

Mercer Investment Trusts New Zealand Statement of Investment Policy and Objectives



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1. Background

Introduction

This Statement of Investment Policy and Objectives (SIPO) applies to the Mercer Investment Trusts New Zealand (MITNZ or Trusts). The MITNZ are unregistered wholesale investment trusts.

Purpose

The principal purpose of the Trusts is to provide a range of investment portfolios to investors who meet the test for being a wholesale investor for the purposes of the Financial Markets Conduct Act 2013 (FMCA).

Manager

Mercer (N.Z.) Limited (Mercer or Manager).

Trustee

Trustees Executors Limited (TEL or Trustee).

Custodian

BNP Paribas Fund Services Australasia Pty Limited (BNP Paribas). Any MITNZ assets not held by BNP Paribas are held by TEL or its nominee (including its wholly-owned subsidiary, TEA Custodians (MITNZ) Limited).

Portfolios

The MITNZ are a range of Trusts, each with one or more Portfolios invested in a single sector asset class or diversified across multiple asset classes. One or more Investment Managers are utilised to invest the assets of each portfolio.

The Trusts and Portfolios of the MITNZ are shown in the table on page 2 & 3.

SIPO Review

The SIPO is to be reviewed annually although reviews may be completed before this time. In the event of a major change to the purpose of the Trusts or a major event impacting the Trust's investments, Mercer may consider an earlier review.

Any review will be carried out by Mercer in conjunction with the Trustee, where appropriate, and will consider the investment objectives of the Trusts and take account of any changes in the Portfolios being offered and the investment outlook which may affect the relative value and role of the different asset classes. Mercer is responsible for approving the SIPO but will give prior written notice of any proposed changes to the Trustee.

Availability of SIPO

The most current version of the SIPO can be found by following this link:

www.multimanager.mercer.co.nz/content/dam/mercersubdomains/MMF/new-zealand/MITNZ-SIPO.pdf

Alternatively, the most current version of the SIPO can be provided by the Manager upon request using the contact details below.

How to Contact Us

Address: Mercer Investment Trusts New Zealand
Mercer (N.Z.) Limited
PO Box 105591
Auckland 1143
New Zealand

Phone: +64 9 928 3200

Email: nzportfolios@mercercorpltd.com

Website: www.multimanager.mercer.co.nz

Availability of Information

Memorandum

Investment in the MITNZ is also governed by the terms of the Information Memorandum, which can be found by following this link:

www.multimanager.mercer.co.nz/content/dam/mercersubdomains/MMF/new-zealand/MITNZ-Information-Memorandum.pdf

MITNZ Portfolio	Offered in MITNZ IM*
Shares	
Mercer Trans-Tasman Shares Trust	
Mercer Trans-Tasman Shares Portfolio	Y
Mercer Responsible Trans-Tasman Shares Portfolio	Y
Mercer New Zealand Shares Index Portfolio	Y
Mercer Unhedged Overseas Shares Trust	
Mercer Overseas Shares Portfolio	Y
Mercer Responsible Overseas Shares Portfolio	Y
Mercer Responsible Overseas Shares Index Portfolio	Y
Mercer Emerging Markets Portfolio	Y
Mercer Overseas Shares Index Portfolio	Y
Mercer Overseas Shares Index Portfolio B	Y
Mercer Hedged Overseas Shares Trust	
Mercer Hedged Overseas Shares Portfolio	Y
Mercer Hedged Overseas Shares Index Portfolio	Y
Mercer Hedged Overseas Shares Index Portfolio B	Y
Mercer Responsible Hedged Overseas Shares Index Portfolio	Y
Mercer Responsible Hedged Overseas Shares Portfolio	Y
Mercer Diversified Trust	
Mercer Shares Portfolio	Y
Real Assets	
Mercer Trans-Tasman Property Trust	
Mercer Unlisted Property Portfolio	Y
Mercer Infrastructure Trust	
Mercer Unlisted Infrastructure Portfolio	Y
Mercer Property and Infrastructure Trust	
Mercer Listed Property Portfolio	Y
Mercer Trans-Tasman Listed Property Portfolio	Y
Mercer Listed Infrastructure Portfolio	Y
Mercer Global Listed Infrastructure Index Portfolio	Y

* Some additional private portfolios may be tailored for specific investors. These private portfolios are not shown in the table above and are described in separate agreements with those investors.

MITNZ Portfolio	Offered in MITNZ IM*
Cash and Fixed Interest	
Mercer New Zealand Cash and Fixed Interest Trust	
Mercer Cash Portfolio	Y
Mercer New Zealand Sovereign Bond Portfolio	Y
Mercer New Zealand Fixed Interest Portfolio	Y
Mercer Overseas Fixed Interest Trust	
Mercer Overseas Sovereign Bond Portfolio	Y
Mercer Overseas Sovereign Bond Index Portfolio	Y
Mercer Global Credit Portfolio	Y
Mercer Private Debt Portfolio	Y
Mercer Sustainable Global Credit Portfolio	Y
Mercer Responsible Global Aggregate Index Portfolio	Y
Mercer Short Term Bond Portfolio	Y
Diversified	
Mercer Diversified Trust	
Mercer Conservative Portfolio	Y
Mercer Moderate Portfolio	Y
Mercer Balanced Portfolio	Y
Mercer Growth Portfolio	Y
Mercer High Growth Portfolio	Y
Mercer Passive Balanced Portfolio	Y
Mercer Passive Growth Portfolio	Y
Mercer Responsible Conservative Portfolio	Y
Mercer Responsible Moderate Portfolio	Y
Mercer Responsible Balanced Portfolio	Y
Mercer Responsible Growth Portfolio	Y
Mercer Responsible High Growth Portfolio	Y

* Some additional private portfolios may be tailored for specific investors. These private portfolios are not shown in the table above and are described in separate agreements with those investors.

2. Roles and responsibilities

Manager

Mercer is responsible for the investment of the MITNZ's assets, in accordance with legislative requirements, the Trust Deed, the Information Memorandum and this SIPO.

The Manager's responsibilities include to:

- maintain the investment governance framework including effective investment policies;
- establish investment beliefs and investment process;
- set investment objectives and risk tolerance for the Portfolios;
- determine investment strategy for each Portfolio. This includes the Benchmark Asset Allocation, ranges, other limits and appropriate indices;
- implement investment strategy; and
- monitor Portfolio investment performance relative to objectives and compliance with strategy limits.

The investment governance framework represents the totality of systems, structures, policies, processes and people utilised to address the Manager's investment related responsibilities.

The Mercer Board has ultimate responsibility for the proper investment of the MITNZ. In order to most effectively discharge its responsibilities, however, Mercer has adopted a delegated decision-making structure.

The Board has adopted a Board Charter. The Charter includes matters delegated to Board committees and management, as well as functions reserved for the Board which includes investment governance functions, receipt of investment reports and the monitoring of investment performance. A Risk, Audit and Due Diligence Committee has been established to carry out various functions on behalf of the Board.

In addition, the Board contracts certain functions to other Mercer related entities and external parties in order to meet its responsibilities. Mercer adopts a "manager of managers" approach which involves delegating to Investment Managers within each asset class in order to implement the investment strategy. Certain administrative and operational functions are also delegated. Further detail on the investment structure is shown in Section 3.

Mercer maintains a conflicts management framework to help manage potential issues that may arise as a result of delegation to related parties. Further detail can be found in the Mercer Investment Process, Policies and Governance Framework document. The Trust Deed and a separate agreement between Mercer and the Trustee also impose restrictions on related party transactions.

Trustee

The Trustee is responsible for acting as trustee of each Trust within the MITNZ, including by:

- acting on behalf of the MITNZ's investors in relation to the Manager and the MITNZ;
- monitoring the performance by the Manager of its functions and the financial position of the MITNZ and each Trust; and
- holding each Trust's assets or ensuring that the assets are held in accordance with the Trust Deed and applicable legislative requirements.

