16 August 2011

Investment Monitoring Report
of the Aberdeen Asset Management Ethical World Fund for the University of Western Ontario

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Contents

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Introduction and Conclusion

This report provides a qualitative evaluation of the investment strategy underlying the University of Western Ontario (UWO) defined contribution plan's socially responsible investment (SRI) global equity fund. The underlying investment strategy is Aberdeen Asset Management's Ethical World Fund. The Ethical World Fund (EWF) is Aberdeen's 'flagship' global SRI pooled fund and has extensive screening criteria. The UWO selected Aberdeen to manage a socially responsible investment option which is invested through the Mackenzie Universal Sustainable Opportunities Class mutual fund in order to meet monthly cash flow requirements. The Mackenzie Universal Sustainable Opportunities Class fund is modeled on Aberdeen's Ethical World Fund.

The views presented are based on ongoing Mercer manager research coverage of Aberdeen Asset Management and this investment strategy. Specific Mercer research coverage of the Aberdeen Ethical World Fund began in 2001. The most recent formal research assessment was conducted in July 2011 with previous assessments in August 2010, June 2009, June 2008, May 2007 and August 2005 (see details in Appendix A). The comments provided reflect the findings of these most recent research meetings held by our researcher in the UK.

Rationale for Confirmation of B+ Rating

The SRI strategy is based on Aberdeen's unconstrained global equity fund which is rated B+ by Mercer. The meaning of this rating is contained in the Guide to Mercer's Ratings contained in Appendix B.

The key factors preventing an improvement in the rating are the team's reliance on the output of Aberdeen's regional equity team with limited further value add, and a lack of insight on our part into the quality of these regional teams. However, we believe that the SRI team does provide an important value add to the regional ideas, and in comparison with a universe of Global SRI strategies we see the input of Aberdeen's regional teams of specialists as an advantage. The SRI team's capability has been strengthened by the cumulative effect of several years of development, such that in addition to providing an ethical verdict on companies the SRI team is now well integrated with the global and regional teams and is proactively identifying issues that impact the fundamental valuation of companies. We are therefore making no changes to the Global SRI strategy rating of B+.

We believe the SRI team has improved its integration with the global equity team in identifying and addressing ESG issues that may be likely to impact fundamental valuations. The team is forging stronger links with the investment team through the career progression of some of the analysts, and linking in with the regional equity teams for greater access to companies. As well, engagement initiatives at Aberdeen have further improved leading us to reaffirm the ESG rating of ESG2.

Conclusion

We do not see any reason to replace this fund in the UWO plan and propose that it continue to be offered to your members. There are three primary reasons for this recommendation.

1. In 2010 we noted that the SRI team's capability had been strengthened with steps taken to integrate the SRI team with the global and regional teams. We continue to see a good degree of integration between the SRI team with the regional teams and the SRI team appears to be spending more time working with regional analysis to identify potential valuation impacts of ESG issues. There are no changes in the ratings for the Global SRI strategy at B+, and ESG rating of ESG2.

2. Historical performance of the Aberdeen Ethical World Fund has been acceptable and members would likely question its removal. As indicated in the section entitled Past Performance, the fund has returned 1.0% (gross) as compared to -1.0% for the MSCI World Index for the five year period ending 31 March 2011 and ranked in the first quartile in the Mercer global equity universe, and

3. There are relatively few alternative investments in the SRI global equity universe for Canadian defined contribution pension plans. A B+ rating indicates that Mercer believes the fund has above average prospects for outperformance which supports its continuation in UWO's fund line up.

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Organisational Review

Firm background and history

Aberdeen Asset Management plc (AAM) is an independent investment company listed on the London stock exchange. AAM is head quartered in Aberdeen, Scotland and also has investment offices in Chicago, Connecticut, Fort Lauderdale (covering Latin America), London, Edinburgh and Asia. The group was founded in 1876 and has concentrated on investment management since 1982. In 1991, it was listed on the London Stock Exchange. In 2000, AAM acquired the Scottish fund manager, Murray Johnstone, and EquitiLink, an Australian based fund manager. In 2003, AAM acquired Edinburgh Fund Managers Group plc, a United Kingdom based fund manager. In 2005, AAM acquired Deutsche Asset Management's fixed income teams and businesses. In June 2008 AAM acquired the UK fund management business of Credit Suisse Asset Management (CSAM), with Credit Suisse taking a 23.9% stake in Aberdeen. In January 2010 Aberdeen announced the acquisition of various assets from Royal Bank of Scotland ('RBS'), mainly Fund of Hedge Fund and Long Only Multi Manager assets.

Aberdeen has an alliance with Mitsubishi UFJ Trust and Banking Corporation (MUTB) whereby MUTB have a stake of 18.6% in Aberdeen, with MUTB distributing certain Aberdeen products in Japan.

Assets under management

As at 30 June 2011, Aberdeen Asset Management had C$286bn (an increase from C$261bn as of 30 June 2010) under management, with C$131bn in equities (compared to C$96.7bn as of 30 June 2010).

Organisational comments

There was no significant turnover during the 12 months ending July 2011.

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Investment Review

Key details: Aberdeen Global Equity SRI – Ethical World

Inception Year	1999
Assets under management in strategy	C$1.5 billion as at 30 June 2011
Estimated capacity	No limit*
Open/Closed	Open to All Investors
Most suitable benchmark index for strategy	FTSE World**
Outperformance target (% per annum) - Manager's estimate	3%
Expected tracking error range (%) - Manager's estimate	3% - 9%

SRI Characteristics	Two versions of the strategy are offered – Ethical World and Responsible World. Six basic exclusions are applied to both: no alcohol, gambling, military, pornography, tobacco or weapons. The Ethical World product also excludes nuclear and companies with poor track records in the following areas: the environment, labour issues, product quality, human rights, animal testing, community involvement and corporate governance. Typically this results in exclusion of 12-15 stocks from the unscreened portfolio of 40-60 stocks. The Responsible World product applies only the base exclusions but incorporates an engagement programme. Typically this results in exclusion of 5-6 stocks from the unscreened portfolio.

* Aberdeen is not willing to assess capacity in the global equity strategy however we have some concerns over capacity at a firm wide level.

