MERCER
A MARSH BUSINESS

Investment Solutions
by Alexforbes

March 2026

Break the rules: Why investing's old playbook is dead

Structural shifts changing
the portfolio construction playbook

Rob Ansari, Global Head of Analytics and Portfolio Solutions

Who we are

1

Who is Mercer?

Our capabilities as partner to our clients' portfolios

90+
Client Countries

5,800
Mercer Wealth Colleagues

50+
Years Experience

Research And Tools

- Global manager database
- Performance analytics
- Investment research
- Capital market research
- Operational due diligence (ODD)
- Market intelligence
- Fee benchmarking

Advice

- Investment strategy / ALM
- Asset allocation / portfolio construction
- Manager selection (Investment Research & ODD)
- Responsible investment
- Transition, custody, FX
- Goals based / target date
- Risk exchange (longevity, buy-out/by-in)

Solutions

- Discretionary management
- Mainstream assets
- Alternative
- Liability solutions
- Technology solutions
- Bespoke implementation

7,000
Managers on MercerInsight

32,000+
Strategies on MercerInsight

$16.2trn
Under Advice
As at 30 June 2025

18,000+
Clients

$692bn
Under Management
As at 30 Dec 2025

3,300+
OCIO Clients

Data as at 30 December 2024 unless otherwise mentioned. The data presented above is representative of Mercer's Global Investment business and not limited to activities and services provided by any individual entity. Please see Important Notices for important information about Assets under Advisement and Assets under Management. FTE staff and annual revenue is for Mercer's Global Wealth business, including actuarial consulting and other ancillary investment service. Investors should note that while ESG Integration forms part of the overall investment process, it is not implemented equally across all services and products. Integration depends on the degree to which it may be relevant or applicable to the strategy or asset class.

Mercer and Investment Solutions by Alexforbes

A strategic relationship combining **local** knowledge with **global** expertise to drive **better outcomes for clients**

Investment Solutions by Alexforbes

- Local leadership
- Trusted advisor
- Pan African company with a regional focus
- Local market knowledge

MERCER A MARSH BUSINESS

- Deep global research coverage
- 225+ manager researchers
- Large breadth of experience
- Global, aggregated scale

