Mercer

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 December 2024, assets under management totalled £15.8bn.

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.

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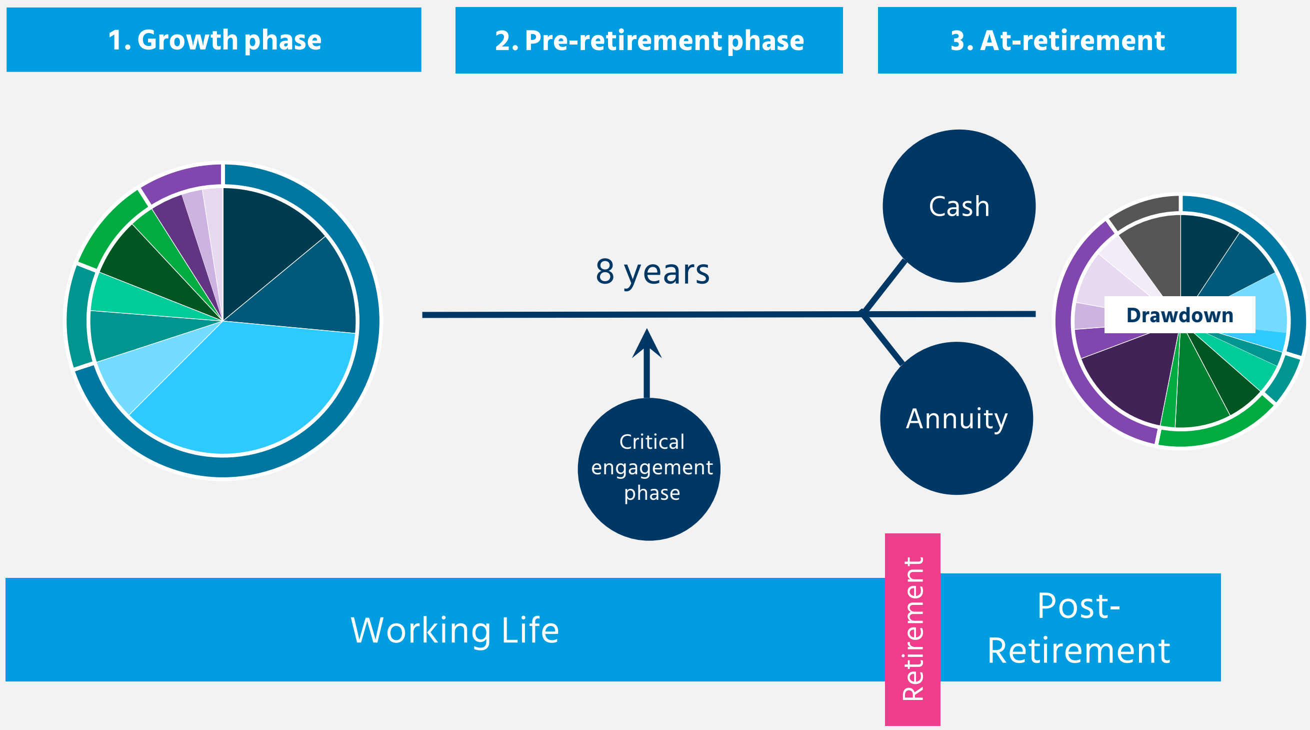
1. The Default Investment Strategy

