Sydney Diocesan Secretariat

MERCER

**Glebe Administration Board -
The Diocesan Endowment Fund**

30 June 2011

Quarterly Report

Mercer Multi-Manager Funds — Quarter ending 30 June 2011

Consulting. Outsourcing. Investments.

Economy & Markets

As expected, the second quarter of 2011 saw a moderation in global growth in response to higher oil prices and the impact of the Japanese tsunami. The prospect for a modest rebound in growth over the second half of the year remains intact.

Global economy

The strong momentum of global production growth through the second half of 2010 and early 2011 slowed significantly in the June 2011 quarter. While the first three months of 2011 saw global growth gather momentum and remain resilient in the face of major political shocks and a series of major natural disasters, a moderation in growth was in fact expected by the end of the March 2011 quarter on the back of the:

- Unsustainable strength at the turn of the year.
- Steady withdrawal of monetary and fiscal support across many countries.
- Earlier sharp rises in energy and other commodity prices.
- Disruptions to global supply chains resulting from the Japanese earthquake and tsunami.

Consistent with this expectation, global share markets remained positive in April but then fell over the final two months of the financial year, against a backdrop of:

- Weaker US and European economic data.
- Inflationary concerns and further policy tightening in China.
- Renewed concerns around the sovereign debt crisis in Europe.

A rather sharp slowdown in the US has underscored the fragility of the underlying recovery, against a backdrop of renewed decline in house prices there. In Europe, despite impressive growth in Germany and other core European Union (EU) nations over the first half of this year, stresses in EU funding markets intensified.

In Europe it became increasingly clear that Greece would struggle to avoid debt rescheduling under the terms of its original rescue package, while the sustainability of public debt in Portugal and the EU's third-largest economy, Italy, also suddenly came under intense scrutiny. Contagion risks were further exacerbated by the insistence of some EU members on the private sector bearing some of the costs of any default.

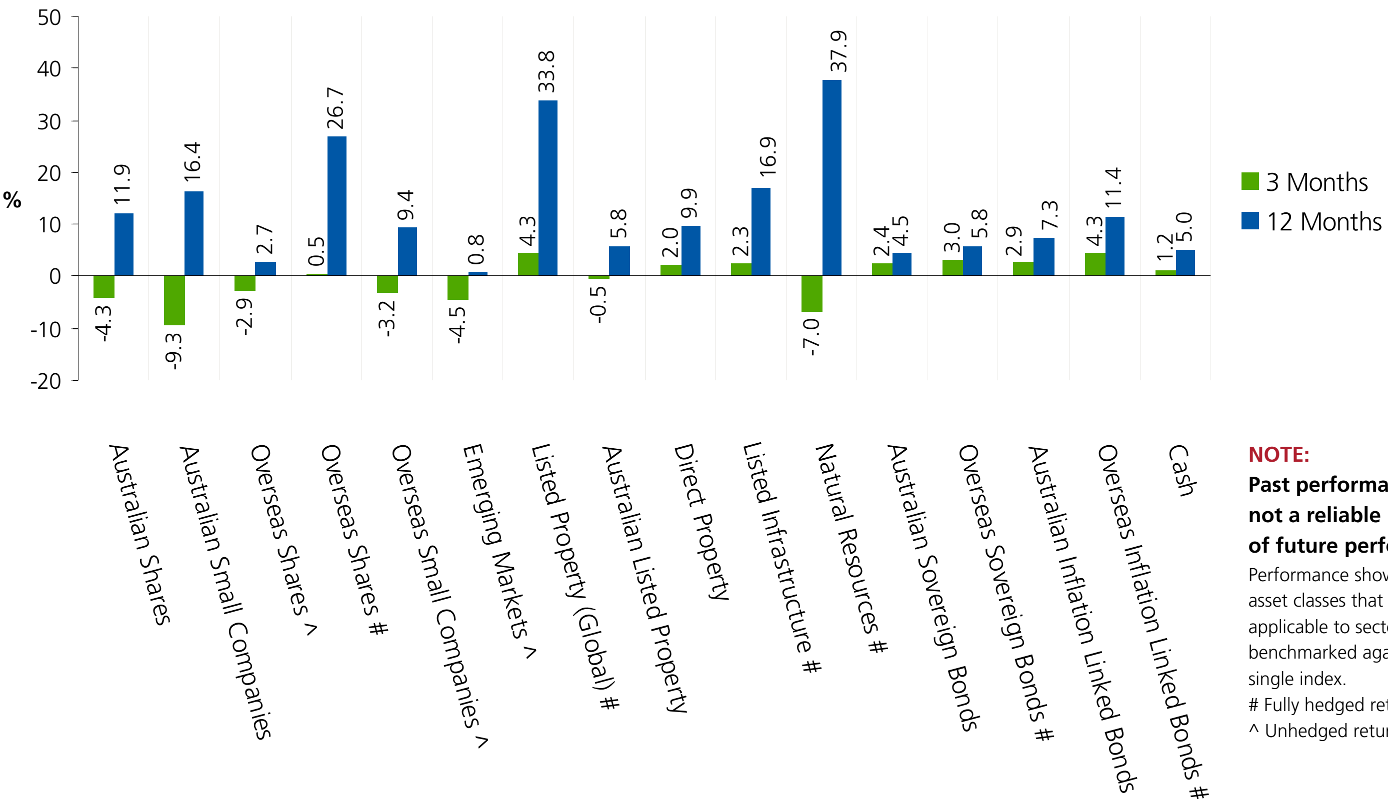
The extent of the slowdown in China is somewhat less clear, but there is still no conclusive evidence that inflationary pressures are about to fall to more "manageable" levels. Moreover, the persistence of inflation in China and the developing world is raising fears that emerging markets are now a structural source of price pressures for developed economies. The uncertainty over the extent of the slowdown in China is acting to weaken investor confidence.

In contrast to the slowdown at a similar point in 2010, however, investor fears of broad-based deflation have yet to resurface. The outlook at financial year end reflected the jumps in inflation across a wide range of major developed and emerging economies over the intervening year and the US Federal Reserve's 'QE2' commitment to undertake pre-emptive action. To the extent that heightened risks of sovereign default appear largely confined to Greece, Portugal and Ireland, with a potentially small direct impact on EU banks, interbank funding strains have been much less acute than in 2010. Moreover, with temporary factors contributing to the slowdown in US growth, there has been some willingness to "look through" the softness.

