

MANAGERS REVEAL INCREASED CAUTION ABOUT INFLATION, VOLATILITY



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The first quarter 2011 Northern Trust Global Advisors (NTGA) manager survey revealed increased caution among investors as fears of inflation rise and higher levels of volatility are expected to return. Although managers remain optimistic regarding the outlook for economic growth and corporate earnings, recent macro events have led managers to believe market volatility is on the rise. Headlines in the Middle East, Africa and at home in the United States have left managers uneasy about the future, resulting in a more cautious outlook. Rising interest rates, inflation, higher oil prices and falling real estate values are just a few of investment managers' concerns today. A majority of managers (62%) expect market volatility, as measured by the VIX Index, to increase over the next six months. This is the highest rate since the survey began in the third quarter of 2008. Likewise, more than a third (36%) of managers surveyed revealed they are more risk-averse today than they were three months ago. While 39% of those surveyed believe economic growth is accelerating, the majority anticipate rising oil prices, which they expect will have a negative impact on growth. Additionally, 69% of managers expect inflation to increase over the next two quarters. This is up dramatically over the last three quarters and is at its highest point since the survey began. Similarly, a near majority (47%) of managers believe interest rates will increase over the next three months, which may also negatively impact the outlook for growth. Despite the increased concerns, managers have maintained their portfolio concentration and cash levels. Regarding market opportunities, managers believe upside remains in both the U.S. and Japanese equity markets, while nearly a third view emerging market equities as overvalued.

FIRST QUARTER 2011 MANAGER SURVEY

The NTGA first-quarter survey of external managers revealed increased caution among investors due to concerns over rising interest rates, inflation and higher levels of market volatility. This quarter a growing number of managers anticipate that market volatility, measured by the VIX Index, will increase over the next two quarters. Approximately 62% of managers are concerned that volatility is on the rise, the highest level since the inception of the survey in the third quarter of 2008. Inflation is also on the minds of investment managers. In the first quarter, 69% of managers surveyed anticipate that inflation will increase by the fourth quarter of 2011. This is up dramatically

- 62% of managers expect market volatility to increase over the next six months
- 51% expect oil prices to rise over the next six months
- 69% of managers expect inflation to increase over the next six months
- 47% expect interest rates to increase over the next three months
- 36% are more risk-averse than three months ago

over the last three quarters and is also at its highest point since the survey began. Twenty-six percent of those surveyed by NTGA increased their portfolio exposure to commodities during the quarter, a possible result of the expectation that inflation is set to rise over the next six months. Similarly, almost half of the managers expect a rise in interest rates. Although this figure is down slightly from the fourth quarter, it remains at the high end of historical results. This quarter's survey also revealed a return of concerns surrounding the real estate market. More than 40% of managers forecast housing

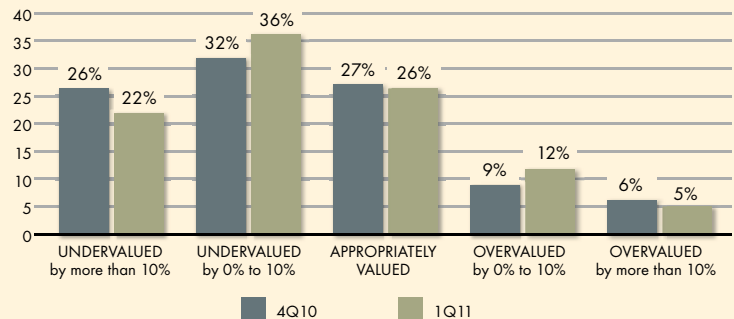


prices will decline over the next six months. This is a significant increase from the fourth quarter, when 29% expressed a similar opinion. In the fourth quarter, 12% of managers expected home prices to rise, but this group shrank to less than 5% this quarter.

