

INSTITUTIONAL ASSET OWNERS EXPERIENCE A NICE REBOUND IN THE FOURTH QUARTER



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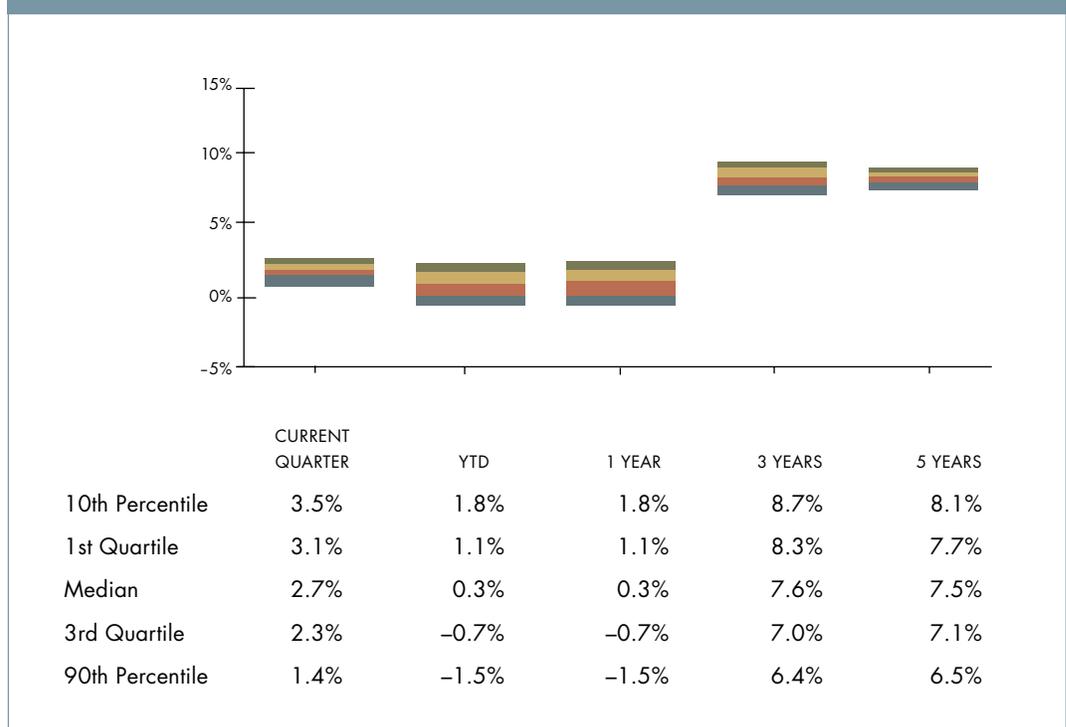
The Northern Trust Public Funds Universe regained momentum in the fourth quarter, with the median plan returning 2.7%. While three of the four quarters in 2015 produced positive results, the one-year median return was just 0.3% due to a rough third quarter. Longer time frames fared better with the three-, five- and 10-year median returns coming in at 7.6%, 7.5% and 6.1%, respectively.

Within the Public Funds Universe, domestic equities comprise the largest allocation at 34% as of December 31, 2015. Volatility remained elevated during the fourth quarter as concerns of slowing growth in China, as well as globally, persisted. The U.S. equity market largely wiped out losses suffered during the

previous quarter, driven almost entirely by strong performance in October. Broad-based domestic equity indices, such as the S&P 500 and Russell 3000, posted gains of 7.0% and 6.3%, respectively, during the fourth quarter. For the year, both indices were slightly positive, with the S&P 500 returning 1.4% and the Russell 3000 gaining 0.5%. Large cap stocks significantly outperformed small caps again during the quarter as the Russell 2000 gained just 3.6%. Growth outperformed value for all market caps in the quarter.

Despite continued concerns, especially around emerging markets, international returns ended the fourth quarter in positive territory. The MSCI EAFE and MSCI ACWI ex US indexes gained 4.7%

PUBLIC FUNDS – TOTAL RETURNS DECEMBER 31, 2015



and 3.3%, respectively. For 2015, however, both indices were in the red with the MSCI EAFE dropping 0.4% and the MSCI ACWI ex US falling 5.3%. Emerging markets were slightly positive during the quarter. The MSCI Emerging Markets index posted a gain of 0.7% in the fourth quarter, but lost 14.6% on the year. As of December 31, 2015, the Public Funds composite allocation to international equities was 16%.

The domestic and foreign fixed income allocations within the Public Funds Universe were 22% and 1%, respectively, at the end of the fourth quarter. Bond prices fell during the quarter as the Fed raised its benchmark interest rate for the first time since 2006. Domestic fixed income, represented by the Barclays Capital US Aggregate Index, suffered a loss of 0.6% for the quarter. On the year, the index gained 0.5%. Foreign fixed income, represented by the Citi-Group WGBI ex US index,

declined by 1.4% during the fourth quarter although hedged returns eked out a positive return of 0.6%.

Real estate and private equity allocations within the Public Funds composite were 4.5% and 5.0%, respectively, at the end of the quarter. Real estate markets built on momentum from the third quarter with the Wilshire REIT index up 7.5% in the fourth quarter. Over longer periods, real estate has continued to be an important asset class with one-, three- and five-year returns of 4.2%, 11.9% and 12.4%, respectively.

Public Funds regained their footing in the fourth quarter and have produced gains in 12 of the last 15 quarters. There continues to be uncertainty around global growth, but plan sponsors are hopeful that the United States can lead the way and that China can avoid a hard landing. Either way, we expect continued volatility and investor uncertainty heading into 2016.

| COMPOSITE ASSET ALLOCATION – PUBLIC FUNDS | | | | |
|-------------------------------------------|---------|------------|-------------|-------------|
| | Current | 1 Year Ago | 3 Years Ago | 5 Years Ago |
| U.S. Equity | 34% | 33% | 30% | 35% |
| Global/Non-U.S. Equity | 21% | 23% | 22% | 20% |
| U.S. Fixed Income | 19% | 17% | 22% | 23% |
| Global/Non-U.S. Bonds | 4% | 5% | 5% | 5% |
| Private Equity/Hedge Funds | 10% | 9% | 10% | 8% |
| Cash & Other | 13% | 12% | 11% | 10% |

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.