

# Fact Sheet

## Fixed Income Separate Accounts

The Mercer Advisors Five-Year Fixed Income Ladder is a rotating investment strategy in which only 10% to 30% of the portfolio is reinvested annually, thus limiting interest rate risk. Principal and interest from maturing positions are used to purchase new bonds, typically at the furthest maturity range of the ladder.



### Advantages of the Ladder

The benefits available from a laddered bond strategy, when compared with bond mutual funds, include: more flexibility, added transparency, direct ownership, reduced price risk (when bonds are held to maturity) and processes designed to lower commissions and costs.

### A Mini-Auction for Each Purchase

Because most investors purchase bonds from a single broker, they are unaware of how competitive the bond yields can be. By working on your behalf with an extensive group of brokers, we create a mini-auction for every bond we purchase. By leveraging our buying power, you are assured of receiving the best yield for your bond.

### Diversification

In order to diversify your fixed income portfolios, Mercer Advisors invests in a variety of fixed income products. Appropriate to your specific needs, we integrate corporate bonds, taxable municipal bonds, FDIC-insured certificates of deposit (CDs), U.S. Yankee bonds, U.S. agency bonds and U.S. Treasury notes/bonds into our ladder strategy.

### Five-year ladder Buy-and-hold Taxable and tax-free

Mercer Advisors successfully implements both taxable and tax-free investment-grade fixed income strategies. We invest in medium-term fixed income instruments with high credit ratings in order to preserve capital and maintain steady growth within your portfolio.

As part of our tax-management strategy within taxable accounts, we offer tax-exempt municipal bonds such as general obligation bonds, insured revenue bonds and insured certificates of participation bonds. After determining your local, state and federal tax brackets, we invest in the ladder most advantageous for you, given your specific state of residence.

## High Quality Investments

Mercer Advisors purchases only corporate bonds with a minimum Moody's/S&P rating of "A2/A." For U.S. Yankee bonds, we require a minimum Moody's/S&P rating of "Aa3/AA-." We purchase only FDIC-insured certificate of deposits and we have established quality controls to ensure we buy only from strong IDC-rated banks. For tax-exempt and taxable municipal bonds, we look for bonds serving core and essential purposes with a minimum Moody's/S&P underlying rating of "A2/A." We also require strong monoline insurance credit for tax-exempt and taxable revenue or certificates of participation municipal bonds.

## Ongoing Credit Monitors

We closely monitor each bond type held within your portfolio for any change in credit quality.

## Protection from Changing Interest Rates

Mercer Advisors purchases only non-callable bonds. We are unique in this practice. Callable bonds are usually exercised by issuers during periods of declining interest rates. Thus, higher yielding bonds are typically replaced by lower yielding bonds, benefitting the issuer rather than the bond investor. We protect you from call risk by purchasing fixed maturity bonds.

## Income Generation

Our fixed income strategies are designed to generate regular, fixed-interest payments. Interest accrued may be used for distribution or toward reinvestment into a new bond appropriate for your ladder.

## Professional Management

Mercer Advisors manages over \$350 million in ladder fixed income portfolios. We profile market developments specific to your underlying investments, closely monitor yield trends and proactively communicate relevant information to you in a timely manner. We strive constantly to identify new and unique trading strategies aligned with our principles for your investment benefit.

## Low fees and minimum investments

Our management fees are among the most competitive. We require an account minimum of at least \$250,000 in order to ensure that portfolios are properly diversified within our Five-Year Fixed Income Ladder Strategy. This balance requirement provides both you and Mercer Advisors with a significant competitive edge in the bond market.