



# MERCER

MAKE TOMORROW, TODAY

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ADV Part 2A

This brochure provides information about the qualifications and business practices of Mercer Alternatives Limited (formerly known as Pavilion Alternatives Group Limited) ("Mercer Alternatives", "Mercer" or the "Firm"). If you have any questions about the contents of this brochure, please contact us at (44) 20 7838 7640. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Mercer is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. When hiring or retaining an adviser you should carefully assess the qualifications, including the skill and training, of that adviser based on the oral and written communications of that adviser.

Additional information about Mercer also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

There have been no material changes since the revision of the brochure dated December 5, 2019.

### **Item 3 – Table of Contents**

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## **Item 4 – Advisory Business**

Mercer Alternatives Limited, formerly known as Pavilion Alternatives Group Limited (“Mercer” or “Mercer Alternatives” or the “Firm”) an English Limited Company, has been providing advisory services since 1998. Mercer is a wholly-owned subsidiary of Pavilion Financial Corporation Holdings UK Limited, (“PFC”), which is in turn a wholly owned subsidiary of Marsh & McLennan Companies, Inc. Marsh & McLennan Companies, Inc. is a public corporation listed on the New York, Chicago, and London stock exchanges (ticker symbol: MMC). Marsh & McLennan Companies, Inc.’s website address is [www.mmc.com](http://www.mmc.com).

Mercer provides a full range of advisory services and reporting and monitoring services on alternative assets including but not limited to private equity, real estate and infrastructure investments. Our clients include foundations, endowments, healthcare organizations, and other investors. Mercer have been registered with the SEC as an investment adviser since 2005.

The Firm’s services are uniquely tailored to meet the needs of large public pension plans, state-sponsored investment corporations, family offices and other investment companies and institutions. Mercer’s core alternative asset advisory services include, among others, the following:

- Investment Sourcing, Evaluation, and Screening;
- Fund, Co-Investment and Direct Investment Due Diligence;
- Investment Monitoring and Portfolio Assistance; and
- Fund Analysis and Workout Situations.

Mercer provides a full range of independent advisory services on a non-discretionary and discretionary basis. Under a non-discretionary advisory approach, Mercer makes investment recommendations to the client, but does not have authority to implement such recommendations. Under a discretionary advisory approach, Mercer has the authority to implement certain investment decisions. The extent of this authority is determined by the client.

Mercer also provides asset allocation strategies for alternative assets, private equity tactical plans, special projects and services, attendance at Board and Investment Committee Meetings, general research and analysis, and educational services for clients.

In addition to providing non-discretionary and discretionary advisory services, Mercer also provides Fund and Portfolio Reporting services to clients. These services may be bundled together with the non-discretionary and discretionary advisory services or offered as a standalone service.

As of December 31, 2019, the Firm had approximately \$5.5 billion regulatory assets under management, which represents assets that Mercer manages on a discretionary basis on behalf of clients.

In certain cases, Mercer’s services are delegated to, or provided in connection with one or more of its affiliates as described in Item 10. Services that can be delegated or provided in conjunction with affiliates, including the “Participating Affiliates” (described in Item 10), include investment manager research, operational due diligence, performance reporting, and client servicing.

## **Item 5 – Fees and Compensation**

Mercer Alternatives negotiates individual fee arrangements for each client based on the scope of services provided, the complexity of a client's investment objectives, and the degree of discretion the client has given the Firm, therefore Mercer Alternatives does not maintain a standard fee schedule.

Fees may be charged as a percentage of client assets, as a fixed fee or an hourly basis. In general, fee and payment options are negotiable. Under certain limited circumstances, clients may be charged for travel and related expenses incurred in providing investment advisory services pursuant to the terms of the client agreement.

Fees charged as a percentage of assets, hourly fees or flat fee may be billed quarterly in advance or arrears through an invoice to the client. For fees charged as a percentage of assets under advisement, the fee is calculated based on a percentage of the total market value of investments under advisement as of the last business day of the end of the quarter.

Investment advisory client agreements may be canceled, by either Mercer Alternatives or the client, for any reason upon receipt of prior written notice subject to negotiated contract terms. Upon termination of any account, any prepaid, unearned fees will be prorated and promptly refunded, and any earned, unpaid fees will be due and payable.

The Firm's fees do not include trustee fees, custody fees, sub-advisory fees, brokerage commissions or other transaction costs and mutual fund fees and expenses.

Please refer to Appendix B – Mercer Investments Conflicts of Interest Statement for more information regarding potential fee and compensation conflicts.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

Performance fees and incentive fees typically only apply to discretionary accounts and do not apply to the Firm's advisory accounts.

Rates of performance fees and incentive fees, where applicable, are negotiated directly with clients and are based on the type of mandate.

Fee arrangements for certain Affiliated Funds include a performance-based fee component (for example, in the form of carried interest) that, if earned, is paid to Mercer or an affiliate. Any such arrangement will be disclosed in the offering documents of such Affiliated Funds. Certain underlying third party funds or subadvisors in which Affiliated Funds invest charge performance-based fees. Additionally, certain subadvisors in third party investment vehicles and/or third party funds in which clients could invest charge a performance-based fee.

Performance-based fee arrangements can create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Mercer has adopted procedures reasonably designed to address the fair and equal treatment of all clients and to seek to prevent this conflict from influencing the allocation of investment opportunities among clients. The existence of a performance-based fee from an Affiliated Fund could create an incentive for Mercer or its affiliates to make investments on the Affiliated Fund's behalf that are risky or more speculative than would be the case in the absence of such performance-based compensation arrangement, or to place greater emphasis on the maximization of returns at the expense of other criteria, such as preservation of capital, in order to achieve higher performance-based compensation. Mercer seeks to address this potential conflict of interest by following a documented process of due diligence and investment analysis when considering investments for such Affiliated Funds.

