

21 AUGUST 2014

## MERCER SUPER INVESTMENT TRUST NEW DISCLOSURE DOCUMENT

We are pleased to provide you with an updated Product Disclosure Statement (PDS) for the Mercer Super Investment Trust (MSIT). The PDS reflects the following changes:

- The **Mercer Australian Inflation Linked Bond** investment option will be known as the Mercer Australian Inflation Plus option from 1 August 2014. The option name change reflects the decision to focus the investment strategy and objective more directly on inflation protection, as summarised below.
- Correction of the investment objectives for the Diversified Options. These options have been adjusted to reflect the investment objectives on an after fees and tax basis, resulting in a 0.5% difference to the previously stated objectives.
- Updating of the Performance Fee, Administration Fee and Indirect Cost Ratio to reflect the actual fees paid for the 2013/14 financial year.

The latest and current Product Disclosure Statement for the Mercer Super Investment Trust is attached.

### Changes to the Mercer Australian Inflation Linked Bond Investment Option

One of the issues with traditional inflation-linked bond (ILB) indices is that the return outcome tends to be more driven by changes in bond yields than changes in inflation expectations. With bond yields still at near all-time lows, there are risks that rising bond yields will detract from the level of inflation protection offered by exposures managed to traditional Australian ILB indices going forward. We have therefore acted to protect our investors from that risk by enhancing the focus more directly on inflation protection.

Having previously been a 100% passively managed exposure, the changes will also see the investment option being largely actively managed going forward. This is intended to provide a more dynamic approach to managing interest rate risk, while the active managers will also seek to add value by taking advantage of relative value opportunities across inflation linked and nominal bond markets

In the current market environment, Mercer's portfolio management team expects the revised portfolio structure to provide investors with greater protection against rising bond yields, as well as reducing the overall volatility of returns, that is, compared to investing directly in longer-dated Australian inflation-linked bonds.

The following changes have automatically applied since 1 August 2014. **No action is required by you.**

	UP TO 31 JULY 2014	FROM 1 AUGUST 2014
<b>Investment option name</b>	Mercer Australian Inflation Linked Bond	Mercer Australian Inflation Plus
<b>Investment strategy</b>	This option invests primarily in Australian inflation linked bonds using a multi-manager approach.	This option invests primarily in Australian inflation linked bonds and interest rate protection strategies using a multi-manager approach.
<b>Benchmark</b>	UBS Australian Inflation Linked Bond Index (0-5 years)	Consumer Price Index (CPI)
<b>Objective</b>	To outperform the notional return of a benchmark portfolio of suitable market indices over periods of one year or greater.	To achieve a return (after tax and investment management fees) that exceeds CPI increases by at least 1.5% per annum over rolling three year periods.
<b>Number of managers</b>	One	Three
<b>Investment management fee (%)</b>	0.35	0.45
<b>Expected performance based fee (%)</b>	0	Nil to 0.10%

- The revised portfolio structure will introduce two active managers - Ardea and QIC - who will apply a more dynamic approach to managing inflation and interest-rate exposure. These two active managers will be responsible for 70% of the option's assets, with each managing 35% of the portfolio.
- Incumbent 'passive' manager Challenger Financial Services Group will be retained to complement these two new active managers and, like the active managers, will also aim to deliver a margin above inflation.
- While the enhancements come at an additional cost, we believe this will be more than offset by the better return outcome and reduced risk.

#### Further information

If you have any questions or would like more information about any of these changes, please send an email to [Pacific.Investments@mercer.com](mailto:Pacific.Investments@mercer.com) or call us on 1800 512 947.