

3 JUNE 2014

## MERCER SUPER INVESTMENT TRUST PRODUCT DISCLOSURE UPDATE

The Mercer Super Investment Trust (MSIT) is a pooled superannuation trust offering investors a range of single and multi-sector investment options (Investment Options).

The Trustee, Mercer Investments (Australia) Limited (MIAL), has taken the opportunity to review various aspects of the MSIT. As a result of this review and upcoming regulatory changes, a new Product Disclosure Statement will be issued before 30 June 2014.

### What is changing?

- Some Investment Options will be closed.
- Some Investment Options will be renamed.
- An Operational Risk Financial Requirement (ORFR) Reserve has been established.
- Fees and costs will be disclosed differently to provide investors with greater transparency of the fees and costs charged. As part of this change some fees and costs have new names and definitions.

Please take a few minutes to familiarise yourself with these changes, which are explained in further detail below. This will be reflected in the new MSIT Product Disclosure Statement, to be issued in June 2014.

### INVESTMENT OPTION CLOSURES

The Trustee has undertaken an extensive review of the MSIT Investment Options to ensure the options remain relevant to current and potential investors and as such MIAL has resolved to remove the following Options from the investment menu effective immediately.

Investment options removed from the MSIT investment menu	
Mercer Shares Plus	Mercer Socially Responsible Shares
Mercer High Growth Plus	Mercer Socially Responsible Growth
Mercer Natural Resources	Mercer Socially Responsible Moderate Growth
Mercer Overseas Inflation Linked Bond	

**Note:** There are no investors in these investment options and therefore this does not impact you.

## INVESTMENT OPTION NAME CHANGES

The names of the following Investment Options have been updated to better align the name with the Option's strategy. The Investment Options impacted and details of the changes are provided in the table below.

Previous name	New name
Mercer Overseas Shares	Mercer International Shares
Mercer Hedged Overseas Shares	Mercer Hedged International Shares
Mercer Overseas Shares Plus	Mercer International Shares Plus
Mercer Hedged Overseas Shares Plus	Mercer Hedged International Shares Plus
Mercer Overseas Small Companies	Mercer Global Small Companies Shares
Mercer Emerging Markets	Mercer Emerging Markets Shares
Mercer Listed Property	Mercer Global Listed Property
Mercer Direct Property	Mercer Australian Direct Property
Mercer Listed Infrastructure	Mercer Global Listed Infrastructure
Mercer Unlisted Infrastructure	Mercer Global Unlisted Infrastructure
Mercer Overseas Sovereign Bond	Mercer Global Sovereign Bond
Mercer Shares	Mercer Diversified Shares

## ESTABLISHMENT OF AN ORFR RESERVE

In response to the Government's Stronger Super reforms, the Trustee has established an Operational Risk Financial Requirement (ORFR) Reserve for the Trust. The Government has introduced this requirement so that super funds have access to resources to compensate members, where relevant, for any operational incident that adversely impacts their benefits.

The cost of building up the reserve for the MSIT is currently being met by the Trustee's share capital. The size of the ORFR levy will be reported each year in the audited financial statements and is not currently incorporated within the fees and costs for the Trust.

The Trustee will monitor the operational risks and the appropriateness of the ORFR reserve on an ongoing basis and may seek to increase the reserve by applying a levy as a deduction to investors' account balances in the future.

## CHANGES TO THE MSIT FEES AND COSTS DISCLOSURE

We have changed the way the fees and costs are described for the MSIT to comply with ASIC's requirements for the new Stronger Super fees and costs disclosure arrangements, which come into effect from 1 July 2014. In summary those changes are as follows:

- A new fee disclosure template has been adopted in line with the Stronger Super regulatory requirements. This has resulted in changes to the way certain fees are classified and defined, as set out below.
- The performance fee range for each Investment Option will now be displayed as a single figure estimate based on the 2012/2013 financial year performance fee paid.
- The expense allowance range for each Investment Option is now provided as a point estimate. These expenses are now split as an estimated Administration Fee<sup>#</sup> and Indirect Cost Ratio<sup>#</sup>. All figures have been estimated for the 2013/2014 financial year and may fall outside the previously disclosed expense allowance range.
- The maximum switching fee\* has been indexed to \$2,173.
- The maximum withdrawal fee\* has been indexed to \$1,086.

\* These fees are not charged by the Trust as at the date of this notice.

