

# A CORE STRATEGY FOR ALL MARKETS



## Quality Low Volatility Strategy

Investing in low volatility strategies may mean investing in unintended risks. Because of poor design, some low volatility strategies come with limited upside participation, significant sector or regional biases, high correlations, and overvalued stocks.

Our Quality Low Volatility (QLV) strategy seeks to build a diverse, higher quality and lower volatility portfolio to overcome these common pitfalls and historically has delivered strong up-market participation and downside mitigation.

### 1 FOCUS ON UP AND DOWN MARKETS

Historically, QLV limited losses when equities in the Russell 1000® Index fell and participated in rallies.

### 2 INTEGRATE WITH QUALITY FACTOR

Quality acts as a predictor of future stock volatility and adding Quality factor exposure can further reduce portfolio variance and drive alpha.

### 3 ACTIVE RISK MANAGEMENT

Sector and region biases can create unintended or uncompensated risks. QLV seeks to remove this problem with neutral positioning toward sectors and regions.

## LOWER YOUR VOLATILITY WITHOUT LOWERING PERFORMANCE EXPECTATIONS

The QLV investment approach is designed to provide strong potential exposure to market upside while seeking to mitigate downside risk. Our results since inception speak for themselves—15% less annualized volatility and a higher Sharpe ratio (1.02 vs. 1.01 for the Russell 1000 Index).

### NORTHERN TRUST QUALITY LOW VOLATILITY STRATEGY (GROSS OF FEES)

Up market capture



Down market capture

#### ANNUALIZED PERFORMANCE

	SINCE INCEPTION
NT Quality Low Volatility (Gross)	14.54%
Russell 1000 Index	16.84%
<b>Excess Return</b>	<b>-2.29%</b>

#### ANNUALIZED VOLATILITY

	SINCE INCEPTION
NT Quality Low Volatility (Gross)	12.96%
Russell 1000 Index	15.30%
<b>Reduction in Risk</b>	<b>15%</b>

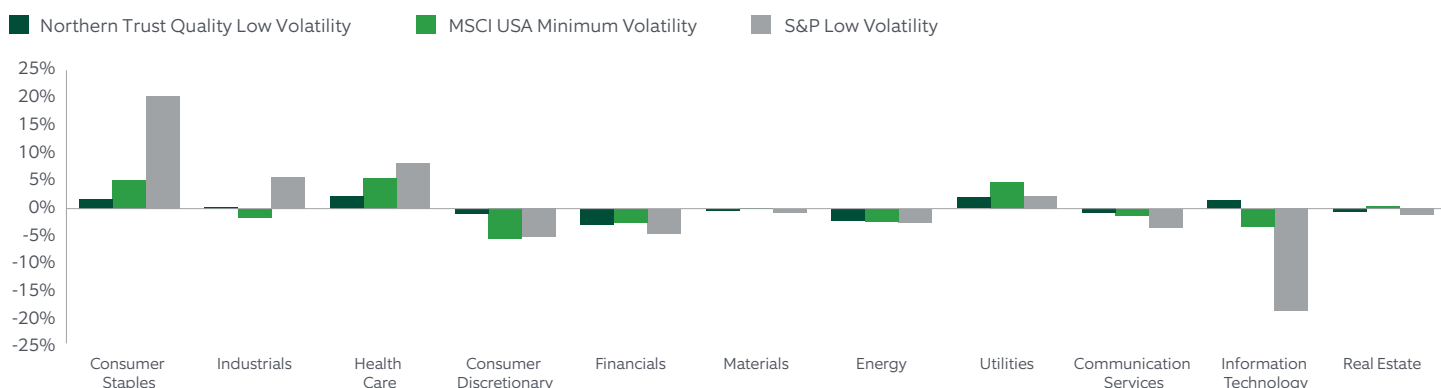
Source: eVestment. Data is from 5/1/2016–3/31/2021. Up (down) markets are defined as any monthly period when the Russell 1000 Index experienced positive (negative) performance. Arithmetic average is used. **Past performance is no guarantee of future results.** Performance returns and the principal value of an investment will fluctuate. Performance returns contained herein are subject to revision by Northern Trust. Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index. 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.

# LOW VOLATILITY EXPOSURE WITH LESS SECTOR RISK

## Designed to Limit Sector Biases

QLV's risk-neutral approach seeks to avoid introducing unintended and uncompensated sector exposures, which can dilute Low Volatility factor purity and impair risk/return profile.

### ACTIVE SECTOR WEIGHTS VS. RUSSELL 1000 INDEX



Source: FactSet, MSCI and S&P. Data as of 3/31/2021.

### QUALITY LOW VOLATILITY STRATEGY PERFORMANCE (GROSS OF FEES)

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception 5/1/16
Northern Trust Quality Low Volatility (Gross)	3.19	3.19	37.56	14.66	N/A	N/A	14.54
Russell 1000 Index	5.91	5.91	60.59	17.31	N/A	N/A	16.84

**Past performance is not indicative of future results.** Returns for periods greater than one year are annualized. Gross performance returns shown do not reflect the deduction of investment management/advisory fees, assume the reinvestment of dividends and capital gains, and are net of transaction costs and other expenses. Performance results will be reduced by fees incurred in the management of the account. Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index. As of 3/31/2021.

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As of 3/31/2021 Northern Trust Asset Management had assets under management totaling \$1.19 trillion of which \$1.12 trillion is part of the GIPS firm. Northern Trust Asset Management Services claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Northern Trust Asset Management Services has been independently verified for the periods 1/1/1993 to 12/31/2019. The verification report(s) are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. A complete list of Northern Trust Asset Management Services composite descriptions and additional information regarding policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

Past performance is not indicative of future results. Returns for periods greater than one year are annualized. Gross performance returns shown do not reflect the deduction of investment management/advisory fees, assume the reinvestment of dividends and capital gains, and are net of transaction costs and other expenses. Performance results will be reduced by the fees incurred in the management of the account. Annual fee schedule: First \$50 million = 0.30%, Next \$50 million = 0.25%, Balance = 0.20%. To illustrate the effect of the compounding of fees assuming an annual gross return of 8% and an annual investment management fee of 0.30%, a \$5,000,000 account would grow in value over five years to \$7,346,640 before fees and \$7,238,092 after deduction of fees. The fee illustration represents the deduction of the highest applicable management fee. Investment management/advisory fees are described in Northern Trust Investments, Inc. Form ADV Part 2A. Performance results (or fees) are provided by Northern Trust Investments, Inc. Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index.

The Quality Low Volatility composite consists of all fee-paying, fully discretionary Northern Trust Quality Low Volatility portfolios managed by Northern Trust Asset Management – Client Solutions Group – Managed Accounts in the Northern Trust Wealth Management managed accounts program. The composite does not include wrap accounts. The primary benchmark for this composite is the Russell 1000® Index. The Russell 1000® is an unmanaged index which measures the performance of the 1,000 largest companies in the Russell 3000® Index, based on market capitalization. The composite was created on 07/12/2016. Prior to 4/1/2018, the composite was referred to as Engineered Quality Low Volatility. Effective 4/1/2018, we have eliminated the use of the "Engineered Equity" brand name and adopted common industry language and classification to more effectively position our investment strategies. Financial leverage is not employed as a part of the overall investment strategy of this composite. Financial derivatives, in the form of futures contracts, options and ETF's may be utilized for the purposes of liquidity, market exposure, or investment opportunity. Accounts below the minimum size of \$5 million have been excluded from the composite.

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