



Madison Financial Group

Introduction to Mercer IS

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Agenda

1. Introduction
2. Mercer IS Overview
3. Introduction to Mercer Research Process and Mercer Ratings
4. Help?

Mercer IS Overview

The screenshot shows the Mercer IS Research website. At the top left is the Mercer logo. To the right are links for 'My Account', 'Help', and 'Log out'. Below the logo is a navigation bar with icons for Home, Markets, Funds, My Portfolios, Model Portfolios, Library, Tools, and Madison. A search bar is located on the right side of the navigation bar. The main content area is divided into two columns. The left column contains a welcome message, a link to Direct Equities Research (powered by desktopbroker), a download link for market reports, and an announcement about Mercer >IS< training. The right column features a blue navigation bar with icons for Research, Ratings, News, and Articles. Below this are several news items, each with a title, a brief description, and a date. The news items include: 'Capital Fund Management - CFM update: adding P' (11 Sep 2020), 'Putnam Investments - Retirement Announcement for Bill Kohli, CIO of Fixed Income' (10 Sep 2020), 'MFS Investment Management - Rob Lau to Leave Emerging Market Equity Portfolio Management Team' (9 Sep 2020), 'AMP Capital Investors - ADPF Unsolicited approach by Dexis' (8 Sep 2020), and 'NN Investment Partners Holdings N.V. - Update on EMD team - impact on Asia strategies' (8 Sep 2020).

Global research at a glance

Depth and breadth of our global research resources: there are 220 staff* directly involved in the research process, in addition there are multiple investments professionals globally involved in the research process

Specialised Mercer Alternatives group dedicated to private markets manager research, portfolio management, and investment operations



Three specialist boutiques: equity, fixed income, and diversifying alternatives operating independently but with a consistent philosophy/framework. We believe this provides all the benefits of a focused boutique, with the resources of a large, global consultancy

Research specialists have an average of 18 years of experience in the financial services industry**

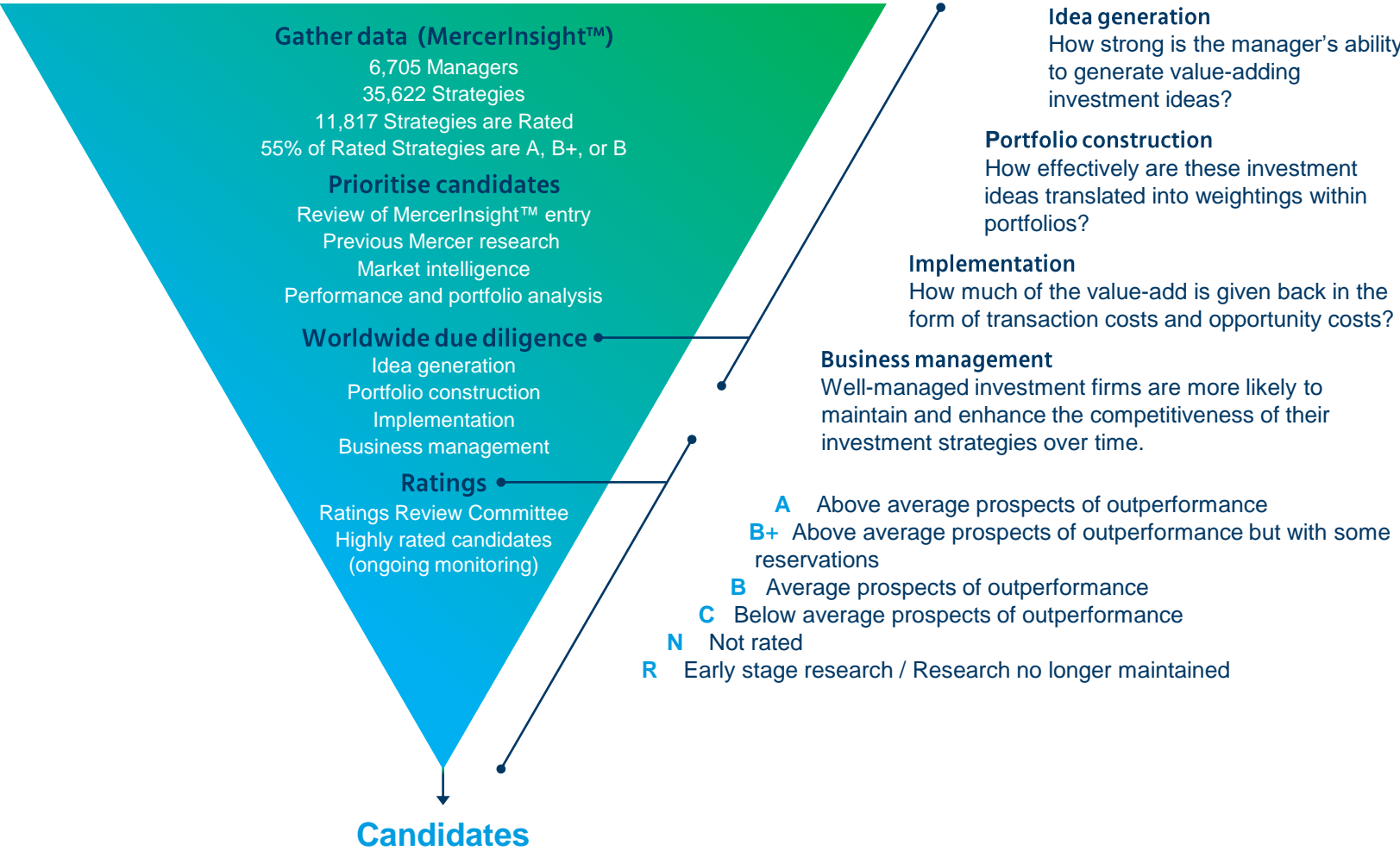
The majority (70%) of research specialists have an MBA, CFA®, actuarial, masters, and/or relevant qualifications

