

INSTITUTIONAL ASSET OWNERS EKE OUT ANOTHER QUARTER OF POSITIVE RESULTS



Amy Garrigues
 Senior Vice President
 Investment Risk &
 Analytical Services
 (312) 444-5755
 AEC2@ntrs.com

The majority of ERISA plans posted negative absolute results for the second quarter of 2015. The Northern Trust ERISA Plan Universe median return was -1.6% for the quarter ending June 30. The primary drivers of the quarter's negative results were lackluster equity returns and below par returns in the fixed income allocations. The second quarter returns resulted in a one-year median plan return of 2.8% for the ERISA Plan Universe.

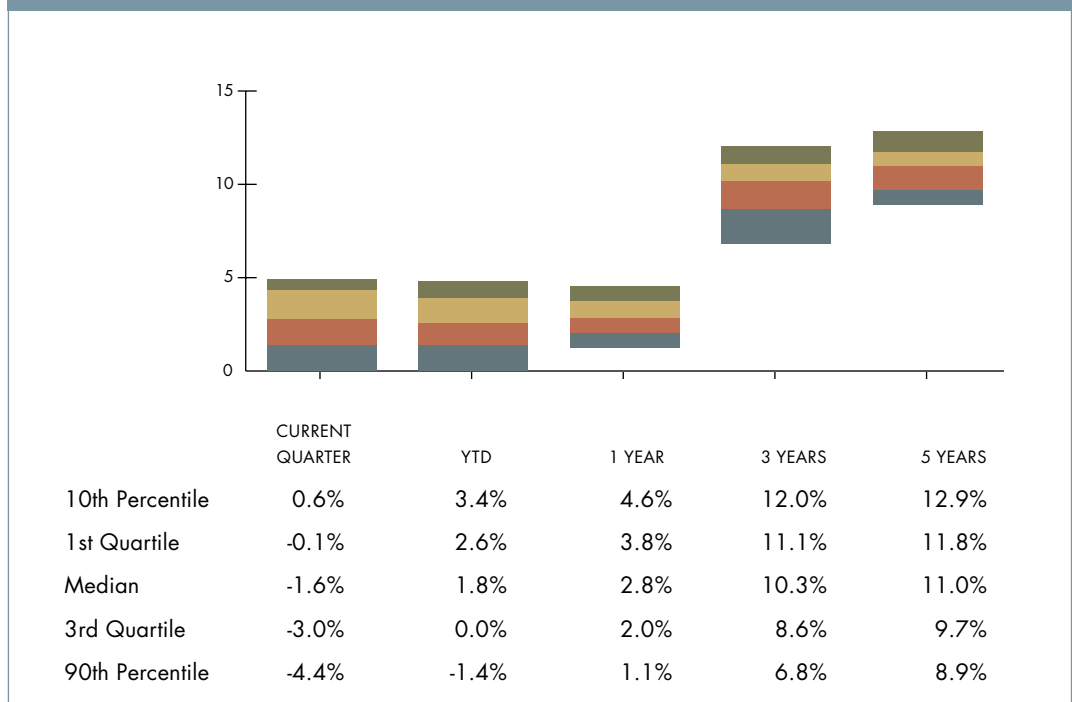
The ERISA Universe's second-quarter median excess return was 27 basis points higher than the policy level benchmark was. This resulted in more than half of the plans within the Northern Trust ERISA Universe being able to outperform their respective plan-level benchmark. Over the one-year comparison, the median ERISA plan's excess return outpaced the assigned benchmarks

by 22 basis points. Longer-term results also reflected a relative outperformance, with the Universe's outperforming by 30 basis points for the three-year comparison and by 4 basis points for the five-year comparison. For the 10-year comparison, the median ERISA plan performance was 30 basis points better than the assigned benchmarks.

The ERISA plan-level results were hurt by exposure to fixed income allocations. The median fixed income program returned -1.3% during the second quarter of 2015. Over the one-year period, the median result for the same Universe was 1.3% as of June 30, 2015. Longer term, the median fixed income program returned 2.9% for the three years and 4.7% for five years.

Both credit and government securities had negative results in the second quarter.

ERISA PLANS – TOTAL RETURNS JUNE 30, 2015



Within the BC US Aggregate Index, credit/corporate securities underperformed government securities by 178 basis points for the quarter: government securities returned -1.4% and corporate securities returned -3.2% for the quarter.

The ERISA plan-level performance was also affected by the equity allocations' absolute returns during the second quarter of 2015. The international equity programs outperformed the U.S. equity programs in the second quarter, with the median international equity programs returning 1.1%, while the U.S. equity programs' median return was 0.4%. Within international equities, the developed markets only slightly outperformed, by two basis points, the emerging

markets, with both returning 0.8%. Within the U.S. equities, small-caps were the better performing sub-class during the quarter with the Russell 2000 Index returning 0.4% and the Russell 1000 Index returning 0.1%.

The ERISA plan-level performance continued to benefit on an absolute basis from exposure to real estate during the second quarter. The sector's median return for the quarter was 1.4%. Over the one-year comparison, the real estate program's median return was 11.6%. The wide distribution of results for this allocation continues to be evident in the rolling one-year results of 19.7% for the 10th percentile versus a 0% return for the 90th percentile.

COMPOSITE ASSET ALLOCATION – ERISA				
	Current	1 Year Ago	3 Years Ago	5 Years Ago
U.S. Equity	29%	29%	32%	33%
Global/Non-U.S. Equity	12%	13%	14%	16%
U.S. Fixed Income	37%	38%	34%	33%
Global/Non-U.S. Bonds	4%	4%	2%	3%
Private Equity/Hedge Funds	13%	12%	11%	10%
Cash & Other	4%	4%	7%	6%

ABOUT NORTHERN TRUST UNIVERSES

Northern Trust Universes represent the performance results of about 300 large institutional investment plans that subscribe to Northern Trust performance measurement services. These plans, with a combined asset value of approximately \$899 billion, represent a broad snapshot of overall institutional investment plan performance within the U.S. market.

Northern Trust's Investment Risk and Analytical Services give you a comprehensive array of risk management capabilities, supported by powerful technology and delivered by experienced professionals. We can help you bring all the details to focus – so you can address strategic program management issues. If you would like to participate in our universe analysis and receive more in-depth information, please contact your relationship manager.

Returns are shown gross of fees. Index returns assume reinvestment of dividends and earnings and do not reflect the deduction of any trading costs or other expenses. It is not possible to invest directly in an index. Periods greater than one year are annualized. Past performance does not indicate future results.