** This benchmark is used for historical reasons though most of Aberdeen's global equity strategies benchmark to MSCI World and for this reason we compare performance to MSCI World in this note.

Key decision makers

Stephen Docherty heads the global team, and has been with Aberdeen since 1994, with experience of the US and LATAM markets. Bruce Stout is the senior portfolio manager and has over 19 years experience, joining when Aberdeen acquired Murray Johnstone. He has managed US, LATAM and Asian mandates in the past. The global equity team are all based in Edinburgh. Hugh Young, Head of Equities, is responsible for the regional teams as well as the Global team and so is seen as critical to the overall equity offering. He joined Aberdeen in 1985 and is based in Asia. Cindy Rose heads SRI research and leads a team of four who are an integral part of the Edinburgh based Global Equity team.

Investment style/philosophy

This is a bottom-up, stock picking, approach which is benchmark agnostic and has a focus on absolute value. The firm focuses on quality and price, aiming to find good quality stocks with cheap valuations and hold them for the longer term. In terms of socially responsible investing, Aberdeen believes that it has the leverage to influence companies and that 'power' should be used to encourage companies to become better corporate citizens. In this way, a company will be able to enhance its reputation, enable it to improve turnover, avoid litigation and generate higher returns to shareholders. Engagement with companies plays an important role in Aberdeen's SRI approach.

Investment process

The starting universe for the global team is the ideas which form the regional unconstrained model portfolios, totalling approximately 300 to 350 companies. The regional teams assess companies in two stages, quality then price. Quality encompasses management quality, business strategy/prospects, financials (strength of balance sheet, use of gearing) and corporate governance (transparency and commitment to shareholder value). The assessment of quality is derived from company meetings where a series of questions is used to determine a pass/fail. The regional teams will generally not recommend a company without first meeting the management. Following a company meeting the regional analyst produces a detailed stock note which is circulated to the broader teams and stored on an internal database. Stocks that pass the quality test will then be assessed based on price. Stocks are valued relative to key financial ratios (P/E, P/CF, NAV, Dividend Yield), the market, the peer group and business prospects. Criteria vary by sector/industry and comparisons are made cross-border. Stocks that are too expensive will go onto a watch list.

The global team take the stocks that make it past the quality and price criteria, and get included in the regional model portfolios, as their universe. They then apply a market capitalisation minimum of $500 million, which usually excludes another 20 names. They conduct an additional layer of comparative assessment of company valuation across the world.

The global team meet weekly to discuss changes to the regional buy lists, portfolio transactions, cash levels, performance and compliance. The output from this Monday meeting is a 'model' unconstrained global portfolio. This portfolio is the starting point for the ‘SRI overlay’. Six basic exclusions are applied to both versions of the strategy (Responsible World and Ethical World): no alcohol, gambling, military, pornography, tobacco or weapons. The Ethical World strategy also excludes nuclear and companies with poor track records in the following areas: the environment, labour issues, product quality, human rights, animal testing, community involvement and corporate governance. The SRI team undertakes detailed reviews of company practices and policies in order to identify whether they meet the ethical criteria, and also to identify potential fundamental issues related to ESG issues that may impact the valuation of each company. Such issues are proactively brought to the attention of the regional and global portfolio managers so they can be taken into account for both the unconstrained and ethical portfolios. When a company in the global equity model portfolio fails the SRI screens, the team will usually seek an alternative from the buy list which has similar risk and exposure characteristics, though it need not be within the same sector. Companies that fail the screens may also become candidates for Aberdeen’s engagement programme and if improvement is shown it is possible for them to be approved for investment.

The global SRI strategy invests primarily in mid and large cap stocks and holds between 40 and 60 stocks and may at times be slightly more concentrated than the unconstrained portfolio. The expected holding period is long term and turnover is expected to be low on average. New holdings are introduced at 1-2% (and are capped at 5%). Decisions on final positions are usually made by consensus, although Docherty does have the right of veto if necessary. Although this is primarily a bottom-up approach, country views are taken into account during portfolio construction. Risk relies on common sense checks and the principles of diversification. Aberdeen does not equate risk with divergence from benchmark, but with investing in companies that do not deliver the expected return.

Stocks are sold when there is a deterioration in quality (such as changes in management, dishonesty/fraud, loss of business focus/direction, industry factors), a deterioration in value (price increases outpace growth potential or other better-priced stocks emerge), or due to corporate activity (mergers/acquisitions). When the stock is removed from the regional model portfolio or is deemed to no longer meet the ethical requirements of the strategy by the SRI team the Global team have 30 days to sell their holding - although typically they will be aware of the removal ahead of the event and participate with the other teams. Currencies are not actively hedged.

Implementation

While capacity is not likely to be an issue in this strategy it is worth noting that Aberdeen manage a significant asset base with a common investment philosophy; asset levels in GEM equities have been raised as an area of concern in the regional strategies. The global team use a central order system for posting trades, and deals are picked up by either the London or Singapore team, both comprising experienced dealers.

Issues to watch

Capacity is an issue to watch across Aberdeen strategies, especially the Asian and Emerging Markets products, which may impact the global team’s ability to invest in certain areas of the market.

The SRI team works with a pre-approved buy list provided by the regional teams; any potential instability within these teams would lead us to review our rating of this strategy.

What kind of impact will future potential acquisitions have on the teams and the firm?

Highlights

This was an update meeting with the Global SRI team and there are no changes to our ratings. The unconstrained Global Equity strategy on which the SRI strategy is based was updated 1 March 2011 which can be viewed on GIMD.

Assets under management in the Global SRI strategy have increased by £234 million in the past year with approximately £143 million coming from the launch of a Luxembourg-based pooled fund in December 2010. Aberdeen sees a lot of interest coming from potential clients for this pooled fund and has had some existing clients switch into this pooled fund. More interest has been coming from the Scandinavia, specifically regarding how ESG factors are integrated into the investment process and interest is directed towards the Responsible World strategy. Ethical World remains popular with UK investors given the stringent negative screening process.

