

The Periodic Table of Factors

Equity Factor Return Cycles – Last 15 Years

There's a fundamental truth about equity factors: no single factor consistently outperforms its benchmark every year. Historical evidence suggests that factors may be subject to cyclical behavior (see chart below). So how do you minimize the effects of this cyclical behavior? At Northern Trust, we seek to do so through multi-factor portfolio construction, utilizing our multidimensional definition of quality. Quite simply, we believe in investing at the intersection of quality and other risk factors. That's why we pioneered Engineered Equity™.

		Calendar Year Returns														Annualized 15 Year Return	
		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Highest	LOW VOLATILITY	0.8%	VALUE 77.5%	VALUE 24.8%	MOMENTUM 13.0%	VALUE 23.8%	MOMENTUM 10.8%	LOW VOLATILITY -27.1%	VALUE 91.3%	VALUE 33.2%	LOW VOLATILITY 6.6%	VALUE 21.2%	MOMENTUM 46.2%	LOW VOLATILITY 15.6%	LOW VOLATILITY 4.8%	VALUE 38.3%	QUALITY 13.2%
	DIVIDEND YIELD	-0.5%	SIZE 56.6%	QUALITY 23.5%	QUALITY 10.9%	DIVIDEND YIELD 22.3%	LOW VOLATILITY 2.4%	QUALITY -33.7%	SIZE 51.5%	QUALITY 29.3%	DIVIDEND YIELD 3.8%	QUALITY 20.5%	QUALITY 43.7%	DIVIDEND YIELD 13.4%	MOMENTUM 0.8%	DIVIDEND YIELD 30.2%	LOW VOLATILITY 11.0%
	QUALITY	-9.0%	QUALITY 55.3%	LOW VOLATILITY 19.8%	LOW VOLATILITY 7.2%	QUALITY 21.7%	QUALITY -0.5%	DIVIDEND YIELD -36.6%	QUALITY 50.3%	MOMENTUM 29.0%	QUALITY -1.0%	MOMENTUM 19.1%	SIZE 41.5%	QUALITY 10.1%	DIVIDEND YIELD -4.1%	SIZE 21.8%	VALUE 9.8%
	SIZE	-21.7%	MOMENTUM 54.7%	DIVIDEND YIELD 19.7%	SIZE 3.8%	LOW VOLATILITY 19.5%	SIZE -5.5%	SIZE -39.2%	DIVIDEND YIELD 19.2%	SIZE 28.5%	MOMENTUM -5.3%	SIZE 16.8%	VALUE 37.7%	MOMENTUM 6.8%	QUALITY -5.4%	QUALITY 19.5%	SIZE 8.9%
	VALUE	-21.9%	DIVIDEND YIELD 33.4%	SIZE 18.6%	DIVIDEND YIELD 2.8%	SIZE 18.2%	DIVIDEND YIELD -17.1%	MOMENTUM -41.7%	LOW VOLATILITY 14.5%	DIVIDEND YIELD 21.1%	SIZE -7.4%	LOW VOLATILITY 15.6%	LOW VOLATILITY 31.5%	SIZE 3.9%	SIZE -6.7%	LOW VOLATILITY 17.7%	DIVIDEND YIELD 8.0%
	LOWEST	MOMENTUM	-23.2%	LOW VOLATILITY 31.2%	MOMENTUM 10.9%	VALUE 0.3%	MOMENTUM 10.7%	VALUE -21.3%	VALUE -45.2%	MOMENTUM 12.8%	LOW VOLATILITY 19.0%	VALUE -11.5%	DIVIDEND YIELD 14.9%	DIVIDEND YIELD 24.4%	VALUE -1.1%	VALUE -15.3%	MOMENTUM 5.5%
		Russell 3000® Index															
		-21.5%	31.1%	11.9%	6.1%	15.7%	5.1%	-37.3%	28.3%	16.9%	1.0%	16.4%	33.6%	12.6%	0.5%	12.7%	7.1%

Source: Northern Trust Quantitative Research, Compustat, Barra

Factor returns are defined as the equally weighted top or bottom 20% of the Russell 3000® Index. Ranking is based on exposure to factor as defined by Barra (Value, Momentum, Volatility, Dividend Yield), Northern Trust (Quality) and Market Cap (Size). Factors are winsorized to remove extreme 5% of the outliers.

Past performance is no guarantee of future results. Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index.

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