This quarter we also asked managers to share their expectations regarding oil prices and the impact higher prices would have on economic growth. The majority of managers expect oil prices to rise over the next six months, with 18% expecting an increase in excess of 10%. There is a strong consensus that if oil prices continue to rise, economic growth will be negatively impacted. Despite this relationship, 45% of managers surveyed believe U.S. economic growth will remain stable over the upcoming quarters. Some 39% remain bullish on economic growth and believe it will accelerate over the next six months, while 17% think growth will decelerate. Managers also are maintaining a positive outlook on corporate earnings. Although down slightly from the fourth quarter, 69% of managers believe corporate earnings will increase in the second quarter.

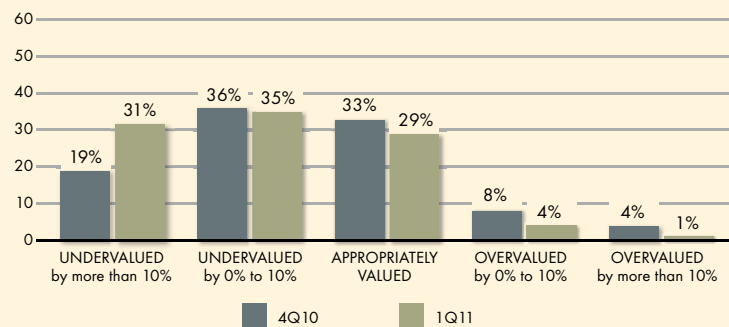
Managers continue to see upside in the domestic equity market this quarter. A stable 58% believe the Standard & Poor's (S&P) 500 index is undervalued at its current level. These results have been fairly consistent over the last few quarters. Investment managers also find the Japanese equity market attractive. Approximately two-thirds of managers surveyed stated they believe Japanese equities are undervalued. This quarter, there was also an increase in the degree of perceived undervaluation, as 31% of managers see more than 10% upside in the market. This is 12 percentage points higher than last quarter and not surprising due to the short-term dip the Japanese market took after the March 11 earthquake and tsunami. There was also an uptick in the percentage of managers that view emerging markets as attractively priced. In the first quarter, 43% of managers expressed the opinion that emerging markets are undervalued. Although this figure is slightly higher than the fourth quarter, it remains below the third quarter level of 58%. This uptick may be explained by emerging market equities' lackluster performance in the first quarter, especially relatively to other regions. The highest-ranked investment opportunities continue to be U.S. large cap equity, U.S. small cap equity and emerging markets equity. Managers have maintained their portfolio concentration and continue to find attractive investment opportunities. Cash levels remain

MANAGER PERCEPTION ABOUT S&P 500



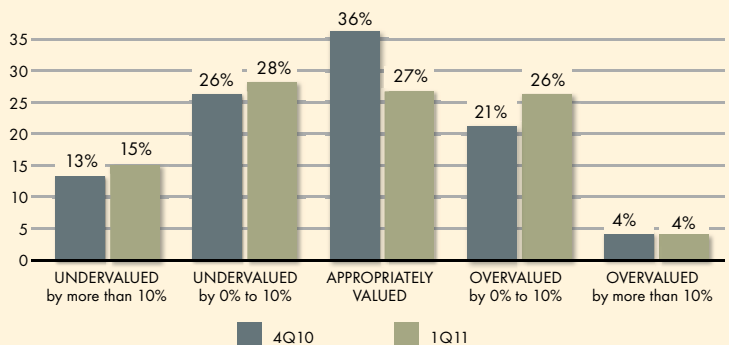
*Percentages will not add to 100% due to rounding.

MANAGER PERCEPTION ABOUT JAPANESE EQUITIES



*Percentages will not add to 100% due to rounding.

MANAGER PERCEPTION ABOUT EMERGING MARKET EQUITIES



*Percentages will not add to 100% due to rounding.

within their normal range for nearly 80% of NTGA managers. From a risk perspective, approximately 36% of managers stated they were more risk-averse in the first quarter, a notable increase from 20% in the fourth quarter. A near majority, approximately 47%, expressed no change in risk aversion over the last three months. Regarding currency expectations, the majority of managers surveyed expect the currencies of commodity-focused economies to appreciate relative to the U.S. dollar. A third of the managers expect the yen to appreciate, while a quarter expect the British pound to appreciate over the next six months.