We continue to see a good degree of integration between the SRI team with the regional teams and the SRI team appears to be spending more time working with regional analysts to identify potential valuation impacts of ESG issues. The SRI team indicates there is a greater amount of interest coming from the regional teams regarding EGS issues, as a result of the annual SRI research notes published for each company, which we see as positive. The SRI team will typically raise issues with the fundamental team and has been able to travel to various regions to attend company meetings with analysts, which we believe allows them better access to management. Brown indicated that attending these company meetings gives the team good insight regarding the company's ESG activities, especially if companies are unprepared for the questions, as it allows more insight as to whether a company is actually doing something or just talking about it.

The Responsible World product offers more flexibility than the Ethical World for the team to make some positive impact that goes beyond simple exclusions. This is accomplished through the screening process based on companies exhibiting negative performance over 3 years on certain issues (see Further Details). In these cases, the team will replace these stocks from the buy list with stocks that have similar characteristics (which can be done in both products), or engage with the companies to improve performance (which will only be done in the Responsible World product).

Portfolio holdings analysis

International - Global Equity - SRI - Global Equity SRI

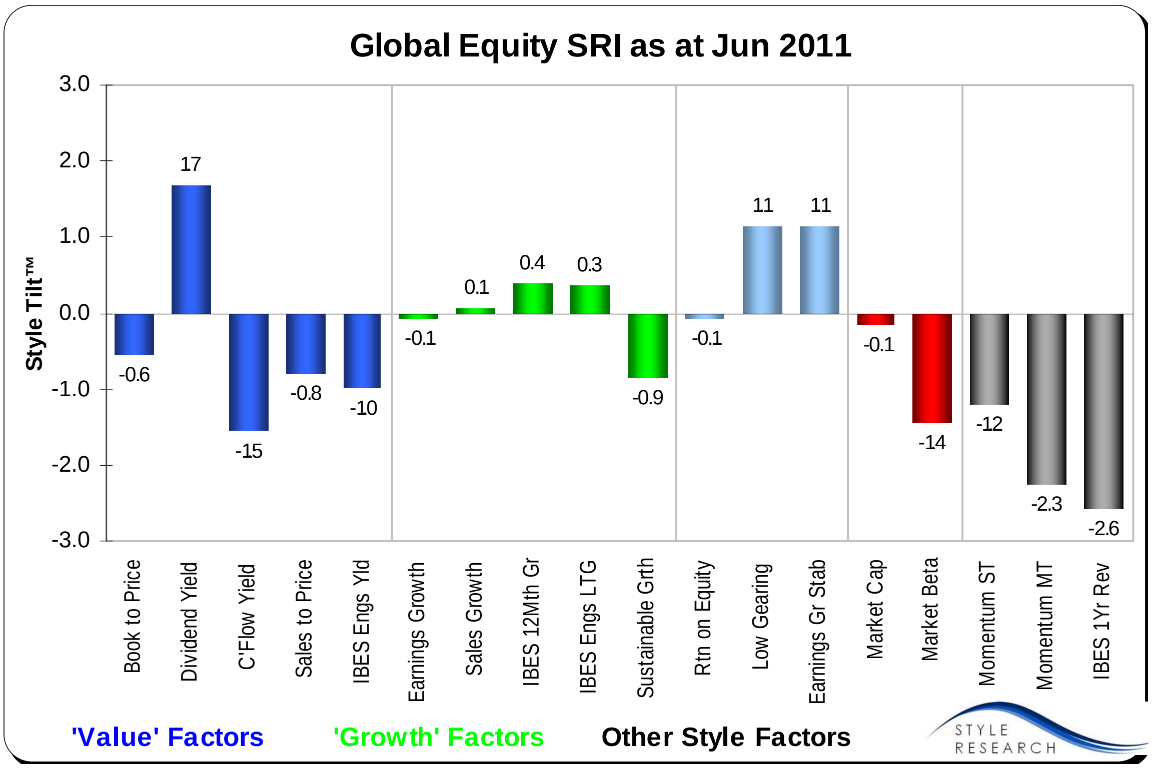
Date of analysis	30 June 2011
Benchmark used for analysis	MSCI World Free
Number of stocks	41
Predicted tracking error (%)	4.9
Adjustment used for Style Tilts	Country Adjusted
Cash (%)	3.8

The following chart shows the 'style tilts' for the portfolio. The tilts have remained consistent from the previous years with no significant growth or value bias. As expected, the bias towards quality is evident, indicated by the low gearing and earnings growth stability, although we would expect a positive tilt to ROE.

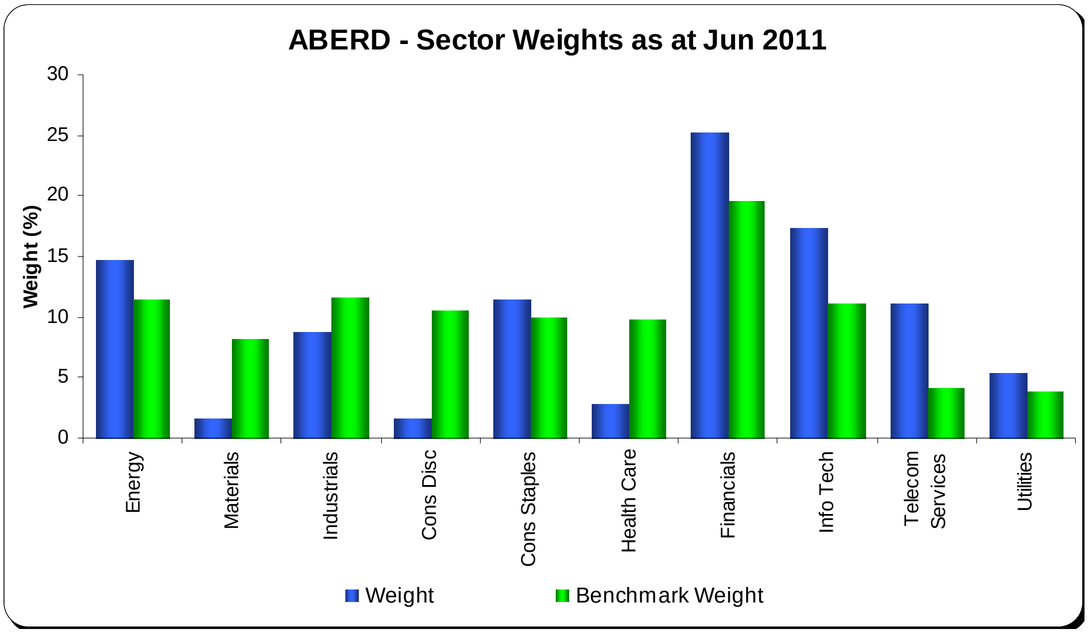
The biggest sector differences between the unconstrained Global strategy and Ethical World are within the Tobacco and Health Care sectors, resulting from the negative screens. Given the number of companies excluded from these industries, the team looks to replace stocks with similar characteristics (high cash flows, high dividends) and have increased exposure to Telecoms and other consumer goods companies. The team has reduced exposure to Industrials as they feel valuations have become high, and instead are moving into markets that have been out of favour (such as Telecoms and Financials).