Enhance return

Reduce risk

Reduce cost

Adopt best practice

The old labels don’t work any more

2

The old playbook worked for decades

But diversification doesn't work when the old rules no longer apply

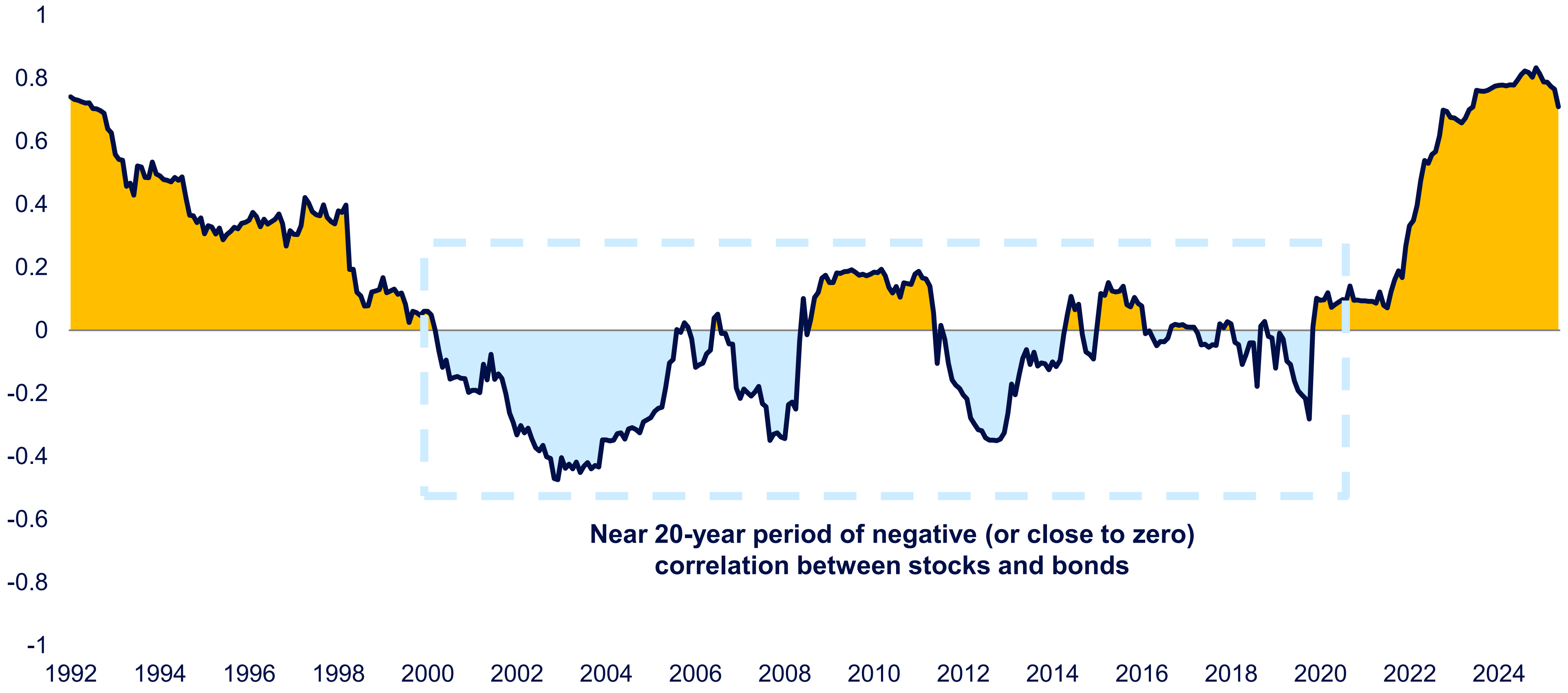
2016 context	2026 reality
60/40 portfolios	The environment that 60/40 was built for no longer exists
Defensive stocks	Fast becoming growth stocks due to their integration with technology and AI
Equities are broadly diversified	The Magnificent Seven represents roughly 20% of global equity market cap
Public markets dominate capital formation	Private equity-backed firms have grown 400% in number while public listings have declined 35%
AI a niche topic	More than $1 trillion in hyperscaler capex is expected in the next two years
Secular themes	Megatrends and structural shifts

Structural change across the investment environment demands **a new playbook**

The 60/40 portfolio was built for a different era

Bonds are no longer playing the diversifying role they once did, increasing the need for alternative diversifiers

Figure 1: Rolling 3-year correlation of stocks and bonds



Source: Databank. Rolling 36-month correlation of monthly returns (MSCI ACWI and Bloomberg Barclays Global Agg Hedged)

Healthcare’s AI-driven future

Awareness of the sector’s changing dynamics is key to harnessing both defensive and growth opportunities

Traditional driver of consistent, defensive returns, even through economic and market turbulence

New, rapidly evolving growth drivers

Clinical drug development

Advanced predictive models

Multimodal data integration

Smart healthcare systems

Safety & efficacy

Algorithmic bias

Data privacy concerns

Ethical considerations

Regulatory oversight

Financial risks

Infrastructure: the new alpha engine?

