

Research Report

Arrowstreet Capital
Global Equity - World

November 2025



Strategy

Manager	Arrowstreet Capital
Strategy	Global Equity - World
Category	International Equity, Global Equity - Core Developed - Systematic
Date	November 2025

Mercer Assessment

Idea Generation	
Portfolio Construction	
Implementation	
Business Management	
Rating	A
ESG (Relevance/Indication)	Medium
	Integrated

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Mercer View

Arrowstreet is a top-tier quantitative firm whose forward-thinking research is a good blend of academic knowledge and pragmatic market application. The firm continually focuses on enhancing its platform via a robust research process. The team dynamically tests and retests current and potential new indicators to further strengthen its alpha drivers, a process that is essential to quantitative strategies. While systematic processes are the mechanisms by which the team carries out its investment philosophy, fundamental investment principles underlay each research project undertaken by the team. We have high regard for Arrowstreet's substantial investments in its technology and research, and we can clearly see the insights provided by its research.

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Idea Generation



Key takeaway: The systematic process comprises a diverse and comprehensive set of signals, taking into consideration multiple sources of information, both internal and external company-related data. We consider its research effort in support of its systematic process to be innovative and leading edge.

Pros	Cons
<ul style="list-style-type: none">The systematic process comprises a broad and diversified array of proprietary signals, taking into consideration both company- and non-company-related information. Historically, Arrowstreet has been at the forefront in identifying non-obvious informational sources not directly emanating from a company.The investment process is dynamic in design with signal weightings varying with changing market conditions. Key to the approach is emphasizing those signals that exhibit the greatest mispricing at points in time.Arrowstreet's research in support of its systematic process appears innovative and a standout among its systematic peers. The firm's long legacy of enhancing existing and developing new investment signals is notable.The research process is conducted within a well-structured framework in ensuring resources are managed efficiently. All elements to its valuation and risk models are well tested.The investment team is deep and staffed with highly credentialed professionals. We find few holes, if any, in the make-up of the team.Arrowstreet continues to invest heavily in technology, data, and other resources to support its research.	<ul style="list-style-type: none">There have been several leadership changes in recent years, which raises some concern around continuity of the firm's investment effort. That said, Arrowstreet has a good track record in transitioning its leadership, ensuring its approach remains effective.With other managers expanding their use of non-company related signals, this may dampen the advantage that Arrowstreet has held historically.

Portfolio Construction ■■■□

Key takeaway: The portfolio fully reflects the intent of the investment process. Additionally, the firm continually enhances its optimization process to advance the efficiency of portfolio construction.

Pros	Cons
<ul style="list-style-type: none">The portfolio is derived directly from the model output, subject to reasonable pre-trade checks, and hence fully reflects the team's investment philosophy.Risk management is an important element of the process and Arrowstreet is aware of the risks in the portfolio.The portfolio is rebalanced frequently to ensure it is capturing alpha generating ideas in a timely fashion.	<ul style="list-style-type: none">While Arrowstreet allocates significant resources to research on portfolio construction and implementation, the bulk of its research is on alpha generation.

Implementation ■■■□

Key takeaway: Arrowstreet actively monitors trade impact, is aware of capacity, and manages its growth according to what we believe are reasonable guidelines.

Pros	Cons
<ul style="list-style-type: none">• Arrowstreet is cognizant of liquidity issues and explores this topic on a regular basis. The firm has closed strategies ahead of reaching liquidity constraints.• Arrowstreet is continually searching for better execution algorithms, the ability to access more pools of liquidity through increased use of block trading networks, and enhanced intraday forecasts to assist trade scheduling and reduce market move shortfall.	<ul style="list-style-type: none">• While overall firm assets are at manageable levels, they are significant and Arrowstreet tends to invest meaningfully in the lower end of the market capitalization spectrum. This may lead to liquidity issues in the event of extreme market conditions.

Business Management ■■■□

Key takeaway: Arrowstreet is employee-owned, and its interests are aligned with investors. Additionally, The firm employs one investment philosophy, and all resources are devoted to enhancing the shared process.

