

ASSET OWNERS FINISH 2014 ON A POSITIVE NOTE



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

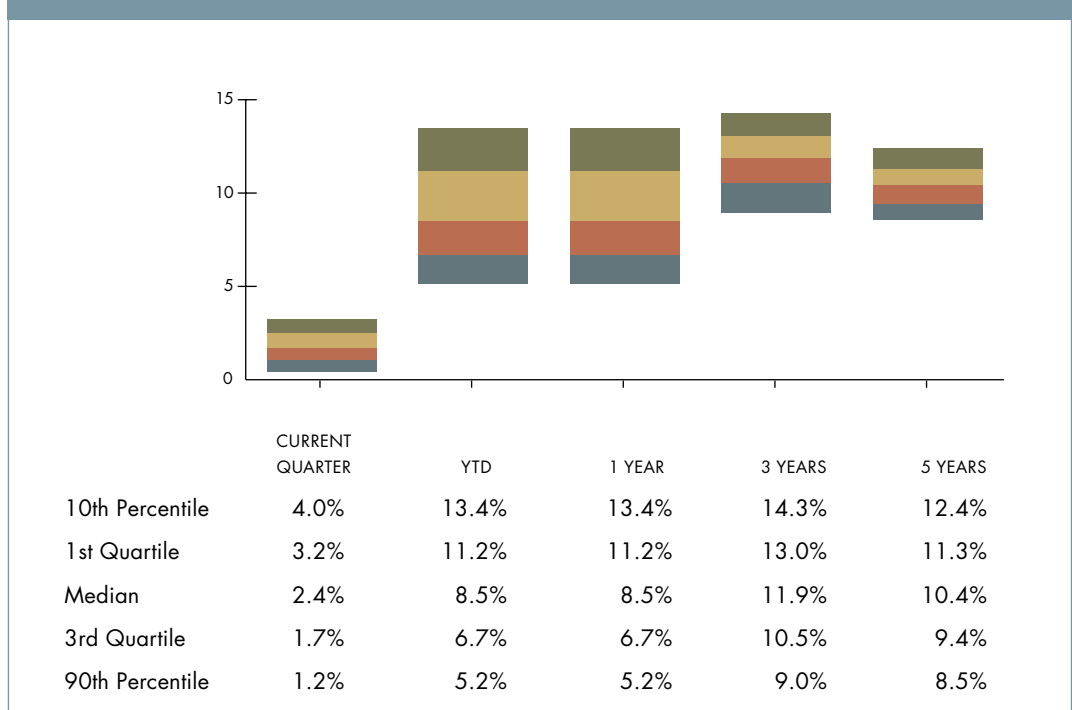
The majority of ERISA plans posted positive absolute results in the fourth quarter of 2014. The Northern Trust ERISA Plan Universe median return was 2.4% for the quarter ending December 31, 2014. The primary drivers of the quarter’s positive results were the domestic equity and fixed income allocations. The fourth quarter returns resulted in a one-year median plan return of 8.5%.

For the fourth quarter of 2014, the ERISA Universe’s median excess return compared to the policy level benchmark was –7 basis points. This resulted in more than half of the plans within the Northern Trust ERISA Universe underperforming their respective plan-level benchmark. Over the one-year comparison, the median ERISA Plan’s excess return trailed the assigned benchmarks by

19 basis points. Longer-term results reflected slightly better results, with the Universe outperforming by 11 basis points for the three-year relative comparison and by 1 basis point for the five-year relative comparison. For the 10-year comparison, the median ERISA Plan was 29 basis points better than the assigned benchmarks.

The ERISA plan-level performance results during the fourth quarter of 2014 benefited from the exposure to domestic equity allocations and were hampered by the exposure to international equities. Within those equity allocations of the Northern Trust ERISA Plan Universe, the U.S. equity programs significantly outperformed the international equity programs in the most recent quarter; with the median U.S. equity

ERISA PLANS – TOTAL RETURNS DECEMBER 31, 2014



programs returning 5.1%, while the median international equity programs returned –3.0%. Within the U.S. equities, small-caps were the better performing sub-class during the quarter, with the Russell 2000 index returning 9.7% and the Russell 1000 Index returning 4.9%. Within international equities, developed markets were hit less than emerging markets, returning –3.5% compared to –4.4%, respectively.

The ERISA plan-level performance during the quarter also benefited from the fixed income allocations’ positive absolute returns. The median fixed income program returned 1.1% in the fourth quarter of 2014. Over the one-year period, the median result for the same program was 5.7% as of December 31, 2014. Longer term, the median fixed income program returned 4.5% for the three years and 5.8% for five years.

Credit securities performed slightly better than government securities in the fourth quarter. Within the BC US Aggregate Index, credit/corporate securities underperformed government securities by 25 basis points for the quarter. The corporate securities within the BC US Aggregate Index returned 1.8% and government securities within the same index returned 1.5% for the quarter.

The ERISA plan-level performance continued to benefit on an absolute basis from exposure to real estate during the fourth quarter of 2014. The sector’s median return for the quarter was 2.9%. Over the one-year comparison, the median return for the real estate program was 13.0%. The wide distribution of results for this allocation continues to be evident in the rolling one-year results of 25.1% for the 10TH percentile versus a 5.3% return for the 90TH percentile.

COMPOSITE ASSET ALLOCATION – ERISA				
	Current	1 Year Ago	3 Years Ago	5 Years Ago
U.S. Equity	29%	30%	33%	35%
Global/Non-U.S. Equity	12%	13%	13%	15%
U.S. Fixed Income	39%	36%	33%	28%
Global/Non-U.S. Bonds	4%	5%	2%	2%
Private Equity/Hedge Funds	12%	12%	11%	9%
Cash & Other	4%	4%	8%	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.

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.