## **Item 7 – Types of Client**

Mercer provides private markets advisory services to institutional investors including large public pension funds, state or municipal government entities, state-sponsored investment corporations, family offices, pooled investment vehicles, high net worth individuals, charitable organizations and other investment companies and institutions.

While Mercer does not typically require a minimum investment amount, certain Affiliated Funds have minimum investment requirements.

Mercer and its affiliates have a diverse client base and it is possible that some of our clients will operate in the same industry or sector as other clients. Some clients have, or develop, commercial interests that are adverse to those of other clients, in which case, Mercer and its affiliates will be in the position of advising parties with competing interests in a particular matter. Mercer recognizes that its business interests in serving clients that are perceived to be more influential or more valuable to Mercer and its affiliates, poses the risk that Mercer could favor some clients over other clients. Mercer has taken reasonable steps to avoid or mitigate such conflicts.

Mercer does not favour certain clients over others, including with respect to the timing of the release of ratings information. However, Mercer may treat clients differently, depending on their individual circumstances, in the provision of investment advice. Mercer believes that clients benefit from the diversity of opinions and the individualised and sometimes subjective judgments of each consultant with respect to each client. Accordingly, a Mercer consultant need not provide identical investment advice to all clients, even those that have similar circumstances.

In order to treat all of Mercer's clients fairly, Mercer releases material research information and ratings of investment managers internally and externally in a manner that is designed to minimize the risk that some recipients will have the opportunity to act on this information sooner than others.

In addition, if Mercer is asked to advise clients that have competing interests on the same matter, it will disclose the potential conflict to each client and may seek client consent and/or establish procedures to protect client confidentiality.

Please see Appendix B - Mercer Investments Conflicts of Interest Statement for additional information regarding potential conflicts.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

Mercer focuses on independent investment advisory services solely on alternative assets including private market investments as well as direct private investments. Mercer uses a wide range of resources to identify attractive investment opportunities for clients. These resources consist of proprietary sources, such as professional relationships with large institutional investors, fund managers, consulting firms, and other industry participants. In addition, the Firm may utilize a variety of public resources including third party databases, financial newspapers and magazines, company news releases, seminars and other events, and annual reports, prospectuses, and regulatory filings. The Firm also relies on information provided directly by the respective fund's General Partner.

### **Fund Due Diligence**

Based on the Firm's understanding of client needs, the scope of work that will be performed in connection with a proposed investment may include the following:

**Discuss key issues and concerns with clients.** All preliminary concerns or unique issues that clients may have, based on their knowledge of the general partner or through initial target screening, will be discussed up front and addressed as part of the Firm's due diligence process.

**Review historical performance and challenge data assumptions.** In particular, Mercer will seek to understand and validate the assumptions and methodology used in the internal rate of return and multiple calculations with a focus on analysing the quality of unrealized investments.

**Review and validate investment strategy and opportunity** against market and client objectives.

**Understand terms of the Partnership and the economic impact to the investor.** Key issues, such as alignment of interests between the general partner and limited partners, distribution mechanics (including guarantee of claw-back liability), creditable fees and valuation policies will be assessed relative to market and the potential impact on client returns.

**Meet with the general partner to discuss key issues associated with the proposed investment.** The key items generally include market outlook, firm and fund strategy, track record, team, culture and other organizational issues, reporting and back office capabilities.

**Perform reference calls.** Mercer may interview other limited partners who have invested with the general partner in the past, co-investors (other general partners who have invested alongside the general partner) and portfolio company CEOs.

### **Co-Investment and Direct Investment Due Diligence**

Mercer's co-investment and direct investment due diligence services are focused on providing limited partners with a greater understanding of the scope of the general partner's due diligence, enabling the limited partner to assess whether the additional exposure beyond the fund's investment in the company or vehicle is prudent. Additionally, with a wide network of general partner contacts, Mercer can also provide input on potential deal flow from those general partners so that clients can begin building relationships with additional highly rated partners.



The Firm's co-investment and direct investment due diligence processes generally focus on the following primary areas and activities:

**Screen co-investment opportunities based on agreed upon criteria.** Mercer works with its clients to develop specific initial target screening criteria, and apply these criteria to evaluate potential opportunities.

**Discuss key issues and concerns with clients.** All preliminary concerns or unique issues, based on the clients' knowledge of the investment or the general partner, will be discussed and addressed as part of the due diligence process.

**Obtain a detailed understanding of the investment opportunity.** In particular, Mercer analyses the transaction terms, business performance of the target company, nature and extent of the sponsor's due diligence process, the sponsor's investment thesis for making the investment and the rationale for the acquisition price and transaction structure.

**Meet with the sponsor, target management and other industry experts** to discuss key issues and risks associated with the proposed investment. The key items generally include industry and market outlook, firm strategy including ESG factors, management team, and financial performance.

**Independently verify the sponsor's diligence and assumptions.** Mercer performs reference calls with industry experts, other sponsors, co-investors and portfolio company CEOs.

**Risk of Loss:**

**Investing in securities is inherently risky.** The investment opportunities recommended by Mercer involve significant risk factors. These opportunities are suitable only for experienced and sophisticated clients and investors who can bear the economic risk of the loss of their entire investment and who have limited need for liquidity in their investment. Mercer cannot give any guarantee that clients will achieve their investment objectives or that any client will receive a return of its investment.

