

## INSTITUTIONAL ASSET OWNERS EXPERIENCE A NICE REBOUND IN THE FOURTH QUARTER



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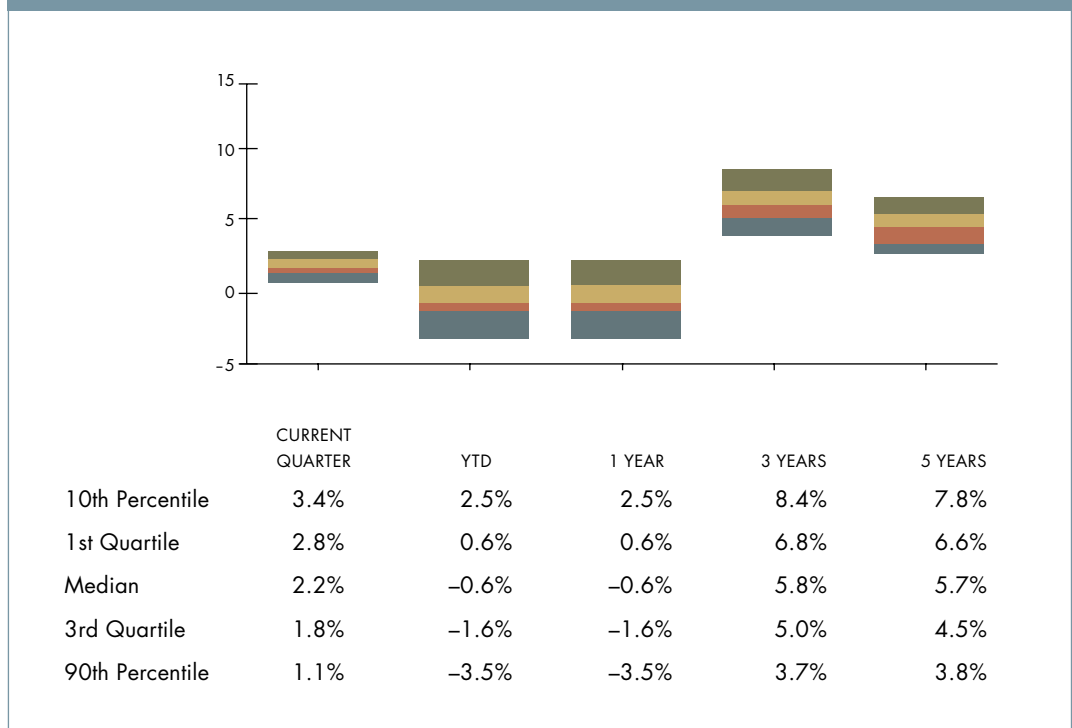
The median plan in the Northern Trust Global Family Office (GFO) Universe was up 2.2% for the fourth quarter of 2015, which brings its one-year return to -0.6%. The 60% equity (S&P 500)/40% bond (B.C. U.S. Agg.) benchmark returned 4.0% during the fourth quarter, outperforming the GFO plan median by approximately 186 basis points during the quarter. The GFO median also trails the 60/40 benchmark by 1.9% for the one-year period (-0.6% vs. 1.3%). The GFO benchmark has historically lagged the 60/40 benchmark – underperforming during the two-, three- and five-year periods.

During the fourth quarter, a 2.8% return represented the barrier needed to break into the top quartile of GFO portfolios, which trailed the benchmark return of 4.0%. To

break into the top decile, a return of 3.4% was required. In the bottom half of GFO plans, returns under 1.8% represented the bottom third quartile and returns below 1.1% fell into the bottom decile. Comparing the one-year standard deviation of the GFO median plan (6.7%) to the 60/40 benchmark (7.6%) reveals the benchmark has increased the amount of risk taken to 92 basis points and the spread has increased compared to last quarter. The gap between the risk-adjusted returns of GFO median and the benchmark over the one-year period decreased by roughly half this quarter, with the median plan having a Sharpe Ratio of -0.1% vs. 0.2% for the benchmark.

Domestic equity comprised 25% of the GFO composite in the fourth quarter, and performed exceptionally well, with S&P 500

GLOBAL FAMILY OFFICE PLANS – TOTAL RETURNS DECEMBER 31, 2015



and Russell 3000 posting 7.0% and 6.3% respectively. Within domestic equity, small-caps posted a 3.6% return and underperformed both the mid-cap (3.6%) and large-cap (6.5%) segments. Large cap growth (7.3%) outperformed large cap value (5.6%) by 168 basis points, while in the small cap sector, growth (4.3%) outperformed value (2.9%).

International equity accounted for 13% of the GFO composite this quarter and underperformed both the S&P 500 and Russell 3000 indices. The fourth quarter saw a substantial recovery in global markets from the third quarter's China-led sell-off; however, emerging markets lagged behind domestic equity as evidenced by the 3.3% return in the MSCI ACWI ex USA GD index.

Domestic fixed income comprised 15% of the GFO composite in the fourth quarter, and the B.C.

U.S. Aggregate index posted a return of -0.6%, outperforming all other fixed income indices for the quarter. The yield curve slope increased slightly this quarter as investors shifted to riskier assets and away from the safe haven of Treasuries. The difference between the 10-year and two-year spreads further contracted this quarter to 1.2%, from 1.4% at the end of the third quarter.

International fixed income made up 3% of the GFO composite this quarter. The BC Global Aggregate ex US decreased from last quarter with a return of -1.3%. The Federal Reserve's action to raise interest rates, coupled with a strong recovery in global equity markets, prompted investors to sell bonds and bid up equity prices.

COMPOSITE ASSET ALLOCATION – GLOBAL FAMILY OFFICE				
	Current	1 Year Ago	3 Years Ago	5 Years Ago
U.S. Equity	25%	26%	21%	
Global/Non-U.S. Equity	13%	15%	13%	
U.S. Fixed Income	15%	15%	24%	
Global/Non-U.S. Bonds	3%	3%	3%	
Private Equity/Hedge Funds	34%	31%	24%	
Cash & Other	10%	9%	15%	

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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.