

# MARKETS CHANGE. TACTICAL ASSET ALLOCATION MEANS YOUR ALPHA DOESN'T HAVE TO.

Performance of any given asset class can shift dramatically from year to year. A diversified portfolio can help, but we think there's a better way for investors to increase portfolio alpha in a risk-efficient, transparent and cost-effective way. A globally diversified solution with strategic and tactical asset allocation — supported by extensive risk management and portfolio construction expertise — should give investors the confidence they seek to navigate changing markets.

**CALENDAR YEAR RETURNS** | Northern Trust tactical asset allocation recommendations outpaced a 60/40 portfolio over the last 10 years with lower risk.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	10-Year Return	10-Year Risk
Best	EM Equities 79.0	Global RE 20.0	TIPS 13.6	Global RE 29.8	U.S. Equities 32.6	Global RE 14.7	U.S. Equities 1.3	Natural Res. 32.3	EM Equities 37.8	Inv. Grade 0.0	U.S. Equities 13.1	Inv. Grade 2.8
	High Yield 58.8	EM Equities 19.2	Inv. Grade 7.8	EM Equities 18.6	Dev. ex-U.S. 21.6	U.S. Equities 13.4	Inv. Grade 0.5	High Yield 17.1	Dev. ex-U.S. 24.8	Global Fixed -1.2	High Yield 11.1	TIPS 4.9
	Global RE 41.3	U.S. Equities 15.4	Global Fixed 5.6	Dev. ex-U.S. 17.0	Infrastructure 15.0	Infrastructure 13.0	Global RE -0.4	Infrastructure 12.4	Natural Res. 22.7	TIPS -1.3	Global RE 10.4	Global Fixed 5.1
	Natural Res. 36.1	High Yield 14.9	High Yield 5.0	U.S. Equities 16.1	60/40 12.3	Inv. Grade 6.0	60/40 -0.8	U.S. Equities 11.6	U.S. Equities 21.9	High Yield -2.1	EM Equities 8.4	High Yield 7.7
	Dev. ex-U.S. 34.4	Tactical 11.6	U.S. Equities 2.0	High Yield 15.8	Tactical 11.1	60/40 5.0	Tactical -1.4	EM Equities 11.6	Infrastructure 20.1	U.S. Equities -4.5	Tactical 8.0	Tactical 8.7
	U.S. Equities 27.1	Natural Res. 11.0	Tactical 1.0	Tactical 13.3	High Yield 7.4	Tactical 4.9	TIPS -1.4	Tactical 9.1	Tactical 16.1	60/40 -5.2	60/40 7.7	60/40 8.9
	Infrastructure 25.3	60/40 10.7	Infrastructure -0.4	Infrastructure 11.9	Global RE 2.2	TIPS 3.6	Dev. ex-U.S. -2.6	60/40 6.3	60/40 15.8	Global RE -5.5	Infrastructure 7.6	U.S. Equities 13.6
	Tactical 23.0	Dev. ex-U.S. 9.4	60/40 -1.2	60/40 11.4	Natural Res. 1.5	High Yield 2.5	Global Fixed -3.2	TIPS 4.7	Global RE 15.0	Tactical -5.6	Dev. ex-U.S. 6.8	Infrastructure 13.9
	60/40 23.0	Inv. Grade 6.5	Global RE -8.1	Natural Res. 7.2	Inv. Grade -2.0	Global Fixed 0.6	High Yield -4.4	Global RE 4.6	High Yield 7.5	Infrastructure -9.5	TIPS 3.6	Dev. ex-U.S. 16.1
	TIPS 11.4	TIPS 6.3	Dev. ex-U.S. -11.8	TIPS 7.0	EM Equities -2.3	EM Equities -1.8	Infrastructure -11.5	Dev. ex-U.S. 3.3	Global Fixed 7.4	Natural Res. -12.6	Inv. Grade 3.5	Global RE 17.6
	Global Fixed 6.9	Infrastructure 5.8	Natural Res. -14.9	Global Fixed 4.3	Global Fixed -2.6	Dev. ex-U.S. -3.9	EM Equities -14.6	Inv. Grade 2.6	Inv. Grade 3.5	Dev. ex-U.S. -13.6	Natural Res. 3.1	Natural Res. 19.0
Worst	Inv. Grade 5.9	Global Fixed 5.5	EM Equities -18.2	Inv. Grade 4.2	TIPS -8.6	Natural Res. -9.7	Natural Res. -24.0	Global Fixed 2.1	TIPS 3.0	EM Equities -14.2	Global Fixed 2.5	EM Equities 19.3

Source: Northern Trust Investment Strategy, Bloomberg. Gross total returns in USD. 10-year return and risk (standard deviation) columns are annualized through 12/31/2018. Tactical = Northern Trust Investment Policy Committee Tactical Asset Allocation recommendations (gross of fees) for global asset allocation model, tracked using preferred Investment Policy Committee asset class index proxies. Past performance is no guarantee of future results. Returns reflect the reinvestment of dividends and other earnings and are shown before the deduction of investment management fees, unless indicated otherwise. Returns of the indexes also do not typically reflect the deduction of investment management fees, trading costs or other expenses. It is not possible to invest directly in an index. Indexes are the property of their respective owners, all rights reserved.

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