This report highlights some of the most notable responses from this quarter's survey, which shows some interesting changes in the trends of manager opinions quarter-over-quarter. One of the most telling is an increased aversion to risk and the expectation of higher market volatility in coming months.

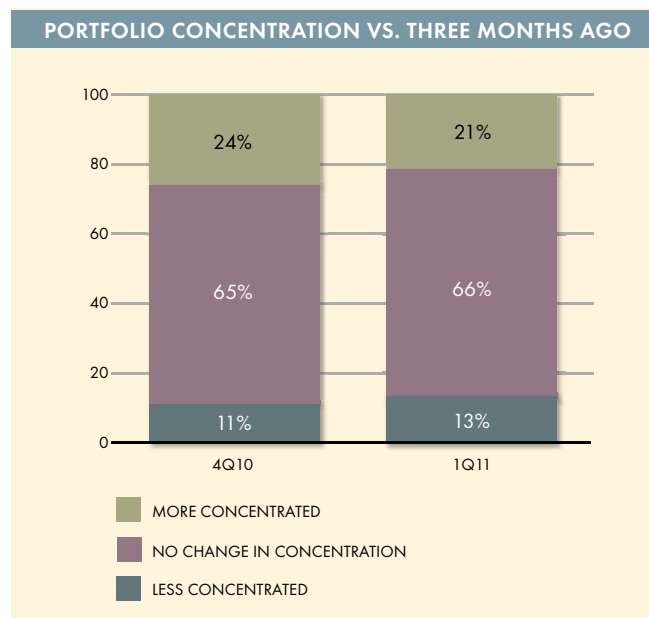
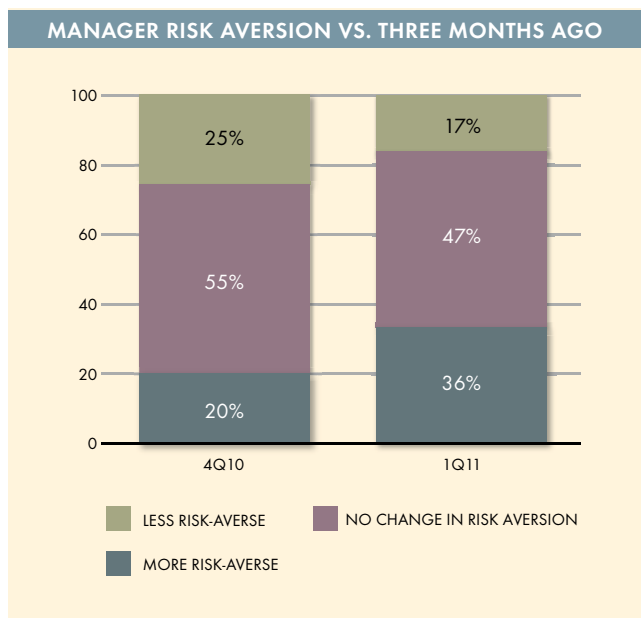
MARKET VALUATION

There was a small change in NTGA managers' views of market valuation in the first quarter. Using the S&P 500 index as a proxy, an increasing number of managers believe that U.S. stocks look expensive. This quarter, 16% of managers surveyed believe the market is overvalued compared to 14% in the fourth quarter of 2010. There has also been a steady decrease in the percentage of managers that believe the market is undervalued. This trend began back in the third quarter of 2010 and can be explained by strong performance for the S&P 500 over that period. Despite this trend, the majority of managers – specifically 58% – continue to believe there is upside in the market. The amount of upside