3. Investment structure

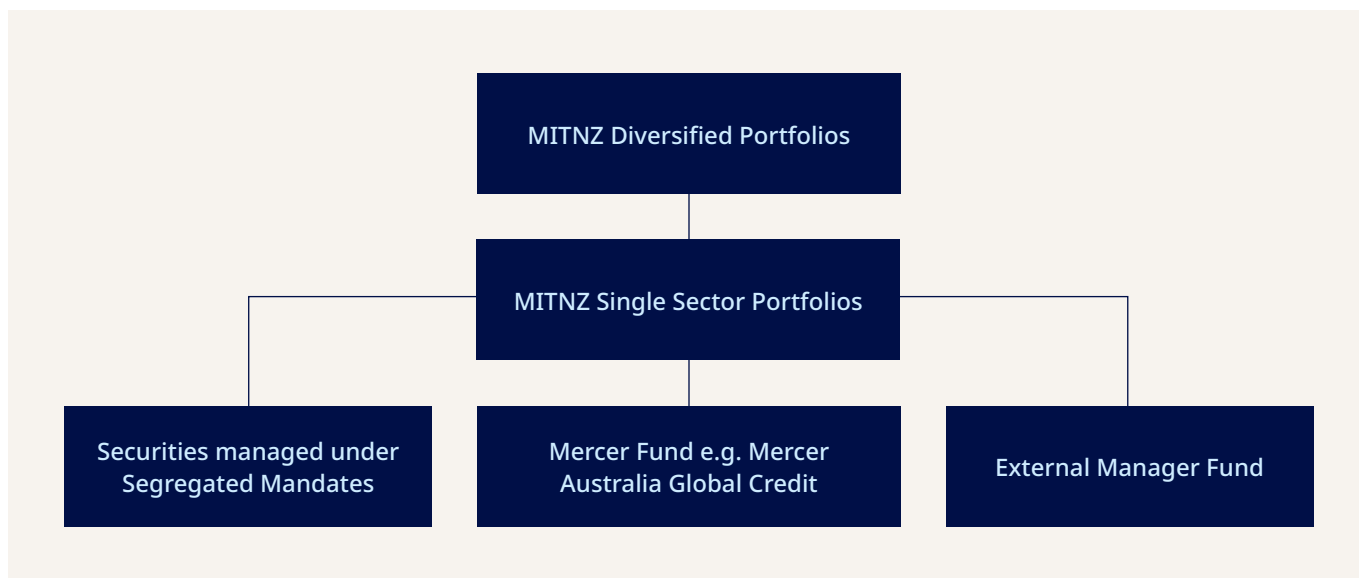
Investment Structure

The MITNZ is a series of wholesale investment trusts which incorporate a range of single sector and diversified multi-sector portfolios.

The MITNZ trusts are currently invested in a mix of:

- portfolios of securities managed by Investment Managers under delegation and governed by investment management agreements with Mercer. The securities so managed are held under a segregated mandate managed by the relevant Investment Manager;
- funds managed by other related entities of Mercer, including Mercer Australia's multi-manager funds; and
- managed funds offered and managed by other Investment Managers.

The Investment Managers and mandates of the MITNZ can be changed by Mercer from time to time. Changes may occur for product management reasons or where a review of a particular Investment Manager and/or asset class dictates that change is necessary or desirable in the interests of investors.



4. Investment philosophy and process

Philosophy

Mercer's investment approach is based on the philosophy that an optimal investment strategy takes full advantage of investment opportunities by diversifying across investment classes (in a multi-sector portfolio) and investment styles, thereby achieving maximum investment efficiency. Mercer believes that a "manager of managers" approach is the most effective and flexible way of delivering the best outcome for investors, and that well-constructed combinations of highly rated specialist investment managers generally result in securing a portfolio of investments that provide consistent, above-average performance over time. Some asset classes may be managed by a single manager where that is appropriate or necessary.

Our investment approach is governed by a set of guiding principles across governance, risks and value - with our clients' objectives at the core.

Client objectives

- Investment success hinges on clearly defined investment goals.
- An investor's true risk lies in not being able to meet their primary objective.
- Aligning governance processes is essential for driving investment performance.

Strong governance

- Robust and high-quality governance processes are fundamental to achieving successful investment outcomes.
- Strong governance becomes even more essential during periods of stress.
- Establishing clear accountability for results promotes disciplined decision-making and risk-taking.
- Effective stewardship plays a crucial role in improving investment outcomes.

Rewarded Risk

- Asset allocation is the most important factor influencing risk and return outcomes.
- While risk and return are related, the relationship can vary over time.
- Understanding how risks interact is critical to making informed investment choices.
- Investors should focus on the risks that matter most to their specific circumstances.
- Integrating financially material sustainability transition and socio-economic risks into investment decision-making can potentially enhance portfolio resilience.

Maximise value

- Strategic asset allocation serves as the primary driver of value creation.
- Active management can be employed when the expected return benefits justify the associated risks and fees.
- For long-term investors, private markets can offer certain advantages over public markets.
- Dynamic asset allocation can add value to investment strategies. Investing to solve long-term systemic issues may provide opportunities to improve risk-adjusted returns.

Investment Process

Setting the investment strategy

Mercer has established a range of Portfolios with different risk/reward profiles to suit the needs of a wide range of investors.

Mercer determines an appropriate investment strategy for the MITNZ as a whole and for each individual Portfolio. Setting the investment strategy is a continual process that aims, first and foremost, to ensure alignment between agreed investment objectives and the structure of the individual Portfolio.

The methodology used by Mercer to develop the investment strategy for each Portfolio involves, as a first step, consideration of:

- expected risk and return relative to the Portfolio's objectives;
- the overall composition of the Portfolio's investments including the adequacy of diversification;
- the liquidity of selected investments having regard to expected cash flow requirements;
- availability and reliability of valuation information; expected tax consequences; and
- associated costs of investing and any other relevant matters.

The investment strategy is then formulated with reference to the Portfolio's risk and return objectives (plus the further considerations listed above) and in a manner that utilises the benefits of diversification within and between asset classes. The Portfolio's Benchmark Asset Allocations are then set and modelled on a continuing basis to assess their ongoing appropriateness in the light of expected market conditions and the asset allocation's ability to deliver on the particular Portfolio's investment objectives.

Strategic Asset Allocation involves setting a Benchmark Asset Allocation for the long-term (but subject to reviews). Asset allocation may be adjusted with the aim of adding value to the performance of this Benchmark Asset Allocation through Dynamic Asset Allocation as described below.

The investment strategy for each Portfolio is regularly reviewed to ensure an appropriate balance between risk and return and to maximise the likelihood of achieving the Portfolio's stated objectives. Asset allocation modelling is undertaken to assess the impact of potential changes on each Portfolio. Mercer formulates capital markets forecasts and employs proprietary modelling tools to support these processes.

This analysis is used to test the appropriateness of each Portfolio by estimating, among other metrics, the likelihood that the Portfolio will achieve its performance objectives, expected return, expected volatility and the probability of a negative return.

Mercer also stress-tests each Portfolio to assess how it might perform under different scenarios.

Reviewing the investment strategy

Mercer undertakes a formal strategy review at least every three years. Any recommended changes are supported by detailed analysis setting out the rationale for changes and the expected impact on Portfolio characteristics. In the interim, Mercer performs a "health check" which reviews the investment strategies for each Portfolio to gauge whether the agreed investment objectives and strategy remain appropriate and in the best interests of investors. At least one such health check is conducted in-between the formal triennial reviews.

Potential enhancements considered in formal reviews and health checks may include:

- the addition of a new asset class or a new type of investment;
- incorporation of new Mercer research;
- investment environmental factors including significant market events; and
- long-term market/industry trends and the outlook for growth.

The primary aim of any adjustment to a Portfolio's investment strategy is to improve the balance between risk and return and maximise the chance of achieving the stated objectives.

Key considerations include:

- the degree of diversification;
- appropriate levels of liquidity, to facilitate daily pricing;
- availability of commercially attractive fees with an emphasis on value, via cost effective investment structures;
- transparency and reliability in asset valuation;
- the competitive environment, peer performance/offerings and investor demands; and product viability.

These investment strategies are reflected in the Benchmark Asset Allocation and ranges for each Portfolio, as set out in Section 6.

Dynamic Asset Allocation

The Portfolios in the Diversified Trust may be subject to a Dynamic Asset Allocation (DAA) process designed primarily for risk control, capital preservation, and incremental value-add.

DAA assessments are conducted on a regular basis and involve two stages. First, each asset class is assessed to determine whether it warrants being under or over-weighted based on a broad range of factors. Secondly, position size (i.e. the extent to which the asset class weight is 'tilted' within the benchmark ranges) is determined based on the level of conviction as to the expected value such tilts will add, and dictates the Target Allocation. This DAA approach aims to produce a more stable pattern of returns for the relevant Portfolio, especially during unstable market periods.

Manager Selection

Mercer focuses on selecting Investment Managers who are specialists within their particular investment markets and who have demonstrated capability and conviction in portfolio construction and the execution of investment strategies. A formalised process of screening potential managers, including a detailed assessment of their ability and performance, is coupled with on-going monitoring and formal performance reviews. The aim is to achieve a level of returns meeting or exceeding the objectives set, from time to time, for each Portfolio and which is consistent with the risk profile of each Portfolio.

5. Objectives

Each Portfolio has a return-based objective. There are two types of investment objectives. Single-sector portfolios utilise a market or composite index as a benchmark with the objective of outperforming this benchmark. Multi-sector portfolios aim to achieve the applicable net real return objective. In setting these objectives, Mercer takes into consideration a range of risk-based factors.

Benchmark: Market or Composite Index

The FMCA requires managers of schemes registered under that Act to disclose information on the past performance of their funds in quarterly fund updates. The performance of an appropriate market index must be included alongside that information.