**Mercer Alternatives might rely on information that turns out to be wrong.** Mercer Alternatives selects investments based, in part, on information provided by issuers to regulators or made directly available to Mercer Alternatives by the issuers or other sources. The Firm is not always able to confirm the completeness or accuracy of such information, and in some cases, complete and accurate information is not available. Incorrect or incomplete information increases risk and may result in losses.

**Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client or potential client's evaluation of Mercer or the integrity of Mercer's management. Mercer has no such information to disclose.

## **Item 10 – Other Financial Industry Activities and Affiliations**

On November 30, 2018, Mercer became a subsidiary of Marsh & McLennan Companies, Inc. (MMC), a large diversified professional services company. As a result, Mercer will have arrangements that are material to its advisory business with MMC and certain of its subsidiaries. The following describes the material arrangements that Mercer has with other subsidiaries of MMC, along with applicable material conflicts of interest.

### **Affiliated Private Funds**

Mercer receives advisory and/or carried interest fees in relation to the advisory services provided to the below investment-related limited partnerships (collectively, the “Affiliated Funds”):

**Altius Associates Private Equity Fund, L.P**  
**Altius Associates US Private Equity Fund, L.P**  
**Altius Associates Private Equity Fund II, L.P.**  
**ERS Private Equity International Fund I, L.P**  
**ERS Private Equity International Fund II, L.P**  
**Altius Associates Real Assets Fund, L.P**  
**Altius Real Assets Fund S.C.A., SICAV-SIF**  
**NP Altius Private Equity Europe LP**  
**NP Altius Private Equity Europe II, LP**  
**NP Mercer Private Equity Europe III, LP**

### **Mercer’s Global Investments Affiliates**

Mercer affiliates provide investment services in jurisdictions worldwide. Employees of Mercer’s global affiliates contribute to the investment manager research and operational due diligence that Mercer utilizes. Mercer employees may also consult with employees of its global affiliates in formulating investment principles regarding risk management, operational efficiency, sustainable and responsible investing, and other investment themes. In certain instances, where Mercer’s global affiliates share personnel with, or provide certain services through Mercer, Mercer and the relevant global affiliate (each, a “Participating Affiliate”) enter into a Participating Affiliate Agreement pursuant to which the Participating Affiliate agrees, among other things, that all personnel of the Participating Affiliate who are involved in the provision of investment advice to Mercer’s clients (each, an “Affiliate Associated Person”), are subject to the relevant provisions of its compliance program and Code of Ethics. Participating Affiliates agree to submit to the jurisdiction of U.S. courts for actions arising under the U.S. securities laws in connection with investment advisory activities conducted for Mercer’s clients. Each Participating Affiliate may recommend or select subadvisors or investment funds for its clients that are also the subject of recommendations to Mercer’s clients or that Mercer selects for its clients. Mercer has adopted policies, procedures and disclosures that it believes are reasonably designed to address conflicts of interest that can arise as a result of these arrangements. The following global affiliates have entered into a Participating Affiliate Agreement with Mercer:

**Mercer Limited.** Mercer Limited is a company organized under the laws of England and Wales that provides discretionary and advisory investment services to institutional clients. Mercer Limited is authorized and regulated by the U.K. Financial Conduct Authority.

**Mercer Global Investments Europe Limited (MGIE).** MGIE is a company organized under the laws of Ireland, providing investment management services to institutional clients and investment funds. MGIE is regulated by the Central Bank of Ireland.

**Mercer Alternatives AG (“MA AG”).** MA AG is a company organized under the laws of Switzerland, providing investment management services primarily to investment funds. MA AG is a Swiss FINMA regulated Asset Manager, Distribution Agent and Representative Agent.

**Mercer Alternatives (Luxembourg) S.à.r.l. (“MA Lux”).** MPM Lux is a company organized under the laws of Luxembourg, providing investment management services primarily to investment funds. MPM Lux is a Luxembourg CSSF regulated Asset Manager and Distribution Agent.

**Mercer Global Investments Canada Limited.** Mercer Global Investments Canada Limited is a company organized under the laws of Canada, which is registered as an investment fund manager, exempt market dealer, and portfolio manager with the Ontario Securities Commission and maintains similar registration status with certain other Canadian Provincial and Territorial regulators.

**Mercer (Canada) Limited (“Mercer Canada”).** Mercer Canada is a company organized under the laws of Canada, providing consulting services to institutional investors.

**Mercer Investments Japan Ltd. (MIJL).** MIJL is a company organized under the laws of Japan providing discretionary management services to institutional investors in Japan. MIJL is an Investment Management Business operator under the Financial Instruments and Exchange Law and registered with the Kanto Local Financial Bureau.

**Mercer Investment Solutions Singapore (“MISS”).** MISS is an entity organized under the laws of Singapore providing investment management and investment advisory services primarily to institutional clients. MISS is regulated by the Monetary Authority of Singapore (“MAS”). It holds a Capital Markets Services Licence for fund management (retail) and is an Exempt Financial Adviser (“EFA”) since 3 May 2016.

**Mercer Investments (HK) Limited (“MIHK”).** MIHK is a company organized under the laws of Hong Kong, providing investment consulting, discretionary asset management and related services to institutional clients. MIHK is authorized by the Hong Kong Securities and Futures Commission to undertake Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities and is registered with the Hong Kong Mandatory Provident Fund Schemes Authority as an intermediary for carrying on regulated activities. MIHK is also registered with the Korean Financial Services Commission as a cross-border investment advisory company.