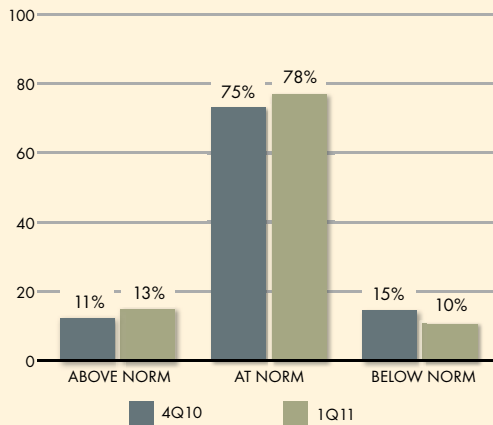
appears to be decreasing, as fewer managers believe the U.S. market is undervalued by more than 10%. Currently, only 22% of managers believe there is more than 10% upside in U.S. stocks, while 36% believe the upside is limited to 10%.

The Japanese equity market declined sharply after the devastating earthquake and tsunami tragically hit the area on March 11. Although the market had recouped its losses by the end of March, this event affected manager sentiment regarding Japanese equity valuations. During the first quarter, 66% of managers said they believe Japanese equities are undervalued, up from 55% last quarter and 43% in the third quarter of 2010. There was also a significant increase in the perceived magnitude of upside. This quarter, 31% of those surveyed believe there is more than 10% upside in the Japanese equity market. This is a notable jump from only 19% holding this view last quarter. Approximately 29% of managers believe Japanese equities are appropriately valued compared to 42% in the third quarter. Finally, 5% of managers felt that Japanese equities are overvalued, a substantial decrease from 12% with this view last quarter. Overall managers believe valuations in the Japanese equity market are attractive and offer upside to investors.

Managers' views of emerging market equities became more divided in the first quarter. This quarter, fewer managers – approximately 27% – said that emerging market equities are fairly valued. While the changes in opinions were mixed, the largest increase was in the percentage of respondents that believe emerging markets are overvalued by less than 10%. Specifically, 26% of managers held this view compared to 21% in the fourth

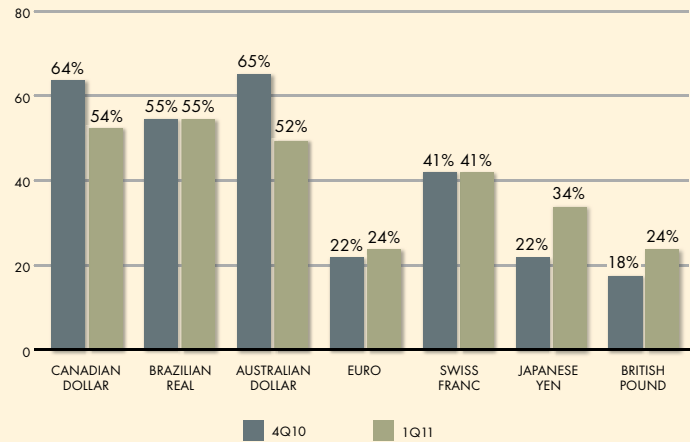


CASH LEVEL VS. THREE MONTHS AGO



*Percentages will not add to 100% due to rounding.

CURRENCIES EXPECTED TO APPRECIATE VS. THE U.S. DOLLAR IN THE NEXT SIX MONTHS



*Percentages will not add to 100%, as respondents were allowed to pick multiple currencies.

1Q11 Rank	Investment	Rank Relative to 4Q10	
1	U.S. Large Cap Equity	↔	No change
2	U.S. Small Cap Equity	↔	No change
3	MSCI Emerging Markets	↔	No change
4	Commodities	↑	Higher
5	MSCI EAFE	↓	Lower
6	Hedge Funds	↔	No change
7	Private Equity	↔	No change
8	Private Real Estate	↑	Higher
9	Emerging Market Debt	↓	Lower
10	Other	↔	No change
11	Government TIPS	↔	No change
12	Non-U.S. Bonds	↓	Lower
13	Barclay's Agg Bond Index	↑	Higher
14	U.S. Treasury (Cash)	↓	Lower

quarter. There was also an increase in the number of managers that believe the market is undervalued. Approximately 43% agree that there is upside in emerging markets, an increase from 39% in the fourth quarter. Some 15% of investment managers share the belief that there is more than 10% upside in this area of the market, an increase from 13% last quarter. This correlates with the lackluster performance we have seen in emerging market equities year to date.

