INSTITUTIONAL PLAN SPONSORS SEE HIGHER SECOND QUARTER GAINS

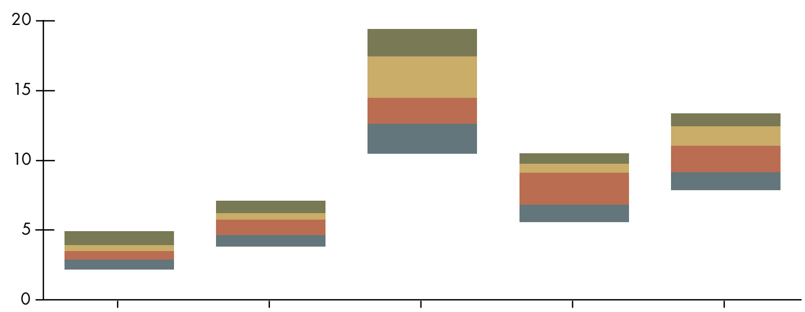
Jeff Feeney
Senior Vice President
Investment Risk &
Analytical Services
(312) 630-6627
JF16@ntrs.com

The median Global Family Office (GFO) plan returned 3.5% for the second quarter of 2014. Even though this is an increase from the previous quarter's median return of 1.9%, the GFO plan lagged the 60% equity (S&P 500) and 40% bonds (Barclays U.S. Aggregate) benchmark. The 60/40 plan benchmark returned 3.95% during the second quarter. As of June 30, 2014, the one-year median GFO plan lagged the blended benchmark, returning 14.2% versus 16.2% for the index. Historically, the median GFO plan has lagged this benchmark – underperforming during the two-, three- and five-year periods as well. The media plan posted annualized returns of 12.5%, 8.9% and 10.8% respectively vs. the 60% equity/40% bonds index returns of 13.9%, 11.5%, and 13.3%.

The breakpoint return for the top quartile of GFO portfolios for the first quarter was 3.9%, just under the benchmark return of 3.95%. The 10TH percentile return for the Universe was 4.9%, outperforming the 60/40 benchmark. The third quartile of GFO portfolios was 2.9% and the 90TH percentile breakpoint return was 2.2%. In terms of risk, the median one-year standard deviation of the GFO plan was 5.02. While this may be lower than the 60/40 benchmark's standard deviation of 5.46, the GFO Composite median Sharpe Ratio for the year was 2.9%, compared to the 60/40 plan benchmark Sharpe Ratio of 3.0%. The 60/40 plan benchmark has a higher risk-adjusted return for the one-year period.

Broad-based domestic equity indexes, such as the S&P 500 and the Russell 3000, had a positive second quarter, returning 5.2% and

GLOBAL FAMILY OFFICE PLANS – TOTAL RETURNS JUNE 30, 2014



	CURRENT QUARTER	YTD	1 YEAR	3 YEARS	5 YEARS
10th Percentile	4.9%	6.9%	19.2%	10.3%	13.1%
1st Quartile	3.9%	6.0%	17.2%	9.5%	12.2%
Median	3.5%	5.5%	14.2%	8.9%	10.8%
3rd Quartile	2.9%	4.4%	12.4%	6.6%	8.9%
90th Percentile	2.2%	3.6%	10.3%	5.4%	7.7%

4.9% respectively. While this may not have been the 10.8% return that equity markets provided in the fourth quarter of 2013, the second quarter's results were more welcomed than the first quarter's return of 1.8%. The S&P 500 posted a 24.6% one-year gain for the second quarter. The large returns experienced in the third and fourth quarters of 2013 are linked to the large one-year return. The U.S. equity program returned 4.3% this quarter and 6.0% year-to-date.

As of June 30, 2014, domestic equity accounted for 24.8% of assets within the GFO composite. The large cap segment was the best performing subset within the U.S. equity class for the second consecutive quarter. The large-cap value and the large-cap growth segments had another positive quarter, providing a 5.1% return in both the Russell 1000 Value Index and the Russell 1000 Growth Index.

International equity accounted for 15% of the GFO composite in the second quarter. The median international equity manager returned 3.9% and the median international equity program returned 4.5% for the quarter. The MSCI All Country World ex USA GD Index posted a second-quarter return of 5.2%.

Domestic fixed income comprised 17.5% of the GFO Composite in the second quarter. After finishing up 1.8% in the first quarter of 2014, fixed income markets continued to post gains as the BC U.S. Aggregate Index returned 2.0% this quarter and had a 4.4% one-year return. The median U.S. fixed income program returned 2.5% for the second quarter and 6.4% for a one-year return. Long-term domestic government bonds had another positive quarter as the Barclays Capital U.S. 20+ Year Treasury Bond Index returned 5.1% for the quarter and 13.2% year-to-date. The U.S. Treasury yield curve continued to decrease its slope in the second quarter. The 10-year versus the two-year yield spreads for the fourth quarter of 2013, first quarter of 2014 and second quarter of 2014 were 2.66, 2.29 and 2.06 respectively. Long-term yields have been decreasing since the beginning of 2014. The two- and three-year yields have held steady over the same time frame.

COMPOSITE ASSET ALLOCATION – GLOBAL FAMILY OFFICE

	Current	1 Year Ago	3 Years Ago	5 Years Ago
U.S. Equity	25%	23%	–	–
Global/Non-U.S. Equity	15%	14%	–	–
U.S. Fixed Income	17%	20%	–	–
Global/Non-U.S. Bonds	4%	3%	–	–
Private Equity/Hedge Funds	29%	28%	–	–
Cash & Other	10%	11%	–	–

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 $612 billion, represent a broad snapshot of overall institutional investment plan performance within the U.S. market.

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.