By region, the portfolio remains significantly underweight to the US versus the benchmark, as the team prefers to take a more diversified approach than the considerable exposure of the benchmark to the US and this has been the case since 2005. Over the past year, the team increased exposure with the addition of PepsiCo and Oracle whilst exiting Intel. Exposure to the UK has also increased with the addition of HSBC. The team sold several names including E.On, Asur, TNT, Mapfre and Intel Corp.

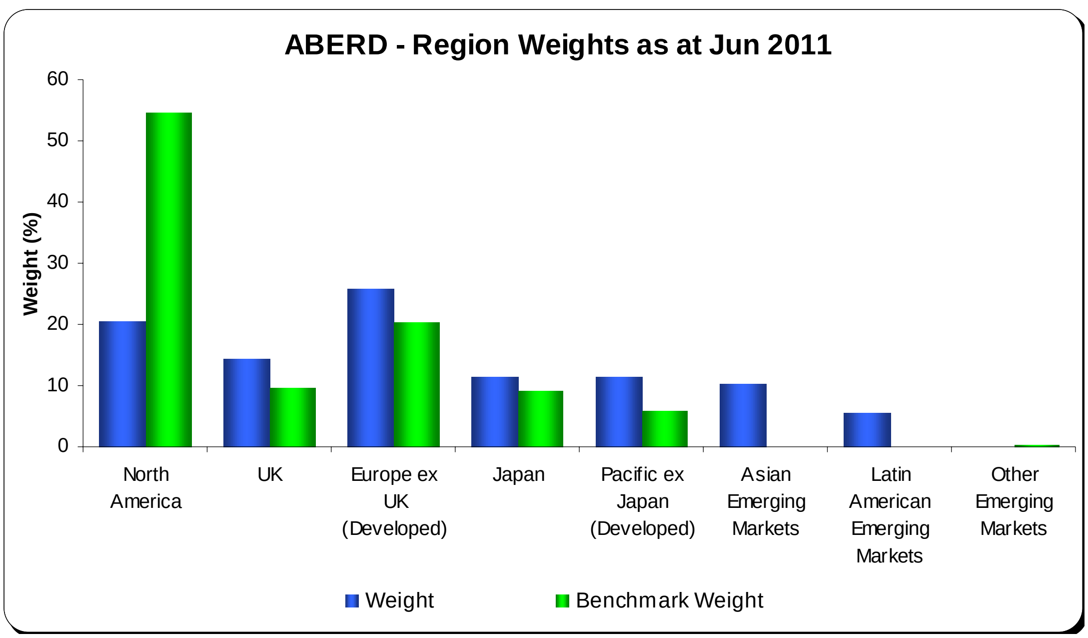
Cash is currently at a higher level than is typically the case, mainly resulting from the team top slicing several names and waiting for the right opportunities to add new names.



The following chart shows the portfolio weightings to each sector.



The following chart shows the portfolio weightings to each region.



Past performance

International - Global Equity - SRI - Global Equity SRI

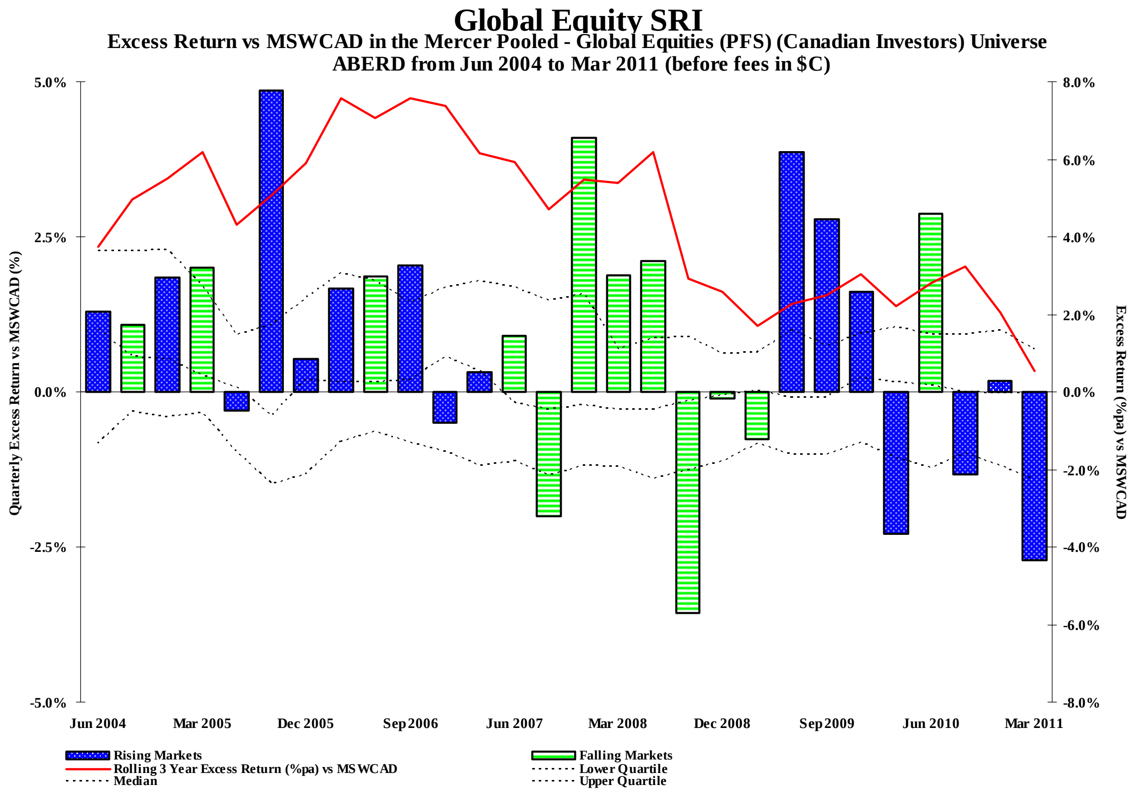
Track Record	Global Equity SRI (MPA)
Currency	$C
Benchmark	MSCI World CAD
Mercer Universe	Pooled - Global Equities (PFS) (Canadian Investors) ($C)
Track record type	Composite
Track Record Assets	$1.2 billion as at 30 June 2011

