



Mercer Workplace Savings

Mercer SmartPath™

welcome to brighter

Introduction

Mercer SmartPath™ is the default defined contribution investment strategy for Mercer Workplace Savings, including the Mercer Master Trust and Mercer Elect. As at 31 March 2023, assets under management totalled £11.9bn.

The Mercer SmartPath™ objective is to improve the **adequacy** and **sustainability** of members' pension savings and helping to improve overall member outcomes by balancing the need for strong returns with a reduction in volatility.

To achieve this objective we utilise Mercer's global investment expertise by:

- Incorporating Mercer's **investment beliefs** throughout the design and implementation of Mercer SmartPath™.
- Harnessing Mercer's **strategic investment research**, this includes portfolio construction and responsible investment.
- Allocating to highly rated investment managers, as identified by Mercer's market leading **manager research** team.



Mercer's Investment Beliefs

Mercer's investment beliefs are set out below and in more detail online [here](#). Below we have focused on some of the key areas which we believe differentiate Mercer SmartPath™ and contribute to delivering strong member outcomes.



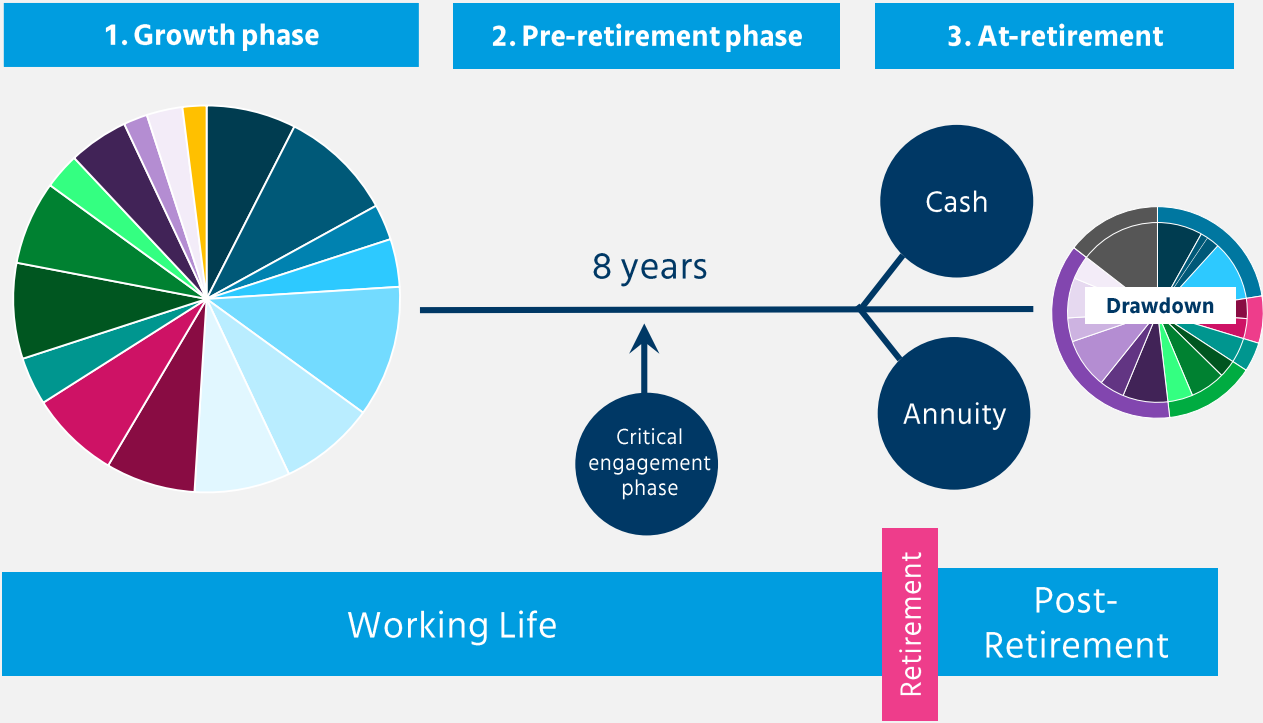
Our open architecture means we are not tied to any single investment manager. We use Mercer's manager research capability to identify managers considered most able to add value through **active management**. Furthermore, all managers undergo due diligence checks (to assess **risk management** and **operational efficiency**).

