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We're Proud to Unveil Our New Website

FALL 2011

INVESTMENT STRATEGY EXPANSION AND ENHANCEMENT OVERVIEW

by Mercer Advisors Investment Committee

As a Registered Investment Advisor (RIA) firm and your fiduciary, Mercer Advisors maintains allegiance to a single entity: You, our client. As we do not receive commission, we are not committed or obligated to any company, fund, management firm, individual manager or strategy. We are unrestricted in our pursuit of cutting-edge investment products and strategies which offer superior quality and institutional-caliber results and at the same time control associated risk and cost.

Within this context, our Investment Committee continually looks for opportunities to expand and enhance our product offerings as a means for garnering additional incremental return for client portfolios, while maintaining vigilant control over associated risk, costs and taxes. Our expanded investment strategies include new bond products as well as some improvements and changes to existing stock strategies.

- Expanded Bond Offerings:** Our research has identified that more return can be gleaned from the bond portion of client portfolios by moving beyond our historical short-term, high credit quality bond standards. To that end, we will be adding two risk premium strategies to our bond inventory. One targets bonds of medium term that maintain high credit quality; the other maintains a short term but incorporates lower investment-grade bonds. We have conducted comprehensive analyses and have identified two institutional funds that best mirror our research-driven, time-tested and disciplined approach to investment science.

Our *Fall Research Report* features these bond risk premium strategies. It includes first a foundational review of our bond investment philosophy in general. The report then proceeds to outline in greater detail our expanded position on bond

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FIGURE 1: Bond Risk Premium Fund Performance

Type	CORE STRATEGY		BOND RISK PREMIUMS			
	Short-term, High Quality		Short-term, Lower Quality		Medium-term, High Quality	
Fund	DFA 2-Year Global		Baird Short-term Bond Institutional		Scout Core Bond Institutional	
Fund Symbol	DFGFX		BSBIX		SCCIX	
	Actual Return	Std. Dev. (Risk)	Actual Return	Std. Dev. (Risk)	Actual Return	Std. Dev. (Risk)
YTD (as of 08/31/11)	0.89%	0.28%	1.79%	1.19%	6.16%	2.08%
1 Year	1.05%	0.31%	2.23%	1.17%	6.02%	2.32%
3 Year	2.25%	0.86%	3.57%	2.56%	10.72%	10.28%
5 Year	3.11%	0.77%	4.01%	2.17%	8.61%	8.14%
7 Year	2.91%	0.79%	3.55%	1.94%	7.00%	7.05%

Source: Morningstar, 2011.

Investment Strategy Expansion and Enhancement Overview

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risk premiums as being valid and worthwhile options for creating additional incremental return and diversification opportunities within your portfolio.

- **Change Necessitated by Fund Manager Fee Increase:** As your investment fiduciary, Mercer Advisors advocates for the lowest fund management fees possible for your portfolio holdings. Recently, DWS (Deutsche Bank Group) increased its operating expense ratio (OER) for both our S&P (BTIIX) and our EAFE (Europe, Asia and Far East) (BTAEX) funds. In response to these increases, we researched the market for alternatives and will be taking our business elsewhere. We identified and selected two Vanguard funds whose simple index strategies will capture the same market risk profiles at significantly lower cost to you, as outlined in FIGURE 2 below. The Vanguard funds will directly replace the DWS funds in all portfolios, except the most aggressive, where we expect the simple index strategies would be a drag on long-term performance. The proceeds from all DWS fund sales in aggressive portfolios will be equally invested in the remaining allocations that comprise these aggressive portfolios.