<sup>#</sup> See definitions and fees and costs table below.

## NEW FEE DESCRIPTIONS

Set out below is a summary of the fee descriptions that will apply to the MSIT Investment Options:

- An *investment fee*, which comprises an investment management fee and an estimated performance fee.
- An *administration fee*, which relates to the expenses of the MSIT.
- An *indirect cost ratio*, which relates to the expenses of the underlying investments.
- The *estimated buy/sell spread* that is applied at the time of application, redemption or when transferring between investment options.

A summary of the current fees and costs for each of the MSIT Investment Options is provided in the table below. The total cost per annum to investors is equal to the sum of the investment fee, estimated administration fee and the estimated indirect cost ratio. A worked fee example will be provided in the new PDS.

Investment Option	Investment fee <sup>1</sup>				
	Investment management fee (%pa of your total investment in the Option)	Estimated performance fee <sup>3</sup> (%pa of your total investment in the Option)	Estimated administration fee <sup>4</sup> (%pa of your total investment in the Option)	Estimated indirect cost ratio <sup>5</sup> (%pa of your total investment in the Option)	Estimated buy/sell spread <sup>6</sup> (%)
<b>Single sector</b>					
Mercer Australian Shares	0.90	Nil	0.05	0.04	28/28
Mercer Australian Shares Plus <sup>2</sup>	1.05	0.02	0.07	0.04	30/30
Mercer Australian Small Companies	1.00	0.68	0.07	0.08	38/38
Mercer International Shares	0.98	Nil	0.07	0.04	24/24
Mercer Hedged International Shares	1.00	Nil	0.07	0.02	25/25
Mercer International Shares Plus <sup>2</sup>	1.05	Nil	0.07	0.04	26/26
Mercer Hedged International Shares Plus <sup>2</sup>	1.07	Nil	0.07	0.02	27/27
Mercer Global Small Companies Shares	1.30	Nil	0.07	0.06	30/30
Mercer Emerging Markets Shares	1.40	Nil	0.07	0.06	34/34
Mercer Global Listed Property <sup>2</sup>	1.05	0.05	0.07	0.10	25/20
Mercer Australian Direct Property	1.25	0.03	0.07	0.03	0/0
Mercer Global Listed Infrastructure <sup>2</sup>	1.05	0.23	0.07	0.05	22/20
Mercer Global Unlisted Infrastructure	1.50	0.14	0.07	0.03	6/6

Mercer Diversified Alternatives	3.12	0.51	0.07	0.03	0/0
Mercer Australian Sovereign Bond <sup>2</sup>	0.35	Nil	0.07	0.02	2/4
Mercer Global Sovereign Bond <sup>2</sup>	0.35	Nil	0.07	0.04	10/10
Mercer Australian Inflation Linked Bond <sup>2</sup>	0.35	Nil	0.07	0.04	0/0
Mercer Global Credit <sup>2</sup>	0.55	Nil	0.07	0.03	31/31
Mercer Cash	0.30	Nil	0.09	0.02	0/0
<b>Diversified</b>					
Mercer Diversified Shares	0.95	0.01	0.07	0.03	26/26
Mercer High Growth	1.00	0.04	0.06	0.04	25/22
Mercer Growth Plus	1.03	0.05	0.07	0.05	22/20
Mercer Growth	0.93	0.04	0.08	0.03	22/20
Mercer Moderate Growth	0.87	0.03	0.07	0.03	18/16
Mercer Conservative Growth	0.80	0.02	0.07	0.03	14/12
Mercer Defensive <sup>2</sup>	0.74	0.01	0.07	0.02	9/9

1. Includes the investment management fee and an estimated performance fee.

2. The Investment Fee for these options shall not exceed 4% per annum.

3. The performance fee is based on the actual performance fee paid for each Investment Option for the period 1 July 2012 to 30 June 2013.

4. This is the estimated administration fee for the 2013/2014 financial year that may apply for each Investment Option.

5. This is the estimated indirect cost ratio for the 2013/2014 financial year that may apply to the underlying funds and is therefore indirectly charged to MSIT unit holders.

6. Buy/sell spreads will vary from time to time.

## FURTHER INFORMATION

If you have any questions or would like more information about any of these changes, please call us on 1800 512 947 or visit [www.mercer.com.au/invest](http://www.mercer.com.au/invest)