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Mercer Core Fixed Income Fund

Fund Commentary | Q2 2026

Market Environment

US bonds delivered marginally positive returns in Q2 2026, despite yields rising broadly. Year over year inflation moved up to 4.2%, due to the rising energy costs as the conflict in the Middle East persists. This is the highest year over year inflation rise in more than three years. Despite this rise in inflation, consumer spending continued to show resilience, though this resilience is more pronounced in the higher income consumer bucket. The US federal reserve held interest rates steady throughout the quarter, however post meeting comments from Kevin Warsh, the new Fed chair in June implied the Fed's next move could involve an interest rate hike. Amongst this backdrop, yields moved higher across the board, with shorter term yields rising most in response to the elevated inflation concerns and shifting fed expectations.

Within spread markets, improving geopolitical sentiment, resilient economic data, positive corporate earnings and renewed inflows bolstered credit markets. A general risk on market sentiment saw spread tightening across the board, though more pronounced in Ba and B portions of the high yield market. Low quality high yield on the other hand, posted a modest loss.

Annualized Performance (%)

As of June 30, 2026

	3 Month	Year-to-Date	1 Year	3 Years	5 Years	10 Years	Inception	Inception Date
Y3 Shares	0.88	0.72	4.27	4.73	0.34	2.10	3.42	08/15/2005
Bloomberg U.S. Aggregate	*0.67*	*0.62*	*3.79*	*4.16*	*0.08*	*1.54*	*3.17*	
I Shares	0.93	0.71	4.11	4.50	-	-	0.14	12/27/2021
Bloomberg U.S. Aggregate	*0.67*	*0.62*	*3.79*	*4.16*	-	-	*0.11*	

The performance data quoted reflects past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than return data shown herein. Performance shown is net of fees and assumes the reinvestment of dividend and capital gain distributions. For more information including performance current to the most recent month-end, please call 1-800-346-2510.

Fund Performance

The Mercer Core Bond Fund outperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, for the quarter. At a fund level, the driver of outperformance was sector allocation and security selection.

Manulife outperformed the benchmark in Q2. Curve positioning dragged as the portfolio was positioned with an overweight in the intermediate section of the curve. Sector allocation was the primary driver of outperformance with an out-of-benchmark allocation in high yield corporates, a significant underweight to US Treasuries, and overweight allocation to IG corporates. Security selection was also positive with benefits from selection in IG corporates, CMBS, and ABS as well as favorable coupon positioning within agency MBS.

IRM outperformed the benchmark in Q2, driven by security selection and sector allocation within IG corporates and securitized sectors. Security selection within IG corporates, particularly the banking and technology sectors, and within securitized allocations to other ABS and non-agency CMBS were additive. Underweight exposure to treasuries detracted from relative performance.

PGIM outperformed the benchmark in Q2, driven primarily by sector allocation via overweight high yield, emerging market and CLO positions. Additional value was generated by an overall neutral risk position to IG corporates, with risk concentrated in the front end of the curve and relatively less exposure to longer-dated issues. Security selection within non-agency CMBS, MBS and municipals was modestly positive but partially offset by IG corporates in electric & water, and consumer non-cyclicals. Duration and curve positioning was slightly positive as the portfolio maintained an overall duration neutral position with a 20s/30s steepener relative to the benchmark.

Share Class Information

	Y3	I
Ticker	MCFIX	MCFQX
Gross Expense Ratio	0.34%	0.59%
Net Expense Ratio	0.15%	0.40%

Mercer Investments LLC (the "Advisor") has contractually agreed, until at least July 31, 2027, to waive any portion of its management fee that exceeds the aggregate amount of the subadvisory fees that the Advisor is required to pay to the Fund's subadvisors. Performance would have been lower without these waivers in effect.

Net Expense Ratio as of 3/31/2026 per the latest Annual Financial Statements. Net Expense Ratio includes the impact of fee waivers and excludes certain indirect expenses of underlying investments. A 2.00% redemption fee applies to shares owned less than 30 days.

