



EUROPEAN MONEY MARKET FUND REFORM FAQ

FREQUENTLY ASKED QUESTIONS (FAQ)

October, 2018

European Money Market Fund Reform (MMFR) has been at the forefront of money market fund providers and investors agendas for a number of years now. Northern Trust Asset Management (NTAM) has been analysing the regulation, engaging with industry bodies and undertaking extensive client engagement since the regulation was finalised. Our aim is to provide investors with a suite of products to meet their evolving needs as we enter a new era for European Money Markets. Please refer to the below table showing the impact to The Sterling Fund, The Euro Liquidity Fund, The US Dollar Fund (The Funds), sub funds of Northern Trust Global Funds PLC (NTGF).

Current Fund Line-Up	The Sterling Fund (CNAV)		The US Dollar Fund (CNAV)		The Euro Liquidity Fund (VNAV)	
Proposed Line-Up (Existing Funds)*	GBP		USD		EUR	
	Direct	Sweep Eligible	Direct	Sweep Eligible	Direct	Sweep Eligible
Short Term Low Volatility NAV (LVNAV)		
Short Term VNAV					.	.
Proposed Line-Up (New Funds)**	GBP		USD		EUR	
	Direct	Sweep Eligible	Direct	Sweep Eligible	Direct	Sweep Eligible
Conservative Ultra Short	.		.		.	
Ultra Short	.		.		.	

KEY CNAV = Constant Net Asset Value LVNAV = Low Volatility Net Asset Value VNAV = Variable Net Asset Value

* Subject to approval from the Regulator

** Subject to approval from the Regulator and Board of NTGF. New fund line-up may change subject to investor demand

Please contact your relationship manager if you have any questions on the information contained within this document.

With existing money market funds required to be compliant by 21st January 2019, it is our intention to migrate the Funds to the new fund categories in Q4 2018 with the aim of ensuring a smooth implementation of the regulations.

This document has been created to answer the most common questions in relation to existing sub-funds of NTGF, however please contact your Relationship Manager if you have any further queries regarding the reform or to discuss the options available to you.

What is Northern Trust Asset Management’s proposed European MMFR product line up?

Subject to approval from the regulator to the Funds, the Central Bank of Ireland (the Regulator), the Funds will transition to new rules under European MMFR as of close of business 30th November 2018 as described below:

The Sterling Fund is to migrate to a Short Term LVNAV fund.

The US Dollar Fund is to migrate to a Short Term LVNAV fund.

The Euro Liquidity Fund will continue to operate as a Short Term VNAV fund.

The Funds will continue in the existing fund structures as sub-funds of NTGF plc.

No action is required by you as a result of these changes and your investment will automatically migrate to the new structure. Of course, you will continue to have the opportunity to change your investment at any time.

You will be able to access the new fund Prospectus and Supplements for the suite of products on 3rd December 2018 via the following link <https://www.northerntrust.com/asset-management/europe/services/pooled-funds>

The Funds will continue to be domiciled and registered in Ireland.

Will the investor dealing cut-off times change?

No. The Funds will maintain the current investor dealing cut-off times for subscription and redemptions.

Will you be providing early payment of redemptions?

Yes, we plan to offer intraday payments on redemptions.

Will there be any changes to our interaction and current process with the Transfer Agent?

No. Investors’ interaction with the Funds’ Transfer Agent will remain the same.

Will there be any changes to the way I receive my NAV?

No, the current process with respect to NAV notifications will remain the same.

Will there be any changes to the share class I invest in?

No. The share class you are currently invested in will remain the same including the ISIN and Ongoing Charges Figure (OCF).

The regulation requires the disclosure of the mark-to-market NAV, how will this be disclosed by NTAM?

There will be no change to the existing process. The daily mark-to-market NAV will continue to be published on Northern Trust's pooled funds website (link below). In addition, we will also publish positions and key fund data on the website in accordance with the regulation .

