

# Investment Monitoring

**Implemented investment strategies should be proactively monitored to ensure that they remain appropriate, that appointed investment managers are able to meet their objectives and that any risks are quickly identified and addressed.**



## Your Issue

- The complexity of the financial market and investment opportunities has increased.
- Investors need to ensure that return and risk are in line with the investment guidelines and any deviations from these objectives are detected as soon as possible so that corrective measures can be taken if needed.
- Clients find it difficult to understand the key drivers behind past and future performance and the extent to which these are in line with an investment manager's philosophy, approach and guidelines.
- Even if key drivers are understood, clients often do not know whether action should be taken.



## How does this add value

- Monitoring overall results allows informed decision making in a timely manner.
- Mercer provides high quality and detailed monitoring reports that contain quantitative results as well as qualitative commentaries and recommendations.
- The reports summarize performance and risk statistics in easy to interpret tables and charts. Clients can assess whether managers are delivering the performance expected, not only to the manager's benchmark but also against one of 340 Mercer constructed peer groups.
- Mercer additionally provides qualitative views on investment managers that are based on its extensive manager research capabilities.
- Mercer ensures a common understanding through regular communication and valuable discussions with experienced consultants.



## Why Mercer

- Experienced team with local expertise and long tenure in monitoring investment managers.
- Mercer has developed a state of the art and proprietary Global Investment Management Database ("GIMD™"), as well as other quantitative tools to monitor and assess managers.
- Mercer has extensive manager research capabilities (200 researchers), which is used to select highly rated managers for our clients' specific requirements, as well as ensuring ongoing monitoring with regard to the continued quality and suitability of those managers - out of the 35,000 strategies on MercerInsight 5,710 are rated on ESG.



# Case study

**Client Situation:** A Foundation Board of a Pension Plan with multiple investment managers appointed Mercer to provide quarterly monitoring reports to aid its decision making.

**Our Approach:** Mercer’s monitoring report summarizes the financial situation, historic results and future prospects in a clear and concise format and includes the following information:

- **Executive summary:** contains key metrics and traffic light indicators that allows the Board to easily identify any problem areas.
- **Financial situation:** Evolution of estimated coverage ratio, and the expected return of the investment strategy vs minimum required return.
- **Asset allocation and compliance:** including breaches of the statement of investment principals and BVV 2 limits.
- **Quantitative analysis:** Total Plan, as well as asset class and individual manager level performance and risk statistics against benchmarks and peer groups.
- **Qualitative analysis:** Summary of Mercer manager research views, ESG ratings and any material developments that may impact future prospects.

**Client Benefit:** Easy identification of key strategic and manager risks that allows informed decision making in meeting the Board’s fiduciary duties. Analysis is backed by leading quantitative tools and the full global manager research capabilities of Mercer.

**1 EXECUTIVE SUMMARY**

**FINANCIAL SITUATION**

Estimated Coverage Ratio	100%
Legal Coverage Ratio	100%
Other	100%
Expected Long-Term Investment Strategy	100%
Minimum Required Return	100%
Other	100%

**PERFORMANCE OF THE FUND**

Asset Class	YTD	1 Year	3 Year	5 Year	10 Year	Volatility	ESG
Total Portfolio	8.0	10.0	12.0	15.0	18.0	1.5	8.0
Global Equities	10.0	12.0	15.0	18.0	20.0	1.8	10.0
Global Fixed Income	6.0	8.0	10.0	12.0	14.0	1.2	6.0
Global Real Estate	7.0	9.0	11.0	13.0	15.0	1.4	7.0
Global Private Equity	9.0	11.0	13.0	15.0	17.0	1.6	9.0
Global Hedge Funds	8.0	10.0	12.0	14.0	16.0	1.5	8.0

**PERFORMANCE ATTRIBUTION YTD**

Global Equities	10.0%
Global Fixed Income	8.0%
Global Real Estate	7.0%
Global Private Equity	9.0%
Global Hedge Funds	8.0%

**3 FINANCIAL SITUATION**

**ESTIMATED COVERAGE RATIO**

The following chart shows the development of the estimated coverage ratio throughout the current year.

**PERFORMANCE**

Asset Class	Manager	YTD	1 Year	3 Year	5 Year	10 Year	Volatility	ESG
Global Equities	Manager A	12.0	14.0	16.0	18.0	20.0	1.8	12.0
	Manager B	10.0	12.0	14.0	16.0	18.0	1.6	10.0
Global Fixed Income	Manager C	8.0	10.0	12.0	14.0	16.0	1.2	8.0
	Manager D	6.0	8.0	10.0	12.0	14.0	1.0	6.0

## 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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