**Mercer Investments (Australia) Limited (“MIAL”).** MIAL is a company organized under the laws of Australia which, among other activities, provides investment consulting and related services to institutional clients. MIAL holds Australian Financial

Services License #244385 (attached) issued by the Australian Securities and Investments Commission.

**Mercer Investments (New Zealand) Limited (“MI NZ”).** MI NZ is a company organized under the laws of New Zealand, providing investment consulting and related services to institutional clients.

**Mercer Investments LLC (“MIL”).** In addition to the above Participating Affiliates, Mercer may share personnel with MIL, an investment adviser registered with the SEC. MIL is a limited liability company organized under the laws of Delaware, USA. MIL provides investment advisory and investment management services to clients. MIL primarily utilizes a multi-manager approach to investing, typically through multi-manager investment vehicles, including registered investment companies, common, collective, and group trust funds, and private investment funds, including private markets and hedge fund-of-funds (collectively, “MIL Funds”). Within this context, MIL manages a series of pre-defined and custom investment strategies that differ by risk and potential return characteristics. Most of MIL’s investment strategies employ multiple investment managers to seek desired diversification and risk characteristics. MIL or its affiliates may negotiate a fee schedule with a subadviser pursuant to which the fee payable to that subadviser increases or decreases based on the overall amount of assets managed by the subadviser for clients of MIL and its affiliates. In some cases, MIL may benefit financially from such arrangements. For certain defined contribution plans, MIL provides plan administration services as well as investment management services. MIL also provides non-investment services to retirement plan clients, including plan governance and fiduciary education services, as well as employee financial wellness programs.

The discretionary investment management and other fiduciary services offered by MIL (and the Affiliated Funds) may be appropriate for certain of Mercer’s clients. To avoid any potential or apparent conflict of interest, Mercer will not evaluate or recommend MIL, any of its affiliates, or any Affiliated Funds. Mercer has adopted policies, procedures and disclosures that are reasonably designed to address these matters.

In the future, Mercer clients may invest in Affiliated Funds. Mercer may indirectly benefit from a client’s investments in any Affiliated Funds to the extent MIL earns fees for advising or managing the client’s assets. Mercer and MIL however, structure their fees (and waivers as necessary) to avoid or disclose conflicts and to comply with applicable law, including regulations and guidance applicable to client portfolios subject to ERISA.

Certain associated persons of Mercer and/or affiliates or Mercer serve on advisory boards to private investments funds that Mercer recommends to clients. In this capacity, these individuals can be asked to provide advice to the private investment funds on a wide array of matters, including possible conflicts of interest encounter by the fund. These individuals receive no compensation for serving on these advisory boards, however, in some cases the private fund reimburse reasonable expenses incurred by advisory board members in attending meetings of the advisory board.

As described in Items 4 and 5, Mercer recommends or selects other investment managers for its clients. These investment managers do not compensate Mercer or its affiliates to be recommended or selected by Mercer or its affiliates. However, in some cases, these investment managers or their affiliates could be clients of Mercer or its affiliates, pay to attend Mercer’s Global Investment Forum, or in certain jurisdictions where Mercer provides Mercer FundWatch™ they could pay Mercer to have a fund they manage reviewed and rated. Please see Appendix B – Mercer Investments Conflicts of Interest Statement for information on how Mercer addresses and mitigates these conflicts, including as they relate to Mercer FundWatch.

Please see Appendix B – Mercer Investments Conflicts of Interest Statement for additional information regarding potential conflicts.



## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

As a condition of employment, Mercer's employees and Affiliate Associated Persons (collectively, "personnel") are required to comply with the code of ethics which consists of the MMC Code of Conduct – *The Greater Good* - and a personal investing policy (collectively the "Mercer Code of Ethics"). The Mercer Code of Ethics is intended to provide guidance for dealing with ethical matters including, among other things, establishing that personal investing activities by Mercer personnel must be consistent with Mercer's fiduciary duty to its clients. The Mercer Code of Ethics requires certain personnel to report covered securities transactions and to provide copies of their brokerage statements to Mercer's compliance department. A copy of the Mercer Code of Ethics is available at no charge to any client or prospective client upon request.

Directors, officers and employees of Mercer and its affiliates may from time to time hold, have acquired or sold, or may subsequently acquire or sell, for their personal accounts (either directly or through commingled vehicle), securities (including shares of Affiliated Funds) that may also be held, or have been purchased or sold, for the accounts of Mercer's clients. Mercer's personnel may also have a personal or financial incentive to select an investment manager or its strategies on behalf of its clients. This typically arises when personnel:

- recommend or select managers that have purchased MMC stock for their own accounts or for those of their clients;
- invest in publicly traded asset management firms and/or their products;
- receive gifts or entertainment from a manager; or,
- have a family or other personal relationship with a manager.

We manage these potential conflicts by requiring that any transaction be made in compliance with the Mercer Code of Ethics.

In addition, as described in Items 4 and 10, Mercer's clients may invest in the Affiliated Funds to implement investment recommendations. Mercer has a financial interest in those funds to the extent that it or its affiliates earns a fee from them. Mercer, or its affiliates, also provide consulting or delegated investment implementation services to, and receive fees in connection with such services from, parent companies or affiliates to investment managers that are recommended or used by Mercer or its affiliates globally. Fees and any other related conflicts are described in Items 5, 10, and Appendix B - Mercer Investments Conflicts of Interest Statement.

Mercer has also adopted a policy designed to manage the receipt and giving of gifts and entertainment.