<https://www.northerntrust.com/asset-management/europe/services/pooled-funds>

What should I expect from NTAM as we approach MMFR implementation?

As part of the process of updating the prospectus and supplements to the Funds, changes will need to be made to the Memorandum & Articles of Association of NTGF to take account of changes required by European MMFR, including the credit assessment and liquidity management procedures . A shareholder circular containing full details of the changes will be provided to shareholders with 21 clear days' notice of the date on which the EGM will be held. The circular will include a full explanation of how investors can vote on the amendments proposed.

As an investor, are there any other considerations I should be making as a result of the reform?

Considerations of internal and external stakeholders should be made. This includes checking your investment policy allows for you to continue investing into the Funds bearing in mind the possibility of the NAV moving away from 1, liquidity gates and redemption fees. The same considerations should be made in conjunction with external stakeholders, including auditors.

Will the Funds continue to be rated?

Although the new regulation does not require or prohibit rating by external credit agencies, the Funds will continue to be rated by the leading agencies and this will continue to be disclosed in the Funds' marketing materials.

According to current Nationally Recognised Statistical Rating Organisation (NRSROs) methodologies, there is no indication at this stage that the ratings should change following the implementation of European MMFR.

The regulation has an increased focus on internal credit quality assessments, will there be any changes to your current process and will this impact the credits you invest in?

NTAM's internal credit process has been in place since the funds were launched. The most current framework has been in place since 2010 and is documented in our Credit Risk Framework. The Credit Risk Framework is subject to annual review by our Credit and Liquidity Risk Committee and changes can be made on an ad hoc basis as appropriate to accommodate any regulatory, market or other environmental changes. The credit process supporting the Funds involves Portfolio Management, Fixed Income Research and the Risk Management Team.

Will the Funds be managed differently post conversion?

Our portfolio management philosophy for our money market funds has always been conservative in its approach, prioritising liquidity and high quality securities above yield maximization, whilst excluding inappropriate risk. European MMFR is fully aligned with our own portfolio management practices and values which mean our portfolios are unlikely to be impacted in a significant way.

LVNAV funds under European MMFR may value assets with less than 75 days to maturity using amortised cost accounting. We believe that post migration the industry will apply a higher weighting to these securities which may result in increased demand without an increase in supply causing a liquidity squeeze. NTAM's Portfolio Management team has created a number of models and will monitor the market closely post conversion in order to ensure the Funds continue to benefit from diversification and ample liquidity without significant impact.

Are there any changes to your eligible instruments within the Funds post migration?

Asset Backed Commercial Paper (ABCP) is to be included as an eligible investment within the Funds' Prospectus. Due to changes in the ABCP market over the past two years, diversification benefits, increased transparency and the specific inclusion of the instrument within the regulation, NTAM have confidence this is the correct time to utilise this investment type. The addition of ABCP will offer the Funds an additional option for short-term investments, with the aim of alleviating the potential for liquidity squeezes in other instrument types.

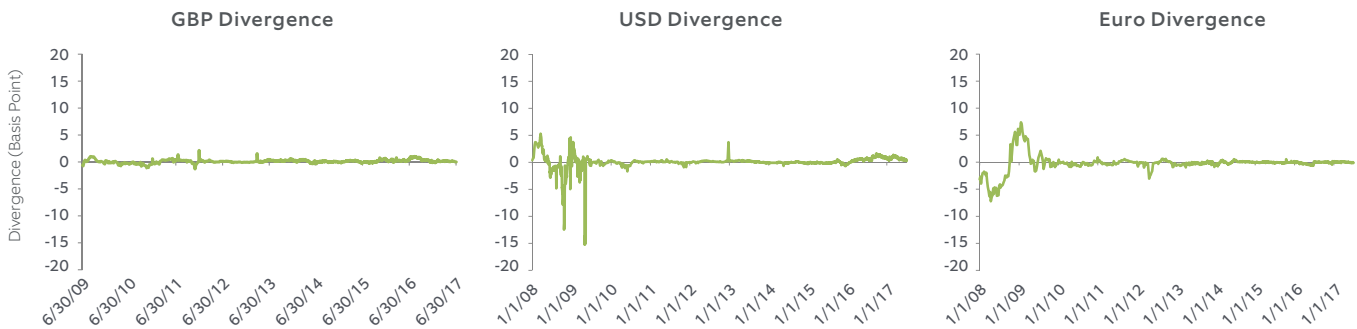
Further background and analysis of the ABCP market is available on the Northern Trust pooled funds website.

