

THIRD QUARTER 2023

GROWTH WITH ENHANCED INCOME

Global equities followed a choppy trajectory throughout the third quarter with July gains giving way to losses in August and September as interest rates pushed higher globally later on in the quarter. In the U.S., the broader economic narrative continued around resilient – but slowing – growth and moderating inflation, with both investors and the Federal Reserve interpreting these dynamics as more likely to lead to higher-for-longer monetary policy. Outside the U.S., Europe and to a greater extent, China, faced incremental growth headwinds. Central banks globally are approaching peak policy rates as policymakers have to carefully assess future growth concerns and the lagged impacts from their prior tightening with still-elevated core inflation. Overall, financial market returns were largely negative for the quarter with a few asset classes such as cash, high yield fixed income and natural resources seeing slight-to-modest gains.

We made one change in asset allocation in the quarter. In August, we adjusted the portfolio for our annual strategic asset allocation update, which largely consisted of an increase to inflation-linked fixed income and a reduction in investment grade fixed income. At the same time, we also increased our tactical overweight to cash and moved further underweight non-U.S. equities. This tactical change was driven by a preference to modestly reduce the risk profile of the portfolio given building headwinds to the global growth outlook and a less constructive non-U.S. economic outlook in particular. The tactical asset allocation approach of the portfolio focuses on positioning appropriately for the current financial market and economic backdrop with a focus on downside mitigation.

The portfolio outperformed in the third quarter with support from both fund implementation and strategic positioning in addition to more modest support from tactical positioning. Strategic positioning aided performance with support from high yield fixed income and natural resources both performing well relative to global equities. The modest benefits from tactical positioning were primarily driven by the overweight to cash. Fund implementation in the portfolios is geared towards providing additional income. This approach helped performance for the quarter, with some benefits from both fixed income and equities. With regards to fixed income fund implementation, our credit-scored intermediate corporate bond (SKOR) was the largest contributor as it faced less drag than broader fixed income markets from rising long-term interest rates in the third quarter. Within equity fund implementation, our quality dividend international equity (IQDF) was the main contributor.

IMPORTANT INFORMATION: Northern Trust Investments, Inc. (NTI) is an investment adviser registered with the Securities Exchange Commission under the Investment Advisers Act of 1940. The company manages a variety of portfolios utilizing stocks, bonds, and exchange-traded funds (ETFs). The information contained herein is intended for use with current or prospective clients of Northern Trust Investments, Inc. The information is not intended for distribution or use by any person in any jurisdiction where such distribution would be contrary to local law or regulation. Northern Trust and its affiliates may have positions in and may effect transactions in the markets, contracts and related investments different than described in this information. This information is obtained from sources believed to be reliable, and its accuracy and completeness are not guaranteed. Information does not constitute a recommendation of any investment strategy, is not intended as investment advice and does not take into account all the circumstances of each investor.

This report is provided for informational purposes only and is not intended to be, and should not be construed as, an offer, solicitation or recommendation with respect to any transaction and should not be treated as legal advice, investment advice or tax advice. Recipients should not rely upon this information as a substitute for obtaining specific legal or tax advice from their own professional legal or tax advisors. References to specific securities and their issuers are for illustrative purposes only and are not intended and should not be interpreted as recommendations to purchase or sell such securities. Indices and trademarks are the property of their respective owners. Information is subject to change based on market or other conditions.

Forward-looking statements and assumptions are NTI's current estimates or expectations of future events or future results based upon proprietary research and should not be construed as an estimate or promise of results that a portfolio may achieve. Actual results could differ materially from the results indicated by this information.

All securities investing and trading activities risk the loss of capital. Each portfolio is subject to substantial risks including market risks, strategy risks, adviser risk and risks with respect to its investment in other structures. There can be no assurance that any portfolio investment objectives will be achieved, or that any investment will achieve profits or avoid incurring substantial losses. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. Risk controls and models do not promise any level of performance or guarantee against loss of principal. Any discussion of risk management is intended to describe Northern Trust's efforts to monitor and manage risk but does not imply low risk.

There are risks involved in investing including possible loss of principal. There is no guarantee that the investment objectives of any fund or strategy will be met. Risk controls and models do not promise any level of performance or guarantee against loss of principal. Past performance is no guarantee of future results. FlexShares™ ETFs and Northern Funds are sub-advised by Northern Trust Investments, Inc. For more information on the investment objectives, principle risks, and fees associated with these Funds, please see each Fund's prospectus and statement of additional information ("SAI"), which are available on the Advisors' websites at northernfunds.com and flexshares.com.

NTI generally utilizes its own funds within this strategy. NTI receives various fees from the funds via the fund expense ratios. Clients will incur these fees. Investors (e.g. institutional) that employ NTI for discretionary management may incur an investment management fee of up to 0.15% for this strategy. Clients who access these portfolios through a financial intermediary will typically pay additional fees to that firm. Clients should consult with their Financial Advisor for more information.

Northern Trust Asset Management is composed of Northern Trust Investments, Inc. Northern Trust Global Investments Limited, Northern Trust Fund Managers (Ireland) Limited, Northern Trust Global Investments Japan, K.K., NT Global Advisors, Inc., 50 South Capital Advisors, LLC, Northern Trust Asset Management Australia Pty Ltd, and investment personnel of The Northern Trust Company of Hong Kong Limited and The Northern Trust Company.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

© 2023 Northern Trust Corporation. Head Office: 50 South La Salle Street, Chicago, Illinois 60603 U.S.A.

Northern Trust Asset Management is composed of Northern Trust Investments, Inc., Northern Trust Global Investments Limited, Northern Trust Fund Managers (Ireland) Limited, Northern Trust Global Investments Japan, K.K., NT Global Advisors, Inc., 50 South Capital Advisors, LLC, Northern Trust Asset Management Australia Pty Ltd, and investment personnel of The Northern Trust Company of Hong Kong Limited and The Northern Trust Company.

P-102023-3174367-021724