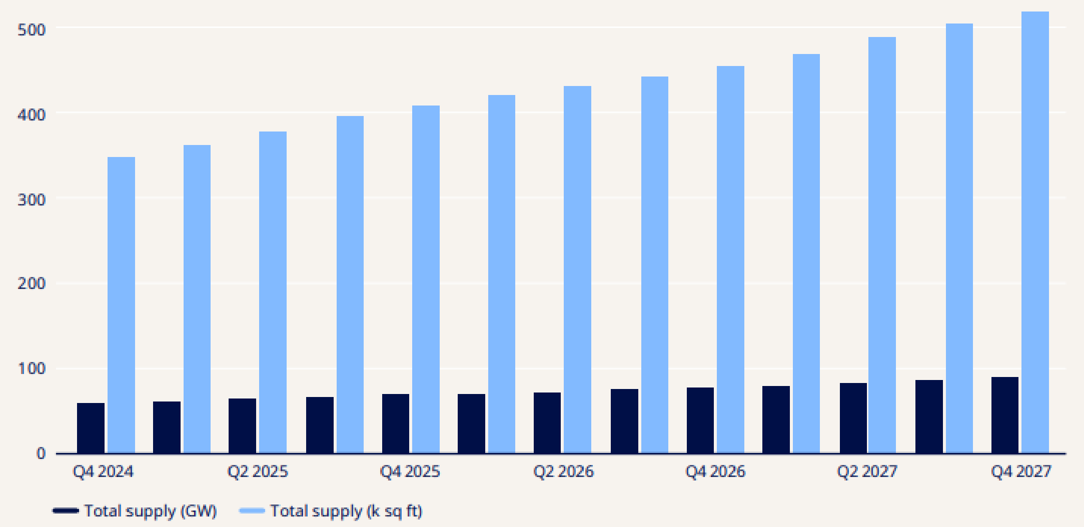
The AI boom is fueling growth in infrastructure and real estate but may lead to doubling up of risk

AI is dramatically accelerating both the digitalization of society and the energy capacity required to meet higher demand.

- While this creates significant return potential in real assets, the fundamental role these asset classes play in AI may also be contributing to portfolio overlap and concentration risk.
- Despite being labelled as real assets, these investments are technology exposed via AI-related demand and partly energy and climate infrastructure exposed via power intensity and location dependence.
- Without integrated risk oversight, investors may end up holding duplicated exposures across ‘diversified’ buckets.

By 2028, estimates suggest that AI demand for electricity will match that of 22% of all US households annually, driving data center demand.[8]

Figure 2: Forecasted data center supply



Source: Goldman Sachs Research, February 2025

8 The International Energy Agency, AI is set to drive surging electricity demand from data centres, April 2025

The rise of stealth concentration risk

Overlapping risks demand a new, integrated approach to portfolio construction

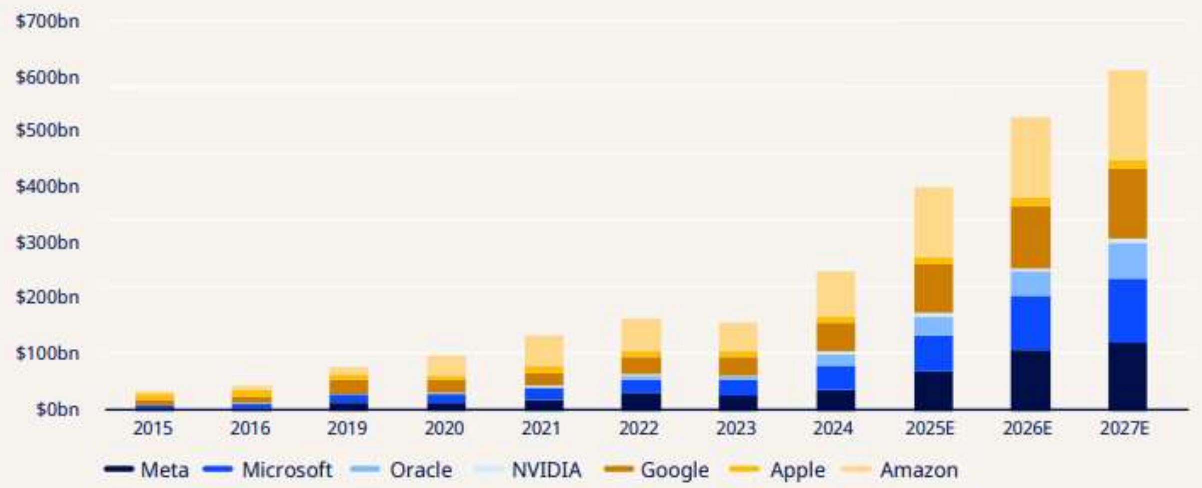
The evolution of healthcare, and new infrastructure era illustrates the system-level impacts of AI across traditional sectors and labels