Failure of personnel to comply with the requirements of the Mercer Code of Ethics and all laws, rules and regulations applicable to Mercer's business, may result in disciplinary action by Mercer, up to and including termination of employment.

## **Item 12 – Brokerage Practices**

Due to the nature of the Firm's business, we do not select or recommend broker-dealers for client transactions.

Mercer does not own its own securities and as such will not conduct principal transactions with any client securities.



### **Item 13 – Review of Accounts**

As part of its client reporting functions, on a quarterly basis Mercer reviews the funds in which clients make investments. A fund review includes determinations of the fund's portfolio investments and the calculation of investment performance. Clients receive quarterly performance reports detailing the financial information of the relevant investment. In addition to conversations with many general partners and managers of firms throughout the year, Mercer Alternatives attends the annual meeting of selected general partners and managers on an annual basis to discuss the fund's portfolio investments, projections, and economic and market trends. Additional reviews will be carried out following a significant market event to assess the impact on client portfolios.

All separate account clients receive quarterly and annual reports on their portfolio in addition to reports on each fund in which they invest. These reports can be tailored to the individual requirements of each client.

Mercer reviews all client accounts quarterly, annually and semi-annually depending on the client, and the size and complexity of the plan. The review includes investment strategy, portfolio structure, performance evaluation, asset allocation, investment policy compliance and portfolio rebalancing.

All separate account clients receive quarterly and annual reports on their portfolio in addition to reports on each fund in which they invest. These reports can be tailored to the individual requirements of each client.

Mercer also has a peer review process through which material written communications to a client are reviewed by a qualified peer reviewer prior to dissemination to the client. Selection of the peer reviewer(s) is based upon the expertise required based on the technical contents of the material. Reviewers are instructed to include in their review, among other things, the following: (1) technical accuracy; (2) recommendations consistent with analysis; and (3) format and appearance.

The frequency and content of client reporting is agreed to in writing with each client. Generally, at a minimum, clients receive quarterly reports.

### **Item 14 – Client Referrals and Other Compensation**

In the past, Mercer utilized both third party placement agents and an internal business development department to solicit new clients. Mercer compensates certain of these placement agents in respect of clients referred by them. Any such placement agent arrangements have been structured to comply with applicable law.

## **Item 15 – Custody**

Mercer does not accept or seek to maintain physical custody of funds or securities for any client. Client assets are generally held in custodial accounts with banks, broker-dealers or other qualified custodians retained by clients. However, under the SEC custody rule, Mercer is deemed to have custody of client assets that are invested in Affiliated Funds where Mercer serves as a managing member or general partner. Each Affiliated Fund's assets are held by third party qualified custodians.

Affiliated Funds that are private pooled investment vehicles are exempt from certain requirements of the SEC's custody rule because:

- the Affiliated Funds undergo an annual audit by independent accountants subject to inspection by the Public Company Accounting Oversight Board (PCAOB); and,
- the results of such audit are distributed to each investor in the Affiliated Funds in accordance with the SEC's custody rule and relevant SEC staff positions.

Mercer provides each client with information pertaining to an Affiliated Fund's custodian promptly upon the client's investment in the Affiliated Fund.

## **Item 16 – Investment Discretion**

Clients who appoint Mercer as a discretionary investment manager for all or a portion of their assets delegate authority to Mercer to manage their account through an investment management agreement negotiated and executed between the client and Mercer. These clients typically grant Mercer the discretionary authority to select private market funds.

Mercer generally requires each client to provide Mercer with a written statement of its investment objectives, asset allocation parameters, and specific investment restrictions.

### **Item 17 – Voting Client Securities**

Mercer does not vote proxies for its non-discretionary clients. In certain situations, however, Mercer may give advisory clients advice or assistance but in these situations will not vote their proxies.

## **Item 18 – Financial Information**

Registered investment advisers are required in this item to provide you with certain financial information or disclosures about the Firm's financial condition. Mercer has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

## **Appendix A**

### **PRIVACY NOTICE**

This notice describes the privacy policy of Mercer Alternatives Limited (“Mercer”). Mercer is committed to protecting the private information that it collects about individuals who are prospective, current or former advisory clients.

Mercer collects private information in connection with providing investment management services and to communicate information about its products and services (collectively, “Private Information”). Mercer obtains Private Information verbally and in written format, which may include name(s), address, social security number or tax identification number, financial information, creditworthiness, including individual transaction information, and other such related items.

Mercer limits access to Private Information to those individuals who require access to that information in order to service clients. These individuals are required to maintain and protect the confidentiality of Private Information. Mercer maintains physical, electronic and procedural safeguards to protect Private Information.

Mercer may share Private Information with its affiliates for marketing and other business purposes, such as to facilitate the servicing of accounts and to provide information about new products and services. Mercer affiliates are companies that are controlled by Mercer or are under common control with Mercer.

Mercer may share Private Information with non-affiliated third parties if those entities are under contract to service clients on behalf of Mercer or the advisory account, and as otherwise permitted by law. Any such contract entered into by Mercer will include provisions designed to ensure that the third party will uphold and maintain privacy standards when handling Private Information. Mercer may also disclose Private Information to regulatory authorities as required by applicable law.

Except as described herein, Mercer will not use Private Information for any other purpose unless Mercer describes the nature in which Private Information will be used, and clients may opt to decline approval of such use of their Private Information.

When you are no longer our customer, we may continue to share your information as described in this notice.

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## Appendix B

# GLOBAL CONFLICTS OF INTEREST STATEMENT

## INTRODUCTION

Mercer is a global consulting leader in health, wealth and career. Mercer helps clients around the world advance the health, wealth, and performance of their most vital asset — their people. Mercer is a division of Marsh & McLennan Companies, Inc. (NYSE: MMC).