The market index must be a 'broad-based securities market index or indices' which is:

- (a) (i) widely recognised and widely used in the financial markets; or
 - (ii) administered by a person other than the manager of the scheme or any associated persons; and
- (b) appropriate in terms of assessing movements in the market in which the specified portfolio invests.

Under the Financial Markets Conduct (Market Index) Exemption Notice 2024, managers are able to use a suitable peer group index where there is no appropriate market index available. In this situation, a composite index may be calculated which incorporates both market indices and peer group indices.

For each actively managed Single-sector Portfolio, for Equity and Real Assets portfolios the objective is to outperform the notional return of the Benchmark Portfolio over the medium to long term; for Fixed Interest portfolios the objective is to outperform the notional return of the Benchmark Portfolio over the medium term; for the Cash portfolio the objective is to perform in line with the notional return of the Benchmark Portfolio over periods of one year or greater. For each passively managed Single-sector Portfolio, the objective is to match the Benchmark return over periods of one year or greater. The Benchmark return is calculated using the return for each relevant market or peer group index (shown on pages 20 - 21) and the Benchmark Asset Allocation weights of each portfolio (shown in Section 6). Each index return for the relevant period is multiplied by the weight for that asset class.

Return based objectives

In setting investment objectives, Mercer recognises the risk of inflation eroding the value of future returns. It has therefore set the return objectives for all multi-sector, diversified Portfolios with reference to the achievement of a certain level of real return over a given timeframe.

More specifically, each Multi-sector, diversified Portfolio has an investment objective to earn the applicable target net real rate of return (a return after tax* and investment related fees in excess of inflation as measured by consumer price index increases) specified in the table below. The objectives are reviewed from time to time to ensure reasonableness.

In addition, for each Portfolio, outperformance will be sought relative to the return of the Benchmark Portfolio over periods of one year or greater.

Multi-sector, diversified Portfolios	Target gross real rate of return (% p.a.) (after fees, before tax*)	Target net real rate of return (% p.a.) (after fees, after tax*)	Investment timeframe	Additional Objective
Mercer Conservative	2.00	1.00	At least 3 years	Outperform the relevant benchmark over periods of 1 year or greater
Mercer Moderate	3.00	1.50	At least 5 years	
Mercer Balanced	3.50	2.50	At least 8 years	
Mercer Growth	4.00	3.00	At least 10 years	
Mercer High Growth	4.50	3.50	At least 13 years	
Mercer Passive Balanced	2.50	1.50	At least 8 years	
Mercer Passive Growth	3.00	2.00	At least 10 years	
Mercer Responsible Conservative	2.00	1.00	At least 3 years	
Mercer Responsible Moderate	3.00	1.50	At least 5 years	
Mercer Responsible Balanced	3.50	2.50	At least 8 years	
Mercer Responsible Growth	4.00	3.00	At least 10 years	
Mercer Responsible High Growth	4.50	3.50	At least 13 years	

* Tax at 28% Prescribed Investor Rate

Each single-sector active Portfolio aims to achieve the investment objective of outperforming the relevant Benchmark Portfolio.

The return of the Benchmark Portfolio for each Portfolio is calculated using the weighted return of each asset class (given by the relevant indices shown in Section 6). The specific Benchmark Asset Allocation asset class weights of each Portfolio are shown in Section 6. To do this, each publicly available index return must be sought for the relevant period, then multiplied by the weight of that asset class. This is then used to calculate the return of the Benchmark Portfolio.

Risk-based objectives

Mercer utilises a multi-dimensional approach when building or assessing diversified portfolios in order to better manage the risks inherent in the Portfolios. The five risk factors considered are:

- probability of meeting objectives;
- volatility;
- frequency of a negative return;
- severity of the worst negative returns; and
- concentration in sources of risk.

6. Investment strategy

The tables below show the Benchmark Asset Allocation and Ranges for the Portfolios.

Multi-Asset Class (Diversified) Portfolios

Asset Class / Sector	Mercer Conservative Portfolio		Mercer Moderate Portfolio		Mercer Balanced Portfolio		Mercer Growth Portfolio		Mercer High Growth Portfolio	
	Allocation	Range	Allocation	Range	Allocation	Range	Allocation	Range	Allocation	Range
Trans-Tasman Shares	5.0	0 – 10	10.0	0 – 20	13.0	3 – 23	19.0	9 – 29	21.0	11 – 31
Overseas Shares	12.0		22.0		35.0		46.5		58.0	
Emerging Markets Shares	-		2.5		4.0		5.5		7.0	
Total Overseas Shares	12.0	6.5 – 16.5	24.5	14.5 – 34.5	39.0	29 – 49	52.0	42 – 62	65.0	55 – 75
Total Shares (excluding Real Assets)	17.0		34.5		52.0		71.0		86.0	
Unlisted Property	1.0		2.0		3.0		3.0		3.0	
Listed Infrastructure Shares	1.0		1.5		2.0		3.0		3.0	
Unlisted Infrastructure	1.0		2.0		3.0		3.0		3.0	
Total Real Assets investments	3.0	0 – 10	5.5	0 – 16.5	8.0	2 – 20	9.0	4 – 26	9.0	4 – 26
NZ Sovereign Bonds	25.0		18.5		10.0		5.0		1.0	
Overseas Sovereign Bonds	18.0		14.0		11.0		5.5		1.0	
Global Credit	15.0		11.5		10.0		4.5		0.5	
Other Fixed Interest ¹	2.0		3.0		3.0		2.0		1.0	
Private Debt	0.0		1.0		2.0		2.0		1.0	
Total Fixed Interest	60.0	45 – 75	48.0	33 – 63	36.0	21 – 51	19.0	9 – 29	4.5	0 – 14.5
Total Cash	20.0	10 – 40	12.0	2 – 32	4.0	0 – 20	1.0	0 – 15	0.5	0 – 15
Total	100		100		100		100		100	

¹ Other Fixed Interest includes High Yield Fixed Interest, Emerging Market Debt, multi-asset credit, short term bonds and absolute return bonds, and at times revert to Cash.

Growth Investments	20	5 – 35	40	20 – 50	60	40 – 70	80	60 – 90	95	75 – 100
Defensive Investments	80	65 – 95	60	50 – 80	40	30 – 60	20	10 – 40	5	0 – 25

Currency Hedging

Asset Class / Sector	Benchmark (%)	Active Management Range (Target %)
Overseas Shares (ex Emerging Markets) ¹	50	0 – 100
Real Assets investments ²	100	-
Global Fixed Interest ²	100	-

¹ hedged to NZ\$ such that total overseas shares are 50% hedged. The level of currency hedging for overseas shares is managed between 0% and 100% (on a net of tax basis) and may change over time depending on Mercer's view of the relative strength (or weakness) of the New Zealand dollar.

² 100% hedged to NZ\$.

Passive Multi-Asset Class (Diversified) Portfolios

Asset Class / Sector	Mercer Passive Balanced Portfolio		Mercer Passive Growth Portfolio	
	Allocation	Range	Allocation	Range
Trans-Tasman Shares	15.0	5 – 25	20.0	5 - 35
Overseas Shares	40.0		55.0	
Emerging Markets Shares	-		-	
Total Overseas Shares	40.0	20 – 60	55.0	40 - 70
Total Shares (excluding Real Assets)	55.0		75.0	
Unlisted Property	-		-	
Listed Infrastructure Shares	-		-	
Unlisted Infrastructure	-		-	
Total Real Assets investments	-	-	-	-
Global Aggregate Bonds - Passive	28.0		16.0	
NZ Sovereign Bonds	11.0		6.0	
Overseas Sovereign Bonds	-		-	
Global Credit	-		-	
Other Fixed Interest ¹	-		-	
Private Debt	-		-	
Total Fixed Interest	39.0	19 – 49	22.0	11 - 31
Total Cash	6.0	0 – 16	3.0	0 – 14
Total	100		100	

¹ Other Fixed Interest includes High Yield Fixed Interest, Emerging Market Debt, multi-asset credit, short term bonds and absolute return bonds, and at times revert to Cash.

Growth Investments	55	35 – 65	75	55 - 85
Defensive Investments	45	35 – 55	25	15 - 35

Currency Hedging

Asset Class / Sector	Benchmark (%)	Active Management Range (Target %)
Overseas Shares (ex Emerging Markets) ²	50	0 – 100
Real Assets investments ³	100	-
Global Fixed Interest ³	100	-

² hedged to NZ\$ such that total overseas shares are 50% hedged. The level of currency hedging for overseas shares is managed between 0% and 100% (on a net of tax basis) and may change over time depending on Mercer's view of the relative strength (or weakness) of the New Zealand dollar.

³ 100% hedged to NZ\$.