<https://www.northerntrust.com/asset-management/europe/services/pooled-funds>

Do you anticipate the NAV moving away from 1.00 as a result of breaching the 20 basis point (bp) collar for the LVNAV funds requiring the portfolio to be fully priced using mark-to-market pricing?

NTAM’s conservative investment philosophy positions us well for our proposed LVNAV funds to be managed within the 20bp collar in a normal market environment and utilise amortised cost accounting for securities with less than 75 days to maturity and maintain a daily NAV of 1.00. We do acknowledge under systemic market events the probability of a breach increases. NTAM’s conservative investment approach and proactive actions have allowed us to navigate through volatile market events during the last 10 years without breaching a 20bp collar (as shown below) and our experienced portfolio managers, analysts and risk teams are well positioned to continue to do so.

HISTORICAL NAV DIVERGENCE



Source: NTAM; as of January 2018

Note: Euro VNAV, for illustration purposes only.

With the inclusion of liquidity fees, redemption gates and suspension of redemptions in MMFR for CNAV and LVNAV funds, do you anticipate their use?

MMFR specifies two scenarios where fees, gates or suspension of redemptions are optional or mandatory. The scenarios are:

OPTIONAL

1. Where daily net redemptions on a single day are greater than 10% AND weekly maturing assets fall below 30% of the total assets, the Board of the Funds has the discretion to take one of the following actions:

- Apply liquidity fees
- Apply redemption gates
- Suspend redemptions
- Or take no action