Performance of the SRI strategy has generally followed a similar path to that of the Global Equity strategy. Variances in performance of the strategy against the Global Equity strategy are typically due to a combination of exclusions in place as well as stock selection of substitutes. For example, the team highlighted the Health Care and Consumer sectors where performance diverged in 2010 and early 2011 between the SRI and unconstrained portfolios. In particular, the strong performance of the Health Care and Consumer sectors worked in favour for the unconstrained portfolio; however, within the SRI strategy the larger underweight to Health Care and substitution of stocks in the Consumer sectors were drags on performance. However, according to Cummings, these gaps in performance are typically expected to lessen over the longer term.

One year performance attribution to June 2011 shows broad underperformance driven by negative allocation and selection decisions across most industries, and further negative impacts from larger than average cash holdings. By country, stock selection in Japan was the only positive contributor to performance but this was more than offset by detractors in all other regions. The portfolio had a higher than average cash position, which also contributed to the underperformance. Stocks specific detractors included Cisco Systems (due to weak earnings) and China Mobile (due to fears of tightening policies); however, the team continues to favour these companies and added to these positions during the weak performance.

According to Cummings, the performance of the Responsible World product will typically lie somewhere in between (but closer to) the Global Equity and the Ethical World given there are fewer screens in place. The main difference between the Responsible World and the unconstrained Global Equity is the exclusion of Tobacco companies.

Rolling period chart

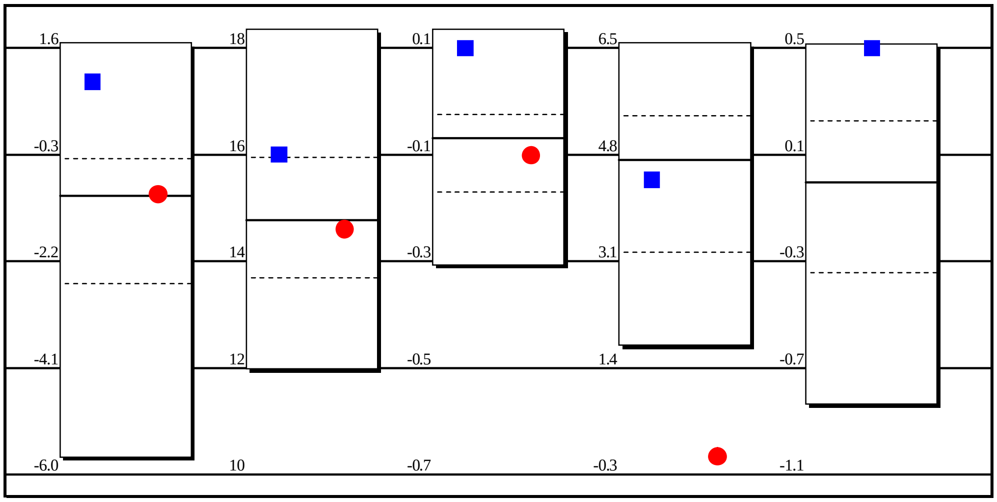


Risk/return characteristics

Global Equity SRI

Comparison with the Mercer Pooled - Global Equities (PFS) (Canadian Investors) Universe

Risk and Return Characteristics (calculated quarterly) versus MSWCAD and Actual Ranking for the 5 Years ended Mar 2011



	Return (% pa)	Std Deviation (% pa)	Reward to Risk Ratio	Tracking Error (% pa)	Information Ratio
ABERD	1.0 *(6)*	16.0 *(9)*	0.1 *(3)*	4.4 *(22)*	0.5 *(3)*
MSWCAD	-1.0 *(18)*	14.6 *(21)*	-0.1 *(16)*	0.0 *(39)*	na
95th Percentile	1.7	18.3	0.1	6.6	0.5
Upper Quartile	-0.4	15.9	0.0	5.4	0.2
Median	-1.0	14.8	-0.1	4.7	0.0
Lower Quartile	-2.6	13.7	-0.2	3.2	-0.3
5th Percentile	-5.7	12.0	-0.3	1.7	-0.8
Number of Funds	38	38	38	38	38

Further Detail

ESG and Active Ownership

Aberdeen’s Global SRI strategy is based on its unconstrained global equity portfolio with an ethical overlay of negative screens and a programme of engagement for change with companies. The negative screens are based purely on ethical values set by Aberdeen and the research for this carried out completely separately to the financial evaluation of stocks, hence we do not consider this an integrated approach. However, we believe the SRI research team has improved its integration with the global equity team in identifying and addressing ESG issues that may be likely to impact fundamental valuations. The team is forging stronger links with the investment team through the career progression of some of the analysts, and linking in with the regional equity teams to get access to companies.

In addition, engagement initiatives at Aberdeen have further improved. The engagement programme targets companies that fail to meet the criteria for the SRI fund, but when progress is noted they may become eligible e.g. PepsiCo initially was excluded given its activities in animal testing, however more recently has become eligible for the Ethical fund following confirmation that the company no longer does this. Cumming described how this type of work gives the global equity team greater conviction in their best ideas since many of the problem areas can also develop into fundamental issues over time. Corporate governance is also seen as an important overlap between the SRI team and the global equity team in evaluating companies. ESG2

SRI Screening Approaches

Negative screening approach allows the team to exclude companies based on both a percent of revenues (10% for most, 5% for pornography) as well as on negative 3-year performance on certain issues (such as environmental fines, lawsuits over business practices). However, they will typically begin engaging with a company once it shows a negative performance in the first year.