Responsible Multi-Asset Class (Diversified) Portfolios

Asset Class / Sector	Mercer Responsible Conservative Portfolio		Mercer Responsible Moderate Portfolio		Mercer Responsible Balanced Portfolio		Mercer Responsible Growth Portfolio		Mercer Responsible High Growth Portfolio	
	Allocation	Range	Allocation	Range	Allocation	Range	Allocation	Range	Allocation	Range
Trans-Tasman Shares	5.0	0 – 10	10.0	0 – 20	13.0	3 – 23	19.0	9 – 29	21.0	11 – 31
Overseas Shares	12.0		24.5		39.0		52.0		65.0	
Total Overseas Shares	12.0	6.5 – 16.5	24.5	14.5 – 34.5	39.0	29 – 49	52.0	42 – 62	65.0	55 – 75
Total Shares (excluding Real Assets)	17.0		34.5		52.0		71.0		86.0	
Unlisted Property	1.0		2.0		3.0		3.0		3.0	
Listed Infrastructure Shares	1.0		1.5		2.0		3.0		3.0	
Unlisted Infrastructure	1.0		2.0		3.0		3.0		3.0	
Total Real Assets investments	3.0	0 – 10	5.5	0 – 16.5	8.0	2 – 20	9.0	4 – 26	9.0	4 – 26
NZ Sovereign Bonds	25.0		18.5		10.0		5.0		1.0	
Overseas Sovereign Bonds	18.0		14.0		11.0		5.5		1.0	
Global Credit	15.0		11.5		10.0		4.5		0.5	
Other Fixed Interest ¹	2.0		3.0		3.0		2.0		1.0	
Private Debt	0.0		1.0		2.0		2.0		1.0	
Total Fixed Interest	60.0	45 – 75	48.0	33 – 63	36.0	21 – 51	19.0	9 – 29	4.5	0 – 14.5
Total Cash	20.0	10 – 40	12.0	2 – 32	4.0	0 – 20	1.0	0 – 15	0.5	0 – 15
Total	100		100		100		100		100	

¹ Other Fixed Interest includes High Yield Fixed Interest, Emerging Market Debt, multi-asset credit, short term bonds and absolute return bonds, and at times revert to Cash.

Growth Investments	20	5 – 35	40	20 – 50	60	40 – 70	80	60 – 90	95	75 – 100
Defensive Investments	80	65 – 95	60	50 – 80	40	30 – 60	20	10 – 40	5	0 – 25

Currency Hedging

Asset Class / Sector	Benchmark (%)	Active Management Range (Target %)
Overseas Shares (ex Emerging Markets) ²	50	0 – 100
Real Assets investments ³	100	-
Global Fixed Interest ³	100	-

² The level of currency hedging for overseas shares is managed between 0% and 100% and may change over time depending on Mercer's view of the relative strength (or weakness) of the New Zealand dollar.

³ 100% hedged to NZ\$.

Shares

Asset Class / Sector	Mercer Trans-Tasman Shares Portfolio		Mercer Responsible Trans-Tasman Shares Portfolio		Mercer New Zealand Shares Index Portfolio		Mercer Shares Portfolio		Mercer Emerging Markets Portfolio	
	Allocation	Range	Allocation	Range	Allocation	Range	Allocation	Range	Allocation	Range
Trans-Tasman Shares	100.0	90 – 100	100.0	90 – 100	100.0	90 – 100	26.0	16 – 36	-	-
Overseas Shares	-	-	-	-	-	-	66.5	-	-	-
Emerging Markets Shares	-	-	-	-	-	-	7.5	-	100.0	90 – 100
Total Overseas Shares	-	-	-	-	-	-	74.0	64 – 84	100.0	90 – 100
Total Cash	-	0 – 10	-	0 – 10	-	0 – 10	-	0 – 10	-	0 – 10
Total	100		100		100		100		100	

Growth Investments	100	90 – 100	100	90 – 100	100.0	90 – 100	100	64 – 84	100	90 – 100
Defensive Investments	-	0 – 10	-	0 – 10	-	0 – 10	-	0 – 10	-	0 – 10

Asset Class / Sector	Mercer Responsible Overseas Shares Portfolio		Mercer Responsible Hedged Overseas Shares Portfolio		Mercer Responsible Overseas Shares Index Portfolio		Mercer Responsible Hedged Overseas Shares Index Portfolio	
	Allocation	Range	Allocation	Range	Allocation	Range	Allocation	Range
Trans-Tasman Shares	-	-	-	-	-	-	-	-
Overseas Shares	100.0		100.0		100.0		100.0	
Emerging Markets Shares	-		-		-		-	
Total Overseas Shares	100.0	90 – 100	100.0	90 – 100	100.0	90 – 100	100.0	90 – 100
Total Cash	-	0 – 10	-	0 – 10	-	0 – 10	-	0 – 10
Total	100		100		100		100	

Growth Investments	100	90 – 100	100	90 – 100	100	90 – 100	100.0	90 – 100
Defensive Investments	-	0 – 10	-	0 – 10	-	0 – 10	-	0 – 10

Asset Class / Sector	Mercer Overseas Shares Portfolio		Mercer Hedged Overseas Shares Portfolio	
	Allocation	Range	Allocation	Range
Trans-Tasman Shares	-	-	-	-
Overseas Shares	100.0	-	100.0	-
Emerging Markets Shares	-	-	-	-
Total Overseas Shares	100.0	90 – 100	100.0	90 – 100
Total Cash	-	0 – 10	-	0 – 10
Total	100		100	

Growth Investments	100	90 – 100	100.0	90 – 100
Defensive Investments	-	0 – 10	-	0 – 10

Asset Class / Sector	Mercer Overseas Shares Index Portfolio		Mercer Hedged Overseas Shares Index Portfolio		Mercer Overseas Shares Index Portfolio B		Mercer Hedged Overseas Shares Index Portfolio B	
	Allocation	Range	Allocation	Range	Allocation	Range	Allocation	Range
Trans-Tasman Shares	-	-	-	-	-	-	-	-
Overseas Shares	100.0		100.0		100.0		100.0	
Emerging Markets Shares	-		-		-		-	
Total Overseas Shares	100.0	90 – 100	100.0	90 – 100	100.0	90 – 100	100.0	90 – 100
Total Cash	-	0 – 10	-	0 – 10	-	0 – 10	-	0 – 10
Total	100		100		100		100	

Growth Investments	100	90 – 100	100	90 – 100	100.0	90 – 100	100	90 – 100
Defensive Investments	-	0 – 10	-	0 – 10	-	0 – 10	-	0 – 10

Currency Hedging¹

Portfolio	Benchmark	Active Management Range (Target)
Mercer Trans-Tasman Shares Portfolio	0%	-
Mercer Responsible Trans-Tasman Shares Portfolio	0%	-
Mercer New Zealand Shares Index Portfolio	0%	-
Mercer Overseas Shares Portfolio	0%	-
Mercer Hedged Overseas Shares Portfolio	100%	-
Mercer Emerging Markets Portfolio	0%	-
Mercer Shares Portfolio	50%	0 – 100%
Mercer Responsible Overseas Shares Portfolio	0%	-
Mercer Responsible Hedged Overseas Shares Portfolio	100%	-
Mercer Responsible Overseas Shares Index Portfolio	0%	-
Mercer Responsible Hedged Overseas Shares Index Portfolio	100%	-
Mercer Overseas Shares Index Portfolio	0%	-
Mercer Hedged Overseas Shares Index Portfolio	100%	-
Mercer Overseas Shares Index Portfolio B	0%	-
Mercer Hedged Overseas Shares Index Portfolio B	100%	-

¹ Hedged to \$NZ.

Real Assets

Asset Class / Sector	Mercer Unlisted Property ¹ Portfolio		Mercer Listed Property Portfolio		Mercer Trans-Tasman Listed Property Portfolio	
	Allocation	Range	Allocation	Range	Allocation	Range
Listed Property	-	-	100.0	90 – 100	100.0	90 – 100
Unlisted Property	100.0	80 – 100	-	-	-	-
Listed Infrastructure	-	-	-	-	-	-
Unlisted Infrastructure	-	-	-	-	-	-
Total Real Assets	100.0	80 – 100	100.0	90 – 100	100.0	90 – 100
Total Cash	-	0 – 20	-	0 – 10	-	0 – 10
Total	100		100			100

Growth Investments	100	80 – 100	100	90 – 100
Defensive Investments	-	0 – 20	-	0 – 10

Asset Class / Sector	Mercer Unlisted Infrastructure ¹ Portfolio		Mercer Listed Infrastructure Portfolio		Mercer Global Listed Infrastructure Index Portfolio	
	Allocation	Range	Allocation	Range	Allocation	Range
Listed Infrastructure	-	-	100.0	90 – 100	100.0	90 – 100
Unlisted Infrastructure	100.0	80 – 100	-	-	-	-
Total Real Assets	100.0	80 – 100	100.0	90 – 100	100.0	80 – 100
Total Cash	-	0 – 20	-	0 – 10	-	0 – 20
Total	100		100		100	

Growth Investments	100	80 – 100	100	90 – 100	100	80 – 100
Defensive Investments	-	0 – 20	-	0 – 10	-	0 – 20

¹ Liquidity condition: Special Transaction and Liquidity Conditions may apply, please refer to the MITNZ Information Memorandum for more details.