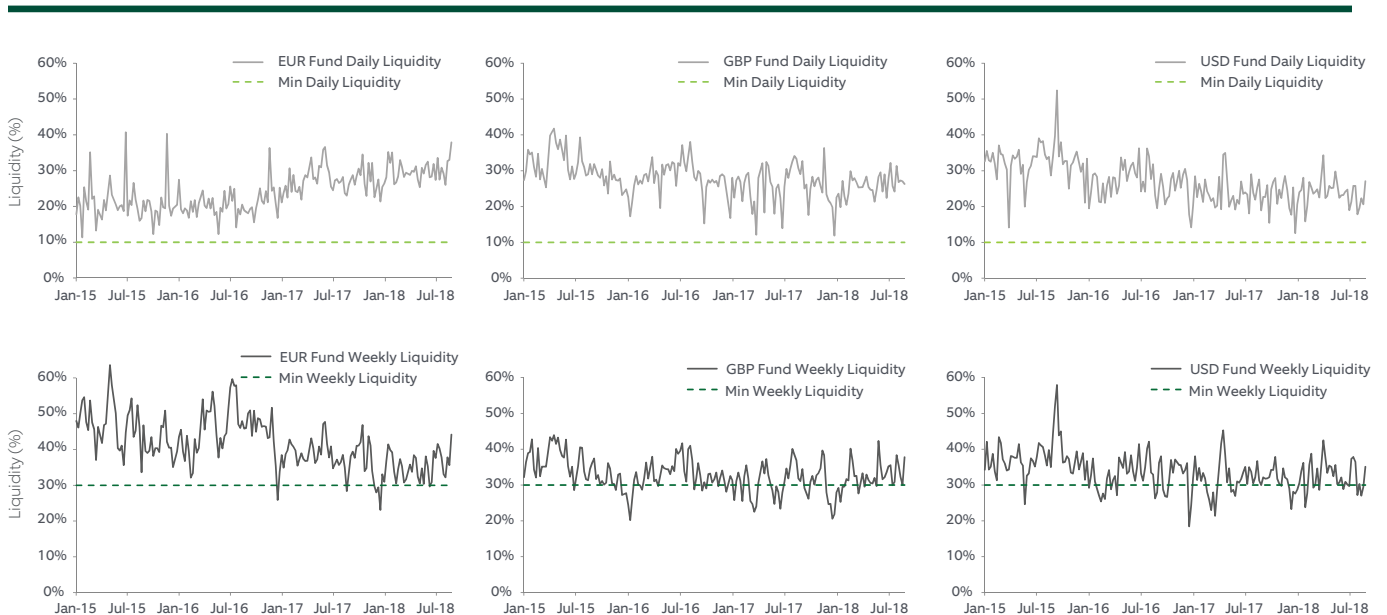
MANDATORY

2. Where weekly maturing assets fall below 10% of total assets, the Board of the Funds must take one of the following actions:

- Apply liquidity fees
- Suspend redemptions

European MMFR requires increased liquidity which is aligned with NTAM’s current investment strategy as shown below in our historic daily and weekly maturing assets. As a result we consider the probability of liquidity events giving rise to both optional and mandatory fees, gates and suspension of redemptions to be low (but not zero) unless a systemic market event were to occur. In the event a decision made by the Board of The Funds to take action, investors will be notified as soon as reasonably practicable.

HISTORICAL AND WEEKLY LIQUIDITY



What other solutions are available other than the Short-Term Money Market Funds?

MMFR provides an opportunity for investors to reconsider cash and the available options open to them. One approach for investors to navigate the new environment for European money market funds is to adopt a cash segmentation strategy. A cash segmentation strategy has the objective of targeting a better balance between risk and reward and a more effective way of managing cash holistically.

CASH SEGMENTATION

Changes in the global liquidity market require investors to adopt a more strategic and focused approach to liquidity management – moving beyond a one-size-fits-all approach.

<p>Operational (1- to 30-day horizon) Day-to-day spending needs Highly liquid, invested conservatively</p> <p>30-60 day Wtd. Avg. Maturity Min Credit Rating: A</p>	<p>Reserve (6- to 12-month horizon) Intermediate or uncertain spending needs Slightly reduced liquidity</p> <p>0.5 year target duration Min Credit Rating: BBB</p>	<p>Strategic (6- to 18-month maturities) Long-term spending needs Reduced liquidity Seeks highest possible yield while preserving principal</p> <p>1 year target duration Min Credit Rating: BBB</p>
<p>PRODUCT TYPE Money market Fund</p>	<p>PRODUCT TYPE Conservative Ultra Short</p>	<p>PRODUCT TYPE Ultra Short</p>

The ability to segment cash according to its uses and investor needs, gives investors flexibility to consider investments further along the maturity spectrum, seeking higher yields and a better risk/reward balance. This journey towards longer maturities can extend beyond cash/money market products into the ultra short maturity segment of fixed-income strategies.

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The Funds are sub-funds of Northern Trust Global Funds (NTGF) plc and are regulated collective investment schemes in the Ireland under Central Bank of Ireland UCITS regulations. Northern Trust Global Investments Limited (NTGIL) has been appointed by NTGF plc as the investment manager and is registered as a limited company in England and Wales with company registration number 03929218. Registered Office: 50 Bank Street, London E14 5NT. Issued by NTGIL. NTGIL is authorised and regulated by the Financial Conduct Authority in the United Kingdom. Northern Trust Asset Management is composed of Northern Trust Investments, Inc., Northern Trust Global Investments Limited, Northern Trust Global Investments Japan, K.K., NT Global Advisors Inc., 50 South Capital Advisors, LLC and investment personnel of The Northern Trust Company of Hong Kong Limited and The Northern Trust Company.

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