MERCER
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Mercer US Small/Mid Cap Equity Fund

Fund Commentary | Q2 2026

Market Environment

The Russell 2500 Index was up 20.3% for the second quarter, outperforming large caps, which were up 15.2%, as measured by the S&P 500 Index. Hopes for a potential ceasefire in Iran and continued enthusiasm surrounding the artificial intelligence (AI) theme propelled the Russell 2500 Index to a strong start for the quarter. In April, the index was up 11.2%. As the quarter continued market strength softened. The index was up 4.4% and 3.7%, respectively, in May and June.

Risk measures (volatility and beta) enjoyed another strong quarter and were the dominant drivers of market returns. The same was true for sentiment, particularly price momentum. While quality and value worked in June, they were notable detractors for the quarter. Growth started strong but faded as the quarter continued.

Dispersion of sector returns varied meaningfully. Technology was up an astonishing 66% in the quarter. SanDisk Corporation stood out as a notable headwind for most active managers. The stock skyrocketed nearly 300% in the quarter and was a roughly 300 and 400 basis point contributor to the Russell 2500 and Russell 2500 Value Index. Inclusive of Technology, six sectors recorded double-digits gains. Energy was the only sector in negative territory, down 10%.

On a relative basis, the Russell 2500 Growth Index asserted itself in the quarter, up 24.0%, and beat the Russell 2500 Value Index, up 18.5%.

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	16.52	18.20	26.71	15.37	7.87	11.50	9.10	08/15/2005
Russell 2500 Index	*20.26*	*22.71*	*36.72*	*18.40*	*8.30*	*12.25*	*9.80*	
I Shares	16.46	18.03	26.37	15.09	-	-	15.73	06/27/2023
Russell 2500 Index	*20.26*	*22.71*	*36.72*	*18.40*	-	-	*19.72*	

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 US Small/Mid Cap Equity Fund underperformed the Russell 2500 Index for the quarter. Risk (volatility and beta) and sentiment (price momentum) were the dominant drivers of market returns. This ran counter to the fund's quality bias, a factor that has shown long-term efficacy. A further complication was index concentration. The top 10 stocks surged to 10% of the index, a level not seen in the last 30 years. Technology was an area where this was particularly prevalent and was the greatest source of relative weakness for the fund. The fund observed relative gains in seven other sectors.

Westfield, a growth at a reasonable price strategy, slightly outperformed the Russell 2500 Growth Index due to positive stock selection. Technology, industrials and communication services had the largest impact on relative returns.

GW&K, a quality, core strategy with a growth bias, underperformed the Russell 2500 Index due to stock selection. The largest driver of the deficit came from stock selection in the technology and health care sectors.

Loomis Sayles, a quality growth strategy, also underperformed the Russell 2500 Growth Index due to stock selection. The principal driver of the deficit came from stock selection in the technology and industrials sectors.

LSV, a quantitative, deep value strategy, generously underperformed the Russell 2500 Value Index due principally to stock selection that was furthered by sector positioning. Technology was the notable detractor.

River Road, a quality value strategy, materially underperformed the Russell 2500 Value Index due principally to stock selection decisions that were furthered by sector positioning. The technology sector was the primary culprit.

Share Class Information

	Y3	I
Ticker	MSCGX	MSCQX
Gross Expense Ratio	0.70%	0.95%
Net Expense Ratio	0.47%	0.71%

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

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Risk Factors

The Fund employs a “core equity” investment strategy by investing in both growth stocks and value stocks. Growth stocks may be particularly sensitive to market conditions. Investing in value stocks involves the risk that an investment made in undervalued securities may not appreciate in value as anticipated or remain undervalued for long periods of time. Investments made in small and mid-capitalization companies may be more volatile and less liquid due to limited resources or product lines and more sensitive to economic factors. The Fund may invest in derivatives (such as futures, forwards, options or swaps), 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 also invests in Real Estate Investment Trusts (REITs) which may be affected by changes in the value of their underlying properties, changes in tax laws and other economic factors affecting the market. The Fund may experience high portfolio turnover which could result in higher transaction costs and capital gains. There are no guarantees that dividend-paying stocks will continue to pay dividends. 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 Russell 2500 Index measures the performance of the small to mid-cap segment of the US equity universe, commonly referred to as “smid” cap. The Russell 2500™ Growth Index measures the performance of the small to mid-cap growth segment of the US equity universe. It includes those Russell 2500 companies with higher growth earning potential as defined by FTSE Russell’s leading style methodology. The Russell 2500™ Value Index measures the performance of the small to mid-cap value segment of the US equity universe. It includes those Russell 2500 companies that are considered more value oriented relative to the overall market as defined by Russell’s leading style methodology. The S&P 500 index gauges large-cap U.S. equities. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization. One cannot invest directly in an index.

Key Terms & Acronyms

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.
Beta - The Fund's sensitivity to market changes using its benchmark as an approximation of the market, beta greater than 1 is more volatile, beta less than 1 is less volatile.
Bias - A portfolio’s tendency to favor certain types of stocks (either unintentionally or by design). For example, a growth bias means it leans more toward growth-style stocks.
Dispersion - How spread out returns are across stocks, sectors, or managers (i.e., the “gap” between winners and losers).
Dividend Yield - The annual dividend per share divided by the current share price, expressed as a percentage, showing the return an investor receives from dividends relative to the stock’s price.
Growth - A style of investing focused on companies expected to grow revenues and earnings faster than average.
Momentum (or Price Momentum) - A tendency for stocks that have been rising recently to keep rising (and those falling to keep falling), at least for a period.
Price/Book (P/B) - A financial ratio calculated as current share price divided by book value per share. It compares how the market values a company to the value on the company's books.
Price/Earnings (P/E) - A financial ratio calculated as current share price divided by current earnings per share. Earnings per share is the portion of a company's profit allocated to each outstanding share.
Quality - A style of investing focused on companies viewed as financially strong and well-run, often with characteristics such as consistent profits, strong balance sheets, stable cash flows, and high returns on capital.
Return on Equity (ROE) - A measure of a company's profitability calculated as net income divided by average shareholders' equity, expressed as a percentage, showing how efficiently the firm uses equity capital to generate profits.
Value - A style of investing focused on stocks that appear cheap relative to fundamentals (like earnings, book value, cash flow, or sales).
Volatility - A measure of how much an investment’s price varies (moves up and down) over time.