Class Y-3 shares generally are available only to "Institutional Investors" which include, but are not limited to, "Institutional Accounts" as defined under the rules of the Financial Industry Regulatory Authority, Inc. ("FINRA").

Important Disclosures

The material in this fact sheet is based on information from a variety of sources we consider reliable, but we do not represent that the information is accurate or complete. Errors and omissions can occur. You may have a gain or a loss when you sell your shares of the Fund.

The Mercer Funds are distributed by MGI Funds Distributors, LLC.

Investors should carefully consider the fund's investment objectives, risks, charges and expenses before investing. To obtain a prospectus that contains this and other information, please visit Mercer's website at https://www.mercer.us/what-we-do/wealth-and-investments/delegated-solutions-us.html or call 1-800-346-2510. Please carefully read the prospectus, and if available, summary prospectus, before investing.

Risk Factors

The Fund is subject to the risks associated with the underlying bonds and other fixed income securities including credit, prepayment, call and interest rate risk. As interest rates rise, the value of the Fund can go down and an investor can lose principal. The Fund may invest in foreign securities which may expose the Fund to adverse currency and exchange rate fluctuations, political, social and economic risks. Investing in derivatives (such as futures, options or swaps) and high yield bonds (also known as 'junk' bonds) may cause the Fund to experience greater volatility and less liquidity. Derivatives may be more sensitive to changes in market conditions and may amplify the risk of loss for the Fund. The Fund may experience high portfolio turnover which could result in higher transaction costs and capital gains. There can be no assurance that any fund will achieve its objective.

Index Disclosures

The indices listed are not managed and one cannot invest directly in an index.

The Bloomberg U.S. Aggregate Index® is a broad-based benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs, ABS and CMBS (agency and non-agency).

Key Terms & Acronyms

ABS – Asset-Backed Securities are financial products created by bundling together loans, such as car loans or credit card debt, which investors can buy to receive any regular payments on those loans.
Basis Point (bp) – One one-hundredth of a percentage point (0.01%, or 0.0001 in decimal), commonly used in finance to express small changes in interest rates, yields, or fees.
BDC – Business Development Companies are investment firms that provide funding to small and growing businesses, offering investors a way to earn any income from those investments.
CDX – The Credit Default Swap Index is a benchmark index used to hedge or speculate on credit risk, encompassing a diverse set of credit default swaps from North American and emerging market companies.
Credit Rating – Credit ratings are assessments by agencies (such as S&P, Moody's, and Fitch) of a bond issuer's ability to repay its debt, intended to help investors gauge credit/default risk. Generally, ratings of BBB- (S&P/Fitch) or Baa3 (Moody's) are considered lower risk, or investment grade, while BB+ or Ba1 and lower are higher risk (sub-investment grade, high yield, or junk).
CLO – Collateralized Loan Obligations are investment products that pool many loans made to companies, allowing investors to earn any income from loan payments while spreading out the risk.
CMBS – Commercial Mortgage-Backed Securities are investment products made by pooling commercial property loans, like those for office buildings or shopping centers, which investors can buy to receive any income from those loan payments.
CPI – Consumer Price Index is a measure that tracks how the prices of everyday goods and services, such as food and clothing, change over time.
Duration – A measure of how sensitive a bond's price is to changes in interest rates.
Investment Grade (IG) – A category of bonds considered to have a relatively lower risk of default, based on ratings from major credit rating agencies. Investment grade typically includes ratings of BBB- / Baa3 or higher.
MBS – Mortgage-Backed Securities are investment products made up of bundles of residential or commercial property loans that investors can buy to earn any income from payments on those loans.
RMBS – Residential Mortgage-Backed Securities are investment products made up of bundles of home loans that investors can buy to earn any income from the mortgage payments homeowners make. These may include Agency RMBS, which include home loans backed by the government, and Non-Agency RMBS, which include home loans that are not.
Spread – The extra yield (interest rate) an investor earns for taking on additional risk compared with a safer benchmark, often U.S. Treasury bonds. When spreads widen, it usually signals investors are demanding more compensation for risk; when they narrow, it can indicate improving risk sentiment.