Pros	Cons
<ul style="list-style-type: none">• Ownership has expanded among its active employees over the years, representing a majority of the firm's equity. We believe this helps retain talented employees.• Partners focus on investment management while outsourcing non-value-added operational activities.• Arrowstreet has experienced notable asset growth, and to date we find the firm has managed that growth effectively.• The business is highly profitable and stable.	<ul style="list-style-type: none">• With all of its strategies managed in the same philosophy and process, Arrowstreet is susceptible to significant asset outflows should its style of investing be out of favor.

ESG

Strategy Level ESG Integration

ESG Relevance¹	Medium
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ESG Indication²	Integrated
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¹Highlights Mercer view on how relevant ESG factors are within a sub-asset class to the underlying investments and the potential for a material impact on the risk and return outcomes of investment strategies within the sub-asset class.

²Where ESG is of high or medium relevance (as noted above), the purpose of this indication is to highlight that researchers have discussed what key decision makers are doing to undertake assessment of financially material ESG factors for this strategy/fund.

Key Takeaway

Arrowstreet selectively integrates specific environmental, social, and governance (ESG) information into its investment process. The firm incorporates ESG signals primarily in its alpha models via the governance factor and more broadly in its risk models. Historically, it has found little evidence that ESG issues are a consistent source of alpha. While Arrowstreet's research shows evidence that ESG information is relevant to stock pricing, this information tends to be obvious and difficult to capture as a source of alpha. Nonetheless, the firm is open to customizing solutions for clients with stricter ESG or SRI needs.

Strategy Summary

Philosophy. Arrowstreet believes that equity markets are not always informationally efficient in terms of stock pricing. Moreover, these inefficiencies can exist for extended periods, providing investors with alpha generating opportunities. Further, the manager believes the key to generating alpha involves evaluating securities on an integrated basis taking into consideration both direct effects (company characteristics) and indirect effects (non-company related characteristics). Finally, the manager believes its pure systematic approach to investing is best positioned to capture these opportunities given its ability to process information faster than more discretionary approaches.

Investment Process. The manager's systematic approach employs a quantitative model that comprises a broad set of investment signals. The signal categories include valuation, momentum, catalysts, high frequency, quality, and extreme sentiment. These signals are selected based primarily on their historical ability to forecast future returns. The signal weightings will vary dynamically over time to reflect both changing opportunities in the market as well as the manager's assessment of the signal's effectiveness. The alpha model is designed with the intent of identifying individual stocks and market segments that exhibit the greatest mispricing at any point in time.

Portfolio Construction. The portfolio construction follows an optimization process that combines the alpha model's return forecasts with the manager's proprietary risk and cost estimates for individual stocks. A combination of long-term and short-term measures are used to arrive at the risk estimates in capturing the changing risk characteristics in the market.

Team. Arrowstreet organizes its investment team by function, with separate groups focused on research, portfolio management, implementation, and client service. The team is staffed with highly credentialed and experienced individuals to carry out its responsibilities. It is appropriately sized and sufficient to conduct the portfolio construction and in-depth research necessary to maintain its edge.

Strategy Characteristics	
Fundamental or systematic	Primarily systematic
Bottom up (company driven) or top down (theme driven)	Bottom up
Persistent factor exposure¹	Value, Momentum
Expected tracking error relative to peer group	Higher than median
Holdings range	150 - 500
Maximum position size (%)	+/- 3%
Maximum sector exposure (%)	+/- 5%
Maximum country exposure (%)	+/- 5%
Maximum allowable off-benchmark exposure (%)	15%
Maximum cash weight (%)	Fully invests in equity
Use of risk tools	Yes, internal
Use of currency hedging	No
Expected turnover (annualized)²	100 – 200%

¹Persistent factor exposure is relative to an all-cap core benchmark.

²Calculated as the lesser of purchases and sales divided by average monthly net assets.