RISK AVERSION

Managers' aversion to risk increased meaningfully in the first quarter of 2011. This quarter, 36% of NTGA investment managers said they are more risk-averse than three months ago, up from 20% in the fourth quarter. This is a dramatic shift from the third quarter of 2010, where only 8% of survey participants stated they were more risk-averse than three months ago. This trend is likely a result of broad macro concerns tied to headlines regarding Egypt, Libya and lingering sovereign debt concerns. The percentage of managers that expressed no change in risk

aversion declined from 55% to 47% this quarter. On a similar note, only 17% of managers surveyed said they were less risk-averse this quarter compared to last. Approximately one quarter of the managers responded with that view in the fourth quarter. Overall it is clear that investment managers are becoming increasingly concerned about the impact of negative macro headlines and as a result are becoming more risk-averse.

PORTFOLIO CONCENTRATION

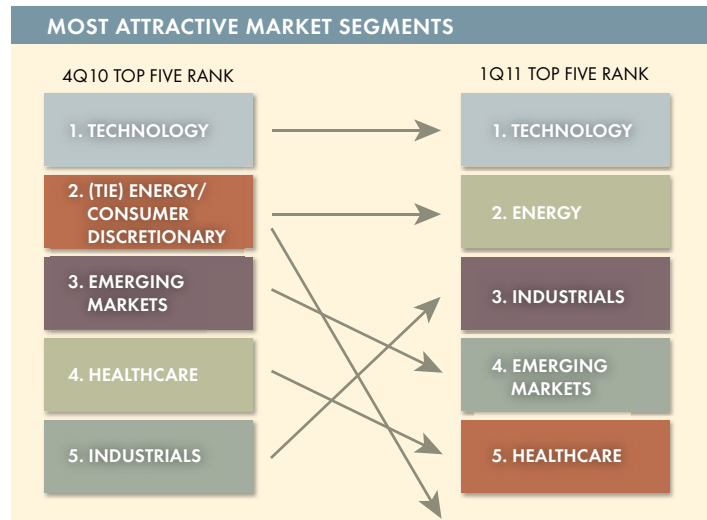
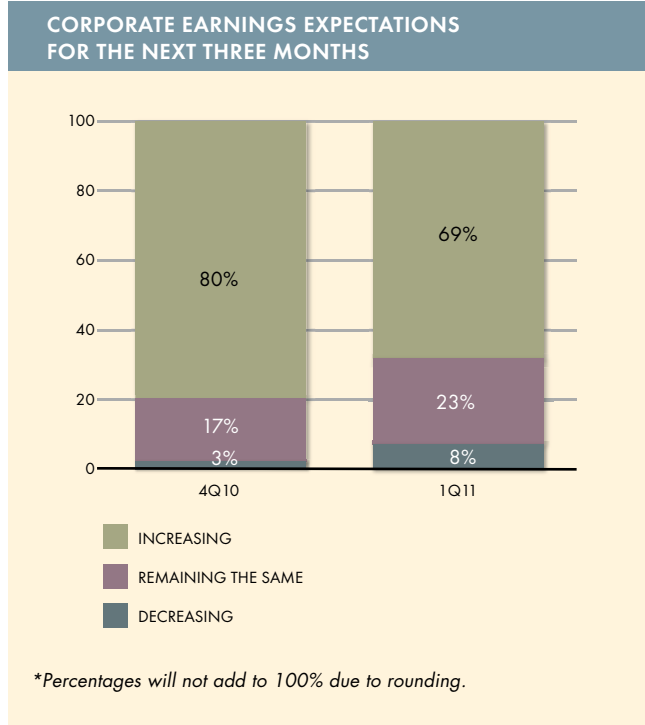
Although investment managers have revealed their level of risk aversion has increased, the majority of managers have not changed their portfolio concentration. In the first quarter, 66% stated that they have not made a change to their portfolio's concentration. This is virtually unchanged from the fourth quarter. There was a small uptick in the percentage of managers that are less concentrated, which aligns with the increase in risk aversion. Approximately 21% of managers said their portfolios are more concentrated this quarter, compared to 24% last quarter. These results have been fairly consistent over the last four quarters.

