The Top 10 investments have been calculated excluding operational cash.