NORTHERN TRUST ASSET MANAGEMENT
ASSET ALLOCATION VIEWPOINTS & RECOMMENDATIONS

Tactical decision: No asset allocation changes were made to the portfolios this month.

Northern Trust Asset Management's Asset Allocation Committee maintained its broad-based overweight to risk as its fundamental outlook remains mostly unchanged. The Committee continues to expect slowing-but-not-stopping economic growth and elevated-but-not-structural inflation — a combination that supports ongoing monetary support from global central bankers. Developed market equity valuations are elevated vs. history but: i) are justified by the fundamental backdrop (both through revenues and margins) and ii) are at low risk of a catalyst that leads to a material reset lower. The continued broad overweight to Developed Market Equities joins our High Yield overweight (given less concern over credit risk than interest rate risk) and Natural Resources overweight (benefitting from both the macro outlook and company fundamentals).

The global economy has a supply problem, not a demand problem. The pandemic, once again, is fading from the health headlines (and was never really back on the economic front page). As such, and when combined with very healthy consumer balance sheets and gradually improving jobs markets, the committee has continued confidence in the "slowing but sustainable" growth trajectory. The overweight to Natural Resources provides an effective hedge against any ongoing (but still transitory) inflation until goods markets are able to move back to equilibrium.

Supply chain issues are more manageable by larger companies. The headlines suggest global supply chains are in crisis mode — and, to be sure, supply/demand dislocations will prevent optimal economic functioning over the next two quarters at least. However, less advertised is how relatively well large companies are dealing with economic pressures. From chartering their own ocean vessels for shipping inventory to introducing increased automation into work flows, large companies continue to operate relatively well in a very challenging supply environment.

Central bankers will still default to accommodative policy. Despite the increased and longer-than-expected inflationary pressures, central bankers still have legs to stand on when they make the case that current inflation is transitory and monetary accommodation remains the correct approach. So long as specific "fixes" (other than higher interest rates) can be identified (no matter how long they take), central bankers can credibly make the case for continued accommodation — especially when appreciating their new average inflation targeting framework and recognizing recent inflation hasn't made much of a dent into the below-target inflation of the past decade.

High Level Summary:

What the Committee Expects: The Base Case

Slowing but Sustainable Growth: Growth is moderating from the past year's strong pace but is still quite early in what will likely be a long economic cycle. At the same time, the steady (and generous) hand of central banks will support financial market valuations. We remain overweight risk assets broadly in the global policy model.

Economic-Resistant Companies: Pockets of elevated inflation, supply/demand mismatches and slowing economic growth have not impacted business profitability — notably in tactically overweight developed markets. Earnings growth has materially outstripped already-impressive revenue growth, leaving a solid fundamental backdrop.

What the Committee is Watching For: The Risk Cases

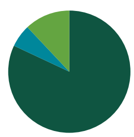
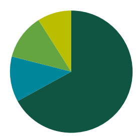
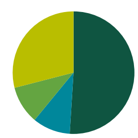
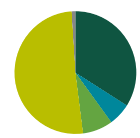
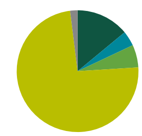
Stuckflation Tested – and Fails: Inflationary pressures during the recovery continue to build and overwhelm structural downward forces on inflation, forcing early central bank restrictiveness leading to risk asset headwinds.

China Growth Disruption: A China policy miscalculation creates a risk to global economic functioning as it deals with a number of issues from the pandemic to energy shortages to financial stability and the property sector.

Risk Assets: For long-term capital appreciation.

Risk Control Assets: For reducing volatility.

ASSET ALLOCATION WEIGHTS

	Maximum Growth Portfolio		Growth with Moderate Income Portfolio		Growth with Income Portfolio		Income with Moderate Growth Portfolio		Income Portfolio	
Benchmark: Stock% / Bond%:	90% / 10%		75% / 25%		60% / 40%		35% / 65%		10% / 90%	
										
Current Portfolio Positioning	Portfolio Weight	Over/ Under-Weight	Portfolio Weight	Over / Under Weight	Portfolio Weight	Over / Under Weight	Portfolio Weight	Over / Under Weight	Portfolio Weight	Over / Under Weight
Equity	82%	+4%	67%	+5%	51%	+5%	34%	+5%	14%	+5%
U.S. Equities	47%	+2%	38%	+2%	28%	+2%	19%	+2%	7%	+2%
Dev. ex-U.S. Equities	25%	+2%	21%	+3%	17%	+3%	11%	+3%	6%	+3%
Emerging Markets Equities	10%	0%	8%	0%	6%	0%	4%	0%	1%	0%
Real Assets	6%	-6%	12%	+2%	10%	+2%	6%	+2%	4%	+2%
Natural Resources	6%	0%	7%	+2%	6%	+2%	4%	+2%	3%	+2%
Global Real Estate	0%	-3%	2.5%	0%	2%	0%	1%	0%	0.5%	0%
Global Listed Infrastructure	0%	-3%	2.5%	0%	2%	0%	1%	0%	0.5%	0%
High Yield Bonds	12%	+2%	12%	+4%	10%	+4%	8%	+4%	6%	+5%
Investment Grade Bonds	0%	0%	9%	-10%	29%	-9%	51%	-9%	74%	-10%
U.S. Investment Grade	0%	0%	9%	-8%	29%	-6%	49%	-6%	70%	-7%
TIPS	0%	0%	0%	-2%	0%	-3%	2%	-3%	4%	-3%
Cash & Short-Term	0%	05	0%	-1%	0%	-2%	1%	-2%	2%	-2%

The Benchmark is a blend of MSCI ACWI and Bloomberg US Aggregate Bond Index. The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The Bloomberg US Aggregate Bond Index is an unmanaged index of prices of US dollar-denominated, fixed rate, taxable, investment grade fixed income securities with remaining maturities of one year and longer. An investment cannot be made directly in an index.

Portfolio Weight represents the current target weights, given our most recent outlook for the capital markets over the next twelve months. These weights are subject to change. Actual client account weights may vary.

Over/Underweight represents the portfolio weight relative to the strategic asset allocation weights, which form the baseline portfolio allocations.

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