Currency Hedging²

Portfolio	Benchmark (%)	Active Management Range (Target)
Mercer Listed Property Portfolio	100	-
Mercer Trans-Tasman Listed Property Portfolio	100	-
Mercer Unlisted Property Portfolio	100	-
Mercer Listed Infrastructure Portfolio	100	-
Mercer Unlisted Infrastructure Portfolio	100	-
Mercer Global Listed Infrastructure Index Portfolio ²	100	-

² 100% hedged to NZ\$.

Cash and Fixed Interest

Asset Class / Sector	Mercer New Zealand Sovereign Bond Portfolio		Mercer Overseas Sovereign Bond Portfolio		Mercer Overseas Sovereign Bond Index Portfolio		Mercer Responsible Global Aggregate Index Portfolio	
	Allocation	Range	Allocation	Range	Allocation	Range	Allocation	Range
NZ Sovereign Bonds	100.0		-		-		-	
NZ Fixed Interest	-		-		-		-	
Overseas Sovereign Bonds	-		100.0		100.0		-	
Global Credit	-		-		-		-	
Global Aggregate Bonds - Passive	-		-		-		100.0	
Absolute Return Bonds	-		-		-		-	
Private Debt	-		-		-		-	
Total Fixed Interest	100.0	90 – 100	100.0	90 – 100	100.0	90 – 100	100.0	90 – 100
Total Cash	-	0 – 10	-	0 – 10	-	0 – 10	-	0 – 10
Total	100		100		100		100	

Growth Investments	-	-	-	-
Defensive Investments	100	100	100	100

Asset Class / Sector	Mercer Cash Portfolio		Mercer Global Credit Portfolio	
NZ Sovereign Bonds	-		-	
NZ Fixed Interest	-		-	
Overseas Sovereign Bonds	-		-	
Global Credit	-		100.0	
Absolute Return Bonds	-		-	
Private Debt	-		-	
Total Fixed Interest	-	-	100.0	90 – 100
Total Cash	100.0	100	-	0 – 10
Total	100		100	

Growth Investments	-	-
Defensive Investments	100	100

Asset Class / Sector	Mercer Sustainable Global Credit Portfolio		Mercer New Zealand Fixed Interest Portfolio		Mercer Short Term Bond Portfolio		Mercer Private Debt Portfolio	
	Allocation	Range	Allocation	Range	Allocation	Range	Allocation	Range
NZ Sovereign Bonds	-		-		-		-	
NZ Fixed Interest	-		100.0		-		-	
Overseas Sovereign Bonds	-		-		-		-	
Global Credit	100.0		-		-		-	
Absolute Return Bonds	-		-		100.0		-	
Private Debt	-		-		-		100.0	
Total Fixed Interest	100.0	90 – 100	100.0	90 – 100	100.0	90 – 100	100.0	80 – 100
Total Cash	-	0 – 10	-	0 – 10	-	0 – 10	-	0 – 20
Total	100		100		100		100	
Growth Investments	-		-		-		-	
Defensive Investments	100		100		100		100	

Currency Hedging¹

Asset Class / Sector	Benchmark (%)	Active Management Range (Target)
Mercer Overseas Sovereign Bond Portfolio	100	-
Mercer Overseas Sovereign Bond Index Portfolio	100	-
Mercer Responsible Global Aggregate Index Portfolio	100	-
Mercer Global Credit Portfolio	100	-
Mercer Sustainable Global Credit Portfolio	100	-
Mercer Short Term Bond Portfolio	100	-
Mercer Private Debt Portfolio	100	-

¹ Hedged to NZ\$.

Asset Class Benchmark Indices, Tax Treatment and Hedging

The table below details indices for each asset class that are used to calculate the Benchmark Portfolio return that the Portfolios will be measured against. It also details the current tax treatment and the current NZD strategic hedging level.

The return of the Benchmark Portfolio for each Portfolio is calculated using the weighted return of each asset class (given by the relevant indices shown below and the specific Benchmark Asset Allocation asset class weights of each Portfolio).

Asset Class	Benchmark Indices	Current Tax Treatment	Current NZD Strategic Hedging Level ²
Trans-Tasman Shares	S&P/NZX 50 Index with Imputation Credits	- ¹	100%
Responsible Trans-Tasman Shares	S&P/NZX 50 Index with Imputation Credits	- ¹	-
New Zealand Index Shares	S&P/NZX 50 Index with Imputation Credits	- ¹	-
Unhedged Overseas Shares	MSCI World Index with net dividends reinvested in NZD	FDR	0%
Hedged Overseas Shares	MSCI World Index with net dividends reinvested (100% hedged to NZD)	FDR	100%
Emerging Markets	MSCI Emerging Markets Index in NZD (with net dividends reinvested)	FDR	0%
Responsible Overseas Shares	MSCI World Index with net dividends reinvested in NZD	FDR	0%
Responsible Hedged Overseas Shares	MSCI World Index with net dividends reinvested (100% hedged to NZD)	FDR	100%
Responsible Overseas Shares Index Portfolio	MSCI World Index with net dividends reinvested excluding New Zealand, Tobacco, Controversial and Nuclear Weapons companies in NZD ³	FDR	0%
Responsible Hedged Overseas Shares Index Portfolio	MSCI World Index with net dividends reinvested excluding New Zealand, Tobacco, Controversial and Nuclear Weapons companies (100% hedged to NZD) ⁴	FDR	100%
Overseas Shares Index Portfolio	MSCI World Index with net dividends reinvested excluding New Zealand, Tobacco, Controversial and Nuclear Weapons companies in NZD	FDR	0%
Hedged Overseas Shares Index Portfolio	MSCI World Index with net dividends reinvested excluding New Zealand, Tobacco, Controversial and Nuclear Weapons companies (100% hedged to NZD)	FDR	100%
Listed Property	FTSE EPRA/NAREIT Developed Index (with net dividends reinvested) (100% hedged to NZD)	FDR	100%

Asset Class	Benchmark Indices	Current Tax Treatment	Current NZD Strategic Hedging Level ²
Trans-Tasman Listed Property	Composite: 57% S&P/NZX All Real Estate Index Gross (with imputation credits re-invested), and 43% S&P/ASX200 A-REIT Franking Credit Daily Total Return Superannuation (15% tax rate) 100% hedged to NZD	- ¹	100% ⁵
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), & 30% MSCI/Property Council of New Zealand Annual Property Index published quarterly	FDR	100%
Listed Infrastructure	FTSE Developed Core Infrastructure 50/50 Index with net dividends reinvested (100% hedged to NZD)	FDR	100%
Global Listed Infrastructure Index Portfolio	FTSE Developed Core Infrastructure 50/50 ex Pipelines with net dividends reinvested (100% hedged to NZD)	FDR	100%
Unlisted Infrastructure	MSCI Australia Quarterly Private Infrastructure Fund Index (unfrozen) – 50 th percentile Post-Fee Total Return (All Funds) 3M Lag (100% hedged to NZD)	FDR	100% ⁵
Private Debt	Morningstar [®] Global Leveraged Loan Index NZD Hedged	CV	100% ⁵
New Zealand Sovereign Bonds	S&P/NZX NZ Government Bond Index	CV	-
New Zealand Fixed Interest	Bloomberg NZ Bond Composite 0+Y Index	CV	-
Overseas Sovereign Bonds	JP Morgan Global Government Bond Index (100% hedged to NZD)	CV	100% ⁵
Overseas Sovereign Bonds Index Portfolio	JP Morgan Global Government Bond Index (100% hedged to NZD)	CV	100% ⁵
Global Aggregate Bonds - Passive	Bloomberg MSCI Global Aggregate SRI Select ex Fossil Fuels Index	CV	100%
Global Credit	Bloomberg Global Aggregate Corporate Index (100% hedged to NZD)	CV	100% ⁵
Sustainable Global Credit	Bloomberg Global Aggregate Corporate Index (100% hedged to NZD)	CV	100% ⁵
Other Fixed Interest	S&P/NZX Bank Bill 90-day Index	CV	-
Cash	S&P/NZX Bank Bill 90-day Index	CV	-

¹ NZ Equities dividends are taxed on a PIE basis, Australian Equity exposure is taxed on a PIE or FDR basis depending on the stock.

² Currency hedging is implemented on an after-tax basis. For some asset classes or strategies, the level of hedging may be higher than 100% on a pre-tax basis, due to the method in which the underlying assets and hedges are taxed. The rate of tax is assumed to be at 28% PIR. Pre-tax returns will be monitored using gross hedging ratios.