Indeed, consensus forecasts assume a much better mix of global growth and inflation in the second half of 2011, and only partly reflect the expected recovery in Japanese industrial production and global supply chains.

US GDP growth is forecast to lift to around 3.0% to 3.25% (from an estimated 2.0% - 2.25% in the first half of the year), helped by recent declines in energy prices and interest rates. Inflation is forecast to begin turning lower in China and other larger emerging markets by late 2011, averting the need for substantially more restrictive policy stances. Also, EU policymakers appear to have succeeded in allaying the threat of a more damaging financial contagion by dampening fears over the sustainability of sovereign debt burdens at the periphery, at least for a time.

Financial market returns to 30 June 2011



NOTE:

Past performance is not a reliable indicator of future performance.

Performance shown only for asset classes that are applicable to sector MMFs benchmarked against a single index.

Fully hedged return

^ Unhedged return

But it is equally clear that a lot needs to go right before the potential re-emergence of a more benign market environment in the second half of the year. In the meantime, while US fiscal policy is not the same source of short-term systematic risk as the EU, the absence of a decisive resolution to the budget talks will continue to weigh heavily on investor, business and household confidence.

Whereas successful policy interventions in the US and EU built the platform for stronger growth in the second half of last year, any rebound in growth over the next six months is expected to be more modest because of the:

- Current fiscal policy vacuums in both regions.
- Ending of the second round of quantitative easing by the US Federal Reserve (i.e. QE2) and the expectation that there is unlikely to be a QE3.
- Fears that some emerging markets are still lagging in their efforts to contain inflation.

Australia

Australia's GDP contracted 1.2% in the first quarter of 2011 - the deepest quarterly decline in 20 years. This deeper-than-expected contraction, compounded by the effects of the natural disaster in Japan in March accounted for much of the sharp downward revision to the consensus projection for GDP growth in 2011 (from a forecast 2.9% in March to 2.0% in June).

Correspondingly, forecast growth for 2012 was revised up over the same period from 3.7% to 4.0%, as much of the earlier lost production is eventually clawed back. Nevertheless, a recent string of disappointing economic data (particularly outside of the resources sector) is also evident. Inflationary pressures also gathered momentum in the June quarter.

The relatively lacklustre growth in domestic demand and real GDP is largely attributable to the household sector. It's a reflection of the hesitancy on the part of households to take on new debt and consume. On the plus side, this has led to a rise in the household savings rate to the highest levels since the mid-1980s, with household disposable income growing an impressive 8.3% over the year to first quarter of 2011. Business investment growth has also continued to accelerate (up 6.3% over the year the first quarter of 2011), although largely driven by a 21.5% surge in the mining sector (ex-mining investment was up by just 2.6%).

In Mercer's view, however, the risks to consensus growth forecasts are still tilted to the downside, particularly in 2012.

Markets

The 2010-11 financial year kicked off strongly and we saw global growth continue right through to April 2011, despite lingering volatility and some significant market shocks in the first quarter of 2011. Over the full 12 months to 30 June 2011, financial markets reacted positively, with equity and real assets showing strong growth.

However, performance towards the end of the financial year was weaker for these asset classes and the impact compounded for unhedged Australian-based investors by an appreciating Australian dollar.

Whilst the last two months of the financial year were negative, returns were positive across all the major asset classes for the full year to 30 June 2011 — a positive annual result for the second year in a row since the dark days of the global financial crisis. That said, and whilst the positive financial year return is reassuring, worries about the fragility of the recovery have not gone away, and this is likely to remain a concern for some months to come.

Glebe Administration Board -
The Diocesan Endowment Fund

Sydney Diocesan Secretariat

Diocesan Endowment Fund Asset Allocation
30 June 2011

	Actual %	Actual $000's	SAA Target %	Range %
Growth Assets				
Shares				
Mercer SR Australian Shares	22.9	25,318	23.0	15-35
Mercer Overseas Shares Plus (hedged)	5.9	6,545	8.0	0-14
Mercer Overseas Shares Plus (unhedged)	10.2	11,227	8.0	0-14
Mercer Emerging Markets (unhedged)	2.0	2,189	2.0	0-5
Property				
Direct Property (SAHC)	29.5	32,645	29.0	20-30
Legacy Assets				
Total Growth Assets	**70.5**	**77,924**	**70.0**	**50-80**
Defensive Assets				
Mercer Australian Sovereign Bond	9.2	10,163	9.0	0-20
Mercer Overseas Sovereign Bond	4.0	4,443	7.0	0-20
Banking Services	10.6	11,771	13.0	10-20
Investment Cash (Gearing)	5.7	6,263	1.0	0-30
Total Defensive Assets	**29.5**	**32,639**	**30**	**20-50**
Total	**100.0**	**110,563**	**100.0**	
% of Overseas Shares Hedged (Developed)	36.8	6,545	50	0-100

NOTE: Past performance is not a reliable indicator of future performance.
Refer to page 12 - 'Important notes about this Report' - for further information on the calculation of returns.

Australian Shares — Socially Responsible

The Australian sharemarket fell 4.3% in the June quarter, as declines in commodity prices led to reduced prices for materials and energy companies. Global equity markets also fell in the quarter.

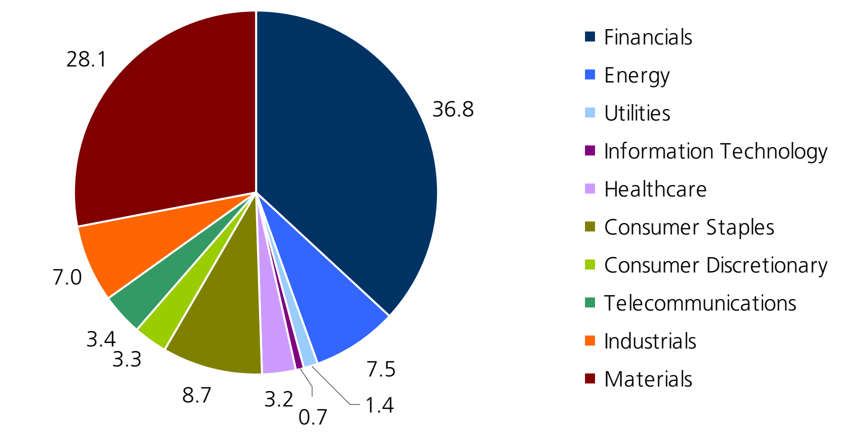
A number of ongoing negative factors 'caught up' with the market during the quarter:

- A sharp slowing in the US economy
- Sovereign debt downgrades in Europe leading to a reduction in investor confidence
- Increasing domestic interest rates,
- A continuing strong A$ (making it difficult for exporters)
- A downgrade of credit ratings for Australia's major banks (and financials constitute around 30% of the local market)

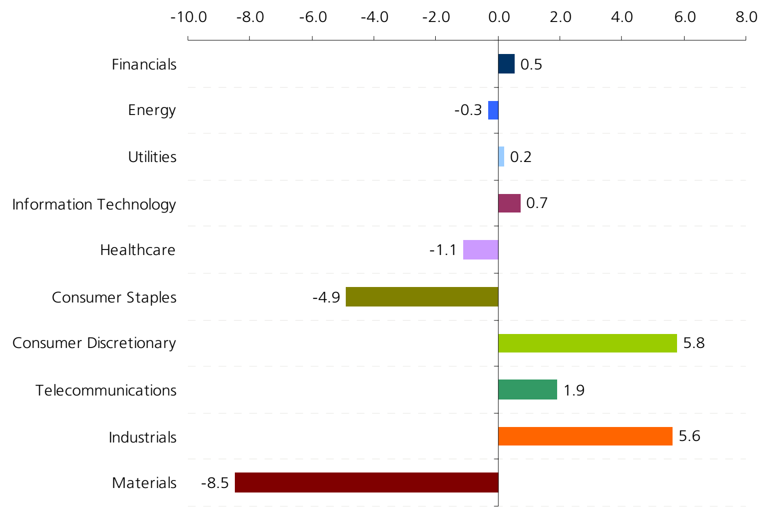
These latter 3 factors are the key reasons why the local market has substantially underperformed overseas equity markets over the past year. Despite the negative result in the quarter the market still recorded solid gains over the full year – up close to 12% including dividends.

Mercer Socially Responsible Australian Shares Fund

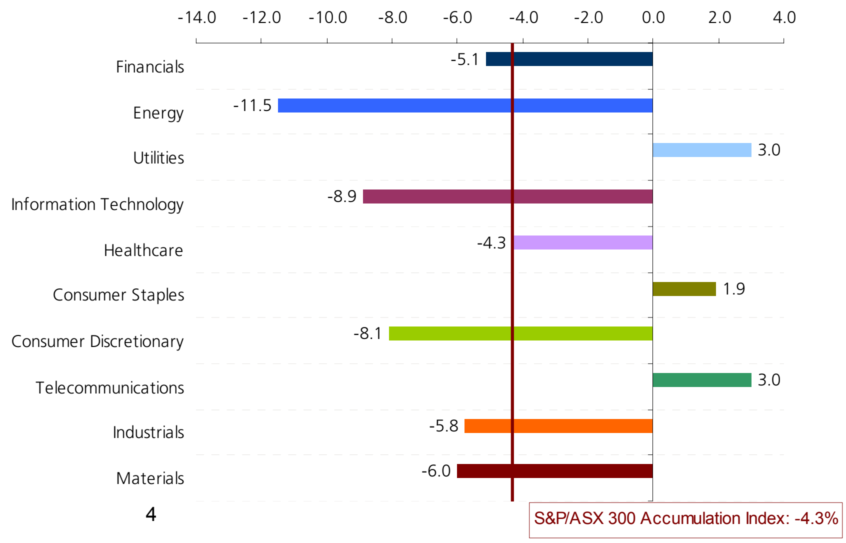
Benchmark weight by sector (%)
S&P/ASX 300 Accumulation Index



Sector Exposure — Overweight/Underweight positions as at 30 June 2011 (%)



Benchmark sector returns for the three months to 30 June 2011 (%)
S&P/ASX 300 Accumulation Index



SHARES

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Refer to page 12 - 'Important notes about this Report' - for further information on the calculation of returns.

Australian Shares — Socially Responsible

Mercer Socially Responsible Australian Shares Fund

Top 10 Australian share holdings

Listed (right) are the 10 largest Australian share holdings in aggregate within the Mercer Socially Responsible Australian Shares Fund at quarter end compared to their respective benchmarks.

Mercer Socially Responsible Australian Shares Fund	% of Fund	% of B'mark
BHP Billiton	8.3	12.7
Westpac Banking Corporation	7.9	5.9
National Australia Bank	7.2	4.9
Commonwealth Bank Of Australia	7.0	7.2
ANZ Banking Group	4.5	5.1
Rio Tinto	4.0	3.2
Telstra Corporation	2.6	3.3
Origin Energy	2.5	1.5
TPG Telecom	1.9	0.0
Santos	1.9	1.0

Fund performance

The fund outperformed the benchmark strongly in the quarter due to its large underweight positions in the poorer performing materials sector and an overweight position in telecommunications.

Total & Excess Returns - Before fees (%)

Mercer Socially Responsible Australian Shares Fund	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
Total Return - Before fees:	-2.5	11.7	n/a	n/a
Benchmark Return*	-4.3	11.9	n/a	n/a
Excess Return:	+1.8	-0.2	n/a	n/a

*S&P/ASX 300 Accumulation Index

Total Returns - After fees	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
Mercer Socially Responsible Australian Shares Fund	-2.8	11.0	n/a	n/a

Manager performance

All Australian Shares Socially Responsible managers outperformed over the June quarter. Perpetual was the strongest performer, benefitting from an overweight to the outperforming Telecommunications sector. Positive stock selection within the underperforming Materials was the key driver of value-add for BT.

Proportion of assets managed at quarter end

Manager	
BT Investment Management	31.6
Perpetual Investment Management	35.0
AMP Capital Investors	33.4

Manager Returns Relative to Fund Benchmark* (+ or - %) - Before fees

Managers	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
BT Investment Management	+0.8	-1.1	-0.2	+1.1
Perpetual Investment Management	+2.8	+0.4	+10.9	+4.7
AMP Capital Investors	+1.6	-0.1	-1.3	-1.1

* **S&P/ASX 300 Accumulation Index**, which is the benchmark used for the Fund. Alternate benchmarks may apply to managers individually.

NOTE: Past performance is not a reliable indicator of future performance.

Refer to page 12 - 'Important notes about this Report' - for further information on the calculation of returns.

Overseas Shares

International sharemarkets were broadly flat over the quarter, with hedged equity returns up 0.5%.

