

MERCER FLEXISAVER

OTHER MATERIAL INFORMATION – RISKS

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1 Introduction

This document provides information about Mercer FlexiSaver to help you make your investment decision. It provides a general overview of the risks associated with investing.

Returns from your investment with us are not guaranteed. Returns are primarily dependent on the financial performance of the assets we invest in.

What this means is that the value of your investment with us can go up as well as down.

This document should be read with the Product Disclosure Statement (PDS) for Mercer FlexiSaver and the recent Fund Updates for the scheme. You can also seek advice from a financial adviser to help you make an investment decision.

Mercer FlexiSaver's governing documents including: trust deed(s); PDS; Statement of Investment Policy and Objectives (SIPO); and this document can be found at www.disclose-register.companiesoffice.govt.nz (Disclose) (search for Mercer FlexiSaver).

2 What are the risks of investing?

All investments involve taking some risk and returns are generally dependent upon the financial performance of the assets we invest in.

Assets of Mercer FlexiSaver are affected by different risks that can lead to fluctuations in returns and variations between actual and expected returns.

- Funds or combinations of funds which invest in equities or real assets are expected to result in both higher risk and higher returns; and
- Investing in a fund or combination of funds that has less risk (e.g. cash and fixed interest), may result in lower returns.

Scheme members bear the investment risk as fluctuations in investment performance over time directly affect the value of their investments. This means that the value of a member's investment can rise and fall and it is possible that members may receive less on withdrawal than their original investment.

To help reduce the potential negative effects of investment risks, Mercer has adopted a risk management policy.

Mercer mitigates investment risks by spreading investment across markets and diversifying across a range of investment types. As the manager, Mercer actively manages the funds' underlying investments by a process of research-based selection of a broad range of specialist investment managers who are required to diversify their asset selection and otherwise follow the investment guidelines Mercer sets.

Risks that affect members' investments include the following:

Risk	Description
Investment portfolio and asset allocation risks	<p>Returns will be affected by the allocation an investment option (fund) has to different asset classes. Different types of assets have different risks:</p> <ul style="list-style-type: none"> • funds invested into cash or fixed interest can be affected by interest rate risk and credit risk • funds invested into equities (shares and listed real assets) can be affected by equities risk • funds invested into unlisted real assets (property, infrastructure or commodities) can be affected by unlisted market risk, including liquidity risk • funds using derivatives can be affected by derivative risk (For an outline of these risks, see below)
Market risk	The value of investments moves up and down depending on changes in the market which can include, economic, business, technological, political, tax and regulatory changes
Currency risk	When investing in international assets that are denominated in foreign currencies there is a risk that those currencies fall or rise in value, affecting the value of those assets from a New Zealand perspective
Interest rate risk	Movements in interest rates may adversely affect the price of the funds' investments and impact returns
Equities risk	Investments in equities can be affected by many factors including: the performance of the relevant company; the company's share price; the ability of the company to pay dividends; movements in sharemarkets and investors' attitude towards the sharemarket in general
Real assets risk	Investments in real assets (property, infrastructure or commodities) can be affected by factors including: the performance of the property or infrastructure owning company; the quality of and demand for the assets, commodity market movements and general economic conditions
Derivative risk	<p>Derivatives may be used for purposes including risk management, prudent investment management and to assist the realisation of Portfolio objectives.</p> <p>The risks associated with derivatives include market risk, credit risk of the counter-party and liquidity risk.</p>
Credit risk	An issuer of debt which the fund has invested in or a counter-party to a transaction may fail to perform its contractual obligations or suffer a credit ratings downgrade affecting the value of a particular investment. More broadly, credit spreads can vary over time.

Liquidity risk	Liquidity risk has two components. Firstly, the risk of the scheme having difficulty in meeting withdrawal requests. Secondly, the risk of investment managers acquiring investments that cannot be sold or otherwise hedged.
Regulatory risk	Changes in the law, regulations and other rules in respect of the scheme could impact members' investments e.g. changes to the law could impact the profitability of the company that the scheme is invested in.
Manager of managers risk	Mercer is a "manager of managers" and, as such, is dependent upon other managers performing their investment management activities and achieving the outcomes desired by Mercer. There remains a risk that such managers could under-perform or fail to achieve the objectives set out in their policies or investment mandate.
Active management risk	As a "manager of managers" and generally employing an active management approach, we may choose investment managers and/or investments that under-perform.
Operational risk	Risk of loss resulting from inadequate or failed internal processes, people and systems.



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