Engagement
- Environment
- Social – labour/human rights
- Corporate governance
- No exclusion

Hybrid
- Engagement
  - Environment, Social (labour/human rights)
  - Corporate governance
- Six negative screens:

Alcohol	Gambling
Military	Pornography
Tobacco	Weapons

Negative screening

Negative (based on % of revenues)
- Alcoholic beverages
- Gambling
- Military
- Nuclear energy
- Pornography
- Tobacco
- Weapons

Negative (based on 3 year performance)
- Environment
- Labour
- Human rights
- Business practices
- Product quality

Also screen for
- Community involvement
- Corporate governance

Exclusion
- Animal testing

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Mercer View and Rating

The following is the summary of Mercer's evaluation of the Aberdeen Ethical World Fund (26 July 2011).

Factor	Rating (-, =, + or ++)	Comments
Idea Generation	+	Idea generation for the SRI strategies is dependent on the unconstrained Global Equity strategy for which the global team is dependant on the regional equity teams at Aberdeen. The philosophy is sound and we believe the company research to be of high quality in some of the regions but we struggled to identify anything unique in the analysis undertaken by the global equity team. The global team has little control over the analytical resource and is a recipient of ideas rather than a primary idea generator. However, we believe that the SRI team is making a more meaningful contribution in terms of integrating with the regional teams and identifying ESG issues that impact the fundamentals of company valuation. The team is better resourced than it has been in the past and has improved the depth and quality of ESG analysis of Aberdeen's global buy list. The buy list benefits the SRI team to be able to get to know companies in more depth than they would be able to with a wider universe, and the input of these regional investment specialists is a competitive advantage. As such we have more confidence that the inputs to the SRI strategy compare favourably with competing products in the SRI market.

Portfolio Construction	+	The portfolio is a relatively focused one, constructed with little reference to the benchmark. A longer term perspective is taken when adding stocks to the portfolio and the team appear to be prepared to maintain holdings that they believe have long term capital appreciation potential. Portfolio controls are relatively loose, but positions seem reasonably well calibrated. Only those companies on the house "Global Buy List" that also pass all of the negative screens qualify for inclusion in SRI portfolios.
Implementation	+	While capacity is not an issue in this strategy it is worth noting that Aberdeen manage a significant asset base with a common investment philosophy; asset levels in GEM and Asian equities have been raised as an area of concern in the regional strategies. The global team use a central order system for posting trades, and deals are picked up by either the London or Singapore team, both comprising experienced dealers.
Business Management	+	Management is clearly supportive of both the global equity and SRI research teams and of the approach which they see as making the best use of the resources they have. Remuneration is structured so as to complement and support the team approach to investment. Aberdeen's acquisition trail continues in some areas however the global team have been relatively immune to this, partly due to being based in the Edinburgh office.

Overall Rating (A, B+, B or C) **B+**	The Global equity portfolio management team is experienced, impressively stable, and comes across well in meetings. However the unconstrained strategy relies purely on the output of the regional teams - a non-negotiable list of potential stocks for inclusion in portfolios and a requirement to sell stocks if the regional teams remove them from their buy list, or the SRI team removes them from their approved list. As such we feel it is difficult for the global equity team to add value. However we do feel that the SRI team is increasingly adding value at a global level, not just in identifying high quality candidates for inclusion in the SRI portfolio, but in working with the regional teams to identify ESG issues that could impact the fundamental valuation of a company. The regard in which the SRI analysts are held is reflected in the movement of some of them between the SRI team and the investment team. The limited buy list allows the SRI team to get to know the companies in greater depth, and the input of a global team of regional specialists gives this strategy an advantage, in our view, in comparison with other Global SRI strategies. However it must be noted that we have not had the chance to form a view of all the regional equity teams and this leads us to be cautious in our ratings on both the global SRI and the global equity strategies.
Additional Observations	Portfolios are benchmark agnostic. Whilst they will manage portfolios to customised benchmarks they believe their skill set is in unconstrained global mandates. Portfolios will generally have a quality bias and a significant amount of off benchmark exposure towards emerging market countries.

Notices and risk warnings

The findings, ratings and/or opinions expressed herein are the intellectual property of Mercer and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed. Past performance does not guarantee future results.

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Mercer's rating of an investment strategy signifies Mercer's opinion as to the strategy's prospects for outperforming a suitable benchmark, on a risk-adjusted basis, over a full market cycle. Strategies rated A are those assessed as having above average prospects. Those rated B are those assessed as having average prospects. Those rated C are assessed as having below average prospects. B+ is an intermediate category in between A and B. If the rating shown is N, or if no rating is shown at all, this signifies that the strategy is not currently rated by Mercer. Some strategies may carry an additional rating (e.g. T (Higher Tracking Error), P (Provisional), and W (Watch)). For some product categories, Mercer does not maintain formal ratings but instead assigns a Preferred Provider status. For the most recent approved ratings, and a fuller explanation of their meanings, refer to your Mercer representative or to the Mercer Global Investment Manager Database (GIMD™) as appropriate.

The term "strategy" is used in this context to refer to the process that leads to the construction of a portfolio of investments, regardless of whether it is offered in separate account format or through one or more funds. The rating assigned to a strategy may or may not be consistent with its historical performance. While the rating reflects Mercer's expectations on future performance relative to its benchmark, Mercer does not provide any guarantees that these expectations will be fulfilled.

Mercer does not generally take the investment management fees of a given manager into account in determining ratings. Managers' fees charged for a specific strategy will often vary among investors, either because of differing account sizes, inception dates or other factors. Mercer does not perform operational infrastructure due diligence or personal financial or criminal background checks on investment managers.

Mercer's research process and ratings do not include an evaluation of a manager's custodian, prime brokerage, or other vendor relationships or an assessment of its back office operations. Research is generally limited to the overall investment decision-making process used by managers.

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Mercer manager universes are constructed using data and information provided to Mercer either directly or via third party providers. The universes are intended to provide collective samples of strategies that best allow for robust peer group comparisons to be conducted over a chosen timeframe. Mercer does not assert that the peer groups are wholly representative of and applicable to all strategies available to individual investors. Universe distributions are calculated based on the data that was in our database at the time that the universe was constructed, and may therefore change over time due to additional information supplied by an investment manager or revisions to data.

