Mercer Core Fixed Income Fund

Fund Commentary | Q4 2025

Market Environment

The U.S. bond market delivered a robust 1.10% return in the fourth quarter, rounding out a strong year of 7.30% returns for fixed income investors. Despite a dip in consumer sentiment, the U.S. economy demonstrated impressive resilience, growing at an annualized 4.3% pace in Q3, the fastest quarterly growth in two years, driven primarily by solid consumer spending. Inflation as measured by headline CPI rose 2.7% for the year. A slowdown in labor markets, with the unemployment rate rising to a four-year high of 4.5% in November, prompted the Federal Reserve to ease monetary policy with rate cuts in October and December. The Fed's policy decisions were complicated by the longest federal government shutdown on record, which disrupted the timely release of key economic data.

During the quarter, the yield curve steepened as short-term yields declined in response to Fed easing, while intermediate-term yields remained relatively stable and long-term yields edged higher. Sector performance was mixed as high-yield corporate bonds and residential mortgage-backed securities outperformed, leading the market rally, whereas investment-grade corporates and U.S. Treasuries lagged behind.

Annualized Performance (%)

As of December 31, 2025

	3 Month	Year-to-Date	1 Year	3 Years	5 years	10 Years
Y3 Shares	1.23	7.79	7.79	5.39	-0.03	2.57
I Shares	1.12	7.39	7.39	5.12	-	-
Bloomberg U.S. Aggregate Index	1.10	7.30	7.30	4.66	-0.36	2.01

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 Fixed Income Fund outperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index during the fourth quarter. At a fund level, the driver of positive excess return was sector allocation mainly from an underweight to treasuries and overweight to securitized and other spread products.

At the sub-advisor level, Manulife outperformed the benchmark for the quarter, driven mainly by sector allocation. Notably an overweight to government agency RMBS and underweight to US treasuries. Yield curve positioning detracted modestly driven primarily by movements in the short and intermediate portion of the curve. Security selection also detracted slightly from results, primarily due to positions within US treasuries and investment grade corporates.

IRM outperformed the benchmark for the quarter, driven by security selection within investment grade corporates in the communications, energy, and securitized sectors. Underweights to treasuries and an overweight to investment grade corporates in the banking sector also contributed positively to performance. Security selection in non-Agency CMBS and an overweight to investment grade corporates in the technology sector were detractors from relative returns.

PGIM outperformed the benchmark during the quarter, driven primarily by sector allocation with a large underweight to investment grade corporates as well as overweight allocations to MBS, CLO, and Non-Agency CMBS. Security selection in investment grade corporates in the technology, media & entertainment, and automotives sectors as well as MBS contributed positively to performance. Municipals and overall selection within Treasuries detracted from performance, particularly by Sovereign Futures which are primarily used for hedging.

Share Class Information

	Y3	I
Ticker	MCFIX	MCFQX
Gross Expense Ratio	0.37%	0.62%
Net Expense Ratio	0.14%	0.39%

Mercer Investments LLC (the "Advisor") has contractually agreed, until at least July 31, 2026, 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.

The Gross Expense Ratio is taken from the most recent Annual Financial Statement and represents the total operating expense excluding the impact of these waivers while the Net Expense Ratio includes the impact of these waivers.

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 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.
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.
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.
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.