³ When utilised in the Mercer Diversified Funds, this asset class is benchmarked against the MSCI World Index with net dividends reinvested in NZD

⁴ When utilised in the Mercer Diversified Funds, this asset class is benchmarked against the MSCI World Index with net dividends reinvested (100% hedged to NZD)

⁵ Hedging applies to AUD exposure where underlying assets are fully hedged to AUD.

Tax Treatment

The Trusts operate as Portfolio Investment Entities (PIEs) with Mercer calculating and paying tax on investment income that needs to be paid on behalf of MITNZ investors under the PIE tax rules.

The MITNZ pays tax on behalf of its investors at 0% or 28% depending on each investor's elected prescribed investor rate.

The MITNZ has elected to use the Exit filer option whereby the PIE tax for the year ending 31 March for existing investors is paid or refunded by the end of the month following the end of year. Where an investor exits during the year any tax will be reported and paid or refunded at the end of the month following their exit. The Manager will make necessary adjustments to the interests of these investors in the MITNZ by deducting the amount of net PIE tax payable or paying the amount of refundable PIE tax credits appropriate.

Hedging

Mercer considers currency hedging an essential part of any long-term investment strategy. Mercer also believes that an active approach to currency hedging is appropriate for some Portfolios and therefore manages the level of currency exposures in those Portfolios which are subject to the Dynamic Asset Allocation process (as described in section 4). This implies that certain Portfolios will not maintain the same level of currency hedging at all times.

Currency hedging is essentially protection against changes in currency exchange rates. Those overseas assets that are not hedged will have exposure to currency exchange rate movements resulting in a benefit when the New Zealand dollar goes down, and decrease in value when the New Zealand dollar goes up.

Mercer sets a benchmark level of currency hedging for each overseas asset class, as detailed in the table above (Currency hedging) and each MITNZ Investment Manager must comply with these requirements. Where permitted, the Dynamic Asset Allocation process, as detailed in Section 4, establishes the target level of currency exposure. This is then monitored using Mercer's daily cash flow model.

Investment Manager List

Details of the current Investment Managers appointed to invest the MITNZ portfolios are available by emailing Mercer at nzportfolios@mercerc.com.

Investment Policies

The Mercer Investment Policies can be found in the Mercer Investment Process, Policies and Governance Framework document. Further information is available upon request.

Sustainable Investment Policy

At Mercer, we take our Sustainable Investment Policy into account when managing our investments, believing that sustainable investment approaches are consistent with an objective to create and preserve long-term investment capital, where relevant and aligned with achieving investment objectives.

Mercer New Zealand's Sustainable Investment Policy is guided by our global philosophy and principles, available [here](#) and our local experience implementing and evolving our sustainable investment approach for over a decade.

We have principles to guide our implementation approach, summarised into four techniques:

- Integration of environmental, social and governance (ESG) factors in relevant investment decisions may potentially enhance portfolio resilience. This includes appointing third party investment managers (Investment Managers) who assess and reflect ESG risks and opportunities when they select investments and construct their portfolios.
- Stewardship, via engagement with Investment Managers, companies and policymakers and/or via proxy voting at listed company annual general meetings, may improve investment outcomes by leveraging investor rights and influence.

Engagement may be undertaken with companies or policymakers via Investment Managers, collaborative initiatives and/or directly by us.

- Exclusions that seek to avoid investment in, or remove exposure as much as practicable to, certain companies or securities with involvement in defined products or business activities may help respond to stakeholder expectations where integration and stewardship are considered to be insufficient.
- Investment in themes, which is only applicable to the Mercer Sustainable Global Credit Portfolio and the Portfolios listed below with Sustainable Global Credit allocation (refer to the Sustainable Investment Policy section on Investment in Themes), may provide additional opportunities to improve risk-adjusted returns.

The current portfolio names are set out below and are labelled in accordance with the Mercer labelling methodology. The table below outlines the exclusions criteria that apply with further exclusions information below the table and in the Mercer Sustainable Investment Policy.

Mercer Investment Trusts New Zealand (MITNZ)	Applicable Exclusions Criteria	Applicable Additional Exclusions Criteria - Responsible	Applicable Additional Exclusions Criteria - Sustainable
Mercer Responsible Conservative	✓	Equities, Global Fixed Income and NZ Bonds	Global Credit
Mercer Responsible Moderate	✓	Equities, Global Fixed Income and NZ Bonds	Global Credit
Mercer Responsible Balanced	✓	Equities, Global Fixed Income and NZ Bonds	Global Credit
Mercer Responsible Growth	✓	Equities, Global Fixed Income and NZ Bonds	Global Credit
Mercer Responsible High Growth	✓	Equities, Global Fixed Income and NZ Bonds	Global Credit
Mercer Responsible Overseas Shares	✓	Equities	
Mercer Responsible Trans-Tasman Shares	✓	Equities	
Mercer Responsible Overseas Shares Index (Hedged and Unhedged)	✓	Equities	
Mercer Responsible Global Aggregate Index	✓	Global Fixed Income	
Mercer Sustainable Global Credit	✓		Global Credit

Exclusions

Exclusions involve seeking to avoid investing in, or removing exposure as much as practicable to, certain companies with involvement in defined products or business activities.

Exclusions can be used to respond to evolving societal norms and expectations, including New Zealand Government policy positions, especially where Integration and Stewardship are considered to be insufficient or not applicable.

Exclusions are typically implemented as rules-based, pre-defined criteria such as the Exclusions Criteria set out below.

Our application of exclusions is generally determined by the asset class and nature of the holdings, and are subject to the operational limitations and exceptions detailed below.

Exclusions only apply to Directed Investments. If a Directed Investment meets an Exclusions Criteria, our Investment Managers will generally be expected to divest the Directed Investment in a reasonable period of time, typically within 10 business days and as market conditions allow. We may rely on specialist third party ESG providers and their methodologies for implementation, including determining which securities are required to be excluded based on the relevant Portfolio's Exclusion Criteria (see below).

Exclusions Criteria

Investment Managers are required to apply the following exclusions to the Directed Investments of the portfolio ('Exclusions Criteria'), unless an operational limitation or exception as noted below, or other factors beyond our reasonable control, mean it is not reasonably feasible or it would be impracticable to apply the exclusions.

• **Controversial weapons**

Companies that manufacture whole weapons systems, or delivery platforms, or key components that were developed or are significantly modified for use in cluster munitions, anti-personnel landmines, biological or chemical weapons or nuclear weapons.

Companies with involvement* in the production or retailing of automatic or semi-automatic civilian firearms or ammunition.

• **Tobacco**

Companies with involvement* in the production of tobacco, manufacture of nicotine alternatives or tobacco-based products (regardless of revenue), including subsidiaries and joint ventures. Nicotine alternatives and tobacco-based products include, for example, nicotine vaping products such as 'vaping' devices and e-cigarettes.

Any other company that derives greater than 50% of revenue^ from tobacco-related distribution, wholesale or retail, and services such as marketing or supplying products necessary for production.

• **Russian assets***

Defined as:

- Sanctioned Russian entities and related entities of sanctioned entities;
- Shares - issues of publicly held companies with Russia as the country of incorporation or where the security has a primary listing in Russia (including ADRs/GDRs), including their subsidiaries
- Fixed income - issuers captured in equity screening (as above) by country of incorporation, plus Russian sovereign bonds and bonds issued by Russian government-related entities (Rouble or foreign currency denominated);
- Cash holdings in Russian currency;
- Russian FX exposure;
- Private markets assets domiciled in Russia;
- All secondary issues of excluded securities; and
- Derivatives having a Russian asset as primary exposure.

Additional Exclusions (applied to the Responsible and Sustainable Portfolios)

Further to the exclusions listed in the Exclusions Criteria section above, additional exclusions also apply for the Responsible and Sustainable portfolios.

Applying Additional Exclusions Criteria may affect investment risks and returns where, for example, there are exclusions to investments in companies that are not typically excluded in other portfolios. If those excluded companies perform well or poorly in certain time periods, there may be differences in return outcomes compared to a benchmark or comparable portfolio where those exclusions are not applied.

*Involvement is determined by a third party ESG research provider, currently ISS ESG, typically assessed based on revenue derived from defined activities (no revenue thresholds) or in the case of expansion metrics assessed based on capital expenditure.

^ Revenue is gross revenue in the last full financial year or, where not available, net revenue based on available company filings.

Mercer has instructed its Investment Managers to divest any existing exposure to Russian securities as market conditions allow and to prohibit any new investments in Russian securities. This may mean that some portfolios still retain exposures to Directed Investments in Russian securities, as Mercer seeks to divest in a manner that promotes the best interests of investors.

The Additional Exclusions listed below apply to the Directed Investments of some asset classes – equities, global bonds and global credit - for the portfolios classed as Responsible and Sustainable as applicable ('Additional Exclusions') within certain revenue thresholds, unless exceptions (as noted below) or other factors beyond Mercer's control mean they are not possible to apply. Other Fixed Income, Overseas Sovereign Bonds and New Zealand Sovereign Bonds asset classes do not have the below Additional Exclusions.

