

# Efficient Investment Implementation

The management of institutional investment portfolios has grown considerably more complex in recent years: legislative changes, increases in operational needs, greater demand on internal resources, the negative interest rate environment, revised actuarial guidelines and the proliferation of different investment strategies have all required a multi-disciplinary approach to managing investments. Each of our clients' circumstances are unique, but they all have a common need for guidance in navigating this ever changing and complex world.

## Client Challenges

It is no longer simply enough to grow the asset base; institutional investors must make decisions on how to manage liabilities and whether to take action by assessing whether there is enough retirement savings in a pension fund context, or how an investment strategy will impact an insurers Swiss Solvency Test (SST), while also performing their core job functions.

Further, while simple investment strategies consisting of equities and bonds have been able to ride a strong wave of returns over the last 10 years due to the unprecedented monetary easing since the financial crisis, these simple investment strategies cannot be expected to excel going forward and a more complex and dynamic investment strategy will be required to navigate future obstacles. Investors that focus on simply lowering costs and governance requirements by implementing largely passive equity and bond strategies will find themselves in extremely challenging situations as soon as markets turn – by not having proactively implemented risk mitigating strategies or simply not being able to achieve enough return with the investment strategy for their beneficiaries.



It is therefore no surprise that our clients and prospects are seeking an alternative way of working that will allow them the freedom to perform their day jobs, while ensuring their fiduciary duties are satisfied, through engaging with us in a more collaborative manner in managing their assets relative to their liabilities. Resource intensive tasks in managing portfolios can be outsourced, leaving an appropriate amount of time to spend on the high level decisions that make the biggest impact.

This is not a homogeneous service, but a truly tailored partnership to address the needs and wants of each of our individual clients. This covers the whole continuum of client engagements, from those that want to work with us on a pure advisory basis, to ones that have delegated the investment strategy setting and implementation to Mercer with the client maintaining decisions around the high level investment objectives and the performance of its investment solutions provider.

### **How Mercer partners with clients to fulfil their objectives**

Setting an investment strategy is a multi-layered approach. Ultimately, the main concerns of those responsible for managing institutional assets should be how much investment returns are needed to be generated and at what level of investment risk – setting the investment objectives is one key action that cannot be delegated. However, as a fiduciary you are not alone. Mercer guides and advises client through the process of defining appropriate objectives, taking into account beneficiaries to satisfy and sponsor affordability. This would involve modelling and scenario analysis of liabilities, assets and key financial metrics to assist in decision-making.

Translating the overriding investment objectives into an investment portfolio is a complex process. Fiduciaries should ensure their focus is on the oversight responsibilities of the process and leave the burden of implementation with an outside professional organization.



The investment strategy needs refining into asset classes and benchmarks, through to selecting investment managers to manage the agreed-upon strategies. Portfolio construction not only includes taking views on which asset classes should be passively or actively managed, but also seeks to identify smarter ways to construct assets and identifying pockets of value. A dynamic approach to management can tilt the portfolio to areas where these pockets of value can be found. Selecting investment managers that have a higher ability to perform well in the future, and selecting the right mix of managers that complement each other within a total portfolio context, requires skill. The depth and breadth of Mercer's global research resources is unparalleled. There are over 200 staff directly involved in the research process, providing qualitative assessments of an investment manager's future prospects following a rigorous due diligence process that has demonstrated clear added value over time.

For those clients that have delegated their manager selection implementation to Mercer, our portfolio management teams are then tasked with creating blended manager of manager portfolios that fit the criteria of our clients. As a fiduciary, do you have the requisite time and expertise to perform this function yourselves? An added advantage is the sheer scale of Mercer's combined assets under advisement and delegation that allows us significant bargaining power in driving down costs compared to going it alone.

Areas which take a back seat when a fiduciary's time is constrained often involve operational and governance aspects. A manager underperforming its benchmark in a rising market can be an annoyance. Failure at an investment manager or one of its service providers can result in catastrophic consequences, which could leave fiduciaries exposed to criticism in the best case, and needing to search deep into their own pockets under the Swiss legal system in the worst case.

Fiduciaries should note that there is no risk of "handing over the keys" and its partner making fundamental decisions that would impact a sponsor's cash or expenses. A delegated investment approach operates within detailed guidelines that are set and owned by the fiduciary.

Whether you face one or all of these challenges, Mercer can guide you through all of your implementation decisions and tasks.

## **About Mercer**

With \$12.6 trillion assets under advice and \$290 billion assets under management, Mercer is one of the leading providers of investment advice, tools and delegation solutions globally. We combine the experience of our Swiss investment experts with the expertise of more than 2,200 investment specialists and over 200 researchers worldwide to offer you the best solutions for your challenges.

## Contact

Reach out to us and learn more about how Mercer can support you in your investment challenges:

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