Within our multi-asset funds we utilise **Dynamic Asset Allocation ("DAA")** tilts to add value and mitigate risk. Our DAA tilts are based on our short to medium term market outlook.

We use a four-pillar framework to ensure that Environmental, Social and Governance ("ESG") factors are incorporated into Mercer SmartPath™. This framework has been designed by Mercer's responsible investment team and ensures a focus on **sustainability** in our investments.

1. The Default Investment Strategy

The investment strategy underlying Mercer SmartPath™ changes over a member’s working life. We have pathways designed to grow a member’s pension savings and support the different options available to members as they approach and reach retirement (namely annuity, drawdown and cash).



Growth Phase

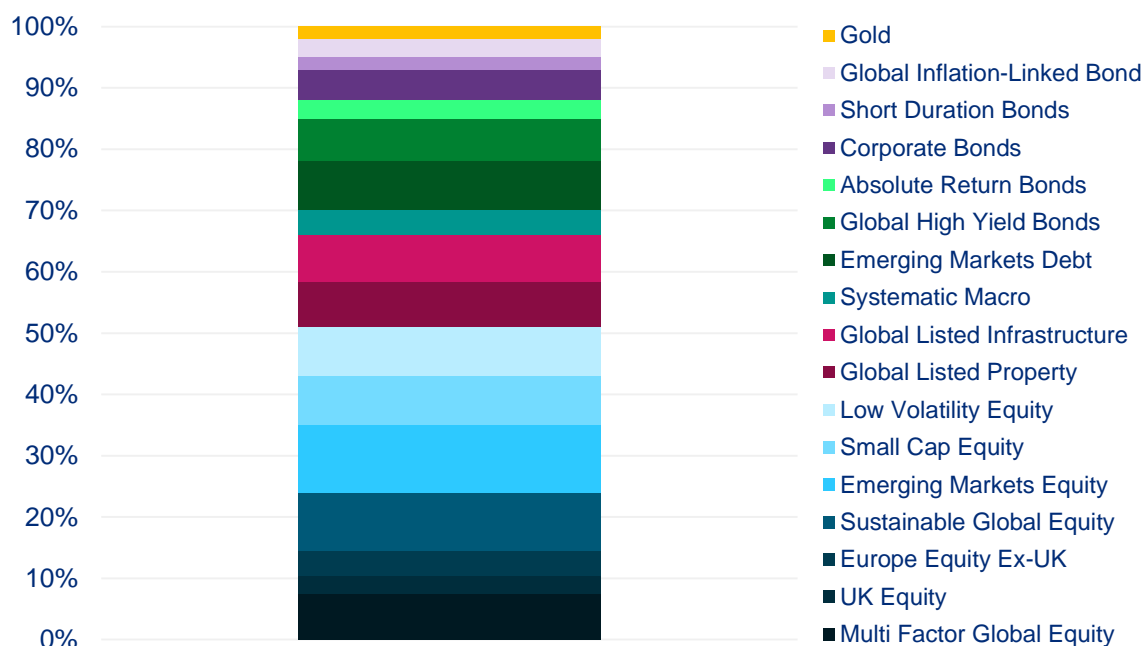
Members in the growth phase have a long investment horizon, with many years before they reach their selected retirement age. Therefore, members are able to take more risk and their investments should increase the real value of their pension savings.

In the growth phase of Mercer SmartPath™, a member’s savings will be fully invested in our flagship **Mercer Growth** fund – a multi-asset fund targeting returns of cash + 4.0% per annum.

Long-term expectations:

Grow the long term value of members’ pension savings	Volatility of returns c. 2/3 rd s of equities
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Mercer Growth fund (Strategic Asset Allocation)