CASH HOLDINGS

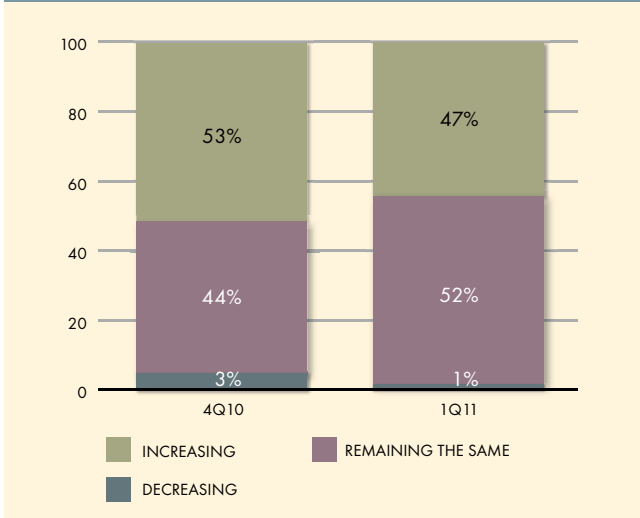
Cash levels were stable for most managers in the first quarter. An increasing majority of managers, 78%, continue to work within their normal cash range. This is a 3-percentage-point increase from last quarter. There was a slight increase in the percentage of managers working with cash levels above their historical norms. Only 10% of investment managers surveyed are below their normal cash levels. Although the vast majority of managers are maintaining cash levels in line with their historical average, the percentage of managers with above-average cash levels is the highest we have seen since the fourth quarter of 2008.

RANKED BROAD INVESTMENT OPPORTUNITIES

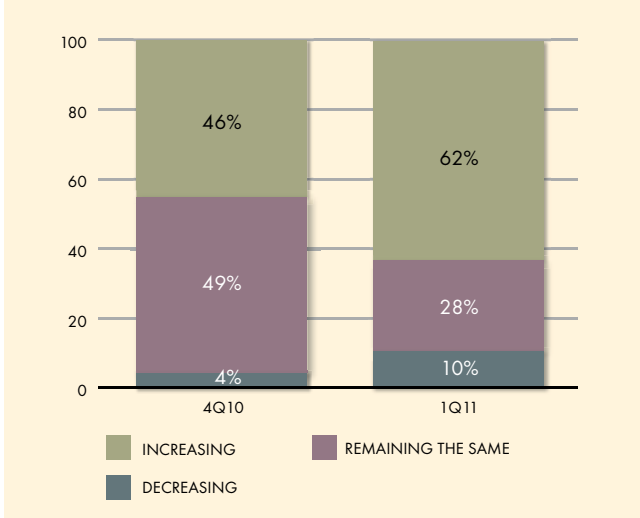
In the first quarter, the top three ranked investment opportunities were unchanged from the fourth quarter. NTGA managers ranked U.S. large cap equity as the best investment opportunity, followed by U.S. small cap equity. Emerging market equities remained in third place for the second quarter. Commodities moved up in the rankings, while MSCI EAFE fell into fifth place. Hedge funds, private equity and government TIPS were unchanged in sixth, seventh and 11th place, respectively. Emerging market debt fell in the rankings along with non-U.S. bonds. U.S. Treasuries became the worst-ranked investment opportunity this quarter.