Key Product Details		
Inception year	2001	
Strategy assets under management	\$US19.8 billion	\$US19.8 billion
Benchmark	MSCI World	
Peer group	Global Equity (Core Developed Systematic)	
Product capacity	0.45% of the Free-Market Float	
Open/closed	Closed	
Manager provided outperformance target (% pa)	3	
Manager provided tracking error (% pa)	4 - 7	
Vehicle type	Segregated	
Indicative fee (% pa)*	0.65% on \$100m	
Universe median fee (% pa)*	0.63% on \$100m	

*In practice, fees may be negotiable.

Firm Overview and Strategy Key Decision Makers

Organization		
Year firm founded	1999	
Headquarters	Boston, MA, United States	
Firm structure	Independent investment firm	
Number of employees	349	
Firm assets under management	\$US216 billion	31 March 2025

Key decision makers						
Professional	Title	Location	Primary Role	Start Year Industry	Start Year Firm	Equity Owner
Derek Vance, CFA	Partner, Chief Investment Officer	Boston	Director	2007	2008	Y
Brendan Berger	Partner, Head of Portfolio Management	Boston	Portfolio Manager	1999	2013	Y
Chris Malloy, Ph.D.	Partner, Head of Research	Boston	Director	2003	2020	Y
Julia Yuan, CFA	Partner, Head of Alpha Development	Boston	Director	2007	2012	Y

Key decision makers (KDMs) are defined as portfolio managers, dedicated analysts and investment committee members who are significantly involved in a specific investment strategy portfolio's / fund's decision making. These KDMs drive the investment decisions and implementation of the portfolio and are accountable for the outcomes of that strategy.

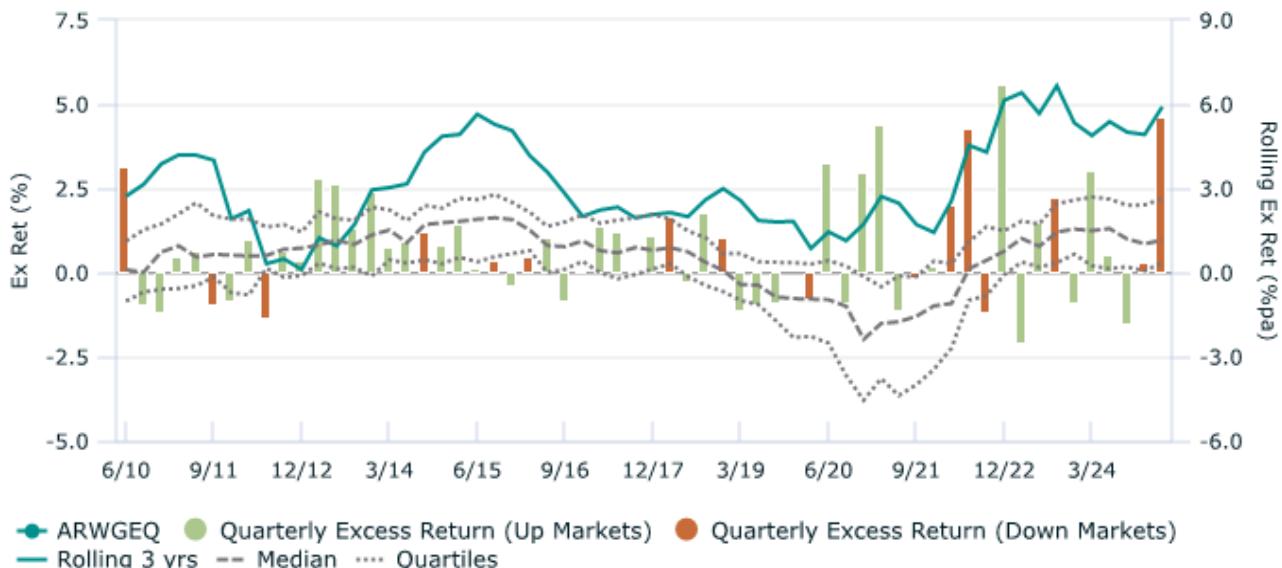
Staff Numbers	
Analyst	12
Portfolio manager	5