* Includes central leadership and support/admin staff.

** Average years of experience excludes analysts and support/admin staff.

As at 30 June 2020.

Mercer research process



*Manager and Strategy Statistics as of 30 June 2020, includes sub advised strategies.
<https://www.mercer.com/content/dam/mercer/attachments/private/nurture-cycle/gl-2018-wealth-guide-to-mercers-investment-strategy-research-ratings-mercer.pdf>

Manager research process

Four factor framework



Idea generation

- Philosophy
- Investment process
- Competitive advantage
- Resources



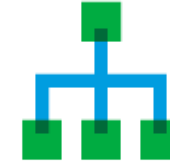
Portfolio construction

- Guidelines
- Style
- Risk
- Monitoring



Implementation

- Trading
- Turnover
- Capacity
- Fees



Business management

- Business structure
- Business environment/culture
- Remuneration
- Non-investment distraction
- Diversity and inclusion

Our ratings scale

A

Strategies assessed as having “**above average**” prospects of outperformance

B+

Strategies assessed as having “**above average**” prospects of outperformance, but with some reservations.

B

Strategies assessed as having “**average**” prospects of outperformance

C

Strategies assessed as having “**below average**” prospects of outperformance

R

The **R rating** is applied in two situations:

1. Mercer has carried out some research, but has not completed its full investment strategy research process
2. Mercer has in the past carried out its full investment strategy research process on the strategy, but we are no longer maintaining full research coverage

N

No rating, strategies not currently rated by Mercer

W

Watch: where there is some uncertainty about a rating that we do not expect to be resolved soon, but consider it unlikely that it will lead to a rating change

T

Tracking error: potential for high tracking error or high volatility

P

Provisional rating: where there is uncertainty about a rating that we expect to resolve quickly

Our ratings scale: what do Mercer's ratings signify?

Mercer's rating signifies Mercer's opinion of a strategy's prospects for outperforming a suitable benchmark over a time frame appropriate for the particular strategy.

Examples of some of the factors that we take into account in deriving ratings:

Mercer's confidence in the manager's ability to generate value-adding ideas	Mercer's view on any specified outperformance target	The opportunities available in the relevant market(s) to achieve outperformance.
An assessment of the risks taken to try to achieve outperformance	An assessment of the strategy relative to peer strategies	Outcome of Operational Risk Assessment as completed by Mercer Sentinel
	An assessment of the manager's business management and its impact on particular strategies	

Our ESG rating scale

ESG1

ESG integrated into investment philosophy; **active ownership a core part of process**

ESG2

Consistent and repeatable process to ESG integration (focus on risk management); **strong evidence of active ownership**

ESG3

Ad-hoc process to ESG integration and active ownership, but **indications of progress**

ESG4

Little or no integration of ESG factors or active ownership into core processes and **no indication of future change**

