Mercer

Mercer Opportunistic 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	1.72	10.41	10.41	8.17	2.02	4.37
I Shares	1.75	10.14	10.14	-	-	-
Custom Benchmark*	1.94	11.70	11.70	8.85	2.19	5.02

*The benchmark index shown represents the Fund's performance benchmark index, which is different from the Fund's regulatory benchmark index. The Fund's regulatory benchmark index is the Bloomberg U.S. Aggregate Index and it is included in the Fund's prospectus. Effective May 1, 2025, the performance benchmark consists of 33.3% Bloomberg Barclays US High Yield (USD) Index, 33.3% Morningstar LSTA US Leveraged Loan Index, and 33.3% JP Morgan EMBI Global Diversified (USD) Index. Prior to May 1, 2025, the benchmark included different indexes at different weights, reflective of the underlying investable universes over time.

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 Opportunistic Fixed Income Fund underperformed the OFI custom secondary benchmark for the quarter. Performance across the six subadvisors in the fund was mixed driven by duration and curve positioning, currency exposure, as well as sector allocation and security selection.

At the subadvisor level, Wellington underperformed the OFI custom secondary benchmark for the quarter, driven primarily by sector allocation decisions. The largest detractor from relative performance came from an underweight to EM sovereign debt and bank loans, as well as security selection in these sectors. An underweight to global high yield and security selection in this space contributed to performance. Out of benchmark allocations to securitized credit positively contributed to relative performance across ABS, CMBS, and Non-Agency RMBS. Out of benchmark exposure to developed government debt also modestly detracted from relative performance.

PIMCO outperformed the OFI custom secondary benchmark for the quarter, driven primarily by sector allocation decisions. Out of benchmark exposure to securitized credit, particularly Agency and non-Agency RMBS and overweight allocations to High Yield via CDX contributed to relative performance. Security selection within industrial and financial investment-grade corporates was also additive.

Ares underperformed the relative assigned benchmark (50% Bloomberg US Corporate High Yield Bond Index, 50% Morningstar LSTA US Leveraged Loan Index) for the quarter. The primary drivers of underperformance were BDC equities as they came under pressure as investors anticipated dividend reductions in 2026. CLO equity was also a detractor on the quarter amid volatility and tighter spreads within the underlying collateral pools.

Share Class Information

	Y3	I
Ticker	MOFIX	MOFTX
Gross Expense Ratio	0.84%	1.09%
Net Expense Ratio	0.43%	0.68%

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.

Fund Performance *(cont.)*

Polen underperformed the relative assigned benchmark (Bloomberg US Corporate High Yield Bond Index) for the quarter, largely driven by security selection. The primary detractors from relative performance were the portfolios holdings rated Caa2, Caa3, and B1 with the largest being Caa2. The underperformance was largely driven by three holdings as the manager holds a concentrated portfolio. Further, sector allocation detracted from the portfolios holdings in Capital Goods, consumer cyclical and non-consumer cyclical.

Crescent outperformed the relative assigned benchmark (Morningstar LSTA US Leveraged Loan Index) for the quarter, driven largely by avoiding the weak automobile components sector, which was down 6% for the quarter. The fund also benefited from security selection within the chemicals sector. Conversely, security selection in Interactive Media & Services and Capital Markets detracted from relative performance as well as security selection and an overweight to Buildings Products.

Ninety-One outperformed the relative assigned benchmark (J.P. Morgan EMBI Global Diversified Index) for the quarter. Overweight exposure to South African rates boosted performance due to positive market reaction to lower government debt issuance, a new 3% inflation target, and lower-than-expected November inflation. Continued disinflation in Peru, with inflation below the central bank's 2% target, led to falling local bond yields and contributed positively to performance. Early-quarter exposure to Argentina's local currency bonds added to performance as President Milei's party's electoral rebound improved market sentiment and drove a rally in local bonds. Underweight exposure to Venezuelan hard currency bonds limited gains as the bonds rallied on increased US military activity and expectations of broader intervention.

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. The Fund invests in foreign and emerging market securities which involves certain risks such as currency fluctuations, political and social instability and reduced market liquidity. Investing in emerging markets and especially frontier markets are subject to special risks that are not normally associated with more developed foreign markets. The magnification of risks in frontier markets is the result of potential for extreme price volatility and illiquidity, government ownership or control of parts of private sectors and new or unsettled securities laws in many frontier countries.

The Fund may invest in derivative instruments such as exchange-listed equity futures contracts, swaps and currency forwards which 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

Effective May 1, 2025, the performance benchmark consists of 33.3% Bloomberg Barclays US High Yield (USD) Index, 33.3% Morningstar LSTA US Leveraged Loan Index, and 33.3% JP Morgan EMBI Global Diversified (USD) Index. Prior to May 1, 2025, the benchmark included different indexes at different weights, reflective of the underlying investable universes over time. The **Bloomberg US Corporate High Yield Bond Index** measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. The J**.P. Morgan EMBI Global Diversified Index** tracks liquid, US Dollar emerging market fixed and floating-rate debt instruments issued by sovereign and quasi-sovereign entities (quasi-sovereign entities are defined as being 100% guaranteed or 100% owned by the national government).The **Morningstar LSTA US Leveraged Loan Index** is a market-value weighted index designed to measure the performance of the US leveraged loan market.

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.