International markets faced a number of potential negative influences in the quarter, in particular:

- The slowing US economy.
- Sovereign debt downgrades in Europe.
- Attempts by the Chinese to slow its economy.

Despite these influences markets the market as a whole proved to be quite resilient.

The resilience of international equity markets can be attributed to the fact that:

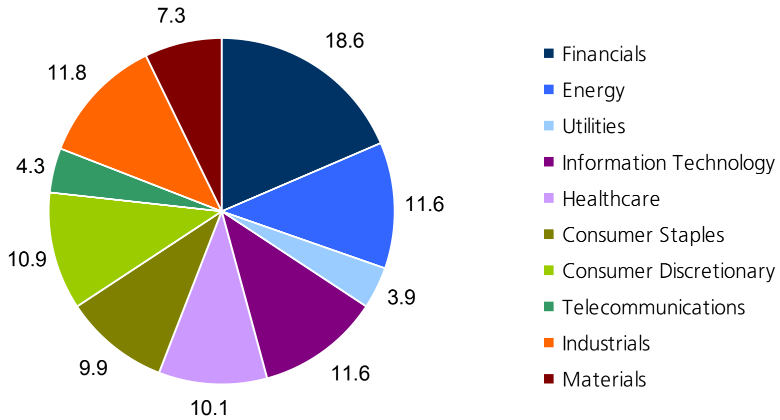
- While momentum in the US economy slowed in the June quarter expectations are that growth will be durable through 2011-12.
- European growth, led by Germany, exceeded expectations.
- Profit levels have improved.
- Market valuations remain supportive (that is, the market is not 'expensive' according to recognised valuation measures).

There was a continuing major differential between hedged and unhedged returns in international equities during the quarter due to the ongoing rise in the AUD. Over the year hedged returns were up 26.7% versus unhedged returns of 2.7%.

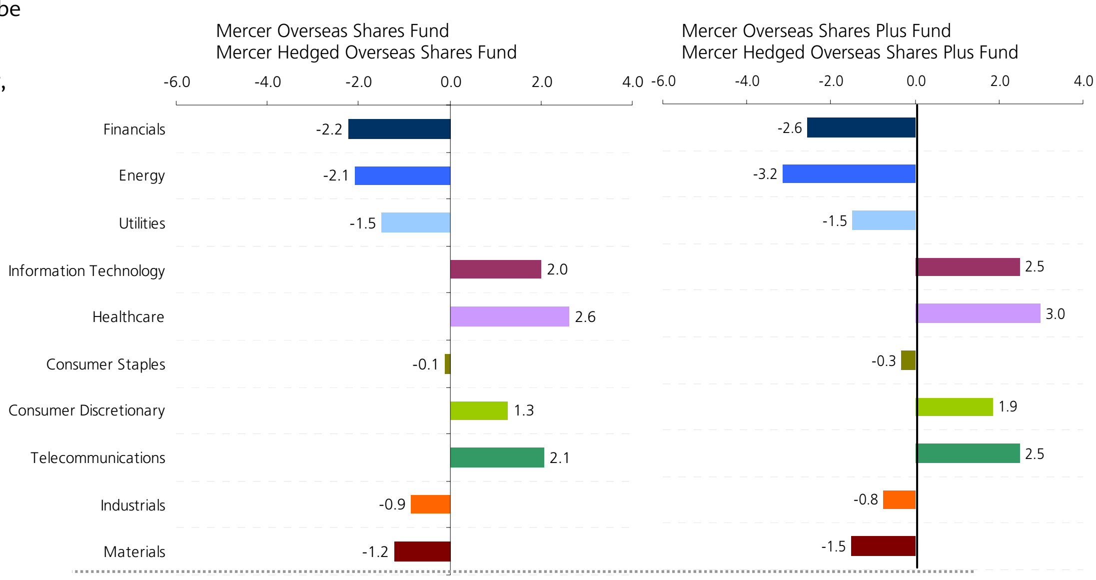
Overseas Shares Funds**

Benchmark weights by sector (%)

MSCI World Index (ex Australia)

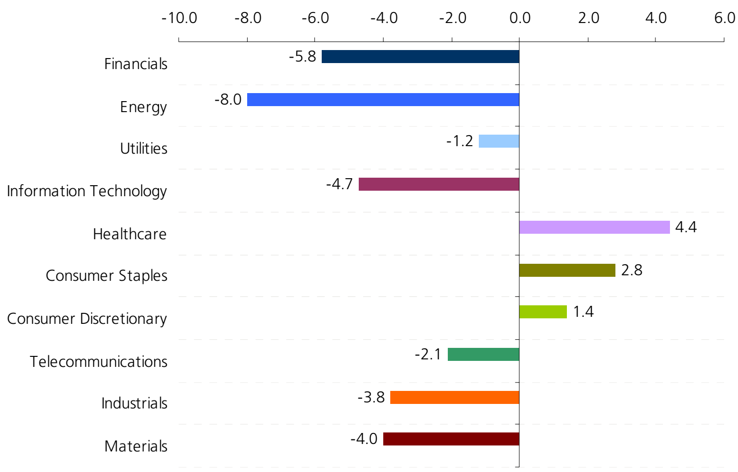


Sector Exposure — Overweight/Underweight positions as at 30 June 2011 (%)



Benchmark sector returns for the three months to 30 June 2011 (%)

MSCI World Index (ex Australia)



** In this Quarterly Report, 'Overseas Shares Funds' refers to:

- Mercer Overseas Shares Fund
- Mercer Hedged Overseas Shares Fund (the "Core Funds")
- Mercer Overseas Shares Plus Fund
- Mercer Hedged Overseas Shares Plus Fund (the "Plus Funds")

Only the sector exposure differs between the Funds. Benchmark weights etc. apply to all four Funds.