Track Record

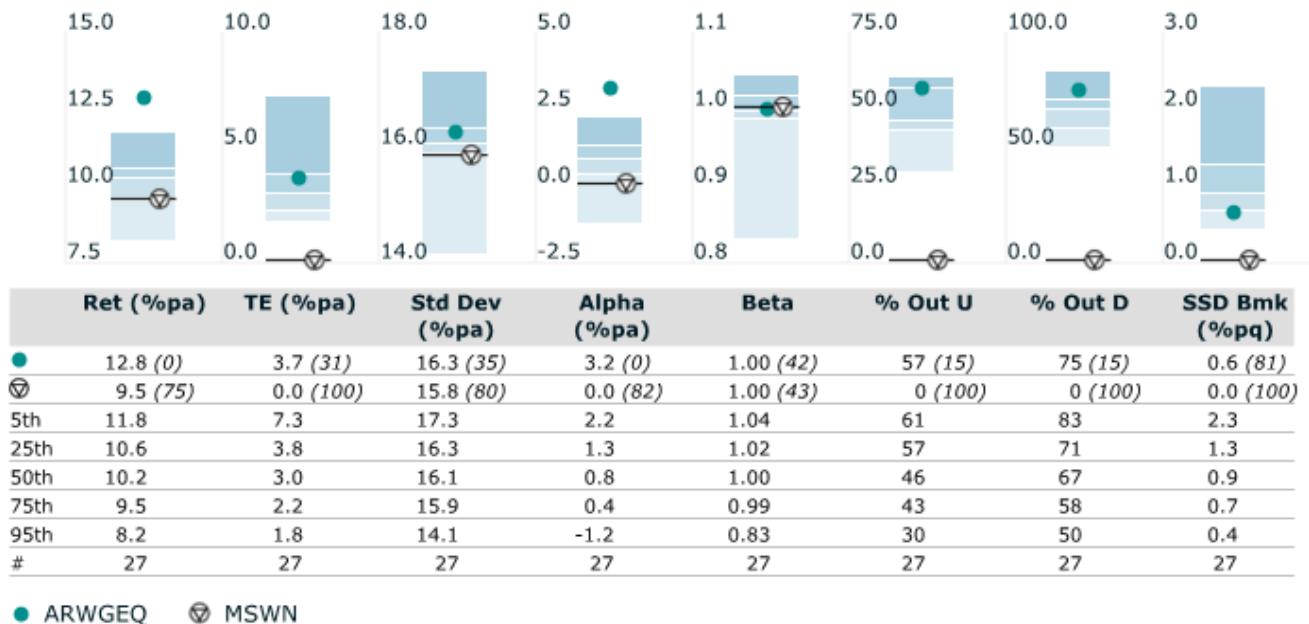
Track Record Details			
Track record	Global Equity Strategy - World - USD (ARWGEQ)	Mercer universe	Global Equity (Core Developed Systematic)
Base currency	\$US	Track record type	Composite
Gross/net of fees	Gross	GIPS compliant	Yes
Benchmark	MSCI World (Net) (MSWN)	Track record assets	US\$13690.083m 31 Mar 25

Quarterly Excess Return vs. MSCI World (Net) with rolling 3 yr line in \$US (before fees) over 15 yrs ending March-25