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

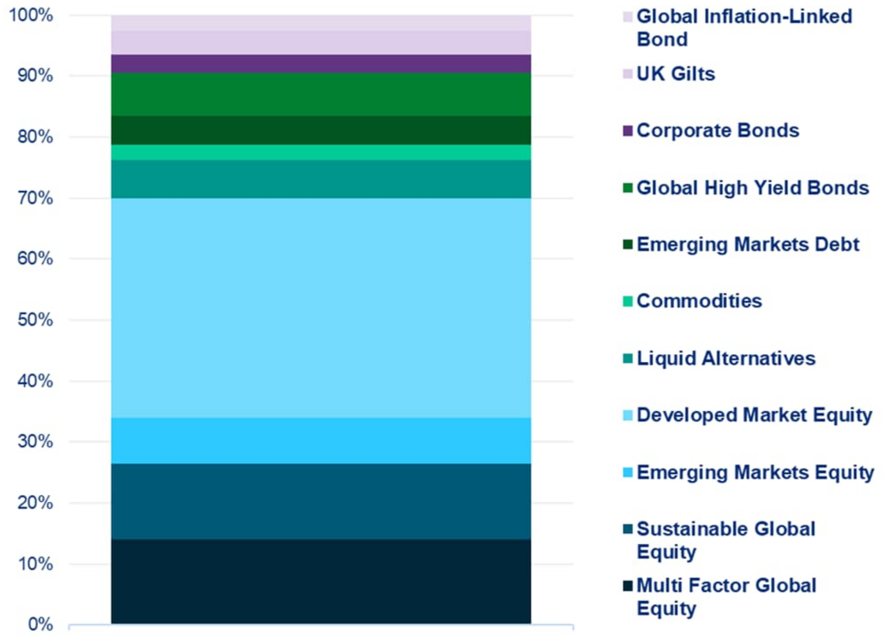
Members in the growth phase have a long investment horizon, with many years before they reach their selected retirement age. Therefore, members are able to take more risk and their investments should increase the real value of their pension savings.

In the growth phase of Mercer SmartPath™, a member's savings will be fully invested in our flagship **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. 2/3rds of equities

Growth fund (Strategic Asset Allocation)

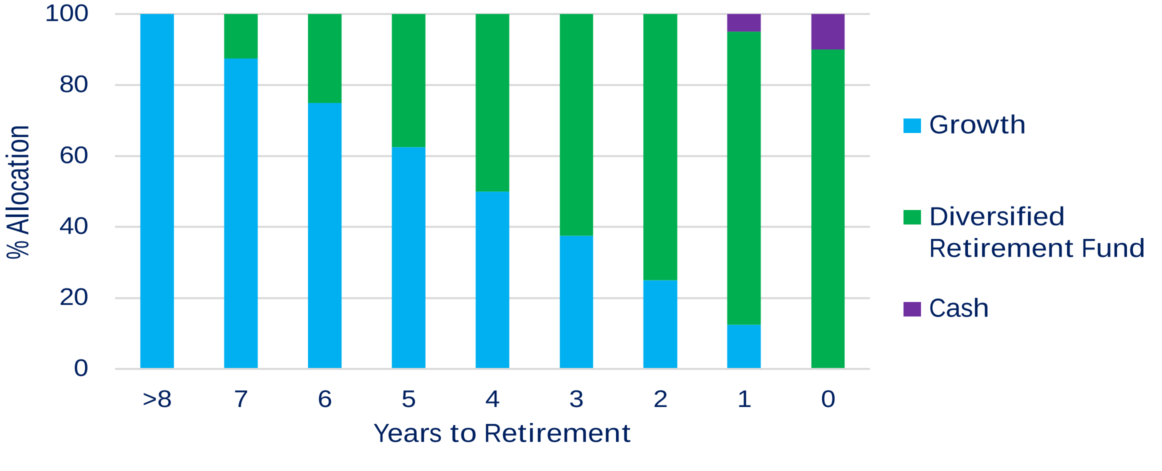


Pre-Retirement Phase

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.