Through structural disruption, top-down diversification may hide bottom-up overlap

Beneath what might look like a well-diversified portfolio, the acceleration of AI creates what we call **‘stealth concentration risk’**

Even if investors reduce “direct” Big Tech exposure, AI risk endures across sectors and asset classes, exposing portfolios to many of the same underlying drivers and overlapping risks

Figure 3: More than US$1trillion of hyperscaler capex is expected in 2026 and 2027, more than many developed economies’ GDP



Source: FactSet, Mercer, as of October 2025

Democratization is reshaping private markets

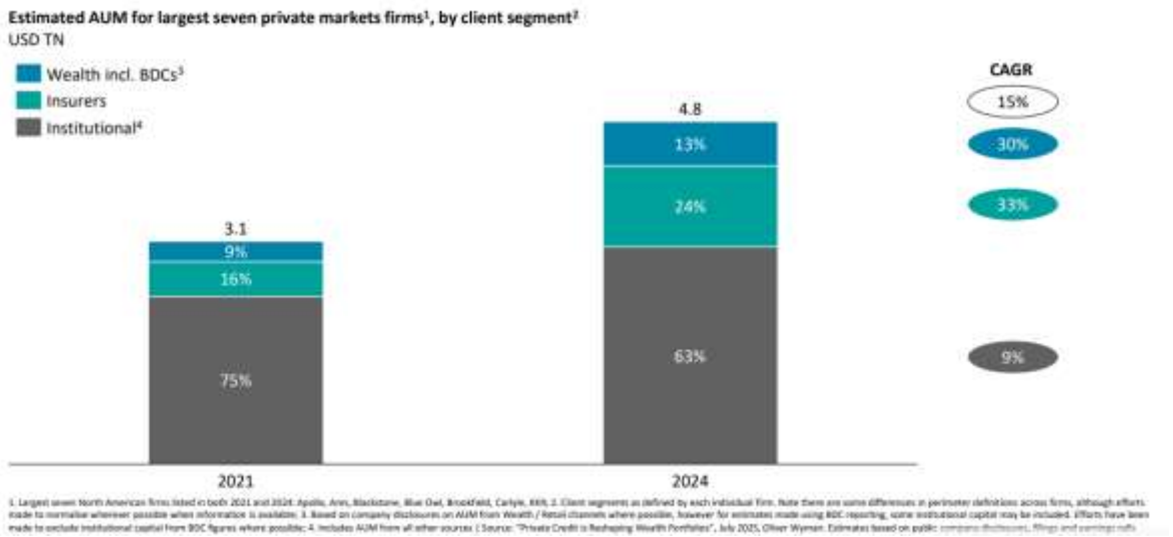
Private markets are expanding beyond institutions, enabling retail investors to participate in once exclusive alternatives

Key drivers

1. Regulatory support
2. Product innovation
3. Lower minimum and flexibility
4. Technological advancements

Wealth investors as a share of AUM in the largest seven private-market firms saw a compound annual growth rate (CAGR) of 30% between 2021 and 2024, double the rate of overall AUM growth

Figure 5:



Portfolio benefits for wealth investors

Expanding the investable universe	+	Access to active value-creation	+	Making use of your illiquidity budget	=	More Durable Objective-led Portfolios
By investing in private markets, investors gain access to **a host of assets not otherwise available in public markets** across equity, credit, and real assets		Private market investments derive a significant amount of their **value-add from a transformation** (private equity and real assets) or fee for service (credit) provided by the manager that is not available in public markets		By accepting some illiquidity, more value-creation strategies are available to investors		Private markets have outperformed comparable public assets over the long-run. The greater breadth of asset types and value-creation strategies adds diversification and durability to the portfolio

New tools, new access, new signals

3

New tools for a market defined by megatrends

In a market undergoing structural shifts, AI is transforming the investment process

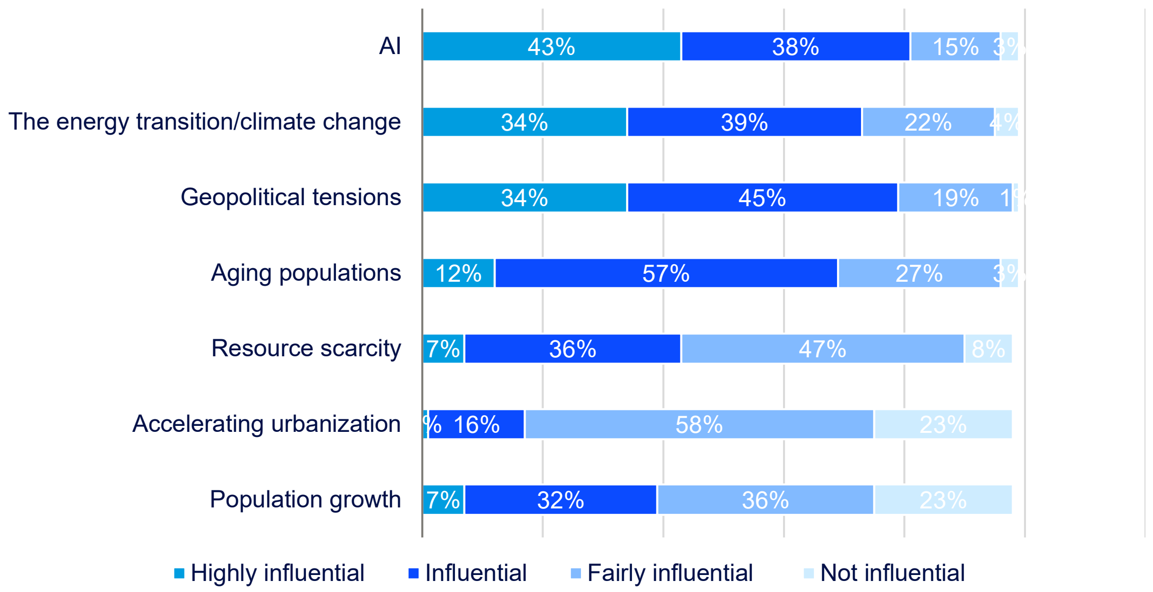
- Investors contributing to our Large Asset Owner Barometer (representing a collective US$2 trillion+), believe AI will be the most influential theme shaping the macro environment over the next 5-10 years.

- Stakeholders across the investment ecosystem are assessing AI's potential to transform their operations, and building AI strategies in response to competition and client demands.

Irrespective of use-case or strategy, data is the fuel of AI; **Mercer has access to a vast and diverse array of data**

Figure 4: AI is front and centre for large asset owners

How influential do you think the following long-term themes will be in shaping the macro environment over the next 5-10 years?



Source: Mercer, Large Asset Owner Barometer, 2025

RateSense™: the next iteration of Mercer research

Evolving Mercer's research process to augment our investment and operational due diligence workflows, by embracing the latest artificial intelligence technology and process improvements.

Quality and flexibility

Researchers ensure continued quality and insights, maintaining robust governance

Scale and coverage

New segments, geographies, and vehicles not previously covered

Timeliness and responsiveness

Continued depth at speed and scale

The **depth**, **breadth**, and **experience** of Mercer's research team is a key part of our DNA. RateSense is the next phase of our evolution as we continue our goal to give investors **confidence** as they select, implement, and review their portfolios.