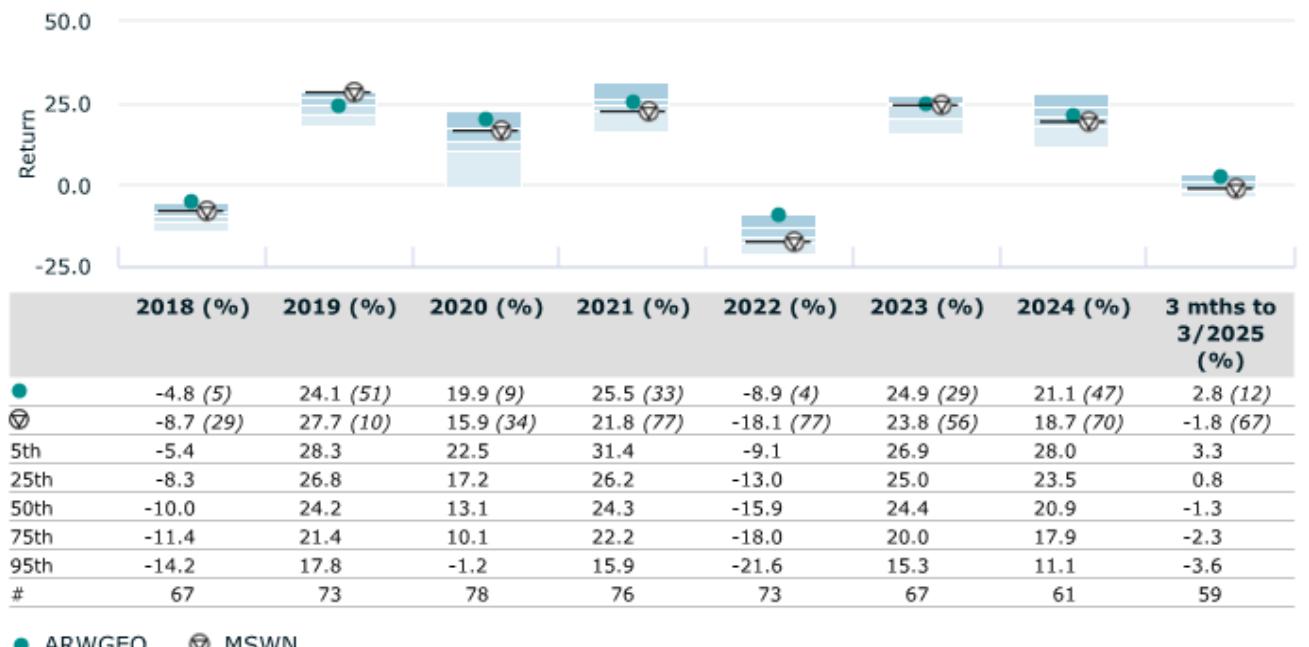
Comparison with the Global Equity (Core Developed Systematic) universe



Performance characteristics vs. MSCI World (Net) in \$US (before fees) over 10 yrs ending March-25
 Comparison with the Global Equity (Core Developed Systematic) universe (Percentile Ranking) (quarterly calculations)



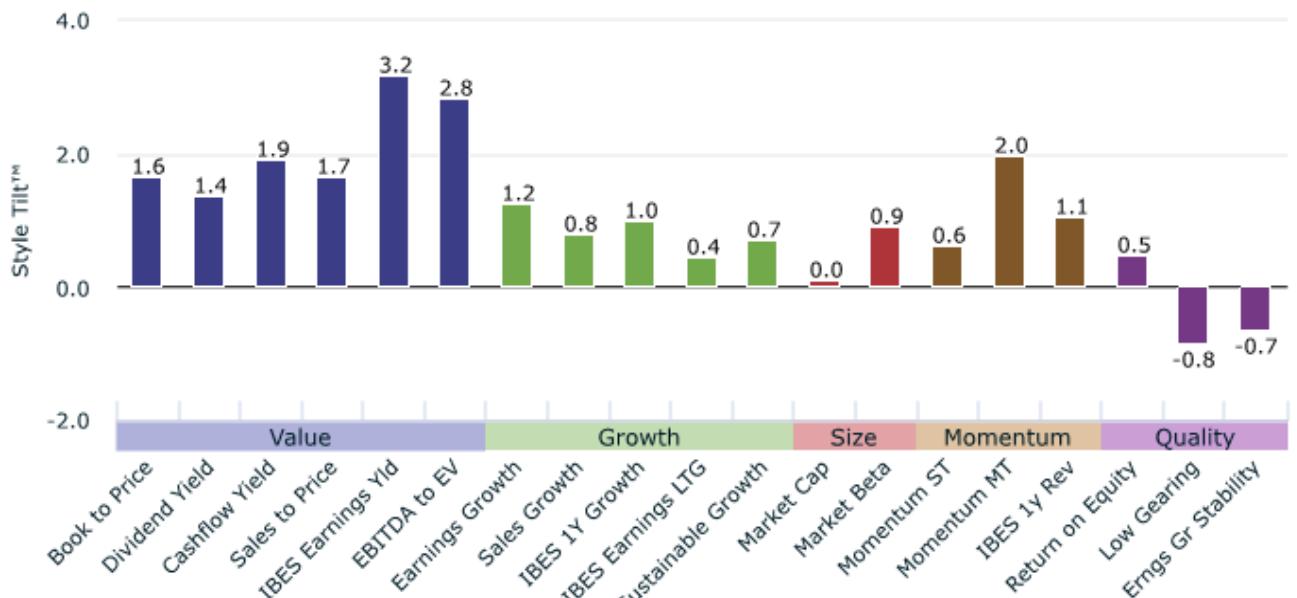
Return in \$US (before fees) over last 8 calendar years ending March-25
 Comparison with the Global Equity (Core Developed Systematic) universe (Percentile Ranking)