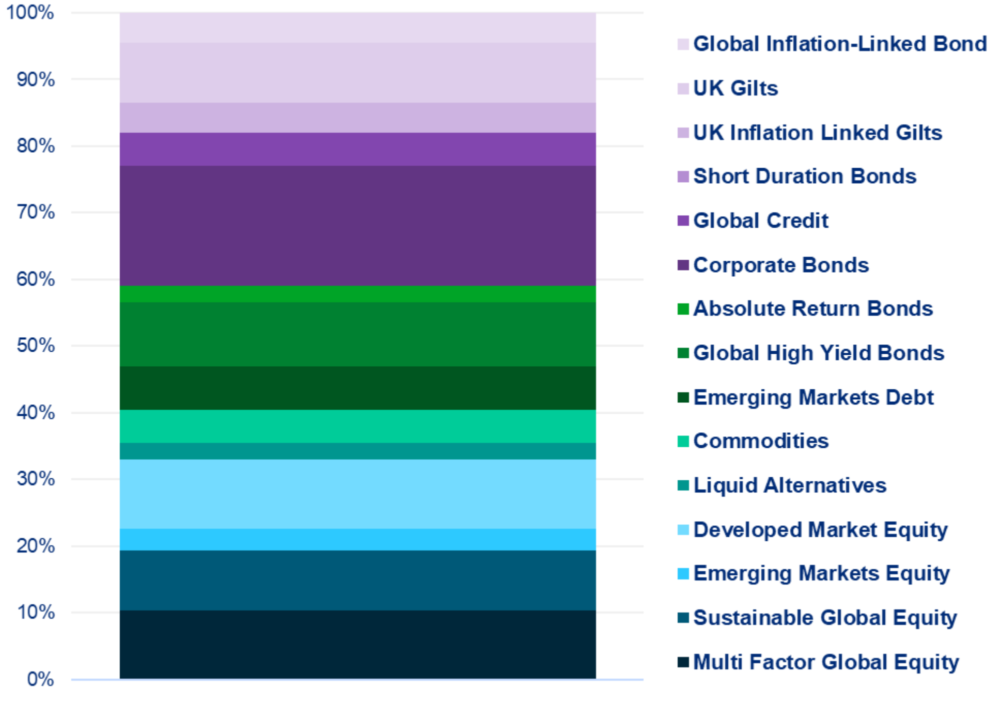
At-Retirement

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 **Diversified Retirement** fund which targets a return of cash + 2.5% per annum.

Long-term expectations:

Focus on downside protection	Greater income generation

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^{TM} offers **alternative glidepaths** to support these members. More details are provided on page 8.