SHARES

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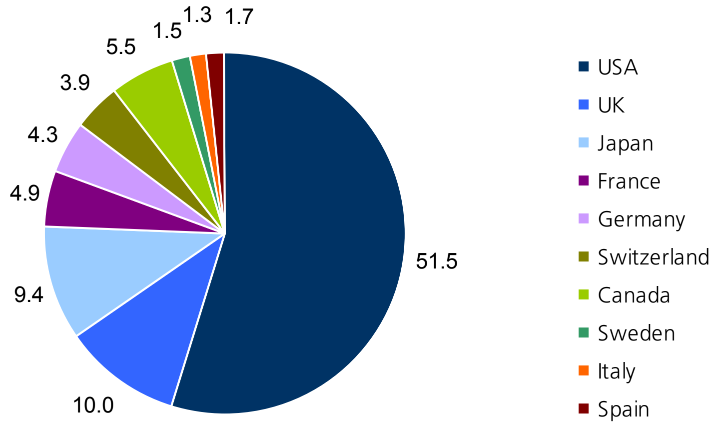
Overseas Shares

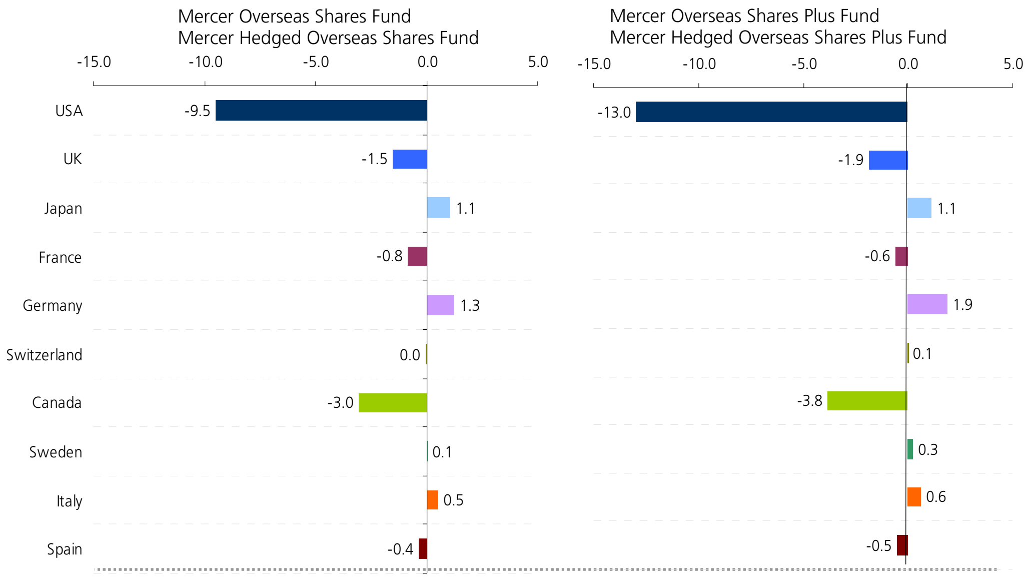
Overseas Shares Funds**

Benchmark weights - Top 10 countries (%)

MSCI World Index (ex Australia) - in A$ with net dividends reinvested

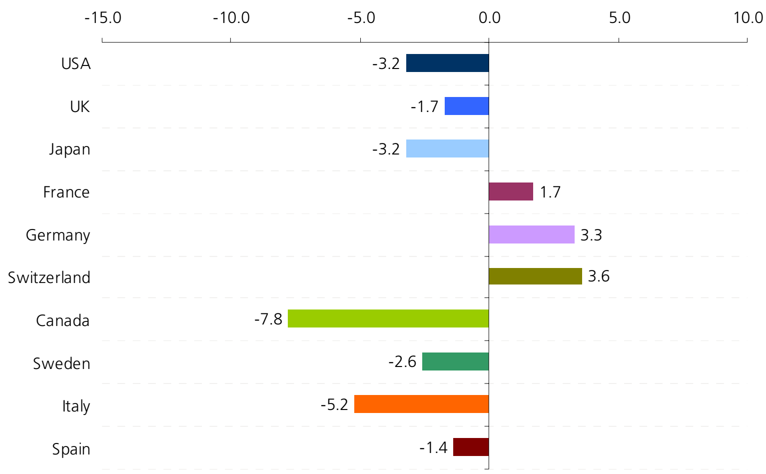


Exposure to top 10 countries — Overweight/Underweight positions as at 30 June 2011 (%)



Top 10 countries' benchmark returns for the three months to 30 June 2011 (%)

MSCI World Index (ex Australia) - in A$ with net dividends reinvested



Top 10 Overseas share holdings

Ten largest overseas share holdings held in aggregate within the Mercer Overseas Shares Fund and its hedged equivalent, and the corresponding Plus Funds (hedged and unhedged) as at quarter end, compared to their respective benchmarks:

Mercer Overseas Shares Fund & Mercer Hedged Overseas Shares Fund	% of Funds	%of B'mark
Apple	1.4	1.3
Royal Dutch Shell	1.0	0.9
J P Morgan Chase & Co.	1.0	0.7
Amazon	0.9	0.3
Abbott Laboratories	0.9	0.3
Exxon Mobil Corporation	0.9	1.7
Vodafone Group	0.9	0.6
Samsung Electronics Company	0.8	0.0
Glaxosmithkline	0.8	0.5
Bank Of America	0.7	0.5

Plus Overseas Shares Funds	% of Funds	%of B'mark
Apple	1.4	1.3
Amazon	1.2	0.3
Samsung Electronics Company	1.1	0.0
Abbott Laboratories	1.1	0.3
J P Morgan Chase & Co.	1.1	0.7
Vodafone Group	0.9	0.6
Glaxosmithkline	0.9	0.5
Gazprom Oao	0.9	0.0
Royal Dutch Shell	0.9	0.9
Sanofi	0.8	0.4

** In this Quarterly Report, 'Overseas Shares Funds' refers to:

- Mercer Overseas Shares Fund
- Mercer Hedged Overseas Shares Fund (the "Core Funds")
- Mercer Overseas Shares Plus Fund
- Mercer Hedged Overseas Shares Plus Fund (the "Plus Funds")

Only the country exposure differs between the Funds. Benchmark weights etc. apply to all four Funds.

NOTE: Past performance is not a reliable indicator of future performance.
Refer to page 12 - 'Important notes about this Report' - for further information on the calculation of returns.

Overseas Shares

Overseas Shares Funds**

Fund performance

Fund returns were modestly below benchmark in the quarter, mainly due to being overweight the poorer performing IT sector. The fund also has exposure to emerging markets which performed below large cap stocks in the quarter.