Portfolio Holdings

Portfolio Characteristics			
Date of analysis	31 Dec 2024	Adjustment used for style tilts	Unadjusted
Benchmark used for analysis	MSCI World Free	Cash	0.0%
Number of stocks	622	Selected portfolio fundamentals	Weighted Average (Benchmark)
Effective number of stocks	56	- Forward earnings yield	6.5% (5.1%)
Predicted tracking error	3.6%	- Market cap	\$777bn (\$774bn)
Predicted beta	1.04	- ROE	26.9% (25.5%)
Coverage ratio	41.6%	- Dividend yield	2.0% (1.6%)
Predicted vol (benchmark)	19.8% (18.8%)	- Debt/equity ratio	113.1% (98.9%)

Mercer Selected Style Skyline™ vs. MSCI World Free as at December-24

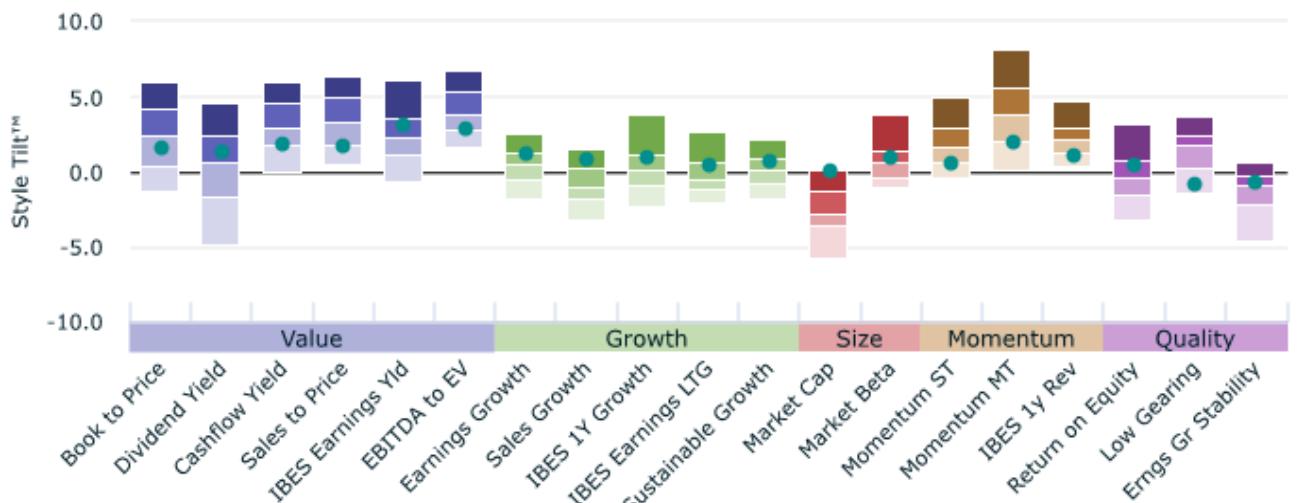


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Mercer Selected Style Skyline™ vs. MSCI World Free as at December-24

Comparison with historical range (March-04 to December-24)