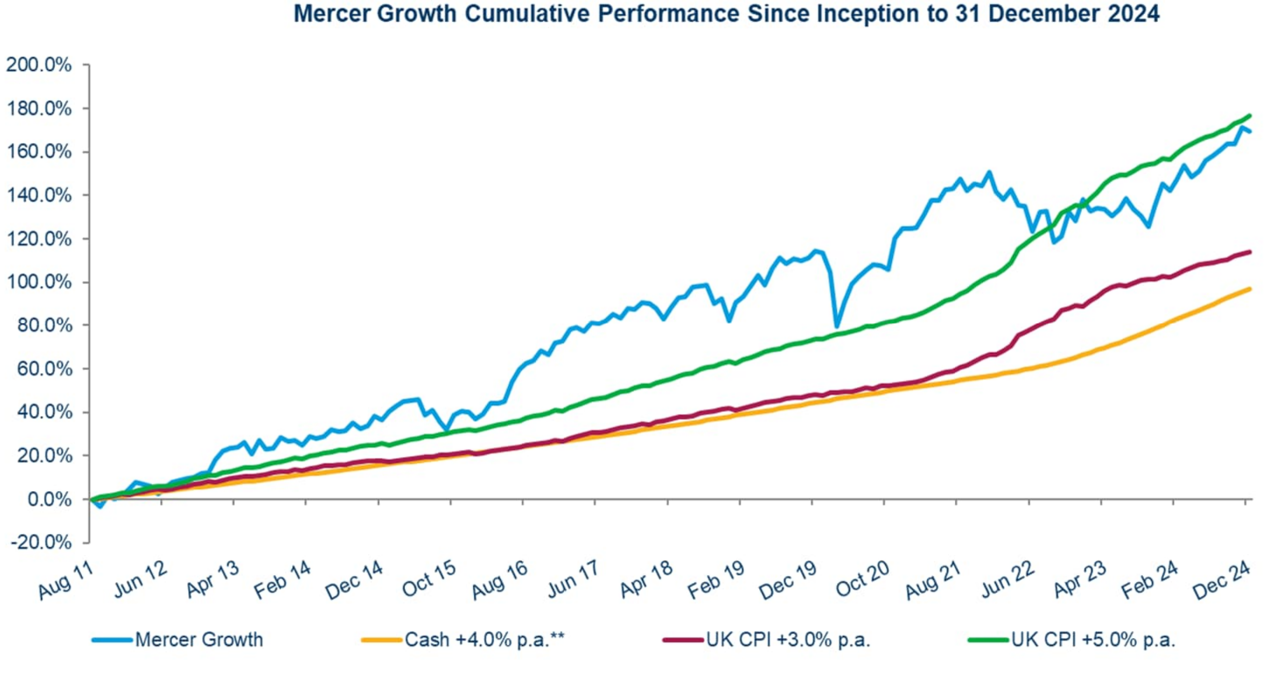
Performance: Growth Fund

Returns	Fund	Target
Quarter (%)	2.2	2.2
1 Year (%)	9.8	9.2
3 Years (%, p.a.)	2.4	7.8
5 Years (%, p.a.)	4.7	6.3
Since Inception (%, p.a.)	8.1	5.2

£10.6bn	Assets under management.
+2.9%	Ahead of cash + 4.0% p.a. target, since inception.
+0.23%	Annualised value added to performance through DAA, since inception.
⬇ 35%	Less volatility compared with equities, since inception.

Risk (Since Inception)	Fund	Equities
Volatility (Standard Deviation) (%)	9.5%	14.8%
Max 1 Day Loss (%)	-6.2%	-8.6%
Max Drawdown* (%)	-24.6%	-26.1%

Figures are shown net of investment charges to 31 December 2024. 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.*



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

Performance: Diversified Retirement Fund

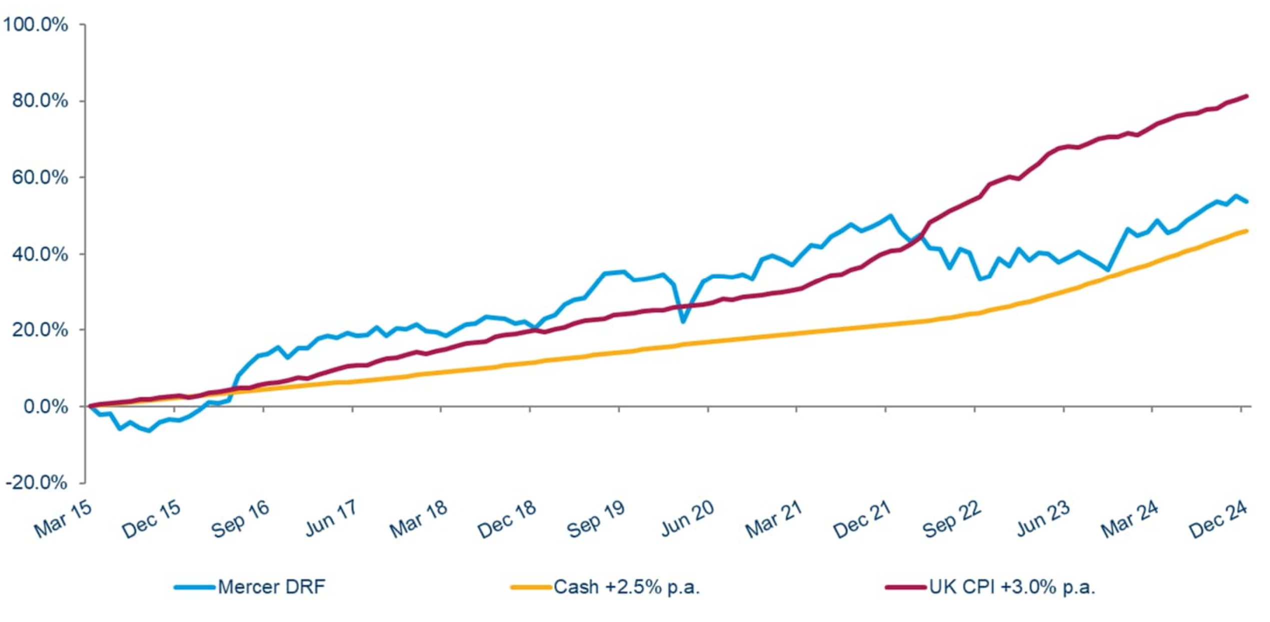
Returns	Fund	Target
Quarter (%)	0.0	1.8
1 Year (%)	5.1	7.7
3 Years (%, p.a.)	0.9	6.3
5 Years (%, p.a.)	2.8	4.8
Since Inception (%, p.a.)	4.5	3.9