FIGURE 2: DWS and Vanguard Fund Fee Comparison

SYMBOL	FUND	OPERATING EXPENSE RATIO	
BTAEX	DWS EAFE Equity Index Inst	Current	0.51%
VDMIX	Vanguard Developed Markets Index Inv	New	0.22%
A savings of 0.23%			
BTIIX	DWS Equity 500 Index Inst	Current	0.23%
VIFSX	Vanguard 500 Index Signal	New	0.06%
A savings of 0.17%			

- **Renewed Availability of Superior Product Prompts Fund Replacement:** A DFA Small Cap Value fund (of superior quality and expected performance) that had been closed due to capacity issues was reopened to investors recently. It will replace our DFA Targeted Value fund which does not have as deep a value or small stock tilt. Although this Small Cap Value fund is slightly

more expensive, the increased potency of its expected tilt is of significantly greater net value. This new fund heavily utilizes the strategy of security lending. This practice is often able to offset the majority, if not all, of the associated management fees.

Timing and Action for Implementation

In a tax-deferred portfolio environment, actions taken do not have an immediate impact on your related tax obligations. Therefore, regarding your bond risk premium selection, you can call to initiate a change immediately or wait to discuss it during your next scheduled call with your strategic advisor. Any applicable stock allocation changes require no action on your part and will be managed seamlessly by our trading department during the first rebalance of the new year (February, 2012).

Modifications to taxable accounts require careful scrutiny in order to ascertain and weigh their potential tax ramifications. Any changes to a taxable account will be contingent upon a conversation occurring between you and your strategic advisor. Together, you will determine the best tax mitigation strategy for the enhancement(s) you wish to integrate into your taxable portfolio. All new

assets will be invested into the new funds, where applicable. Investments held within the old funds will be reviewed on a case-by-case basis and sold only when warranted by resulting tax consequences and/or the operating expense ratio (OER) difference between the funds.

We encourage you to have a one-on-one conversation with your strategic advisor to learn more about each of these enhancements and how they may

be of benefit to your portfolio and your investment goals while remaining aligned with your established comfort level. ❖

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In our Dental Professionals section, we outline our suite of practice consulting services and provide links to our Dental Professionals blog and the Transdent website.

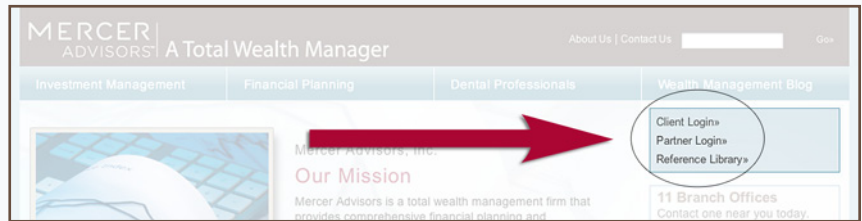
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ACCESS VALUABLE RESOURCES

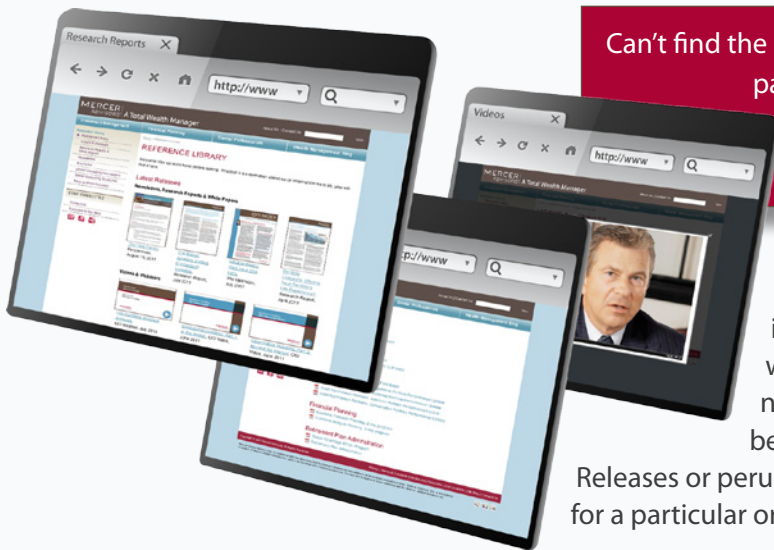
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