

## THIRD QUARTER RESULTS DIP FOR INSTITUTIONAL PLAN SPONSORS



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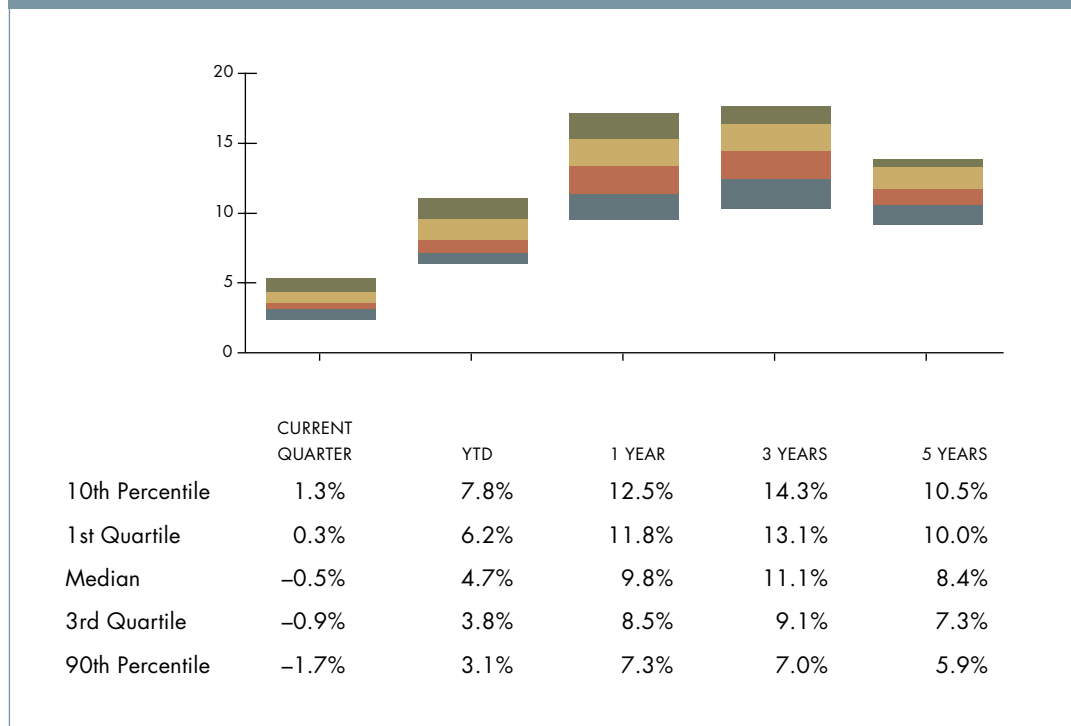
The median Global Family Office (GFO) plan was down 0.5% for the third quarter of 2014. This is a decrease from last quarter's median return of 3.5%. The 60% equity (S&P 500) and 40% bonds (Barclays U.S. Aggregate) benchmark returned 0.75% during the quarter. The GFO plan lagged this plan benchmark by 125 basis points. While the year-to-date median return for GFO is 4.7%, it still lagged the 60/40 benchmark return of 6.7%. Historically, the GFO segment has lagged the 60/40 benchmark – underperforming during the one-, two- and three-year periods. The plan posted annualized median returns of 9.8%, 10% and 11%, respectively, vs. the 60/40 index returns of 13.3%, 11.9% and 14.5%.

For the third quarter, the breakpoint return for the top quartile of GFO portfolios was 0.3%, still under the benchmark return

of 0.75%. The top decile breakpoint return was 1.3%, outperforming the plan's 60/40 benchmark. The bottom quartile of GFO portfolios returned -0.9% and the bottom decile breakpoint return was -1.7%. In terms of risk, the GFO plans' median one-year standard deviation was 5.08. While this may be lower than the 60/40 benchmark standard deviation of 5.25, the GFO Composite median Sharpe ratio for the year is 2.0%; the 60/40 benchmark's Sharpe ratio was 2.5%. The 60/40 benchmark has a higher risk-adjusted return for the one-year period.

Domestic equity comprised 25% of the GFO composite in the third quarter and had a relatively flat quarter. While the S&P 500 produced a 1.1% return, the Russell 3000 and Wilshire 5000 showed 0% and 0.1% returns respectively. The large-cap segment

GLOBAL FAMILY OFFICE PLANS – TOTAL RETURNS SEPTEMBER 30, 2014



performed positively this quarter (0.65%), with the large-cap growth segment providing the largest returns (1.5%). The small-cap and mid-cap segments showed a loss this quarter, providing returns of -7.4% and -1.7% respectively. The U.S. equity value segments did not perform well in the third quarter, showing a -0.2% return for large-cap value and -8.6% return for small-cap value strategies.

International equity comprised 15% of the GFO composite this quarter and was largely affected by the geopolitical concerns. Contrary to last quarter's results, the MSCI ACWI ex USA GD Index posted a negative return of -5.2%. The Northern Trust international equity program had a median return of -4.6% and the global equity program posted a median return of -2.3%.

Domestic fixed income accounted for 16% of assets in the GFO composite in the third quarter. After posting a 2% return in the second quarter, domestic fixed income

markets somewhat flattened as the BC U.S. Aggregate produced a 0.2% return this quarter. The U.S. Treasury yield curve continued to follow the "flattening" trend this quarter. The 10-year vs. two-year yield spread for the fourth quarter in 2013, and the first, second and third quarters in 2014 were 2.66, 2.29, 2.06 and 1.94 respectively. Long-term yields have continued to decrease, while two-, three- and five-year yields began to increase this quarter.

International fixed income accounted for 3.5% of assets in the GFO composite this quarter. The global fixed income segment was heavily influenced by Europe's negative short-term rates and the strong performance of the U.S. dollar. The BC Global Aggregate ex USA third-quarter return was -5.4%; and, the BC Global Aggregate quarter return was -3.1%. The Northern Trust non-U.S. fixed income program showed a median return of -2.7% for the quarter.

| COMPOSITE ASSET ALLOCATION – GLOBAL FAMILY OFFICE |         |            |             |             |
|---|---------|------------|-------------|-------------|
|   | Current | 1 Year Ago | 3 Years Ago | 5 Years Ago |
| U.S. Equity                                       | 25%     | 24%        | –           | –           |
| Global/Non-U.S. Equity                            | 15%     | 15%        | –           | –           |
| U.S. Fixed Income                                 | 16%     | 19%        | –           | –           |
| Global/Non-U.S. Bonds                             | 3%      | 3%         | –           | –           |
| Private Equity/Hedge Funds                        | 31%     | 28%        | –           | –           |
| Cash & Other                                      | 9%      | 10%        | –           | –           |

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