Mercer's Wealth business is a leading global provider of investment and retirement services. Mercer has been dedicated to meeting the needs of clients for more than 70 years.

Investment services provided by the Investments segment of Mercer's Wealth business ("Mercer Investments") include the provision of research, analytical tools, and investment advice, as well as the implementation of investment advice, including discretionary management of investment portfolios and commingled investment pools. This Statement summarizes general conflicts of interest that Mercer has identified with respect to Mercer Investments and describes how Mercer manages and mitigates them. It is not intended to provide an exhaustive list of all conflicts that currently exist or that could exist in the future. As a global disclosure document, this Statement is not intended to, and does not, address all conflicts of interest in each country or region where Mercer provides investment services and is not intended to take precedence over separate conflict of interest statements issued by Mercer to satisfy local regulations. It also does not cover conflicts of interest that may relate to your relationship with other Mercer lines of business or segments.

Conflicts of interest — real or apparent — are instances where a person or firm has an incentive to serve one interest at the expense of another. Some of these conflicts are inherent to any large, diversified professional services firm, while others stem from the nature of the services Mercer offers to clients. Mercer is committed to conducting business ethically and transparently. Mercer seeks to manage these conflicts primarily with policies and procedures that are designed to protect client interests as well as through disclosure. Moreover, Mercer's client relationships would be undermined by risking substandard investment results through decision-making based on factors other than investment processes and best thinking.

If you have any questions or would like more information about specific topics after reading this document, please call your Mercer contact.

## DEFINITIONS

Terms used in this Conflicts of Interest Statement have the following meaning:

"Delegated Solutions" refers to investment management services provided by Mercer, typically where Mercer exercises discretionary authority over a client's portfolio.

"MMC" refers to Marsh & McLennan Companies, Inc. together with its affiliates.

"Mercer" refers to Mercer Consulting Group, Inc. and its subsidiary companies. Mercer is a division of MMC.

"Mercer Fund" refers to an investment fund organized or managed by a Mercer entity.

"Mercer Wealth" refers to Mercer's line of business that provides investment and retirement services.



# 1

## CONFLICT AWARENESS

The identification, management, and mitigation of conflicts of interest is an ongoing process. Mercer believes that it creates a conflict-aware environment through its governance and oversight processes, communications with clients, disclosure reviews, peer review procedures, and its ongoing training, monitoring, and testing. Core to this process are the following elements:

- *Code of Conduct* — Employees are required to comply with MMC's Code of Conduct, *The Greater Good*, as a condition of employment. *The Greater Good* has clear requirements and guidelines for dealing with ethical matters, including conflicts of interest.
- *Gifts and Entertainment Policy* — Employees are required to comply with a gifts and entertainment policy, which is designed to ensure that they are not unduly influenced by the receipt of gifts, meals, or entertainment.
- *Confidentiality Obligations* — Employees are made aware of their obligations to protect client confidentiality and to comply with insider trading and related laws and regulations.
- *Personal Investing Reporting* — Certain employees are also subject to policies governing their personal investing, which, in general, requires reporting and/or preclearance of certain personal investments.
- *Directorships and Outside Positions* — Employees are required to seek approval before accepting and holding non-Mercer positions that create conflicts of interest.
- *Research Independence* — Researchers and relevant staff operate under policies and guidelines and are provided training intended to ensure investment research is produced and distributed from an independent perspective. Research represents the specialist's or team's independent opinion of a strategy or subject, without regard to broader Mercer relationships.

# 2

## TYPES OF CONFLICTS

Conflicts can arise for example between:

- Mercer and its clients.
- Lines of business or legal entities within Mercer and/or MMC.
- Mercer management or employees and Mercer clients.
- Clients or groups of clients.

Conflicts of interest can occur, for example:

- Through earning higher revenues or profits from certain types of client arrangements, including through providing a more complex, higher-cost solution for clients when a simpler, lower-cost solution is available.
- From relationships Mercer has with providers of services or products to its clients, including fee arrangements or commissions.
- Due to the receipt of confidential information.
- Through performance related remuneration paid to Mercer employees.
- Through personal relationships Mercer's employees have with its clients or service providers.
- From gifts or entertainment provided to clients or prospects, or received by staff from current or prospective service providers.
- Due to employees holding non-Mercer positions.

# 3

## SPECIFIC CONFLICTS

The following describes certain of Mercer Investments' potential conflicts and how they are managed and mitigated.

### CONFLICTS BETWEEN MERCER AND ITS CLIENTS

Mercer Investments' services are delivered along a continuum that allows clients to select their preferred level of interaction with Mercer. While this business model provides significant flexibility for clients, Mercer recognizes that it can create a conflict between Mercer's own interests and those of its clients. The following describes key conflicts of this type and how they are managed and mitigated.

#### **Fee Arrangements with Clients**

Mercer offers a wide range of investment services to its clients, with a variety of fee arrangements. Current fee arrangements include fixed fees, time based fees, commissions, fees based on assets under advisement or management, and fees with performance adjustments.

Mercer's Delegated Solutions are implemented using third-party asset managers. Mercer seeks to negotiate the lowest fee possible under the circumstances with third-party asset managers used in its Delegated Solutions products and services.

In certain jurisdictions, Mercer implements its Delegated Solutions through the use of the Mercer Funds. Mercer receives a fee from certain Mercer Funds, which could create the incentive to offer, recommend, or select one Mercer Fund over another or over third-party funds.