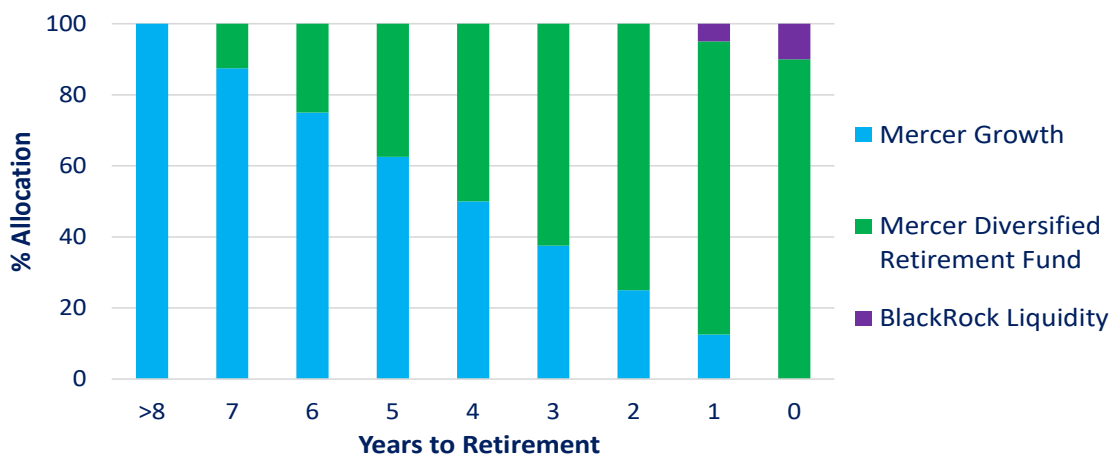


Pre-Retirement Phase

The Mercer SmartPath™ de-risking phase starts eight years before a member’s selected retirement age. This timeframe offers a balance between allowing sufficient time for de-risking and ensuring proper engagement with the member during this critical period.

We use target retirement funds, rather than traditional lifestyling, as they offer members **flexibility** and **simplicity**. The funds are aligned to the member’s retirement destination (annuity, cash or drawdown) and their selected year of retirement. Members have the flexibility to split their savings between different retirement destinations and years if desired.

Target Drawdown Retirement Glidepath*



*Please note that the chart represents the glidepath for members retiring in 2026 onwards. For retirements prior to 2026 members will target 25% cash at retirement with the standalone cash allocation gradually introduced three years from retirement.

