

SECURITIES LENDING: Delivering incremental returns through a risk-controlled program

Northern Trust Asset Management offers a suite of institutional commingled index funds (“Funds”)¹ that participate in securities lending. Benefits of investing in a lending Fund include:

- Increased returns generated from lending securities
- Reduced investment management fees

VALUE GENERATED BY SECURITIES LENDING

The Funds receive 70% of the gross revenue generated by securities lending, which is driven by two components: the lending spread from the intrinsic value of the securities on loan and the return from the cash reinvestment of collateral. As the table below illustrates, the contribution of securities lending to Fund performance will vary by asset class and is driven by the demand for specific securities.

Securities Lending Net Performance by Asset Class (As of 12/31/2023)

Incremental Revenue	Securities Lending Net Contribution			
	1-Year	3-Year	5-Year	10-Year
Equities				
US Large Cap	0.5 bps	0.6 bps	0.9 bps	1.8 bps
US Mid Cap	3.9 bps	3.9 bps	4.5 bps	6.4 bps
US Small Cap	14.3 bps	12.4 bps	14.5 bps	18.8 bps
Emerging Markets	1.6 bps	2.1 bps	2.4 bps	3.2 bps
ACWI / EAFE	1.9 bps	2.0 bps	2.3 bps	3.0 bps
Fixed Income				
Agg Bond	2.4 bps	2.8 bps	3.0 bps	3.8 bps
1-10 Yr. Intermediate Credit Bond	4.1 bps	2.7 bps	2.5 bps	2.6 bps
1-10 Yr. Intermediate Gov't Bond	3.2 bps	5.2 bps	5.7 bps	7.1 bps
REITs	3.7 bps	3.0 bps	3.1 bps	3.7 bps

Past performance is not indicative of future results.

¹ U.S. commingled index funds available to eligible institutional investors.

FAST FACTS

- The Northern Trust Company (“Northern Trust”) is the lending agent for the funds
- Revenue generated is split 70/30 across all funds
- Cash collateral is invested in a conservative short term investment fund with guidelines similar to SEC Rule 2a-7
- Since 1995, exclusive lending arrangements have provided above market returns for multiple strategies

RISK-CONTROLLED PROCESS

Within the securities lending program, risk is controlled in a thoughtful manner, with particular attention to borrower selection and loan quality.

- Loans within the program are fully-collateralized and marked-to-market daily.
- Approved borrowers undergo a rigorous review and overall, have a long-term credit rating of A- or better.
- Borrower credit limits reduce concentration risk of securities on loan.

CLOSE PARTNERSHIP WITH OUR LENDING AGENT

Responsibility for the securities lending program resides with Northern Trust Investments, Inc. ("NTI") as trustee of the Funds; Northern Trust serves as the lending agent for the Funds that lend. Northern Trust:

- Has been a key global player in securities lending since 1981,
- Is supported by an enterprise-wide risk management process,
- Offers access to over 50 equity and fixed income markets worldwide via 24-hour trading from Chicago, London, Hong Kong, Sydney and Toronto, and
- Importantly, provides borrower default indemnification – a value-added service not provided by all lending agents.

STRONG OVERSIGHT FROM A FIDUCIARY WITH 130 YEARS OF EXPERIENCE

Governed by the principles of service, expertise and integrity, NTI follows a disciplined, client-centric strategy with the objective of meeting the highest standards of client service. As trustee, NTI is responsible for serving the best interests of the Funds and providing ongoing oversight of Northern Trust as lending agent. Mindful of this obligation, NTI regularly reviews the nature, quality and competitiveness of services provided by the lending agent.

IMPORTANT INFORMATION

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The fund is a commingled fund for which Northern Trust Investments, Inc. serves as trustee. The fund is not a mutual fund and is privately offered. Prospectuses are not required and fees and expenses are not available in local publications. Information on fees and expenses can be obtained from Northern Trust Investments, Inc. Principal value and investment return will fluctuate, so that a participant's units when redeemed may be worth more or less than the original investment. Fund participants and potential participants are strongly encouraged to review the fund's declaration of trust and fund declaration for additional information regarding the operation and investment objectives of the fund.

Northern Trust Asset Management is composed of Northern Trust Investments, Inc., Northern Trust Global Investments Limited, Northern Trust Fund Managers (Ireland) Limited, Northern Trust Global Investments Japan, K.K., NT Global Advisors Inc., 50 South Capital Advisors, LLC and investment personnel of The Northern Trust Company of Hong Kong Limited, Belvedere Advisors, LLC and The Northern Trust Company.

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NORTHERN TRUST SECURITIES LENDING AT A GLANCE As of December 31, 2023



CONTACT US

IF YOU'D LIKE ADDITIONAL INFORMATION:

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