

CONSERVATIVE ULTRA SHORT ESG

Designed to fill the gap between money market and short duration investing

The Northern Trust Conservative Ultra Short ESG strategy seeks to provide yield in excess of money market funds with the potential for capital appreciation and integrating sustainability into the investment process. For over 40 years and with more than \$328 billion AUM* in liquidity solutions, Northern Trust Asset Management has helped clients preserve capital, achieve yield, maintain liquidity and manage risk.

1

HIGHER YIELD POTENTIAL

Longer time horizon of three to nine months to target a yield higher than cash, with lower volatility expectation than short duration bond strategies.

2

SUSTAINABILITY

Integration based on a two pillar approach, through firstly the application of exclusionary screens and secondly the integration of ESG within the portfolio construction process.

3

CAPITAL PRESERVATION/ RISK MANAGEMENT

Investing in higher quality securities based on proprietary fundamental research, whilst seeking to ensure capital preservation, diversification and liquidity.

INVESTMENT OBJECTIVE

The strategy is designed to maximise risk adjusted returns, utilising a longer target duration and a broader investment universe than money market strategies whilst integrating sustainability into the investment process.

INVESTMENT GUIDELINES

Base Currencies	GBP/EUR/USD
Target Duration	0.5 years
Maximum Maturity Per Issue	Three years fixed/three years floating rate
Average Portfolio Quality	A/A+
Minimum Issue Rating	BBB
Investment Universe	Investment Grade Government, Corporate and ABS
Non-Eligible Investments	High Yield Bonds, Cross-Currency Bonds and Derivatives
ESG	Exclusionary screens and integration of ESG metrics

CASH SEGMENTATION – OPTIMISING YOUR CASH MANAGEMENT

We believe the optimal way to navigate the current ‘lower for longer’ interest rate environment and regulatory changes is to adopt a **cash segmentation strategy**. Bucketing cash according to its uses and needs allows investors to take incremental credit and duration risk to target a better balance between risk and reward. This journey extends beyond money market funds, into Conservative Ultra Short and Ultra Short strategies, offering investors a **holistic approach to enhance returns without exposing them to inappropriate levels of risk**.

*Data as at 30 June 2020

CASH SEGMENTATION

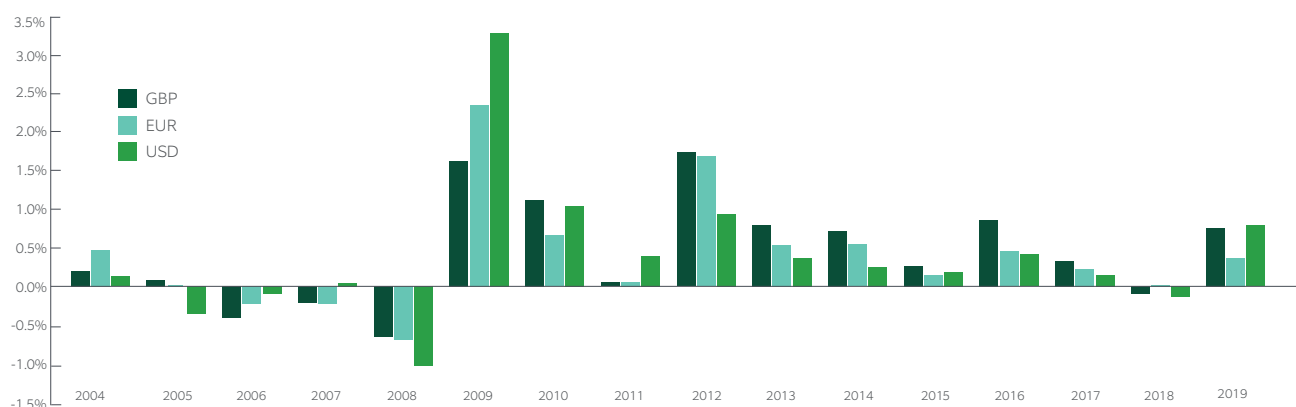
Segment cash based on what you need and when you need it.

OPERATIONAL One day to three month horizon <ul style="list-style-type: none"> • Day-to-day spending needs • Highly liquid, invested conservatively • 30-60 day (Wtd.Avg.Mat) • Minimum credit rating: A 	RESERVE Three to nine month horizon <ul style="list-style-type: none"> • Intermediate or uncertain spending needs • Slightly reduced liquidity • 0.5 year (target duration) • Minimum credit rating: BBB 	STRATEGIC Nine to 18 month horizon <ul style="list-style-type: none"> • Long-term spending needs • Reduced liquidity • Seeks highest possible yield while preserving principal • One year (target duration) • Minimum credit rating: BBB
STRATEGY TYPE: Money Market	STRATEGY TYPE: Conservative Ultra Short	STRATEGY TYPE: Ultra Short

PURSUING YIELD AND RETURN WITH INCREMENTAL RISK

Increasing investment horizon can enhance yield while only modestly increasing risk. Back-tested performance data.

EXCESS RETURNS – INVESTING IN CONSERVATIVE ULTRA SHORT* VS MONEY MARKET FUND



Excess return – conservative ultra short* return – money market fund return

*75% money market/25% one to three year corporate

Source: iMoneyNet and Barclays Live as of 31 December 2019

For EUR returns, money market – IMMFA MMI Euro Prime Stable Avg. and one to three year corporate – Bloomberg Barclays EUR one to three year corporate index For GBP returns, money market – IMMFA MMI Sterling Prime Avg. and one to three year corporate – Bloomberg Barclays STG one to three year corporate index For USD returns, money market – IMMFA MMI USD Prime Stable Avg. and one to three year corporate – Bloomberg Barclays USD one to three year corporate index

Back-tested and actual past performance is not a reliable indicator of future results and should not be the sole factor of consideration when selecting an investment product or strategy.



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RISK AND PERFORMANCE INFORMATION: The Strategy is designed for institutional investors including, but not limited to: national and multinational corporations, pension funds, insurance companies, sovereign wealth funds, charities and fiduciary managers. A typical investor is a sophisticated investor prepared to accept medium to high volatility. Investing involves risk--no investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. A typical investor will be seeking to achieve exposure to the performance of an equity markets, prepared to accept the risks associated with an investment of this type and seeking to achieve a return on investment in the medium to long term.

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