Depending on client preferences, Mercer has fee arrangements with some Delegated Solutions clients that result in a fee paid to Mercer that is broken out from (and in addition to) investment management fees paid by Mercer to third-party asset managers. Mercer refers to this arrangement as "net fee" or "unbundled fee". Mercer has fee arrangements with other Delegated Solutions clients that result in a fee paid to Mercer that is inclusive of the investment management fees paid by Mercer to third-party asset managers. Mercer refers to this arrangement as "gross fee" or "bundled fee". In a gross fee arrangement, Mercer would benefit by selecting asset classes or third-party asset managers where Mercer has negotiated a lower fee or a volume discount arrangement (i.e., the fee payable to the manager decreases as the amount of assets under management with that manager increases). Mercer could also have an incentive to select third-party asset managers based primarily on those manager's fees.

### MITIGATION

- Mercer follows documented processes for researching, rating, recommending, or selecting third-party asset managers using multiple factors and not based on fees alone. These processes follow consistent governance practices for all services.
- Mercer's fee arrangements are described clearly in disclosure documents and/or in client agreements and are structured to comply with applicable law. Mercer seeks to structure fee arrangements with clients and Mercer Funds to remove the incentive to recommend one Mercer Fund over another or a third-party fund, for example through the use of fee waivers and/or credits. If Mercer receives a fee from a client and a fee from a Mercer Fund in which the client invests, such fees will be disclosed to the client. In these cases, the client will be asked to acknowledge or approve the investment in the Mercer Fund, for example, through authorization in an investment management agreement between Mercer and the client.

- When making asset-allocation or funding decisions or recommendations, Mercer considers several factors unique to each client's investment needs and objectives, financial circumstances, risk tolerances, and the long-term return and risk profile of various asset classes. In addition, the client typically provides Mercer with asset-allocation or risk parameters within which its account should be managed; these cannot be changed without client consent.
- Mercer typically establishes and regularly reviews performance and risk objectives with its clients.

### **Services and Solutions**

Mercer Investments offers clients a number of services and solutions ranging from advice on asset allocation, asset classes, investment strategies, specific investments and investment providers including manager recommendations, to implementation of investment recommendations or discretionary investment management arrangements. Mercer's Delegated Solutions seeks to incorporate its best ideas in relation to investment management and, in some situations, provide those services in conjunction with Mercer's best ideas in non-investment management areas. Examples of such solutions include implemented consulting and Mercer's dynamic de-risking service. In some jurisdictions, Mercer provides a platform for accessing manager portfolios. These solutions, which typically use Mercer Funds, can create a conflict between Mercer's interests and the interests of clients.

When a client chooses to work with Mercer as a Delegated Solutions client, Mercer will typically earn more revenue or profit than if the client instead chooses to receive services under an advisory-only relationship. This could create an incentive for Mercer colleagues to inappropriately introduce Delegated Solutions to clients and prospective clients. In discussing potential service offerings with a client, Mercer would not ordinarily recommend the use of another provider's investment services, where Mercer provides such services itself.

If a client transitions from an advisory-only relationship to Delegated Solutions, Mercer may continue to provide advisory services as a component part of its Delegated Solutions. This could create a potential conflict if Mercer were to evaluate its own Delegated Solutions offering as part of the ongoing advisory services. However, as noted below, it is Mercer's policy not to evaluate its own services or performance.

When a client retains Mercer to provide both investment and non-investment services (e.g., advice on managing pension risk through annuity buyouts and similar strategies) at the same time, this could create an incentive for Mercer to provide advice that it expects would result in a client maintaining, prolonging, or increasing the investment services, so as to increase revenue to Mercer.

### **MITIGATION**

- Mercer has adopted strict protocols to be followed when introducing Delegated Solutions to clients. These protocols are designed to ensure that clients fully understand the difference between working with Mercer under an advisory-only approach and under a Delegated Solutions approach, so that clients can make an informed decision.
- It is Mercer's policy that Delegated Solutions and Mercer Funds are only to be offered to a client if Mercer reasonably believes it would be appropriate for the client's needs.
- Clear disclosures regarding fees and services are provided to clients prior to take-on.
- When providing advisory services as a component of Delegated Solutions, the nature of the advice provided differs from the type of advice that was previously provided by Mercer to a client under an advisory-only relationship. In particular, commentary on performance, and advice on potential alternatives, would be confined to the service being provided and solutions, strategies and funds available within Mercer's Delegated Solutions framework. Mercer will not evaluate its own services or performance.
- Employees providing investment advisory services do not receive direct compensation as a result of an existing advisory-only client making the decision to move to Delegated Solutions.

- Where deemed appropriate, Mercer establishes information barriers between Mercer teams providing separate services to the same client (or connected clients) to ensure that the independence of each service is not compromised, consistent with applicable law, and with the best interests of the client in mind.

## CONFLICTS BETWEEN THE INTERESTS OF CLIENTS AND EMPLOYEES, THEIR FAMILY MEMBERS OR SIGNIFICANT PERSONAL RELATIONSHIPS

Circumstances involving Mercer employees, their family members or persons with whom employees have significant personal relationships can give rise to conflicts of interest between such persons and Mercer's clients. Examples of such conflicts include:

- Access to confidential information in a corporate entity in which an employee has or could acquire a personal shareholding.
- Personal benefits received from service providers, e.g., gifts and entertainment.
- Remuneration of individuals linked to their achievement of certain financial goals such as revenue targets.
- Conflicts arising from an individual holding non-Mercer roles (such as serving as a director on a board of a non-Mercer business) in addition to their role at Mercer.