Total & Excess Returns - Before fees (%)

Mercer Overseas Shares Fund	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
Total Returns - Before fees:	-3.0	2.7	-4.8	-5.9
Benchmark Return [1]	-2.9	2.7	-3.3	-5.0
Excess Returns:	-0.1	0.0	-1.5	-0.9

Mercer Overseas Shares Plus Fund	3 Months	1 Year	3 Years (p.a.)[1]	5 Years (p.a.)
Total Returns - Before fees:	-3.2	2.3	-5.3	-6.3
Benchmark Return [1]	-2.9	2.7	-3.3	-4.8
Excess Returns:	-0.3	-0.4	-2.0	-1.5

Hedged Overseas Shares Funds	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
Total Returns - Mercer Hedged Overseas Shares Fund:	0.4	27.9	-3.8	-2.7
Total Returns - Mercer Hedged Overseas Shares Plus Fund:	0.2	27.5	-3.8	n/a
Benchmark Return [2]	0.5	26.7	1.2	0.8
Excess Returns - Mercer Hedged Overseas Shares Fund:	-0.1	+1.2	-5.0	-3.5
Excess Returns - Mercer Hedged Overseas Shares Plus Fund:	-0.3	+0.8	-5.0	n/a

[1] Note that a composite benchmark was used for these Funds from their respective inception dates to August 2007 when the benchmark was standardised to the MSCI World Index (ex Australia) - in A$ with net dividends reinvested.
[2] Note that a composite benchmark was used for the Mercer Hedged Overseas Shares Fund from its inception date to August 2007 when the benchmark was standardised to the MSCI World Index (ex Australia) - in ***hedged*** A$ with net dividends reinvested. Note that the inception date of the Mercer Hedged Overseas Shares Plus Fund was October 2007 - hence 5 year performance was not applicable at 30 June 2011.

Total Returns - After fees	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
Mercer Overseas Shares Fund	-3.2	1.8	-5.8	-6.8
Mercer Overseas Shares Plus Fund	-3.4	1.1	-6.4	-7.4
Mercer Hedged Overseas Shares Fund	0.2	26.4	-5.0	-3.8
Mercer Hedged Overseas Shares Plus Fund	0.0	25.5	-5.1	n/a

Manager performance

Manager performance within overseas shares was mixed over the quarter, where value oriented managers Hexavest and Lingohr were the strongest contributors to performance. Hexavest benefitted throughout the quarter from its defensive positioning, being overweight the two best performing global equity sectors in Health care and Consumer Staples, while Lingohr's relative outperformance was attributable to positive stock selection. Martin Currie was the greatest detractor of relative performance as a result of some of its stock selection in the Energy and Industrials sectors.

Proportion of assets managed at quarter end

Manager	Core Funds [2]		Plus Funds
	Unhedged	Hedged	
Schroder Investment Mgmt [1]	25.0	24.6	0.0
Baillie Gifford	7.8	7.8	10.4
Edinburgh Partners	12.2	12.3	16.3
Global Thematic Partners	11.2	11.3	14.9
Hexavest	14.9	15.0	19.9
Lingohr & Partner Asset Mgmt	11.3	11.4	15.1
Martin Currie	8.9	8.9	11.8
RCM	8.7	8.7	11.6

1. Not applicable to Overseas Shares Plus Funds.
2. Different manager weights applied to the two overseas shares Core Funds as a result of arrangements relating to the transition from State Street Global Advisors to Schroders.

Manager Returns Relative to Fund Benchmark* (+ or - %) - Before fees

Managers	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
Schroder Investment Mgmt [1]	+0.5	+1.3	n/a	n/a
Baillie Gifford	+0.5	+9.9	+3.3	+4.0
Edinburgh Partners	-0.7	-4.3	+0.6	n/a
Global Thematic Partners	-1.0	n/a	n/a	n/a
Hexavest	+1.2	n/a	n/a	n/a
Lingohr & Partner Asset Mgmt	+1.2	n/a	n/a	n/a
Martin Currie	-4.4	-4.9	n/a	n/a
RCM	+0.7	-0.6	n/a	n/a

* **MSCI World Index (ex Australia) - in A$ with net dividends reinvested**, which is the benchmark used for the Funds.

SHARES

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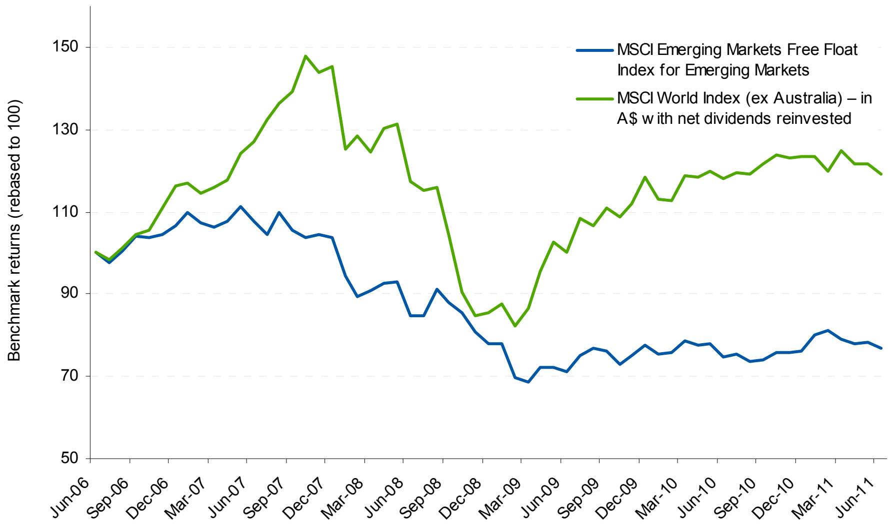
Refer to page 12 - 'Important notes about this Report' - for further information on the calculation of returns.

Emerging Markets

Emerging market (excluding the impact of the higher AUD) were modestly lower in the quarter.

While economic growth remains strong in emerging market economies there is rising concern that inflationary pressures are building and may lead to lower growth in years to come. Recent rises in interest rates in China and India are an example of attempts by emerging market countries to quell inflationary pressures.

Emerging markets vs 'large' company performance



Refer to page 32 for the top 10 benchmark weights (MSCI Emerging Markets Free Float Index) to emerging market countries as at quarter end.

Mercer Emerging Markets Fund

Fund performance

The fund outperformed the benchmark modestly in the quarter due primarily to being underweight the poorer performing energy sector.