INTEREST RATE EXPECTATIONS FOR THE NEXT THREE MONTHS



OUTLOOK FOR MARKET VOLATILITY OVER THE NEXT SIX MONTHS



MARKET VOLATILITY

The majority of the managers surveyed in the first quarter are predicting increased market volatility, as measured by the VIX index, over the next six months. In the first quarter, 62% of managers revealed concerns regarding greater market volatility. This is a significant increase from 46% last quarter and the highest level seen since the survey began in the third quarter of 2008. A shrinking percentage of managers believe market volatility will remain stable over the next two quarters, specifically 28% compared to 49% last quarter. Although 10% of investment managers expect market volatility to decrease in the upcoming months, the consensus is that volatility will rise from current levels.

CURRENCY EXPECTATIONS

Similar to previous quarters, currencies of commodity-driven economies such as Brazil, Canada and Australia continued to be most attractive, with managers expecting continued strength in these currencies relative to the U.S. dollar over the next six months. Although still a majority, fewer managers expect the Canadian and Australian dollars to appreciate than last quarter. Approximately 52% of managers have a positive outlook for the Australian dollar, a decline of 13 percentage points from last quarter’s survey. There was also a change in sentiment regarding the Japanese yen and the British pound. For example, 34% of managers expect the yen to appreciate versus the U.S. dollar, up from 22% in the fourth quarter. The outlook for the Brazilian real and the Swiss franc were unchanged quarter over quarter.

MOST ATTRACTIVE MARKET SEGMENTS

We asked managers to cite the most-attractive market segments this quarter. Managers identified technology, energy and industrials as the top three most-attractive areas for investment. Technology held its place as the top-ranking market segment, followed by energy. Emerging markets fell from third to fourth place. Healthcare also slipped from fourth to fifth place. The outlook for industrials increased this quarter resulting in a move up to third place. Consumer discretionary did not make the top five most-attractive market segments this quarter, after placing second in the fourth quarter.

CORPORATE EARNINGS

Manager outlook for corporate earnings remained positive in the first quarter. This quarter, 69% of managers believe corporate earnings will increase in the next three months. Although still a majority, this number is down from 80% last quarter. A growing number of managers think earnings will decrease over the next three months. There was also an increase in the percentage of investment managers that expect corporate earnings will be stable. This represents a 6-percentage-point increase from the fourth quarter. Overall, the outlook for corporate earnings over the next three months remains positive.

INTEREST RATE EXPECTATIONS

In the first quarter, NTGA managers' concerns over rising interest rates eased slightly. This quarter, 47% of managers surveyed stated they believe interest rates will rise over the next three months. This is down from a high of 53% in the fourth quarter of 2010. The majority of managers now anticipate interest rates will remain unchanged over the next quarter after dipping down to 44% in the last survey. Finally, only 1% of managers believe that interest rates will decline over the next three months compared to 3% in the fourth quarter.