£1.8bn	Assets under management.
+0.6%	Ahead of cash + 2.5% p.a. target, since inception.
+0.19%	Annualised value added to performance through DAA, since inception.
⬇ 63%	Less volatility compared with equities, since inception.

Risk (Since Inception)	Fund	Equities
Volatility (Standard Deviation) (%)	5.7%	15.6%
Max 1 Day Loss (%)	-3.1%	-8.6%
Max Drawdown* (%)	-14.2%	-26.1%

Figures are shown net of investment charges to 31 December 2024. 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.*

Mercer DRF Cumulative Performance Since Inception to 31 December 2024



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Alternative Glidepaths

Target Annuity Retirement Glidepath

The Target Annuity Retirement strategy is designed for members intending to buy a fixed annuity at retirement. It invests in Growth during the growth phase. At eight years from retirement, it moves into a 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 Target Cash Retirement strategy is designed for members intending to withdraw their pension savings as a cash lump sum at retirement. It invests in Growth during the growth phase. At eight years from retirement, it moves into a 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.

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2. ESG Integration

Four-pillar ESG framework

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

Integration

We only use investment managers who have consistent processes in place to incorporate the assessment of ESG risks and opportunities in security selection and portfolio construction.

Investment

We use ESG and climate-focused allocations in our multi-asset funds to increase exposure to longer-term environmental and social themes/trends to improve risk management
and identify new investment opportunities.

Stewardship

Investment managers are expected to have strong processes in place for voting and engagement. Investment managers that are signatories of the FRC's UK Stewardship Code are preferred.

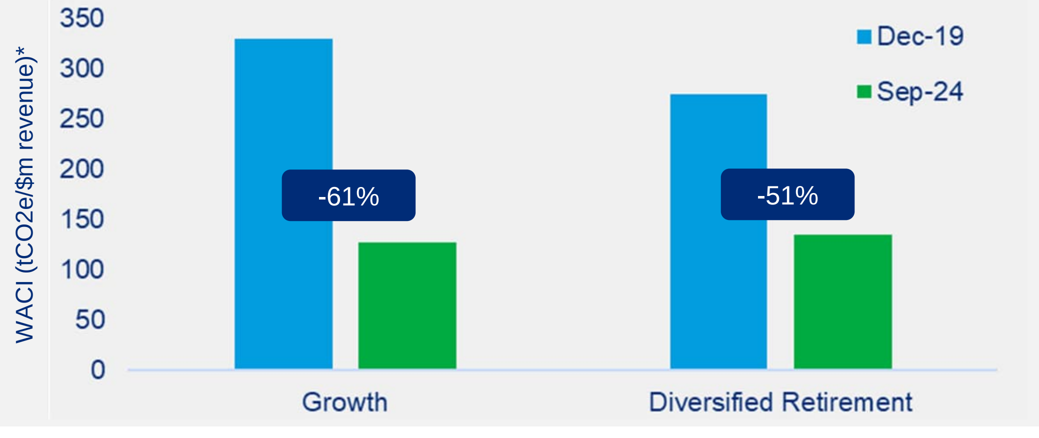
Screening

We prefer an integration and engagement-based approach but recognise that exclusions may be necessary in certain circumstances.

Net-Zero Commitments

We have committed to a target of net-zero absolute carbon emissions by 2050 for multi-asset funds. This includes the Growth and 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. We have already achieved this for both the Growth Fund and Diversified Retirement Fund, over 5 years ahead of the 2030 target.



** Weighted Average Carbon Intensity, measured as tonnes of carbon dioxide equivalent emissions per million $ of revenue generated.*

Important Notices

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

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