This offering is under development and is not yet available. Mercer expects to launch for internal use in 1H 2026. Expanded coverage and additional potential uses are expected to follow.

MarketSense™: decoding the past to help forecast the future

MarketSense is intended to support investors faced with numerous decisions on how they structure their business to meet client and stakeholder needs.

Mercer's access to proprietary data and knowledge

Mercer Investments has $17.5T in assets under advice and $671B in assets under management, providing a differentiated view of institutional investors globally.

- Proprietary consulting insights
- Observed client behavior
- External signals

MarketSense models reflect real world decision-making

Models the **decision stages** and **conditions** that lead allocators to invest in, rebalance across, or divest from an asset class

Delivers **aggregated**, **client-segmented**, **forward-looking** flow forecasts with clear rationale and traceability

Confidently anticipate opportunities ahead of the market with insights that are visible, credible, and actionable

Product Strategy	**Distribution Strategy**
Client Segments	**Allocator Trends**

Rooted in Mercer's legacy of investment research, advice, and solutions, MarketSense delivers trusted insights and analytics that empower confident, informed, decisions.

This offering is under development and is not yet available. Mercer expects to open for selected beta users in 2H2026

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The end of set-and-forget investing?

4

Why the classic balanced portfolio isn't balanced anymore

Market challenge

- A higher inflation backdrop
- Rate hikes hurt both stocks and bonds
- Markets swing harder and faster
- Structural shifts create overlapping risks

Strategic response

- Access alternatives
- Total portfolio approach
- Holistic & integrated risk management
- Flexibility as the new defence

Considerations for a new portfolio playbook

01

Challenge the assumptions that come with old labels

- Manage exposures across the whole portfolio, not by asset-class labels
- Diversification must reflect underlying risk drivers, not legacy categories

02

Structural shifts require more than new allocations - they require new intelligence

- AI-driven tools, proprietary data, and forward-looking signals allow investors to anticipate capital flows, identify regime changes earlier, and make decisions with greater speed and precision

03

In a world of structural disruption, alternatives can add balance

- Expanding access to private markets enables investors to diversify beyond traditional beta and capture value creation unavailable in listed markets, enhancing diversification and long-term return potential

Collaborating for Investment Solutions by Alexforbes clients

Mercer is the largest investment consultant globally; we collaborate with thousands of asset owners and asset managers globally, sharing ideas and innovation across the investment industry.

- As new threats and opportunities emerge daily in global capital markets, innovation is the only proven formula to generate consistent outperformance; "being early and being right" counts
- Investment Solutions by Alexforbes, can deliver this same innovation to its client base and deliver the benefits of Mercer's global, industry-leading manager research, data and solutions

Investment Solutions by Alexforbes market-leading local presence
+
Mercer's global industry leadership
=

Driving better investment outcomes for Investment Solutions by Alexforbes clients

Thank you.

We are leaders in risk, strategy and people. One company, with four global businesses, united by a shared purpose to build the confidence to thrive through the power of perspective.

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Please see the following link for information on indexes: https://www.mercer.com/content/dam/mercer/attachments/private/nurture-cycle/gl-investment-management-index-definitions-mercer.pdf

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Shares	Yes	Yes	
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Debentures and securitised debt	Yes	Yes	
Warrants, certificates or other instruments	Yes	Yes	
Bonds	Yes	Yes	
Derivative Instruments	Yes	Yes	
Participatory interest in a collective investment scheme	Yes	Yes	
Long-term deposits	Yes	Yes	
Short-term deposits	Yes	Yes	
Long-term Insurance subcategory B2	Yes		
Long-term Insurance subcategory B2 – A	Yes		
Long-term Insurance subcategory B1 – A	Yes		
Structured Deposits	Yes	Yes	Yes
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