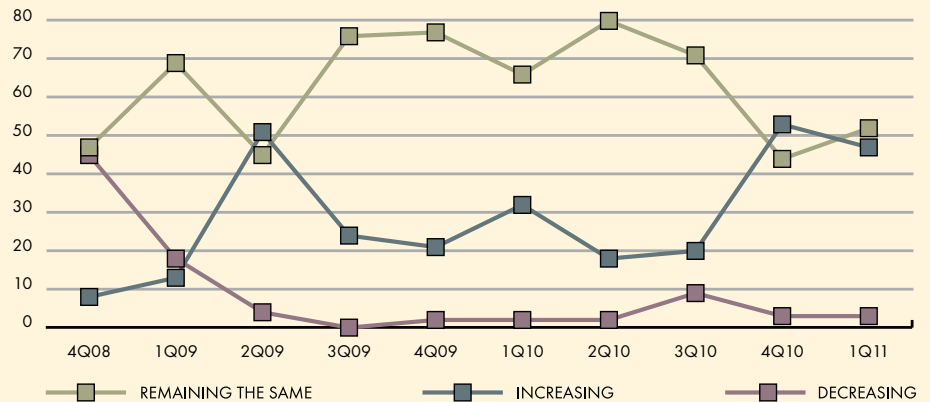
ABOUT THE SURVEY

For its survey, NTGA polled a select group of respondents, including fixed income and equity managers across value and growth styles, with a bias toward fundamental, bottom-up stock picking strategies. Invitations to complete the survey were only sent to investment managers that currently manage a mandate for NTGA and its clients. As a result, the survey responses should reflect the beliefs of only the managers in which NTGA maintains a high conviction. The survey is conducted quarterly so that NTGA and participating managers can examine trends in attitudes and allocations.

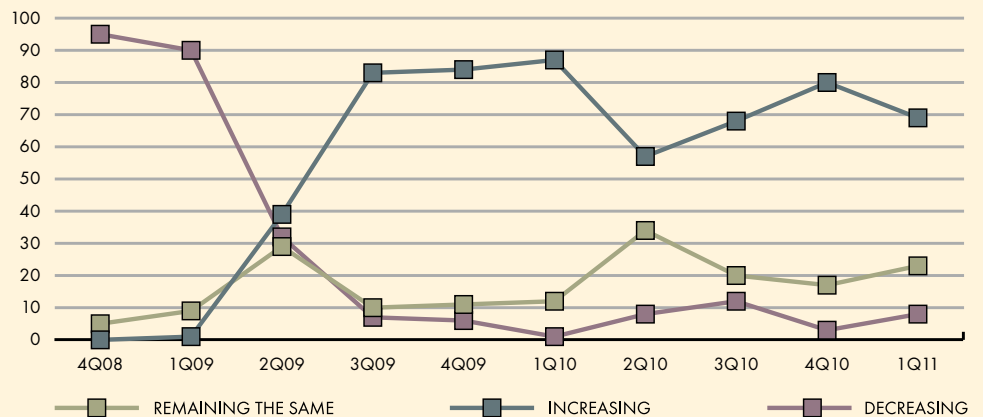
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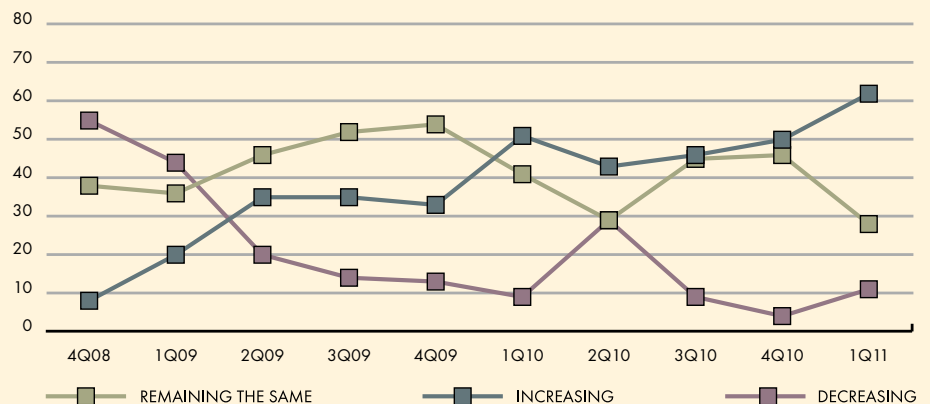
INTEREST RATE EXPECTATIONS FOR THE NEXT SIX MONTHS (TIME SERIES)



CORPORATE EARNINGS EXPECTATIONS FOR THE NEXT THREE MONTHS (TIME SERIES)



OUTLOOK FOR MARKET VOLATILITY OVER THE NEXT SIX MONTHS (TIME SERIES)



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