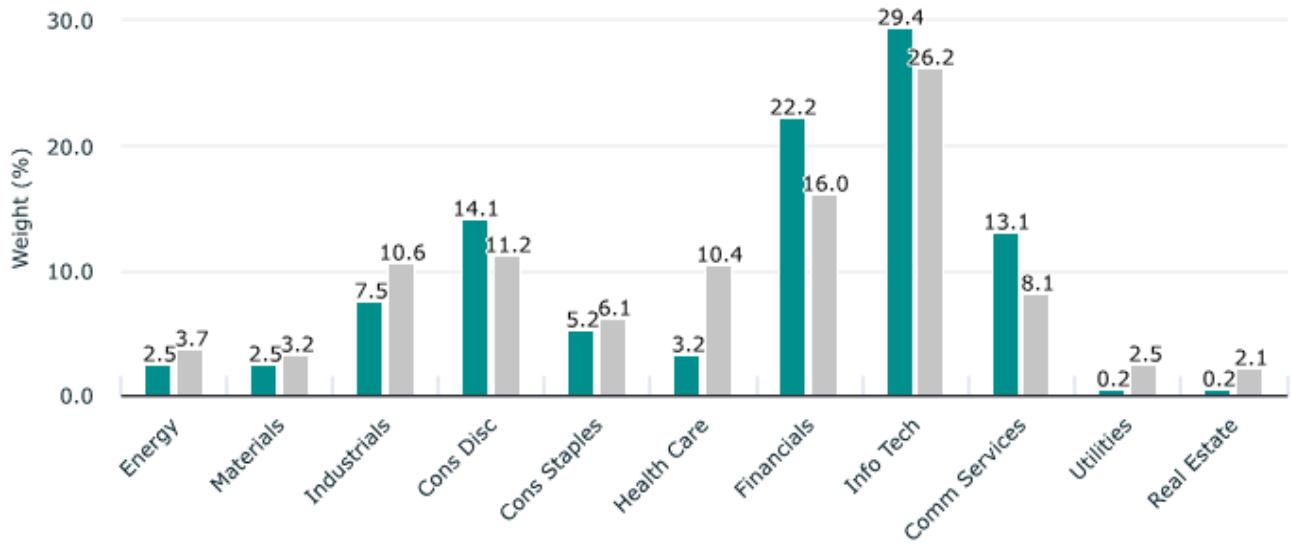


● ARWGEQ

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Sector Allocation vs. MSCI World Free as at December-24