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 realisation 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.

Appendix A

Mercer IC research coverage of Aberdeen Asset Management Global Equities and Ethical World Fund

26 July 2011	Aberdeen Global Equity SRI update
16 Aug 2010	Aberdeen Global Equity SRI
23 June 2009	Aberdeen Ethical World Fund
30 Jun 2008	Aberdeen Ethical World Fund
30 Oct 2007	Meeting with SRI team on site
13 Aug 2007	Global Equity update
12 Jun 2007	SRI update
21 Jul 2006	Global Equity update
14 Oct 2005	Aberdeen Ethical World Fund
30 Jun 2005	Environmental, social and corporate governance (ESG) assessment
4 May 2005	Business update with Martin Gilbert
14 Sep 2004	General Business Update
17 Jun 2003	SRI update
5 Dec 2001	SRI update
22 Mar 2001	Global Equity update (EFM)

Appendix B

Guide to Mercer Ratings

What do Mercer's research ratings signify?

Mercer's rating signifies Mercer's opinion of a strategy's prospects for outperforming a suitable benchmark over a time frame appropriate for the particular strategy (herein referred to as outperformance). The rating is recorded in the strategy's entry on Mercer's Global Investment Manager Database (GIMD™).

Mercer's ratings are normally assigned to strategies rather than to specific funds. In this context, the term "strategy" refers to the process that leads to the construction of a portfolio of investments, regardless of whether the strategy is offered in separate account format or through one or more investment vehicles.

Rating scale

A	Strategies assessed as having “above average” prospects of outperformance
B+	Strategies assessed as having “above average” prospects of outperformance, but which are qualified by at least one of the following: ▪ There are other strategies in which Mercer has greater conviction that outperformance will be achieved. ▪ Mercer requires more evidence to support its assessment.
B	Strategies assessed as having “average” prospects of outperformance
C	Strategies assessed as having “below average” prospects of outperformance
N/no rating	Strategies not currently rated by Mercer
R	The R rating is applied in three situations: ▪ Where Mercer has carried out some research but has not completed its full investment strategy research process ▪ In product categories[1] where Mercer does not maintain formal ratings but where there are other strategies in which we have a higher degree of confidence ▪ Mercer has in the past carried out its full investment strategy research process on the strategy but the strategy is closed and we are not maintaining full research coverage

The aim of assigning a rating scale is to convey Mercer’s opinion on the likelihood of a particular strategy outperforming a suitable benchmark. Strategies rated A are those for which Mercer has the highest degree of conviction that outperformance may be achieved.

Four factors considered in forming a rating

As part of Mercer’s overall rating analysis for a strategy, Mercer’s investment researchers review the strategy on the basis of four specific factors – idea generation, portfolio construction, implementation and business management – each of which is assigned one of four scores: negative (-), neutral (=), positive (+) or very positive (++).

Mercer believes the first three factors are the main components of every investment process:

Idea generation encompasses everything that the investment manager (herein referred to as manager) does to determine the relative attractiveness of different investments.

[1] A product category is a grouping of similar strategies normally having the same benchmark against which performance is assessed.

Portfolio construction refers to the manner in which the manager translates investment ideas into decisions on which investments to include in a portfolio and what weightings to give to each of these investments.

Implementation refers to the transaction capability and other implementation activities that are required to achieve the desired portfolio structure.

Mercer believes that managers that do these activities well should have above average prospects of outperformance. Mercer also believes that to remain competitive over longer periods, managers must be able to maintain and enhance their capabilities in these three areas. To do this, managers need to have significantly strong **business management**, which is the fourth factor Mercer assesses.

A strategy's overall rating is not determined as a weighted average of the four factor scores and no prescribed calculations are made to arrive at the four factor score or the overall rating. Instead, for each strategy, Mercer's investment researchers identify which factors Mercer believes are most relevant to a manager's investment process and place weight on the factors accordingly. Example considerations include:

- Mercer's confidence in the manager's ability to generate value-adding ideas
- Mercer's view on any specified outperformance target
- The opportunities available in the relevant market(s) to achieve outperformance
- An assessment of the risks taken to try to achieve outperformance
- An assessment of the strategy relative to peer strategies
- An assessment of the manager's business management and its impact on particular strategies

For liability-driven investment (LDI) strategies Mercer's investment researchers use different factor categories in their evaluation. For further information, please contact your Mercer consultant.

What do they not signify?

This section contains important exclusions and warnings, please read it carefully.

The rating assigned to a strategy may or may not be consistent with its past performance. While the rating reflects Mercer's expectations on future performance relative to a suitable benchmark over a time frame appropriate for the particular strategy, Mercer does not guarantee that these expectations will be fulfilled.

Also, unlike those of credit rating agencies, Mercer's ratings are not intended to imply any opinions about the creditworthiness of the manager providing the strategy.

As Mercer's ratings are normally assigned to strategies rather than to specific investment vehicles**,** potential investors in specific investment vehicles should consider not only the Mercer ratings for the strategies being offered through those investment vehicles but also any investment vehicle-specific considerations. These may include, for example, frequency of dealing dates and any legal, tax or regulatory issues relating to the type of investment vehicle and where it is domiciled. Mercer's ratings do not constitute individualized investment advice.

To determine ratings, Mercer does not generally take investment management fees into account. The rationale for this is that, due to differing account sizes, differing inception dates or other factors, the fees charged for a specific strategy will vary among clients. Potential investors in a specific strategy should therefore consider not only the Mercer rating for that strategy but also the competitiveness of the fee schedule that they have been quoted. The area of Alternative Investments is an exception – Mercer follows market practice for "Alternatives" and rates strategies on a net of fees basis.

