

FOURTH QUARTER 2024

GROWTH WITH INCOME

In the fourth quarter, the U.S. continued to grow at a solid pace that beat expectations, activity in Europe remained weak with dispersion across countries, and China's challenges persisted. Meanwhile, most major central banks continued cutting policy rates, with the Federal Reserve signaling a more cautious approach to rate cuts moving forward in December. The U.S. election resulted in Donald Trump being elected President and a Republican sweep overall outcome. Fourth quarter asset class returns were mostly negative though this was overshadowed to a degree by ongoing gains in U.S. equities. Interest rates moved up across the curve most notably in the leadup to the U.S. election and after the December Fed meeting. This left broader fixed income indexes in negative territory for the quarter. U.S. equities drifted slightly upwards early on in the quarter and then responded favorably to the Republican sweep U.S. election outcome. However, equities began to fade in December with a dip lower following the Fed meeting. Outside the U.S., equities struggled with headwinds from a less-robust economic backdrop, some political uncertainty and additional policy risk (e.g., tariffs) from the U.S. election outcome.

We made one change in asset allocation in the quarter. In November, we added to our U.S. equities overweight and reduced developed ex-U.S. equities from equal-weight to underweight. This move reflected our expectation of a more supportive economic and corporate earnings backdrop in the U.S. relative to Europe, which is also more exposed to tariff risk. We also added to inflation-linked fixed income (moving to equal-weight from underweight), funded by a reduction in investment grade fixed income. This change reflected our expectations around incrementally higher inflation risks as a result of the incoming U.S. Administration's potential policies and limited upside for investment grade fixed income given historically-tight credit spreads and low odds of a sharp drop in rates. Currently, the portfolio has overweights in high yield fixed income, U.S. equities, emerging market equities, global real estate and global listed infrastructure, funded by underweights across investment grade fixed income, cash, developed ex-U.S. equities and natural resources. The portfolio ended the quarter with a modestly higher risk level than its strategic benchmark.

The portfolio underperformed in the quarter mainly due to headwinds from strategic positioning while benefits from tactical positioning outweighed slight additional drag from fund implementation. Strategic positioning weighed on performance as real assets lagged global equities. Tactical positioning helped performance with benefits from the underweight to natural resources, the overweight to U.S. equities and the overweight to high yield fixed income outweighing some drag from the overweight to global real estate and the underweight to cash. Our global listed infrastructure (NFRA), our broader-based U.S. market factor tilt (TILT) and our diversified investment grade fixed income (BNDC) were the main detractors in terms of fund implementation, while our broader-based developed markets ex-U.S. factor tilt (TLTD) and our global quality real estate (QGRE) were the main contributors.

IMPORTANT INFORMATION. This document may not be edited, altered, revised, paraphrased, or otherwise modified without the prior written permission of Northern Trust Asset Management (NTAM). The information contained herein is intended for use with current or prospective clients of Northern Trust Investments, Inc (NTI) or its affiliates. The information is not intended for distribution or use by any person in any jurisdiction where such distribution would be contrary to local law or regulation. NTAM and its affiliates may have positions in and may effect transactions in the markets, contracts and related investments different than described in this information. This information is obtained from sources believed to be reliable, its accuracy and completeness are not guaranteed, and is subject to change. Information does not constitute a recommendation of any investment, is not intended as investment advice and does not take into account all the circumstances of each investor.

This report is provided for informational purposes only and is not intended to be, and should not be construed as, an offer, solicitation or recommendation with respect to any transaction and should not be treated as legal advice, investment advice or tax advice. Recipients should not rely upon this information as a substitute for obtaining specific legal or tax advice from their own professional legal or tax advisors. References to specific securities and their issuers are for illustrative purposes only and are not intended and should not be interpreted as recommendations to purchase or sell such securities. Indices and trademarks are the property of their respective owners. Information is subject to change based on market or other conditions.

All securities investing and trading activities risk the loss of capital. Each portfolio is subject to substantial risks including market risks, risks, advisor risk, and risks with respect to its investment in other structures. There can be no assurance that any portfolio investment objectives will be achieved, or that any investment will achieve profits or avoid incurring substantial losses. No investment or risk management technique can guarantee returns or eliminate risk in any market environment. Risk controls and models do not promise any level of performance or guarantee against loss of principal. Any discussion of risk management is intended to describe NTAM's efforts to monitor and manage risk but does not imply low risk.

Past performance is not a guarantee of future results. Performance returns and the principal value of an investment will fluctuate. Performance returns contained herein are subject to revision by NTAM. Comparative indices shown are provided as an indication of the performance of a particular segment of the capital markets and/or alternative strategies in general. Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index. Net performance returns are reduced by investment management fees and other expenses relating to the management of the account. Gross performance returns contained herein include reinvestment of dividends and other earnings, transaction costs, and all fees and expenses other than investment management fees, unless indicated otherwise. For additional information on fees, please refer to Part 2A of the Form ADV or consult an NTI representative.

Forward-looking statements and assumptions are NTAM's current estimates or expectations of future events or future results based upon proprietary research and should not be construed as an estimate or promise of results that a portfolio may achieve. Actual results could differ materially from the results indicated by this information.

This information is intended for purposes of NTI and/or its affiliates marketing as providers of the products and services described herein and not to provide any fiduciary investment advice within the meaning of Section 3(21) of the Employee Retirement Income Security Act of 1974, as amended (ERISA). NTI and/or its affiliates are not undertaking to provide a recommendation or give investment advice in a fiduciary capacity to the recipient of these materials, which are for marketing purposes and are not intended to serve as a primary basis for investment decisions. NTI and/or its affiliates may receive fees and other compensation in connection with the products and services described herein as well as for custody, fund administration, transfer agent, investment operations outsourcing, and other services rendered to various proprietary and third-party investment products and firms that may be the subject of or become associated with the services described herein.

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, Northern Trust Asset Management Australia Pty Ltd, and investment personnel of The Northern Trust Company of Hong Kong Limited and The Northern Trust Company.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

© 2025 Northern Trust Corporation. Head Office: 50 South La Salle Street, Chicago, Illinois 60603 U.S.A.

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, Northern Trust Asset Management Australia Pty Ltd, and investment personnel of The Northern Trust Company of Hong Kong Limited and The Northern Trust Company.