### MITIGATION

- Mercer has policies, procedures and codes in place to minimize such conflicts including "*The Greater Good*", Personal Securities Trading Policies, Gifts and Entertainment Policies and Policies on Holding Outside Directorships.
- Compliance with key policies is monitored and mandatory training is deployed to personnel.
- Mercer operates a formal performance appraisal and reward system, designed to take many factors into account (i.e., not only success in achieving sales goals) when determining an individual's remuneration.

### Availability of Asset Manager Research

Mercer could have an incentive to provide its research on third-party asset managers to certain clients or to Delegated Solutions teams before providing the same information to all of Mercer's clients. Examples of potentially valuable information include a change to Mercer's rating of an investment strategy offered by a third-party asset manager or a manager's capacity to accept new investments in a particular strategy or fund.

In certain countries in Asia and Latin America, Mercer offers Mercer FundWatch™, a web-based, publicly available ratings service based on Mercer's global research on third-party asset managers. Mercer FundWatch rates strategies which are registered in the relevant country where a manager's funds are available to individual investors in those countries. As part of this service, financial services firms that manage or distribute investment funds pay Mercer to have their fund reviewed and rated and can elect to have the rating published on Mercer FundWatch. Since firms whose funds receive lower ratings would be expected to be less likely to pay for their funds to be listed, and since such firms may be disinclined to expand their business relationships with Mercer, Mercer could have an incentive to provide higher ratings to firms with funds participating in Mercer FundWatch.

### MITIGATION

- Mercer makes new or updated manager research available simultaneously to all subscribers and users of MercerInsight (internally and externally). Research includes such information as news items regarding a third-party asset manager, decisions by the manager research team to change the rating of a manager's strategy, and information about a manager's capacity to accept new investments.

- Mercer has put in place and enforces rules that minimize its ability to act on new or updated information for its own advantage or for the advantage of some clients but not others.
- Mercer's manager research follows a uniform and consistent due diligence process in determining third-party asset manager ratings, including peer review and final determination of ratings by designated committees.
- Mercer's manager research team is separate and distinct from Mercer personnel who are responsible for the financial success of Mercer's manager research distribution, and the remuneration of Mercer's manager research team is not linked to sales of that research. Manager research staff are assessed on the outperformance of their highly rated strategies, and not by sales of these reports or other revenue or sales activities.

### **Arrangements with Asset Managers and Other Service Providers**

Mercer could have an incentive to assign favorable ratings and allocate client assets to certain third-party asset managers based on fee arrangements in place between Mercer and the manager. For example, Mercer would have an incentive to favor third-party asset managers that provide volume discounts based on the amount of Mercer's clients' assets under management, or who pay for their investment fund to be rated via Mercer FundWatch. In addition, some third-party asset managers (or their affiliates) whose strategies Mercer rates, reviews, and/or recommends are also clients of Mercer or its affiliates. For example, these firms may have engaged Mercer or its affiliates to provide services, purchased licenses to use Mercer's proprietary software and databases, and/or paid to attend Mercer's Global Investment Forums. Mercer or its affiliates provide consulting or Delegated Solutions to certain parent companies or affiliates of managers that are recommended or used by Mercer or its affiliates globally. The revenue Mercer or its affiliates earn from these third-party asset managers or their affiliates, as clients, could create an incentive to recommend these managers or their strategies more highly than those of other managers, potentially impairing Mercer's ability to select or terminate them objectively.

In conjunction with providing Delegated Solutions services, Mercer sometimes selects and oversees other types of service providers with whom Mercer or its affiliates have other business relationships, including client relationships, distribution or referral arrangements, recordkeeping or administration, or subcontracting relationships. The commercial benefits received from these relationships could present a conflict of interest for Mercer in the selection, oversight and termination decisions with respect to such service providers.

#### **MITIGATION**

- Mercer follows documented processes for rating, recommending, or selecting a third-party asset manager's strategies. These processes follow consistent global governance practices.
- Mercer does not consider the status of a third-party asset manager or other service provider as a client of Mercer or its affiliates, or other commercial relationships with a service provider, at any time during the investment evaluation, selection, or termination process.
- Mercer has adopted vendor selection processes that are reasonably designed to protect against preferential treatment for a third-party asset manager or other service provider that is also a client of Mercer or its affiliates.

### **CONFLICTS AMONG MERCER INVESTMENTS' CLIENTS**

Mercer has a large and diverse client base, some of whom compete with one another in the same industry or sector or compete with one another for limited investment opportunities. Mercer recognizes that it has an interest in favoring clients that are perceived to be more valuable to Mercer over others that are perceived to be less valuable.

#### **MITIGATION**

- Although Mercer can provide different or customized research to different clients, depending on individual circumstances or upon request, Mercer does not differentiate between or favor certain clients over others with respect to timing of the release of manager research ratings information via the MercerInsight platform.
- Mercer seeks to allocate limited investment opportunities among clients on a reasonable and fair basis pursuant to a Global Allocation policy, which takes into account the services Mercer has agreed to provide its clients, their individual objectives, mandates and/or investment strategies, and other relevant factors.
- Mercer believes clients benefit from the diversity of opinions and the individualized, and sometimes subjective, judgments of each consultant with respect to each client. Accordingly, investment advice is tailored to the individual client's objectives, which will sometimes result in different or customized advice to different clients. However, standardized processes are in place to enable Mercer to devote the time and resources necessary to fulfill its obligations to each client.

If you would like further information, please alert your usual Mercer contact.

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