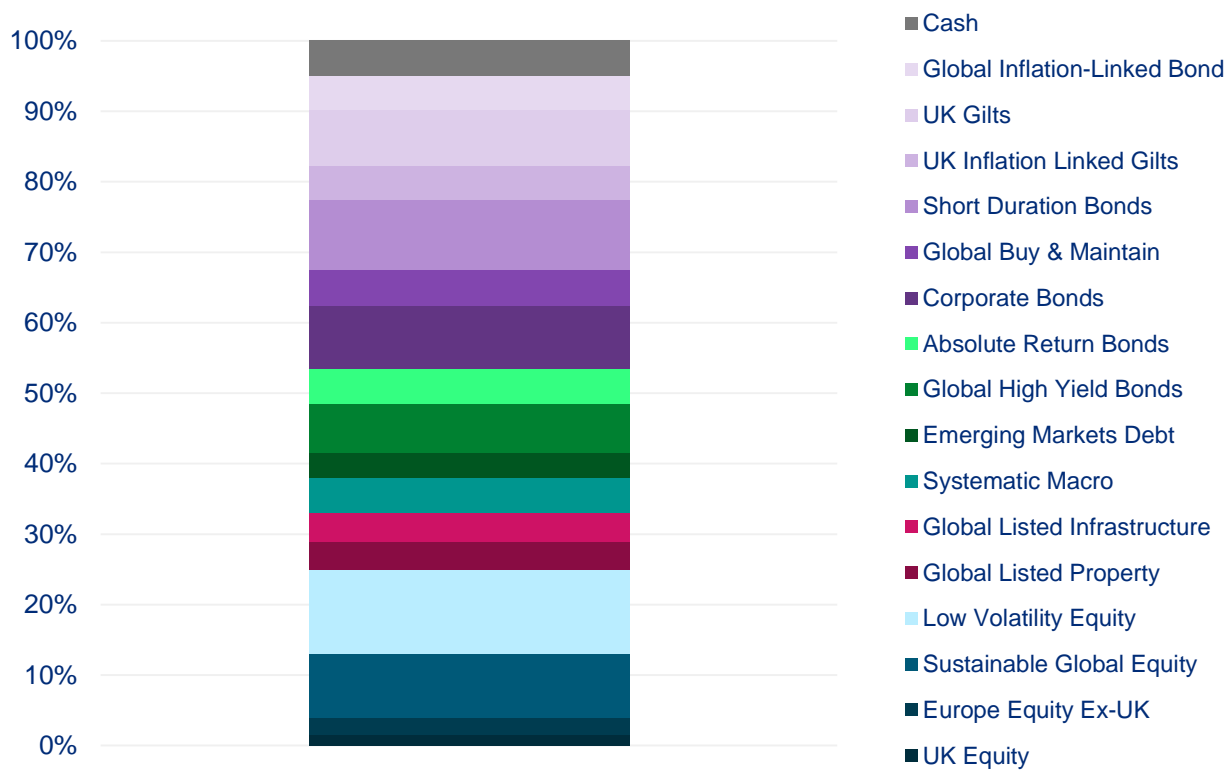
At-Retirement

Since the introduction of Pension Freedoms in 2015, members have been able to stay invested after they retire and **take income flexibly (i.e. drawdown)** from their pension savings as required. We responded by introducing a new glidepath and a new purpose built multi-asset fund, the **Mercer Diversified Retirement** fund which targets a return of cash + 2.5% per annum.

Long-term expectations:

Focus on downside protection	Greater income generation
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Mercer Diversified Retirement fund (Strategic Asset Allocation)



Some members may choose to take all of their pension savings either as a cash lump sum or to purchase an annuity, and Mercer SmartPath™ offers **alternative glidepaths** to support these members. More details are provided on page 9.

Performance: Mercer Growth

Returns	Mercer Growth	Target	£9.9bn	Assets under management.
Quarter (%)	2.4	1.9	+3.7%	Ahead of cash + 4.0% p.a. target, since inception.
1 Year (%)	-3.5	6.3	+0.35%	Annualised value added to performance through DAA, since inception.
3 Years (% p.a.)	9.2	4.8		
5 Years (% p.a.)	5.0	4.8		
Since Inception (% p.a.)	8.1	4.6	↓ 35%	Less volatility compared with equities, since inception.

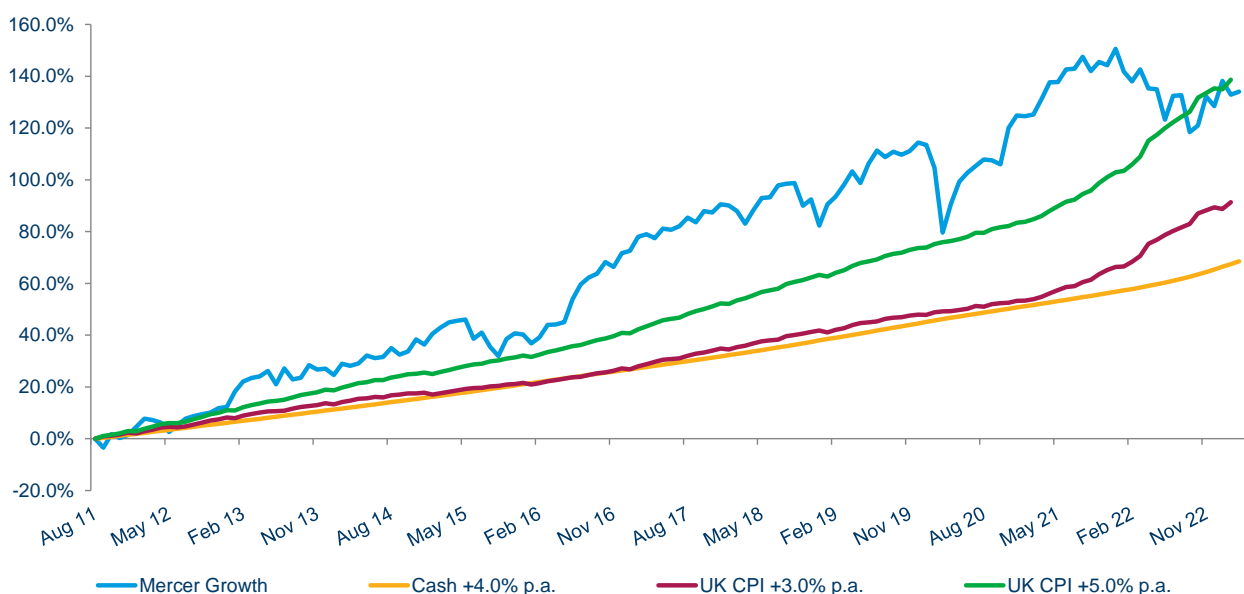
Risk (Since Inception)	Mercer Growth	Equities
Volatility (Standard Deviation) (%)	9.9%	15.3%
Max 1 Day Loss (%)	-6.2%	-8.6%
Max Drawdown* (%)	-24.6%	-26.1%

Figures are shown net of investment charges to 31 March 2023. Since inception date: 22 August 2011.