Mercer's environmental, social, and governance (ESG) capabilities



Idea generation

- Efforts to identify and integrate ESG factors into active fund positions as a source of added value
- Identification of material ESG factors - skill of team members, data sourcing



Portfolio construction

- Efforts to integrate ESG driven views into the portfolio's construction



Implementation

- Engagement and proxy-voting activities (if applicable)
- Investment horizon aligns with ability to effectively implement ESG views

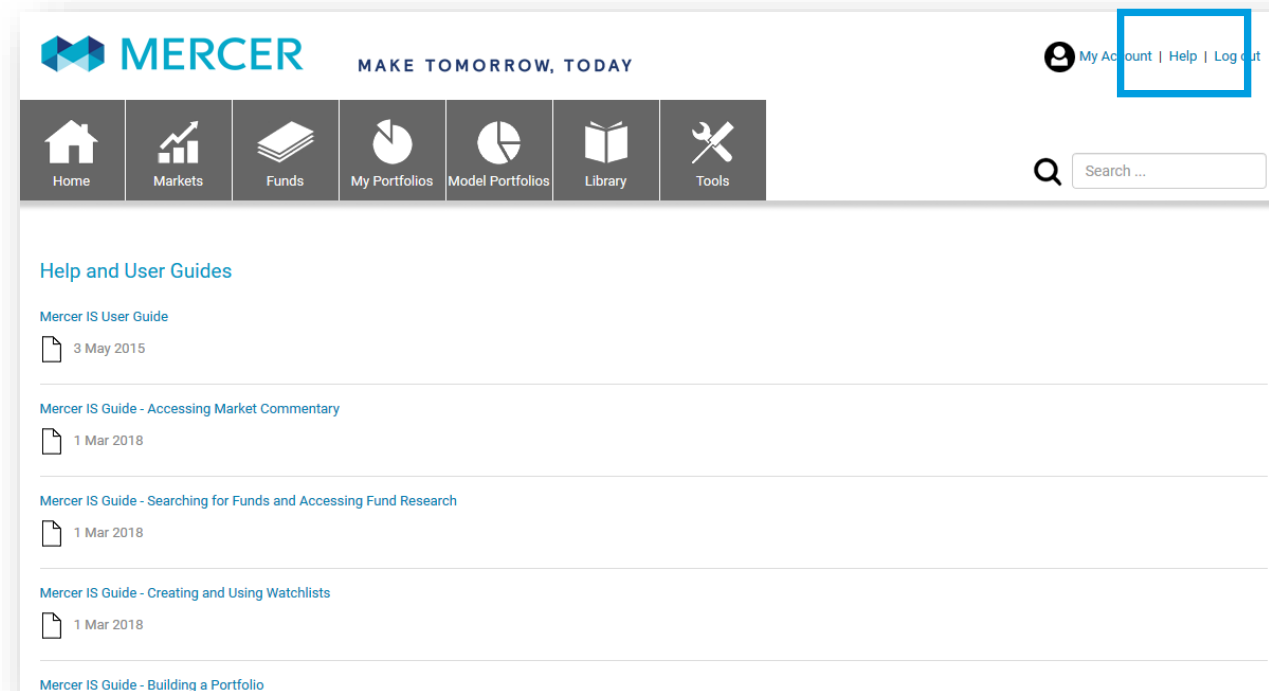


Business management

- Firm-level support for ESG integration, engagement activities, and transparency

Mercer IS Support

- Phone – 1800 512 947
- Email – MercerIS@Mercer.com



The screenshot displays the Mercer IS website interface. At the top left is the Mercer logo with the tagline "MAKE TOMORROW, TODAY". On the top right, there are links for "My Account", "Help", and "Log out", with the "Help" link highlighted by a blue box. Below the logo is a navigation menu with icons and labels for Home, Markets, Funds, My Portfolios, Model Portfolios, Library, and Tools. To the right of the menu is a search bar with a magnifying glass icon and the text "Search ...". The main content area is titled "Help and User Guides" and lists several guides with their respective dates:

- [Mercer IS User Guide](#)
3 May 2015
- [Mercer IS Guide - Accessing Market Commentary](#)
1 Mar 2018
- [Mercer IS Guide - Searching for Funds and Accessing Fund Research](#)
1 Mar 2018
- [Mercer IS Guide - Creating and Using Watchlists](#)
1 Mar 2018
- [Mercer IS Guide - Building a Portfolio](#)

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