

Northern Multi-Manager Emerging Mkt Eq NMMEX

Morningstar's Take | 06-14-11 | by David Falkof

This fund continues to strengthen its case.

Northern Multi-Manager Emerging Market Equity's balanced approach works well.

This fund takes a broad swing at providing emerging-markets equity exposure. Four subadvisory firms manage the assets, each with a different yet complementary investment philosophy. Westwood, for instance, runs a concentrated portfolio of 30 to 50 stocks using a low-turnover, deep-value strategy focused on businesses selling cheaply. On the other hand, Axiom runs a sleeve of 70 to 90 growth stocks, buying businesses with accelerating earnings.

Blending these different approaches has led to a more diversified portfolio than the fund's typical peer. In fact, the fund's 376 holdings is a hundred more than the category norm, and its top 10 holdings are less concentrated than the typical emerging-markets fund. In addition, assets are broadly spread out across sectors, with weightings roughly in line with the fund's benchmark, the MSCI Emerging Markets Index.

That broad approach has thus far helped the fund weather a variety of market environments fairly well. In 2009 and 2010, subadvisor PanAgora's quantitative strategy struggled, but Westwood's value approach thrived, helping the fund outpace its benchmark and typical peer during that span. So far in 2011, several of subadvisor Trilogy's picks have underperformed, including Vale VALE and Nhn Corp, but PanAgora's strategy has done well, particularly its Asian consumer goods holdings. All together, since the fund's November 2008 inception, its 130% cumulative gain falls just under its typical diversified emerging-markets peer (through June 13). Yet it's been slightly less volatile as measured by standard deviation.

Morningstar Rating

Kudos

- Broad style exposure should help offset a single manager's risks.
- Portfolio-construction team has had success building other fund of fund offerings.

Risks

- Short track record makes it difficult to assess how the fund will fare over a full market cycle.
- Emerging-markets funds can produce volatile returns.

Strategy

The fund combines four different investment strategies. Axiom manages 30% of the portfolio, focusing on businesses exhibiting strong earnings growth. Trilogy handles 20% of the assets, investing in growth companies that are selling at prices deemed cheap. Value-oriented Westwood holds a concentrated portfolio consuming 30% of assets. The remaining 20% is run by PanAgora, which uses a quantitative strategy to find stocks selling below their intrinsic values.

Management

Northern's Jessica Hart oversees the construction of the fund and is supported by a team of fund-selection analysts. Hart manages several other funds of funds, including Northern Multi-Manager International Equity. There are four subadvisors on the fund: Axiom International Investors and Trilogy Global Advisors manage the growth sleeve of the portfolio, and Westwood Global Investments and PanAgora Asset Management run the value half.

Role in Portfolio

Specialty. The fund's emphasis on potentially volatile emerging markets means it should account for only a small portion of an individual's portfolio.

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Year	Total Return (%)	+/-Category
2010	23.04	3.78
2009	74.90	1.09
2008	—	—

Data through 12-31-10

NORTHERN MULTI-MANAGER EMERGING MARKETS EQUITY FUND

Inception 11/19/2008

AVERAGE ANNUAL TOTAL RETURNS AS OF 6/30/11				TOTAL ANNUAL OPERATING EXPENSE RATIOS	
1-Year	5-Year	10-Year	Since Inception	Gross	Net
30.31%	–	–	44.16%	1.52%	1.46%

Performance quoted represents past performance and does not guarantee future results. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than that shown here. Performance data current to the most recent month end is available by calling 800-595-9111.

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Equity Risk: Equity securities (stocks) are more volatile and carry more risk than other forms of investments, including investments in high-grade fixed income securities. The net asset value per share of this Fund will fluctuate as the value of the securities in the portfolio changes.

Emerging and Frontier Markets Risk: Emerging and frontier market investing may be subject to additional economic, political, liquidity and currency risks not associated with more developed countries. Additionally, frontier countries generally have smaller economies or less developed capital markets than traditional emerging markets and, as a result, the risks of investing in emerging market countries are magnified in frontier countries.

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