

EQUITY MARKET DOWNTURN WEIGHS ON INSTITUTIONAL ASSET OWNERS



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

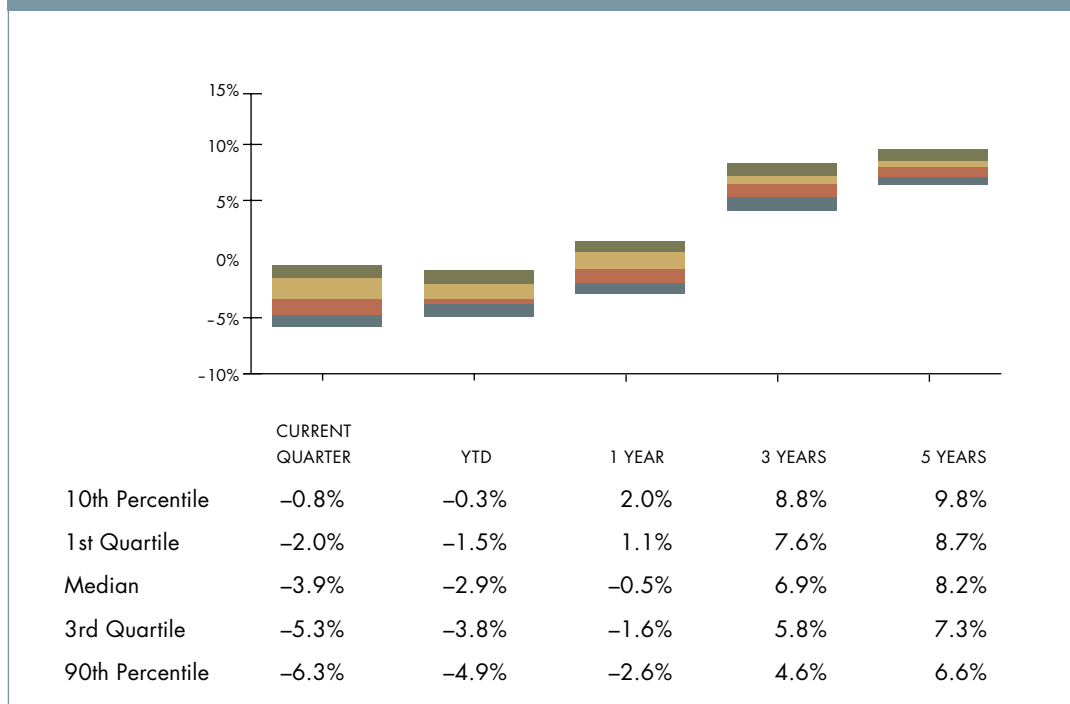
The majority of ERISA plans posted negative absolute results for the third quarter of 2015. The Northern Trust ERISA Plan Universe median return was -3.9% for the quarter ending September 30, 2015. The primary drivers of the quarter’s results were the weakness within the domestic and international equity allocations. The third quarter returns resulted in a one-year median plan return of -0.5% for the Northern Trust ERISA Plan Universe.

For the third quarter of 2015, the ERISA Plan Universe’s median return was seven basis points above the policy-level benchmark. As a result, more than half of the plans within the Northern Trust ERISA Universe outperformed their respective plan-level benchmark. Over the one-year comparison, the median ERISA plan’s excess return was

27 basis points. Longer-term, the Universe also outperformed: by 26 basis points for the three-year comparison and by 12 basis points for the five-year comparison. For the 10-year comparison, the median ERISA plan return was 27 basis points better than the assigned benchmarks.

The ERISA plan-level performance was hurt during third quarter 2015 from allocations to both domestic and international equity. Within those equity allocations, the U.S. equity programs outperformed the international equity programs in the most recent quarter; the U.S. equity program’s median return was -7.6% while the international equity program’s median return was -11.1% . Within U.S. equities, large caps outperformed small caps, with the Russell 1000 Index returning -6.8% and the Russell 2000

ERISA PLANS – TOTAL RETURNS SEPTEMBER 30, 2015



index returning –11.9%. Within international equities, developed markets outperformed emerging markets, returning –10.2% compared to –17.8%.

The ERISA plan-level performance benefited from the fixed income allocations’ slightly positive absolute returns. The median fixed income program returned 0.5% in the third quarter of 2015. Over the one-year period, the median result for the same universe was 1.8% as of September 30, 2015. Longer term, the median U.S. fixed income program returned 2.1% for the three years and 3.9% for five years.

Credit securities outperformed government securities, which had negative results, in the third quarter. Within the BC US Aggregate

Index, credit/corporate securities outperformed government securities by 89 basis points for the quarter. Government securities within the BC US Aggregate Index returned –0.1% and corporate securities returned 0.8% for the quarter.

The ERISA plan-level performance continued to benefit on an absolute basis from exposure to real estate. The sector’s median return for the third quarter was 2.3%. Over the one-year comparison the median return for the real estate program was 12.6%. The wide distribution of results for this allocation continues to be evident as witnessed in the rolling one-year results of 20.1% for the 10TH percentile versus a 1.5% return for the 90TH percentile.

COMPOSITE ASSET ALLOCATION – ERISA				
	Current	1 Year Ago	3 Years Ago	5 Years Ago
U.S. Equity	28%	28%	32%	34%
Global/Non-U.S. Equity	11%	12%	14%	16%
U.S. Fixed Income	39%	38%	34%	33%
Global/Non-U.S. Bonds	4%	4%	2%	2%
Private Equity/Hedge Funds	14%	13%	11%	10%
Cash & Other	5%	5%	6%	5%

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.