



# INFLATION SENSITIVE ASSETS STRATEGY

*Addressing inflation risk and enhancing diversification in defined contribution plans*

Defined contribution plan sponsors looking to provide their participants with an easy-to-understand investment option that addresses both inflation risk and enhances diversification may want to consider a real assets strategy such as the Inflation Sensitive Assets Strategy. The Inflation Sensitive Assets Strategy (ISA) combines the qualities of four different asset classes – global natural resources, global real estate, global listed infrastructure and U.S. Treasury Inflation Protected Securities (TIPS) – inside a professionally managed fund so participants can benefit from the inflation-fighting attributes of these assets. The combination of these asset classes is determined through a professionally managed portfolio construction process that leverages the strengths of each asset class to optimally allocate each within the fund.

## ADVANTAGES OF NORTHERN TRUST'S INFLATION SENSITIVE ASSETS APPROACH

Northern Trust Asset Management's approach has several distinguishing factors:

- **Proven Track Record of Providing Strategic Insights**

We have been developing and refining our core competency in strategic asset allocation for more than three decades.

- **Robust Portfolio Construction**

Our solution is driven by a strategic asset allocation process built on forward-looking, but historically aware, capital market assumptions using a lineup of asset classes that encompass a global focus. An annual review of the asset allocation provides the flexibility to evolve given changing market conditions.

- **Cost-Efficient Exposure to Global Markets**

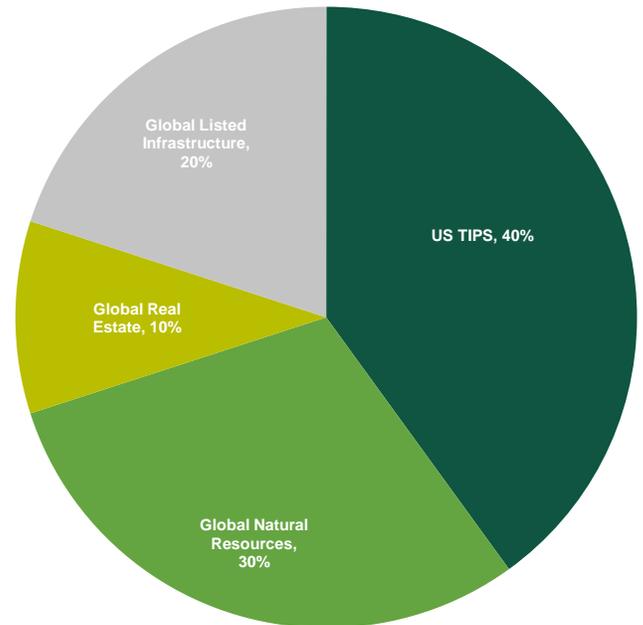
We use a cost-effective investment structure to minimize the effect fees might have on your participants' ability to achieve their long-term investment goals.

Traditionally, a Treasury Inflation Protected securities fund was the only option offered by a DC plan that targeted inflation protection. This option by itself is not perfectly suited to address all inflationary environments. Today, participants can select a fund like the Inflation Sensitive Assets fund to acquire broad purchasing power protection and the potential to increase the diversification of their plan investments.

## INSIDE THE DIVERSIFIED INFLATION SENSITIVE ASSETS STRATEGY

The ISA leverages Northern Trust Asset Management’s portfolio construction framework, allocating to both risk assets and risk control assets to help ensure portfolio diversification. In the risk asset “bucket”, which comprises 60% of the fund, real assets are represented by global natural resources, global real estate and global listed infrastructure. In the risk control “bucket”, 1-10 year TIPs comprise the entire 40% allocation.

Plan participants should enhance their retirement plan with assets that behave differently than traditional stock and bond offerings. Adding exposure to different asset classes such as global natural resources, global real estate, global infrastructure and inflation-protected securities helps provide different return outcomes in varying market environments. This helps buffer large swings in retirement assets, especially when markets experience high volatility.



Asset Class	What is it?
Global Natural Resources	Companies that own natural resource assets (i.e., energy, metals & mining and agriculture) and manage them for economic benefits
Global Real Estate (REIT)	A corporation or trust that uses the pooled capital of many investors to purchase and manage income property (hard assets) and/or mortgage loans
Global Listed Infrastructure	Capital projects that move people, energy, goods and data, earning fees for their use
U.S. 1-10 Year TIPS	1-10 Year U.S. Government backed Treasury Inflation Protected Securities are shorter maturity TIPs

## A HOLISTIC APPROACH

The Northern Trust Asset Management’s ISA Strategy is built on the foundation of our investment expertise in strategic asset allocation and our straightforward portfolio construction designed to give you the confidence in helping your participants reach their retirement goals.

## NORTHERN TRUST RETIREMENT SOLUTIONS

As one of the largest managers of DC assets in the United States, our team has deep expertise in developing innovative answers to challenges faced by many of the world's largest DC plan sponsors. Collectively, these sponsors have entrusted us to manage more than \$191 billion and to provide custody and administrative services for more than \$514 billion in DC assets as of June 30, 2019. We take a consultative approach to addressing the needs of plan sponsors and participants while offering a suite of solutions aimed at improving retirement outcomes.

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## NORTHERN TRUST ASSET MANAGEMENT

As a leading global asset management firm, our investment expertise, strength and innovation have earned the trust and confidence of the world's most sophisticated institutional and individual investors.

With \$975 billion in total assets under management as of June 30, 2019, and a long standing history of solving complex challenges, we believe our strength and stability drive opportunities for our clients. Our comprehensive asset class offering includes passive, factor-based, fundamental active and multi-asset class solutions that are available in a variety of investment vehicles. Learn more at [northerntrust.com/strength](http://northerntrust.com/strength).

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