

THIRD QUARTER 2019 INCOME

Asset class returns were mixed in the third quarter, with a slight gain for global equities and positive returns in fixed income. Equity markets were challenged by concerns that escalating trade tensions were weighing on the growth outlook, though these pressures were somewhat offset by support from lower interest rates and contained inflation. Interest rates globally moved lower in the quarter, with the 10-year U.S. Treasury yield declining sharply to 1.47% in August before rebounding somewhat to end the quarter at 1.66%. Concerns on the growth environment also led to accommodative policy moves from a number of central banks across the world including the Federal Reserve and the European Central Bank.

We made two changes in asset allocation in the quarter. In July, we increased our U.S. equity allocation and decreased our municipal investment grade fixed income allocation with the goal of moderately increasing the risk profile of the portfolio given a combination of recently easing trade tensions and the prospect of Federal Reserve rate cuts. In August, we increased our U.S. equity allocation and decreased our municipal investment grade fixed income allocation. The tactical change was primarily designed to maintain strong conviction tactical positions following our annual strategic asset allocation update. Currently, the portfolio has overweights concentrated in municipal high yield fixed income, U.S. equities, global real estate and global listed infrastructure, funded by underweights across municipal investment grade fixed income, inflation-linked fixed income, cash and emerging market equities. The portfolio ended the quarter with a moderately higher risk level than its strategic benchmark.

Performance for the quarter benefitted from fund implementation and tactical positioning which overcame some headwinds from strategic positioning. Strategic positioning was hurt mainly by weak performance in natural resources compared to global equities and weaker returns in cash and inflation-linked fixed income compared to municipal investment grade fixed income. Tactical positioning benefitted performance as the underweight to emerging market equities and the overweights to high yield fixed income and global real estate more than offset headwinds from the underweight to municipal investment grade fixed income. Our municipal investment grade fixed income strategy (NOTEX), our quality dividend U.S. equity strategy (QDF) and our global listed infrastructure strategy (NFRA) were the main contributors in terms of fund implementation.

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 Northern Trust'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.

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.

Northern Trust generally utilizes its own funds within this strategy. Northern Trust receives various fees from the funds via the fund expense ratios. Clients will incur these fees. Clients who access these portfolios through a financial intermediary firm will typically pay additional fees to that firm. Clients should speak to their Financial Advisor for more information. Financial intermediaries that employ Northern Trust for model management or overlay services may compensate Northern Trust for those services a fee of up to 0.25%.

© 2019 Northern Trust Corporation. Head Office: 50 South La Salle Street, Chicago, Illinois 60603 U.S.A.

Asset Management is composed of Northern Trust Investments, Inc., Northern Trust Global Investments Limited, 50 South Capital Advisors, LLC, Northern Trust Global Investments Japan, K.K., Northern Trust Global Advisors, Inc., and investment personnel of The Northern Trust Company of Hong Kong Limited and The Northern Trust Company.