Target is cash + 4.0% p.a. Equities taken as MSCI World Index, sourced from Refinitiv.

*Max drawdown is defined as the maximum observed loss from peak to trough.

Cumulative Performance Since Inception to 31 March 2023



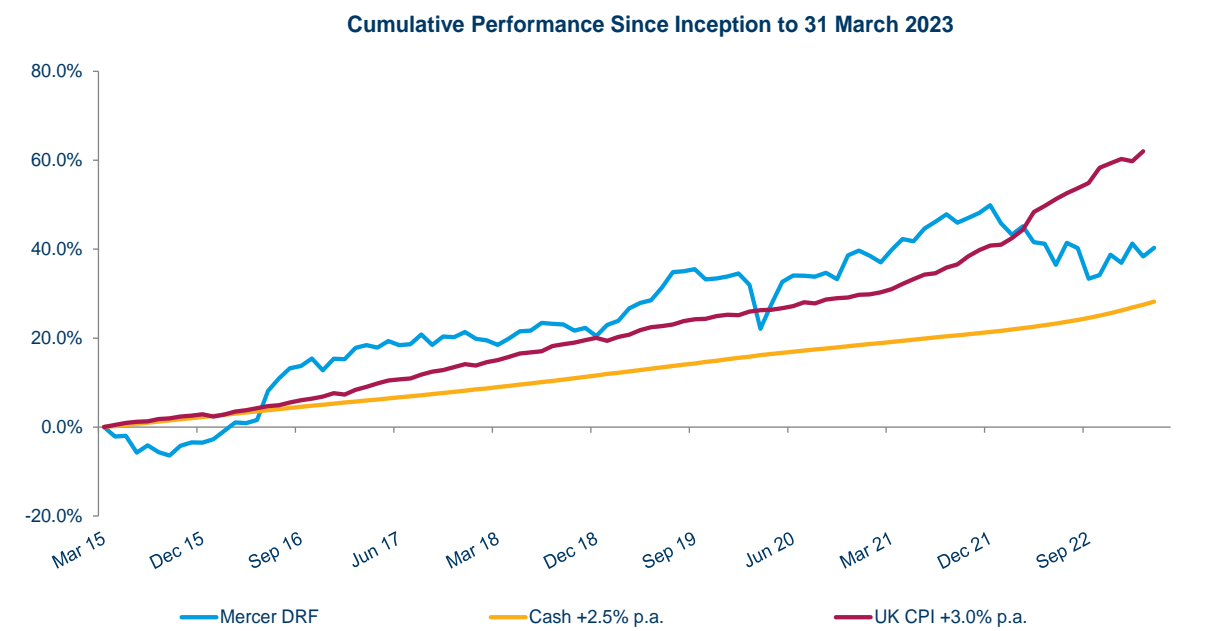
For illustrative purposes, we have used a since inception date of 31 August 2011

Performance: Mercer Diversified Retirement

Returns	Mercer DRF	Target	£1.2bn	Assets under management.
Quarter (%)	2.4	1.6	+1.2%	Ahead of cash + 2.5% p.a. target, since inception.
1 Year (%)	-3.4	4.8		
3 Years (%, p.a.)	4.7	3.3	+0.34%	Annualised value added to performance through DAA, since inception.
5 Years (%, p.a.)	3.4	3.3		
Since Inception (%, p.a.)	4.3	3.1	↓ 64%	Less volatility compared with equities, since inception.