Mercer's research process and ratings do not include an evaluation of a manager's custodian, prime brokerage or other vendor relationships, or an assessment of the manager's back office operations, including any compliance, legal, accounting or tax analyses of the manager or the manager's investment vehicles. Research is generally limited to the overall investment decision-making process used by managers. In forming a rating, Mercer's investment researchers do not generally perform corporate-level operational infrastructure due diligence on a manager and do not perform financial or criminal background checks on investment management staff. Unless Mercer's investment researchers are aware of material information to the contrary (such as a view expressed by a manager's auditors) they assume that the manager's operational infrastructure is reasonable. Operational weaknesses that Mercer's investment researchers discover during their analysis of the four factors, however, will be noted and, where appropriate, taken into account in determining ratings. Mercer Sentinel®, a division within Mercer, undertakes separate operational risk reviews on managers on behalf of clients, covering some of the areas mentioned above but which reviews are not included as part of the manager research process. Contact your Mercer consultant for more information.

Ratings Review Committees

Mercer has a process for reviewing and ratifying the ratings proposed by individual investment researchers. For most product categories, strategy ratings are reviewed regularly by one of several Ratings Review Committees (RRCs) that operate within Mercer. These committees draw on research carried out by Mercer investment researchers and consultants. The role of the RRCs is to review this research from a quality control perspective and ensure consistency of treatment across strategies within a product category.

For certain asset classes, ratings will not have been reviewed by an RRC; however, the rating will have been reviewed by at least two suitably qualified investment researchers or consultants other than the recommending researcher. An R rating will not necessarily have been reviewed by an RRC but will have been reviewed by at least two suitably qualified investment researchers or consultants other than the recommending researcher.

Supplemental indicators

Provisional (P) ratings

If the Mercer strategy rating is followed by a (P) – for example, A (P) or B+ (P) – the rating is “provisional” – that is, there is temporary uncertainty about the rating, but it is expected that this will soon be resolved. For example, should two managers announce a merger, but without further details, this uncertainty may be highlighted by modifying the rating strategies for one or both of those firms – for instance from A to A (P) (see below on specific assignments of a (P) or (W) indicator). (P) indicators are intended to be temporary and should normally last for no more than two weeks. As soon as the temporary uncertainty has been resolved, or if it becomes apparent that this uncertainty is unlikely to be resolved quickly, the (P) indicator will be removed and the rating confirmed or changed, or the strategy will be assigned the indicator “watch” (W).

Watch (W) ratings

If the Mercer strategy rating is followed by a (W) – for example A (W) or B+ (W) – the rating is “watch” – there is some uncertainty about the rating and resolution is not expected soon, but Mercer believes there is a low probability that the resolution of this uncertainty will lead to a change in the strategy’s rating. (W) indicators are typically issued when there is an expectation of long-term uncertainty surrounding the rating – for example, a change, or potential change, in a manager’s ownership.

Specifically assigning (P) and (W) supplemental indicators

(P) and (W) indicators are assigned – and removed – by the regular ratings review process described earlier; however, there are circumstances where organizational or reputational issues that affect a manager warrant the specific assignment of a (P) or (W) indicator to an existing rating. In such circumstances, the decision to apply – or remove – a (P) or (W) indicator is taken by two senior members of the leadership group of the Manager Research team. These occasions are rare, and the relevant investment researchers will contribute to any discussions before a (P) or (W) indicator is assigned or removed.

High tracking error (T) ratings

If the Mercer strategy rating is followed by a (T) – for example, A (T) or B+ (T) – the strategy is considered to have the potential to generate a tracking error substantially higher than the average for the relevant product category. In this context “tracking error” refers to the variability of performance relative to the nominated benchmark for the strategy. A strategy may be assigned the (T) indicator because the potential for high tracking error has been demonstrated by the strategy’s past performance, and/or because the nature of the investment process is such that a significantly higher than average tracking error could be expected. The absence of a (T) following a rating does not guarantee that the strategy’s tracking error will not be higher than the average for the relevant product category.

Preferred provider status

"Preferred Provider" status is assigned to strategies within product categories for which Mercer does not maintain formal ratings. This indicator normally applies to strategies for which the primary goal is not outperformance of a benchmark – for example, cash, passive and LDI strategies. Strategies assigned a Preferred Provider status may not have undergone an RRC review; however, they will have been reviewed by at least two suitably qualified investment researchers or consultants other than the researcher who recommended the status.

Environmental, social and corporate governance (ESG) ratings

Mercer also assigns ratings to strategies that represent Mercer's view on the extent to which environmental, social and corporate governance (ESG) and active ownership practices (voting and engagement) are integrated into the manager's investment process and decision making across asset classes. ESG factors are incorporated into the investment process on the basis that these issues can impact revenue, operating costs, competitive advantage and the cost of capital. During discussions with managers about ESG integration, Mercer assesses the use of ESG information to generate outperformance. Four factors are assessed to derive an overall ESG rating: idea generation, portfolio construction, implementation and firm-wide commitment.

ESG ratings are differentiated between those assigned by Mercer's investment researchers and those assigned by Mercer's Responsible Investment (RI) team. Ratings assigned by the RI team will include (RI) after the rating, indicating that a separate ESG research note has been written and that ESG factor scores are available in GIMD.

ESG rating scale

ESG1 / ESG1 (RI)	The highest ESG rating is assigned to strategies that Mercer believes to be leaders in integrating ESG and active ownership into their core processes, and that provide clear evidence that ESG overall, or a particular ESG theme, is core to idea generation and portfolio construction.
ESG2 / ESG2 (RI)	The second highest rating is assigned to strategies that, in Mercer's view, include ESG factors as part of decision making, with a strong level of commitment made at the firm-wide level and some indication that data and research are being taken into account by the managers in their valuations and investment processes.
ESG3 / ESG3 (RI)	The penultimate rating is assigned to strategies for which, in Mercer's view, the manager has made some progress with respect to ESG integration and/or active ownership, but for which there is little evidence that ESG factors are taken into consideration in valuations and investment processes.
ESG4 / ESG4 (RI)	The lowest ESG rating is assigned to strategies for which, in Mercer's view, little has been done to integrate ESG and active ownership into their core processes.

Confidentiality of Mercer's research ratings

Mercer's ratings, along with all other information relating to Mercer's opinions on managers and the investment strategies they offer, represent Mercer's confidential and proprietary intellectual property and are subject to change without notice. The information is intended for the exclusive use of the parties to whom it was provided by Mercer and may not be modified, sold or otherwise provided, in whole or in part, to any other person or entity (including managers) without Mercer's prior written permission.

Important notices

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