These **Responsible Additional Exclusions** for portfolios classified as Responsible **Equities** and **Global Bonds** are defined as:

- **Coal, oil, or gas**

Companies with involvement* in the following as defined by Global Industry Classification Standard (GICS) sub-industry:

- Oil & Gas Drilling
- Oil & Gas Equipment & Services
- Integrated Oil & Gas
- Oil & Gas Exploration & Production
- Thermal Coal & Consumable Fuels.

Companies that own proved or probable reserves in coal, oil, or gas; and derive in excess of 15% of their revenue^ from exploration and extraction of thermal coal, oil or gas.

Where referred to above, 'coal, oil or gas' includes these fuels where derived from conventional and unconventional sources such as tar sands or shale.

- **Adult entertainment**

Companies with greater than 10% of revenue^ from adult entertainment-related business activity (adult entertainment-related activities mean production, distribution and not accessible to minors as defined by third-party data provider).

- **Alcohol**

Companies with greater than 10% of revenue^ from alcohol-related business activities (alcohol-related activities mean production, distribution and services to the production of alcoholic beverages alcohol as defined by third-party data provider).

- **Gambling**

Companies with greater than 10% of revenue^ from gambling-related business activities (gambling-related activities mean production, services and distribution of gambling products as defined by third-party data provider).

- **Depleted uranium**

Companies with involvement* in the development or production of depleted uranium ammunition/armour.

These **Sustainable Additional Exclusions** apply and are limited to the Mercer Sustainable Global Credit portfolio in the MITNZ as well as those portfolios which invest into the Mercer Sustainable Global Credit portfolio being the Mercer Responsible diversified portfolios in the MITNZ (Conservative, Moderate, Balanced, Growth and High Growth):

- **Nuclear weapons**

Companies with involvement* in the development or production of nuclear weapons.

- **Depleted uranium**

Companies with involvement* in the development or production of depleted uranium ammunition/armour.

- **Tobacco**

Companies that derive greater than 10% of revenue^ from tobacco-related distribution, wholesale or retail, and services such as marketing or supplying products necessary for production.

- **Cannabis**

Companies that derive greater than 10% of revenue^ from cannabis (medicinal or recreational) production, distribution or services.

- **Saudi Arabia**

Saudi Arabian securities, defined by country of incorporation or where the security has a primary listing in Saudi Arabia, including subsidiaries.

- **Adult entertainment, Alcohol, Gambling**

Companies with a material exposure to adult entertainment, alcohol or gambling, where materiality is defined as greater than 10% of revenue^ from production and/or distribution, wholesale or retail, and services such as marketing or supplying products necessary for production.

- **Live animal exports**

Companies that derive greater than 10% of revenue^ from live animal export for the purpose of selling live animals for slaughter, husbandry and breeding subjects, including specialised transportation services specifically designed to facilitate live exports.

- **Animal fur production**

Companies that derive greater than 5% of revenue^ from fur production.

- **Thermal coal mining**

Companies that derive greater than 5% of revenue^ from thermal coal mining.

* Involvement is determined by a third party ESG research provider, currently ISS ESG, typically assessed based on revenue derived from defined activities (no revenue thresholds) or in the case of expansion metrics assessed based on capital expenditure.

^ Revenue is gross revenue in the last full financial year or, where not available, net revenue based on available company filings.

- **Oil sands production**

Companies that derive greater than 5% of revenue[^] from oil sands production.

- **Fossil fuels**

Companies that own proved or probable reserves in coal, oil or gas and derive greater than 15% of revenue[^] from exploration and/or extraction of coal, oil, or gas; or companies with a primary business activity in any of the excluded sub-sectors below:

- Oil & gas drilling
- Oil & gas equipment & services
- Integrated oil & gas
- Oil & gas exploration & production
- Thermal coal & consumable fossil fuels.

Where referred to above, 'coal, oil or gas' includes fuels derived from conventional and unconventional sources such as tar sands or shale.

The Exclusions Criteria and Additional Exclusions Criteria listed are current as at the date of this SIPO and changes may occur from time to time.

The latest Exclusions Criteria and Additional Exclusions Criteria (if any) can be found [here](#).

The above is a summary of exclusions under the Sustainable Investment Policy and exceptions may apply. Details of exceptions are found in the Sustainable Investment Policy for Mercer New Zealand at www.multimanager.mercer.co.nz/funds/environmental-social-governance-policies.html and below.

We reserve the right to implement other exclusions at our discretion having regard to investor best interests. Any material changes will be communicated to investors.

Determining whether companies or securities meet an Exclusions Criteria

For Directed Investments:

- we currently engage ISS ESG[†], a third-party ESG research provider to create lists of excluded securities (Exclusion Lists) based on our Exclusions Criteria and Additional Exclusions Criteria. The research provider has defined evaluation rules and methodology frameworks underpinning its assessment. ISS ESG has defined evaluation rules and methodology frameworks underpinning their assessment of which companies or securities to include on the Exclusion Lists.
- the Exclusion Lists are typically updated on a quarterly basis and made available to the Investment Managers of Directed Investments.

- where a security is identified that is on an Exclusion List the Investment Manager is instructed to not make any additional purchases of such security or securities and shall divest such security or securities within 10 business days after quarter end, unless agreed otherwise with Mercer.
- our custodian and the Related Parties pooled vehicles' custodian monitors compliance of Directed Investments against the Exclusion Lists, and would report any discrepancies with Mercer and the Related Parties.

Although we are unable to implement exclusions for investments in pooled vehicles (including managed investment schemes and exchange traded funds) and some derivatives, we typically provide the Exclusions Criteria to these Investment Managers and request they seek to align with the Exclusions Criteria, where possible. For pooled funds, we do not have influence over the way underlying assets are managed, and the above mentioned exclusions may not apply to these funds.

Operational limitations or exceptions for exclusions

As noted above, we are generally able to apply exclusions to Directed Investments only. This may mean that a Fund has exposure to securities meeting the Exclusions Criteria via investments in pooled vehicles (including managed investment schemes and exchange traded funds) and/or derivatives.

For our investment holdings in any portfolio the following operational limitations or exceptions may impact our ability to apply our Exclusions Criteria:

- **Transitional implementation for the Portfolios** – From time to time, Directed Investments may be transitioned into the Portfolios. In these instances, the Investment Managers of any transitioned Directed Investments will be instructed to implement the Exclusions Criteria as market conditions allow and in the best interest of investors. The Investment Managers will require a transition timeframe to align with the Exclusions Criteria. This means that the Portfolios may contain exposures to securities that would otherwise meet the Exclusions Criteria for a period of time following the transition of Directed Investments into the Portfolios.

[^] Revenue is gross revenue in the last full financial year or, where not available, net revenue based on available company filings.

[†] Mercer may change the third party ESG research provider and/or change the scope of its role from time to time.

- **Discretion** – In limited circumstances, we may allow the Investment Managers to continue to hold or acquire Directed Investments that meet the Exclusions Criteria. This includes where a movement above an exclusion threshold may be temporary due to market movements or data lags (for example, the availability of company data used to determine company revenue) or where the Directed Investments are material to achieving the Portfolios objectives. In such circumstances, we will continue to monitor the exposure to the Directed Investments and instruct Investment Managers to divest where appropriate.
- **Other factors beyond our control** – There remain some factors beyond our control which means a portfolio may have exposure to a company or security that meets an Exclusions Criteria. These factors may include, for example, market conditions and liquidity, operational or structural constraints, different definitions and methodologies of research providers, or where there is a change of a company's revenue mix over a reporting period, data or calculation methodologies.
- **Limited reporting** – The third-party ESG researchers we engage do not report on all organisations. Their reports cover a subset of the companies available for investment. If Investment Managers invest in assets that fall outside the parameters of research available to us, it is possible that investments may be made in entities that would otherwise be excluded based on our Exclusions Criteria.

Stewardship approaches

We utilise two primary approaches to stewardship – engagement and voting.

Engagement

Engagement may be undertaken with companies or policymakers via Investment Managers, collaborative initiatives and/or directly by Mercer or Mercer globally. We also typically engage with our Investment Managers on at least an annual basis, for example through an annual survey covering all relevant strategies and targeted meetings by asset class.

Mercer believes its Investment Managers are typically best placed to conduct engagement with companies or assets on our behalf and, where relevant, this is an expected part of an Investment Manager's stewardship approach. The Investment Managers make investment decisions within a strategy and are expected to identify potentially material opportunities or risks that may require engagement activity. However, Mercer may also conduct engagement activities with companies directly, or through involvement in collaborative initiatives, where we believe engagement by Mercer is in the best interests of our investors.

We may also engage with regulators, governments and other policymakers, collaboratively or directly, to recommend changes or express views on current or proposed regulation or policy positions where we consider this important to protect the rights or enhance the interests of our investors.