Risk (Since Inception)	Mercer DRF	Equities
Volatility (Standard Deviation) (%)	6.0%	16.4%
Max 1 Day Loss (%)	-3.1%	-8.6%
Max Drawdown* (%)	-14.2%	-26.1%

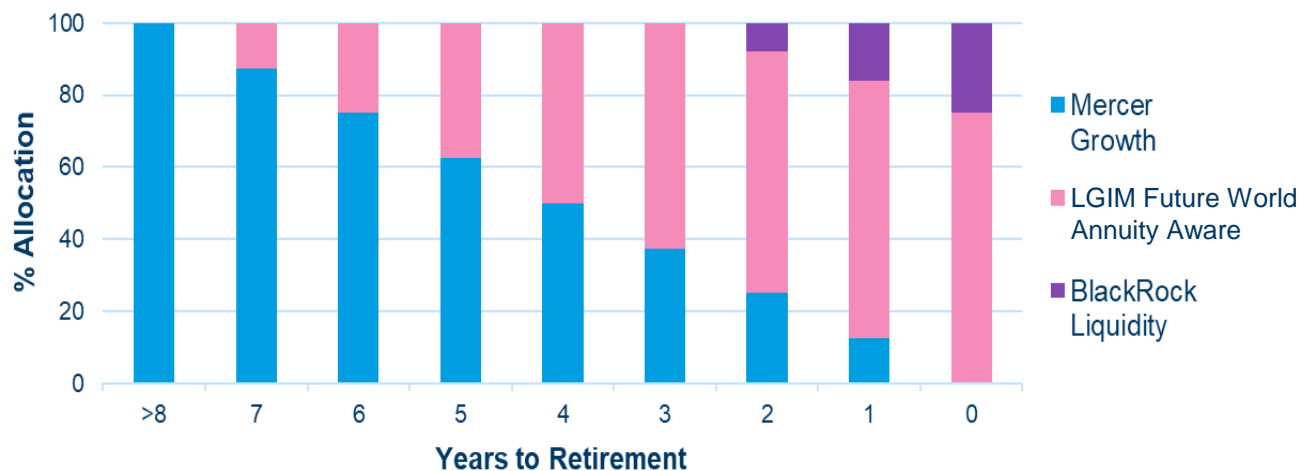
Figures are shown net of investment charges to 31 March 2023. Since inception date: 31 March 2015. Target is cash + 2.5% p.a. Equities taken as MSCI World index, sourced from Refinitiv. *Max drawdown is defined as the maximum observed loss from peak to trough.



Alternative Glidepaths

Target Annuity Retirement Glidepath

The Mercer Target Annuity Retirement strategy is designed for members intending to buy a fixed annuity at retirement. It invests in Mercer Growth during the growth phase. At eight years from retirement, it moves into a Mercer Target Annuity Retirement Fund maturing in the year the member has selected to retire. This fund gradually de-risks into an asset allocation designed for members who intend to purchase a fixed annuity at retirement, and take a 25% cash lump sum.