Total & Excess Returns - Before fees (%)

Mercer Emerging Markets Fund	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
Total Returns - Before fees:	-3.8	-1.6	0.0	n/a
Benchmark Return*	-4.5	0.8	0.5	n/a
Excess Returns:	+0.7	-2.4	-0.5	n/a

*MSCI Emerging Markets Free Float Index

Total Returns - After fees	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
Mercer Emerging Markets Fund	-3.8	-2.0	-0.9	n/a

Manager performance

Lazard was the positive contributor to relative performance, with the underweighting to both the poorly performing Energy sector and to Brazil proving to be beneficial. Wellington was impacted by its stock selection within the Financials and Energy sectors.

Proportion of assets managed at quarter end

Manager	%
Lazard Asset Management	50.3
Wellington Management	49.7

Manager Returns Relative to Fund Benchmark* (+ or - %) - Before fees

Managers	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
Lazard Asset Management	+1.8	-0.4	+1.7	n/a
Wellington Management	-0.4	-5.1	n/a	n/a

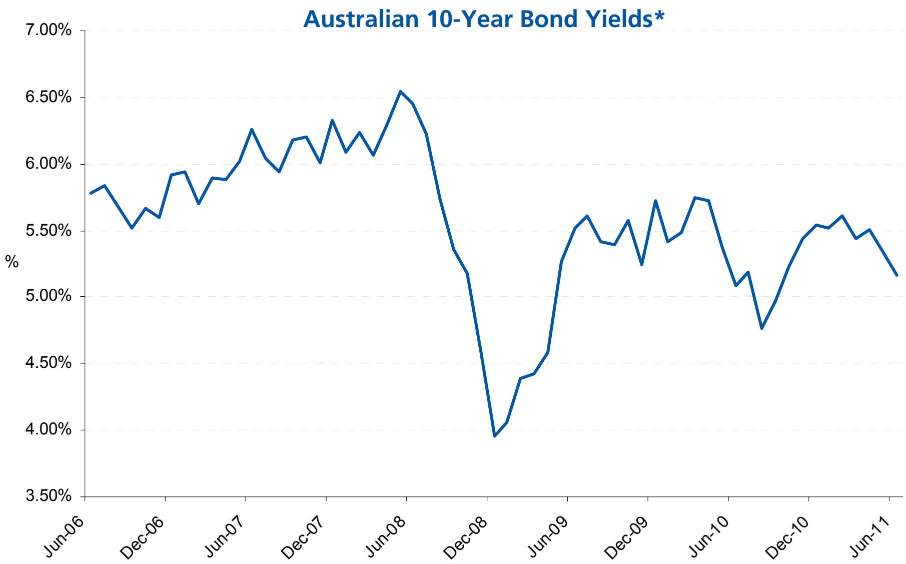
* **MSCI Emerging Markets Free Float Index**, which is the benchmark used for the Fund.

NOTE: Past performance is not a reliable indicator of future performance.

Refer to page 12 - 'Important notes about this Report' - for further information on the calculation of returns.

Australian Sovereign Bonds

Australian bond yields fell over the quarter as investors were attracted to the safe haven status of local bonds.



* Source: Thomson Reuters Datastream

Mercer Australian Sovereign Bond Fund

Fund performance

The fund modestly underperformed benchmark in the quarter due to the active manager – Vianova – subtracting value through its short duration strategy.

Note:
Performance history includes the returns of the Mercer Australian Fixed Interest Fund (now closed to new investors), from which the Mercer Australian Sovereign Bond Fund evolved.

Total & Excess Returns - Before fees (%)

Mercer Australian Sovereign Bond Fund	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
Total Returns - Before fees:	2.2	4.7	7.3	n/a
Benchmark Return*	2.4	4.5	7.7	n/a
Excess Returns:	-0.2	+0.2	-0.4	n/a

* Benchmark:
Before 1/1/2010: UBSWA Composite Bond Index (All Maturities)
From 1/1/2010: UBSW Australian Treasury Bond Index 0+ (All Maturities) Index

Total Returns - After fees	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
Mercer Australian Sovereign Bond Fund	2.1	4.3	6.9	n/a

Manager performance

Vianova underperformed, with its defensive interest rate strategy not being supported by the lower bond yields during the June quarter.

Proportion of assets managed at quarter end

Manager	%
Macquarie Investment Management	70.0
Vianova	30.0

Manager Returns Relative to Fund Benchmark* (+ or - %) - Before fees

Managers	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
Macquarie Investment Management	0.0	0.0	n/a	n/a
Vianova	-0.5	+0.7	n/a	n/a

* **UBSW Australian Treasury Bond Index 0+ (All Maturities)** — from 1/1/2010 — and **UBSWA Composite Bond Index (All Maturities)** — Before 1/1/2010 — are/were the benchmarks used for the Fund.

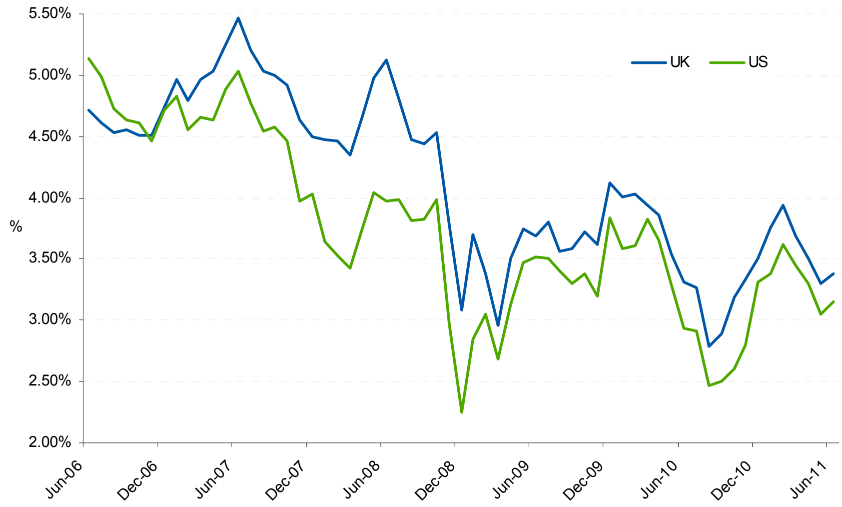
FIXED INTEREST

NOTE: Past performance is not a reliable indicator of future performance.
Refer to page 12 - 'Important notes about this Report' - for further information on the calculation of returns.

Overseas Sovereign Bonds

Global bond yields fell in the quarter as signs of economic growth deteriorated.