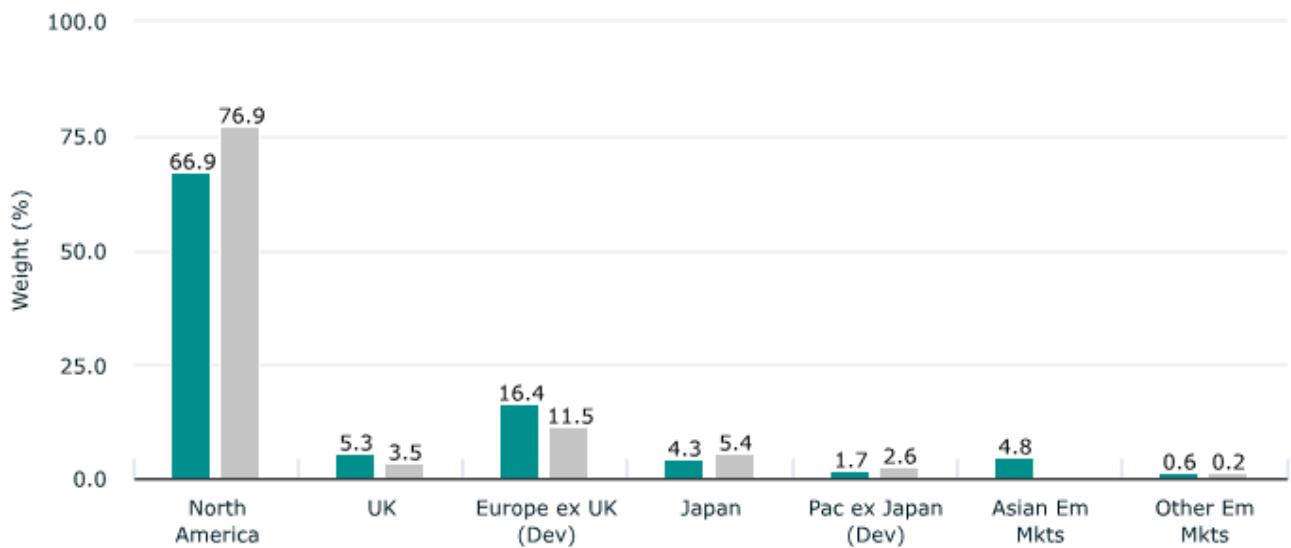


● ARWGEQ ● MSWF

* For sector allocation analysis prior to October 2018, the sector Communication Services was known as Telecommunication Services. This was created with, embodies and/or executes proprietary software and/or data under license from Style Analytics Ltd. © 2025 Style Analytics Ltd. All rights reserved. Style Analytics, Style Research, Peer Insights, Style Skyline, Style Tilt and StyleResearch® are registered trademarks of Style Analytics. StyleAnalytics™ is a trademark of Style Analytics.



Region Allocation vs. MSCI World Free as at December-24



● ARWGEQ ● MSWF

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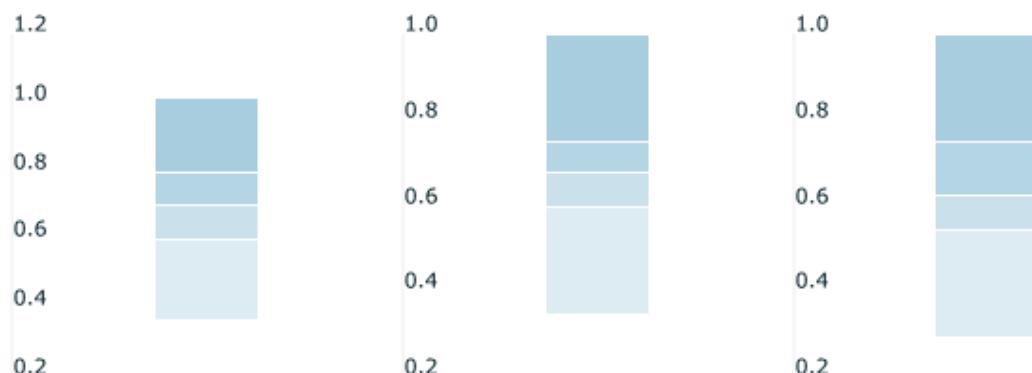


Fee Schedule

The table below shows the fee scale applicable for a representative vehicle for this strategy. Note that this may only include the manager's remuneration and may not include other expenses that investors may incur. Fees may be negotiable, particularly for larger mandates, and a performance related fee scale may be offered.

Vehicle name	Vehicle type	Fee scale	Minimum account size
Global Equity - World	Segregated	0.65% on the first \$250 million 0.55% on the balance	Not Provided

Fees 25m (%), Fees 50m (%), Fees 100m (%) in \$US
Comparison with the Global Equity universe



	Fees 25m (%)	Fees 50m (%)	Fees 100m (%)
● ARWGEQ	-	-	-
5th Percentile	1.02	1.00	1.00
Upper Quartile	0.80	0.75	0.75
Median	0.70	0.68	0.63
Lower Quartile	0.60	0.60	0.54
95th Percentile	0.37	0.35	0.29
Number	355	456	493

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Risk warnings

- The value of stocks and shares, including unit trusts, can go down as well as up and you may not get back the amount you have invested.
- Investments denominated in a foreign currency will fluctuate with the value of the currency.
- Certain investments, such as illiquid, leveraged or high-yield instruments or funds and securities issued by small capitalization and emerging market issuers, carry additional risks that should be considered before choosing an investment manager or making an investment decision.
- For higher volatility investments, losses on realization may be high because their value may fall suddenly and substantially.
- Where investments are not domiciled and regulated locally, the nature and extent of investor protection will be different to that available in respect of investments domiciled and regulated locally. In particular, the regulatory regimes in some domiciles are considerably lighter than others, and offer substantially less investor protection. Where an investor is considering whether to make a commitment in respect of an investment which is not domiciled and regulated locally, we recommend that legal advice is sought prior to the commitment being made.