Engagement seeks to target ESG factors identified as potentially material, for example company board governance or remuneration, climate change risks and opportunities, or emerging matters of concern (such as high severity incidents and controversies).

Mercer may use a range of inputs to determine when engagement may be warranted. These include but are not limited to ESG research from an external provider, information gained through collaborative initiatives, Mercer's own research or tools, information gained through engagement with Investment Managers and ESG portfolio analysis.

Voting

As a shareholder of publicly listed companies, Mercer has the right to vote at shareholder meetings and regards voting our shares as an important aspect of Mercer NZ's sustainable investment approach. For unlisted companies, voting may be undertaken where we have an Advisory Board seat or have certain voting rights in specific funds or individual assets. Stewardship via voting is not applicable for unlisted real assets (i.e. directly held property and infrastructure).

We delegate the exercise of our proxy voting rights to our listed equity Investment Managers and where practical, expect the listed equity Investment Managers to vote the shares in a timely manner and in a manner deemed most likely to protect and enhance long-term value. An Investment Manager's capability in stewardship is usually evaluated as part of the investment manager selection process, to seek alignment with Mercer's commitment to promote good governance and long-term value creation.

Mercer NZ's stewardship program includes an assessment that considers whether a listed equity Investment Manager has their own voting policy that sets out the principles and guidelines under which rights to vote are exercised which align with Mercer NZ's stewardship expectations and we seek evidence and examples where relevant.

Mercer engages the services of a third-party proxy advisor (Glass Lewis, at the date of the current Sustainable Investment Policy) to provide proxy voting research and to facilitate the collation and reporting of proxy voting data, which Mercer uses to monitor Investment Manager voting. Our ability to directly monitor and report on proxy voting only applies to Directed Investments.

Mercer's proxy voting records, where available, can be found online and are updated semi-annually:
<https://viewpoint.glasslewis.com/WD/?siteId=Mercer>

From time to time, a Portfolio may hold listed equities in a transition account where the transition manager does not have a voting policy or capability. In these instances, Mercer will seek to vote the shares in the transition account in alignment with the recommendations of the proxy advisor or in accordance with our Priority Vote process where applicable.

More details on engagement, share voting, exercising 'Priority Vote' Voting principles, operational limitations for voting and Escalation can be found in the Mercer (N.Z.) Limited Sustainable Investment Policy, here:
<https://www.multimanager.mercer.co.nz/funds/environmental-social-governance-policies.html>

7. Glossary

Active Management is an investment strategy in which the investor seeks to outperform a given benchmark.

Active Ownership is exercising rights as a shareholder. This is often done as voting at shareholder meetings and engaging with company boards.

Asset Classes are the names given to the different financial categories or sectors in which your money may be invested. The major asset classes include shares, real assets, fixed interest and cash. These asset classes can be broken down further for example to include New Zealand or overseas shares, New Zealand or overseas sovereign bonds, direct (unlisted) or listed property investments. All asset classes have different risk and return characteristics.

Certain asset classes, such as property and infrastructure contain both growth and defensive characteristics. Mercer uses the equity and debt distinction as the primary differentiator between growth and defensive investments respectively.

Benchmark Asset Allocation details the long term percentage target holding of each asset class for each Portfolio.

Benchmark Portfolio means a list of market indices weighted by the relevant Portfolio's Benchmark Asset Allocation and used to measure the performance of the Portfolio.

Board means the board of directors of Mercer.

Cash may include a range of cash related investments including cash deposits, term deposits, bills, notes, and short term bonds.

Derivatives include currency exchange contracts, interest rate swaps, warrants, share market index futures, commodity futures, share options and similar financial instruments.

Directed Investments are investments where we can direct and control our exposure to individual securities via our appointed Investment Managers, including through individually managed portfolios of securities. Directed Investments do not include our investments in pooled vehicles (including managed investment schemes and exchange traded funds) where the manager or trustee is external to Mercer NZ, and where we cannot direct or control our exposure to individual securities within the pooled investment. Directed Investments also do not include some forms of derivatives and related parties-entity pooled vehicles, as described in the Sustainable Investment Policy.

Dynamic Asset Allocation or **DAA** means adjusting the Target Allocation to asset classes up or down to reflect a range of factors primarily for risk control, capital preservation, and incremental value add. This is also known as a tactical asset allocation.

Hedging generally refers to the process of protecting investments against, or reducing the risk of, a loss. For example, in the context of currency, the value of overseas investments is affected by rises or falls in the value of the New Zealand dollar (e.g. if the New Zealand dollar rises in value, then overseas investments in New Zealand dollar terms will reduce in value.) The Manager and underlying Investment Managers can use various techniques to minimise the effect of currency movements on overseas investments – this is currency hedging.

Investment Manager, where appointed by Mercer, is a party responsible for buying and selling securities in a MITNZ Portfolio.

Mercer or **Manager** means Mercer (N.Z.) Limited, the manager of the MITNZ who is responsible for the investment of the MITNZ's assets in accordance with the Trust Deed and for ensuring this SIPO is adhered to.

MITNZ refers to Mercer Investment Trusts New Zealand a series of wholesale unit trusts of which Mercer is the manager and TEL is the trustee.

Multi-sector, diversified Portfolio is a Portfolio with exposure across more than one asset class in order to gain diversification benefits or to spread the risk.

Passive Management aims to mirror a market index return by replicating as close as possible a benchmark index.

Portfolio means an investment Portfolio offered under the MITNZ Information Memorandum.

Portfolio Objectives These identify the type of return a Portfolio aims to achieve for investors over a specified time period. These can be stated in relation to a relevant index such as CPI. Please note that the objectives of any particular Portfolio should not be treated, or relied upon as a forecast, indicator or guarantee of any future returns or performance for that Portfolio. The value of each Portfolio may rise and fall.

Prescribed Investor Rate means the tax rate that investments in the MITNZ can be taxed at. The rates are 0% or 28%, depending on the individual investor's taxable income. For more information, see <https://www.ird.govt.nz/income-tax/income-tax-for-individuals/types-of-individual-income/portfolio-investment-entity-income-for-individuals/prescribed-investor-rates/find-my-prescribed-investor-rate>.

Private debt refers to debt financing provided by non-bank institutions to companies or individuals, offering customized financing solutions outside of traditional bank lending.

Real Assets include listed property, listed infrastructure, unlisted property, and unlisted infrastructure. These assets are expected to generate returns that are different to shares, and therefore offer increased diversification to the relevant Portfolio.

Related Parties pooled vehicles means investments where Mercer NZ can generally have more influence in the way assets or underlying exposures are managed than other pooled vehicles, but that influence is not so significant that the investments should be regarded as Directed Investments. This may include investments we gain exposure to as a holder in a related entity pooled vehicle, such as Mercer Investments (Australia) Limited funds.

Single-sector Portfolio is a Portfolio that invests in just one asset class or sector.

SIPO means this Statement of Investment Policy and Objectives.

Strategic Asset Allocation involves setting a Benchmark Asset Allocation for the long term (but subject to reviews). Value can be added to the performance of this Benchmark Asset Allocation through Dynamic Asset Allocation.

TEL or Trustee means Trustees Executors Limited, the current trustee of the MITNZ.

Target Allocation means the asset allocation being targeted to implement Dynamic Asset Allocation, taking account of each Portfolio's Strategic Asset Allocation and ranges.

Trust Deed is the formal agreement between the Trustee and the Manager that outlines their respective powers, requirements and responsibilities in respect of the governance of the MITNZ.

Unlisted Investments are investments into companies or assets that are not traded on the share market or public exchange. Examples include unlisted property and unlisted infrastructure.

Version Control Table

Version Control	Reason for Change	Date
Jan 2015	SIPO Update	25 November 2015
April 2017	SIPO Update	6 April 2017
June 2017	Additional appendix – Socially Responsible Portfolios	30 June 2017
July 2018	SIPO Update	1 July 2018
October 2018	Regulatory requirement from FMA & Additional Portfolios	19 September 2019
May 2020	SAA changes & additional portfolios	31 August 2020
March 2021	Change of trustee	1 July 2021
August 2022	SIPO Update	1 October 2022
March 2024	SAA changes	27 March 2024
September 2024	Additional portfolios	2 September 2024
December 2024	SAA changes	6 December 2024
March 2025	Updated Sustainable Investment Policy	31 March 2025
June 2025	SAA Changes	16 June 2025
September 2025	SAA Changes	1 September 2025
October 2025	Change to Portfolio	3 October 2025
December 2025	Updated Sustainable Investment Policy and rename Portfolios	1 December 2025
March 2026	Additional portfolio	2 March 2026
June 2026	Update to Portfolio	1 June 2026

Contact us

Mercer (N.Z.) Limited

PO Box 105591, Auckland City
Auckland 1143
New Zealand

Phone: +64 9 928 3200

Email: nzportfolios@mercerc.com

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