Target Cash Retirement Glidepath

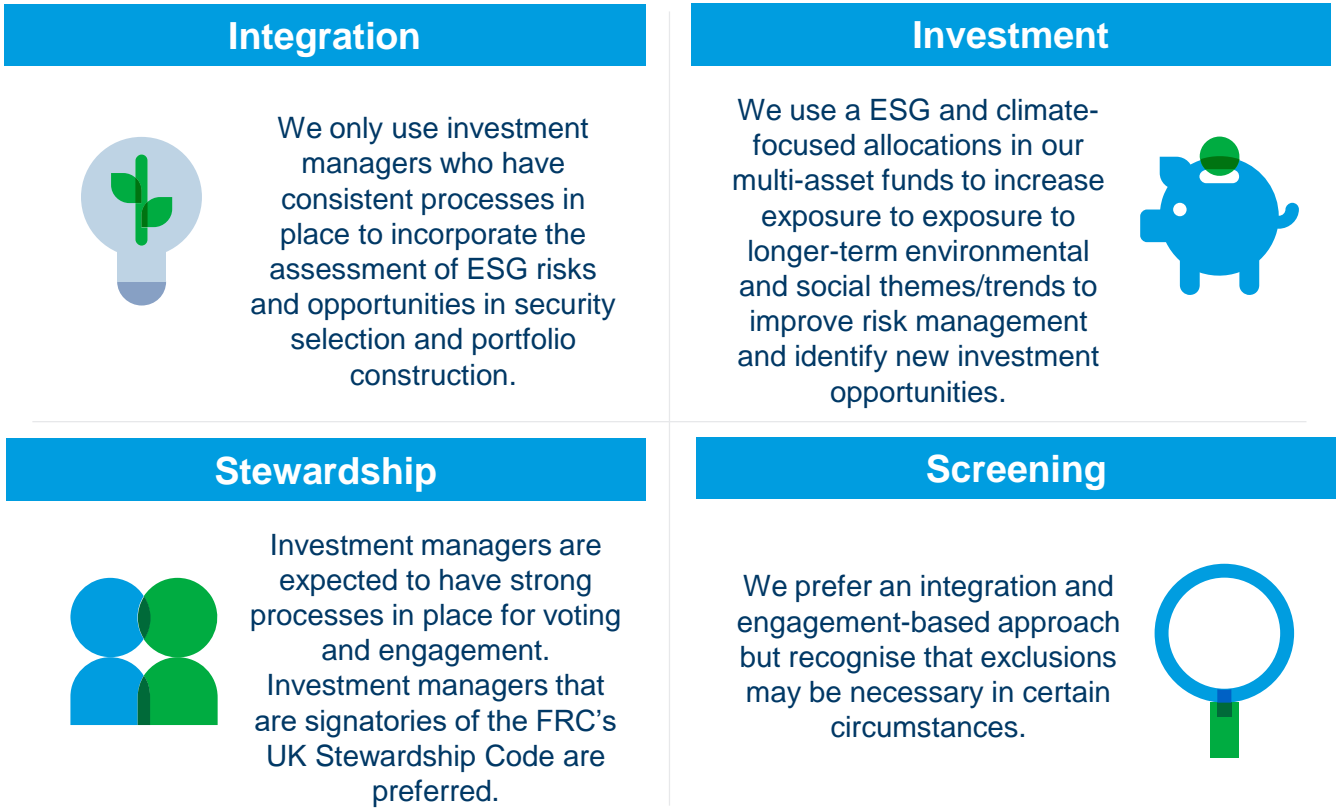
The Mercer Target Cash Retirement strategy is designed for members intending to withdraw their pension savings as a cash lump sum at retirement. It invests in Mercer Growth during the growth phase. At eight years from retirement, it moves into a Mercer Target Cash Retirement Fund maturing in the year the member has selected to retire. This fund gradually de-risks into an asset allocation designed for members who intend to withdraw their assets as cash at retirement.



2. ESG Integration

Four-pillar ESG framework

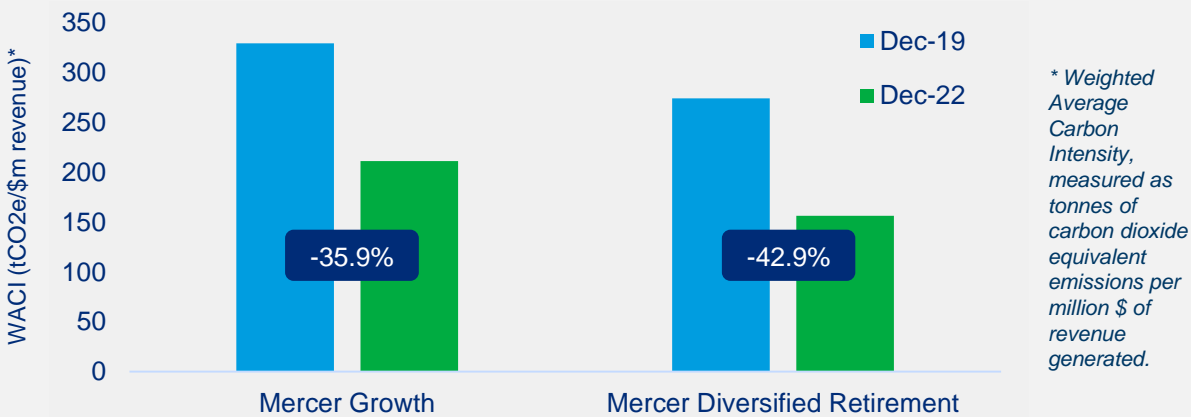
Our four-pillar framework ensures our ESG approach is implemented across the investment arrangement



Net-Zero Commitments

We have committed to a target of net-zero absolute carbon emissions by 2050 for multi-asset funds. This includes the Mercer Growth and Mercer Diversified Retirement funds.

To achieve this, we plan to reduce portfolio relative carbon emission intensity by at least 45% from 2019 baseline levels by 2030.



Important Notices

References to Mercer shall be construed to include Mercer LLC and/or its associated companies.

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