

DEFINED CONTRIBUTION TRACKER

As of December 31, 2012



Northern Trust's Defined Contribution Tracker serves as a barometer for participant flows within a universe of 85 DC plans, representing \$190 billion, a subset of the total DC assets managed or serviced by Northern Trust.

In a year filled with macroeconomic perils, global financial markets forged ahead as investors looked past concerns about the European debt crisis, U.S. “fiscal cliff” and slowing economic growth. Instead they focused on continued monetary easing by governments and central bankers worldwide, which were successful in pushing risk assets higher in 2012. Ironically, in a period where equities performed quite well, returning 16.4% as measured by the Russell 3000 Index, there was an increase in outflows of defined contribution (DC) participant assets from domestic equities. On the other hand, the amount of assets in low-yielding fixed income assets increased materially as volatility and uncertainty drove investors to perceived safe havens. These observations further reinforce why it is important that DC participants, with long-term investment horizons, stay the course.

INVESTMENT THEMES

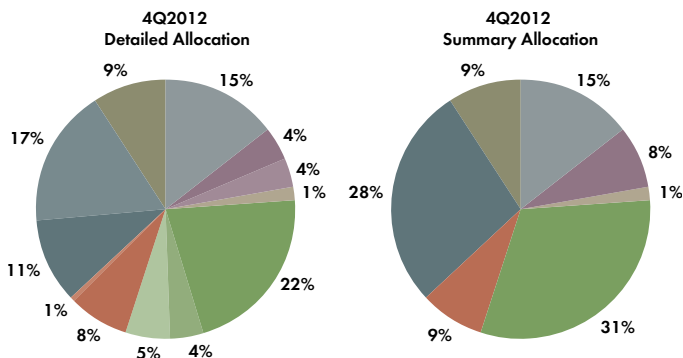
- **Target Retirement Date Funds** – Target retirement date funds (TDFs) continued to dominate DC asset inflows in 2012. As the preferred qualified default investment of most DC plans, TDF assets have benefited from the increased adoption of automatic features (i.e., auto-enrollment, auto-escalation). In turn, DC plan participant outcomes have shown potential improvement through the use of these professionally managed investment solutions. For this reason, we anticipate that TDFs will continue to experience strong growth, eventually accounting for the majority of DC assets.
- **Shift From Home Country Bias** – As secular trends in the global capital markets have become more prominent and created attractive long-term opportunities, investors are taking advantage of the expanding investment universe to further diversify their sources of risk and return. Specifically, emerging markets and, to a lesser extent, frontier markets have been garnering a great deal of attention due to their economic growth prospects and lower correlations to domestic equity. Although allocations to non-U.S. equity increased significantly in 2012, DC participant portfolios continue to exhibit a home country bias.
- **Real Assets** – With inflation expected to become a growing threat in the coming years, real assets are beginning to take a more prominent role in asset allocation strategies. Although DC plans have traditionally offered Treasury Inflation Protected Securities (TIPS) to hedge inflation, TIPS are not always the most effective solution, depending on the source of inflation. Therefore, many DC plan sponsors are adopting multi-asset class strategies that include assets such as real estate, commodities and equity-oriented natural resources in addition to TIPS. These strategies also provided the added benefit of enhancing portfolio diversification.
- **Company Stock** – DC allocations to company stock generally decreased in 2012, as many plan sponsors exhibited an increased awareness of managing plan-related risks, both from a fiduciary and a plan participant perspective. While litigation is a major concern of plan fiduciaries, participants run the risk of maintaining concentrated positions in individual securities, which may link human capital with the performance of their investment portfolios.



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As of 12/31/2012

	12/31/2011 Allocation*	2012 Net Flows**	12/31/2012 Allocation*
Target Retirement Date	11.87%	9.69%	14.62%
Target Risk	4.03%	5.84%	4.15%
Balanced	3.84%	-4.09%	3.71%
Self Directed	1.33%	0.00%	1.51%
U.S. Large Cap Equity	20.90%	-0.94%	21.50%
U.S. Mid Cap Equity	3.99%	-0.59%	4.22%
U.S. Small Cap Equity	5.75%	-4.58%	5.40%
International Equity	5.88%	4.67%	7.62%
Real Estate	0.21%	18.78%	0.36%
Fixed Income	10.17%	9.17%	10.63%
Stable Value/Money Market	21.05%	-2.95%	17.20%
Company Stock	10.99%	-11.22%	9.07%
	100%		100%



* Allocations refer to account balances at period close.
 ** Flows refer to the percentage of overall cash flows net of market appreciation/depreciation.

FOR MORE INFORMATION

For more information on index creation and methodology, visit northerntrust.com/dcsolutions.

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