10-Year Bond Yields - UK and US*



* Source: Thomson Reuters Datastream

Mercer Overseas Sovereign Bond Fund

Fund performance

The Mercer Overseas Sovereign Bond Fund performed in line with the benchmark in the quarter.

Note:
Performance history includes the returns of the Mercer Overseas Fixed Interest Fund (now closed to new investors), from which the Mercer Overseas Sovereign Bond Fund evolved.

Total & Excess Returns - Before fees (%)

Mercer Overseas Sovereign Bond Fund	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
Total Returns - Before fees:	3.0	5.9	9.8	n/a
Benchmark Return*	3.0	5.8	9.1	n/a
Excess Returns:	0.0	+0.1	+0.7	n/a

* Benchmark:
Before 1/1/2010: Barclays Aggregate Bond Index - in A$ (Hedged)
From 1/1/2010: JP Morgan Global Government Index - in A$ (Hedged)

Total Returns - After fees	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
Mercer Overseas Sovereign Bond Fund	2.9	5.4	9.4	n/a

Manager performance

During the quarter, new mandates with AllianceBernstein and H_2O were funded, replacing Amundi in the configuration.

Proportion of assets managed at quarter end

Manager	%
Alliance Bernstein[1]	32.5
Challenger	62.0
H2O[1]	5.5

[1]New manager added during quarter

Note:
Amundi was let go as Overseas Sovereign Bonds manager during the quarter.

Manager Returns Relative to Fund Benchmark* (+ or - %) - Before fees

Managers	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
Alliance Bernstein	n/a	n/a	n/a	n/a
Challenger	0.0	+0.4	n/a	n/a
H2O[1]	n/a	n/a	n/a	n/a

* **JP Morgan Global Government Index - in A$ (Hedged)** — from 1/1/2010 — and **Barclays Aggregate Bond Index - in A$ (Hedged)** — Before 1/1/2010 — are/were the benchmarks used for the Fund. Alternate benchmarks may apply to managers individually.

Important notes about this Report

Throughout this report, please note that:

- **Past performance is not a reliable indicator of future performance.**
- Only Mercer Multi-Manager Funds (MMFs) that were invested in at the end of the quarter are reported on.
- **Total returns** are based on exit prices. Total returns are shown both before and allowing for deduction of investment management fees.
- **Excess returns** relative to the benchmark are calculated by the difference between performance (before investment management fees) and the asset-weighted benchmark return.

  Asset weights used are those shown in the MMFs' Product Disclosure Statement (PDS) and Investment Policy Statement (IPS) as relevant.

  The benchmark used for each fund is noted in the summary of its before-fees performance. As noted, for certain funds (i.e. those invested in multiple sectors) a composite of the relevant benchmarks applies.
- **Interim Benchmark** refers to an asset allocation benchmark that currently applies only to certain funds. In this report, the Interim Benchmark is used in respect of the asset allocations for the following:
  - Mercer Shares Fund & Mercer Shares Plus Fund
  - Mercer Growth & Mercer Growth Plus
  - Mercer High Growth Fund & Mercer High Growth Plus Fund
  - Mercer Moderate Growth Fund
  - Mercer Conservative Growth Fund
  - Mercer Defensive Fund
  - (Closed) Mercer Fixed Interest Fund

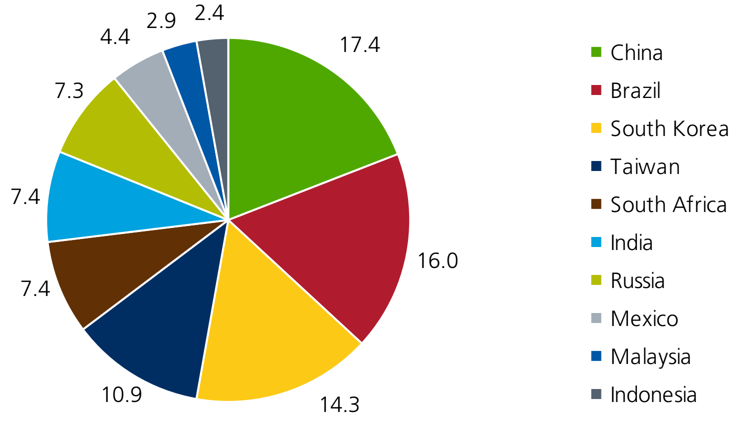
  The Interim Benchmark falls within the asset allocation benchmark range specified in the PDS but varies from the long-term, strategic asset allocation benchmark shown in the PDS. It is used for reporting purposes to ensure consistency between the actual asset allocation (e.g. at quarter end) and actual performance. More details on the Interim Benchmark are provided in the IPS, whilst details on the long-term, strategic asset allocation benchmark are provided in the PDS.
- **Performance attribution** refers to another way of deriving the excess return. With performance attribution, the performance above or below the benchmark return can be "attributed" to two factors:
  1. **Asset allocation:** the degree to which actual asset allocation varies from the benchmark asset allocation.
  2. **Stock/manager selection:** the degree to which returns achieved by underlying managers in the various asset classes vary from the relevant benchmark returns for those asset classes.
- Performance (before investment management fees) may be provisional depending on information available at the time of publication and may be subject to adjustment.
- As mentioned in the PDS, the diversified funds may also include "opportunistic" investments. However, no such investments were held at quarter end.
- The underlying investment manager line ups of the diversified multi-sector funds and the closed Mercer Property Fund include managers who have a 'low-risk active' (LRA) or 'passive' (P) mandate. The following table lists the relevant asset classes and managers, along with their respective returns for various periods to quarter end. These managers are only relevant to the diversified multi-sector funds (and the closed Mercer Property Fund in respect of listed property).

Manager Returns Relative to Benchmark* (+ or - %) - Before fees

Asset Class / Manager	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
Emerging markets (LRA) - MSCI Emerging Markets Free Float Index				
BlackRock Investment Management	+0.3	+1.0	-1.1	n/a
Listed Property (P)				
Vanguard Investments Australia	+0.2	+2.6	n/a	n/a
Listed Infrastructure (P)				
Macquarie Investment Management	-0.5	-1.8	n/a	n/a

Please note that the managers listed above are *not* relevant to the: Mercer Emerging Markets Fund; the Mercer Listed Property Fund and the Mercer Listed Infrastructure Fund.

- Returns throughout this report may be subject to rounding error.
- As noted on the Emerging Markets page, here are the top 10 benchmark weights to emerging market countries as at quarter end:



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