

NORTHERN FUNDS

# Multi-Manager Global Real Estate Fund (NMMGX)

## 2Q 2019 Performance Review

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June 30, 2019

*Please carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call **800-595-9111** to obtain a prospectus and summary prospectus, which contains this and other information about the funds.*



# MULTI-MANAGER GLOBAL REAL ESTATE FUND (NMMGX)

## Fund Facts

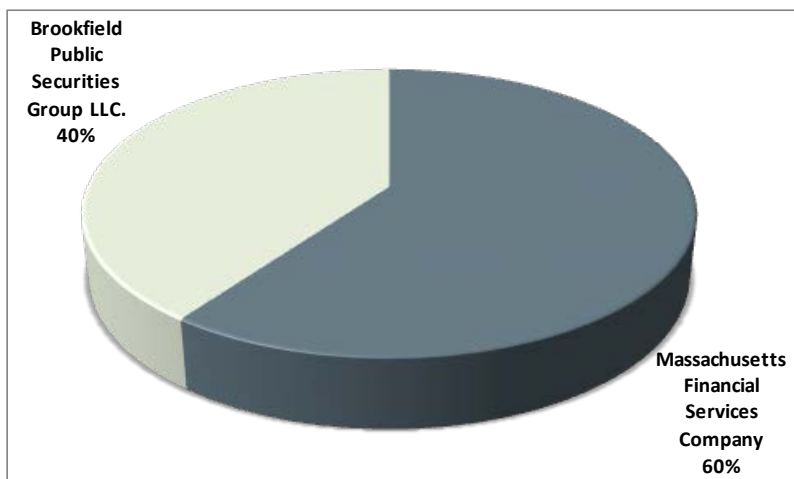
**Fund Objective:** Capital Appreciation and Current Income

**Inception Date:** November 19, 2008

**Ticker Symbol:** NMMGX

**Benchmark :** FTSE® EPRA®/NAREIT® Developed Index

## Sub-Adviser Target Allocations\*



\*Actual allocations may vary.

## Strategy Objectives

- Add value through the combination of sub-advisers who are specialists in their respective styles. This approach should isolate the stock selection skills of the sub-advisers as the primary source of value added for the Fund over time.
- Leverage a disciplined and consistent research process to identify sub-advisers who show high probability of success.
- Maintain the target allocations of the sub-advisers while continuously monitoring the style and characteristics of the Fund and sub-advisers to ensure that the Fund equally balances growth and value objectives while maintaining size (capitalization) characteristics similar to the Fund's market benchmark.
- *By properly combining sub-advisers, we attempt to reduce low conviction bets such as style and size and focus the risk of the portfolio on higher conviction bets – the stock picking skills of the sub-advisers.*

## Portfolio Characteristics

- Well diversified portfolio, benchmarked to the FTSE EPRA/NAREIT® Developed Index.
- The Fund currently uses two sub-advisers with various investment approaches.
- Style characteristics are designed to be neutral to the Index.

# GLOSSARY

**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.

**International Risk:** International investing involves increased risk and volatility.

**Multi-Manager Risk** is the risk that the sub-advisers' investment styles will not always be complementary, which could affect the performance of the Fund.

**REIT/Real Estate Risk:** investments in the Fund are subject to the risks related to direct investment in real estate, such as real estate risk, regulatory risks, concentration risk and diversification risk. Investments in REITs involve certain additional unique risks. By itself the Fund does not constitute a complete investment plan and should be considered a long-term investment for investors who can afford to weather changes in the value of their investments.

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**Weighted Average Market Capitalization:** a firm's closing stock price multiplied by the number of shares.

**Positive Trailing P/E:** the ratio of a firm's closing stock price and its trailing 12 months' earnings per share, excluding those companies with negative earnings. A P/E ratio is generally used to provide investors with a better understanding of a company's value.

**% Earnings Per Share (EPS) Growth – past 5 years:** a 5 year annualized earnings growth rate. Earnings per share is a part of a company's profit which is allocated to an individual outstanding share of common stock. As viewed by the investor, it is the rate of earnings which are returned on the original investment made. Also known as EPS for short, the earnings per share can be used to indicate a corporation's financial profitability.

**Positive Trailing P/E:** the ratio of a firm's closing stock price and its trailing 12 months' earnings per share, excluding those companies with negative earnings. A P/E ratio is generally used to provide investors with a better understanding of a company's value.

**Price to Book:** a ratio used to compare a stock's market value to its book value. It is calculated by dividing the current price of the stock by the latest quarter's book value per share.

**Real Estate Investment Trust (REIT):** a security through which pooled capital of many investors purchase and manage income property (equity REIT) and/or mortgage loans (mortgage REIT). REITs are traded on major exchanges just like stocks.

**FTSE® EPRA®/NAREIT® Developed Index:** The FTSE EPRA/NAREIT Developed Index is designed to track the performance of listed real estate companies and REITs worldwide. By making the index constituents free-float adjusted, liquidity, size and revenue screened, the series is suitable for use as the basis for investment products, such as derivatives and Exchange Traded Funds (ETFs). It is not possible to invest directly in an index.

Please refer to the Fund's prospectus for further information relating to principal risks.

# MULTI-MANAGER GLOBAL REAL ESTATE FUND (NMMGX)

Fund Performance & Quarterly Fund Commentary

2Q | 2019

## QUARTERLY COMMENTARY

- The global real estate market, as measured by the FTSE® EPRA®/NAREIT® Developed Index, returned -0.07% with mixed results across sectors. The industrial sector was the top-performing sector boosted by continued strong industry demand for industrial space, followed by self-storage. Health care also outperformed in the quarter benefitting from its interest rate sensitivity and the potential for lower interest rates. Retail continued to be the bottom performer. On a regional basis, Europe and the U.K. were laggards in the quarter while North America and Asia outperformed the broader real estate market. Japan was a top-performing region during the period.
- The Fund returned 1.69% during the quarter, outperforming its benchmark, the FTSE EPRA/NAREIT Developed Index, which returned -0.07%. Stock selection was the primary contributor to performance versus its benchmark; however, sector allocation was also positive. The residential sector was a top contributor due to strong stock selection within the sector. The Fund's selection in retail was positive as well as the underweight position in the sector. An overweight position in industrial was also additive. Stock selection in diversified real estate, which included REITs in multiple property types as well as large developers, slightly offset results. Regionally, stock selection was strongest in the U.S. and Asia Pacific ex Japan regions, followed by Japan and Europe. The impact from regional allocations was neutral in the quarter. Sub-adviser Brookfield contributed positively from its sector positioning, specifically its underweight to the retail sector. Stock selection in diversified real estate was a detractor. Sub-adviser MFS outperformed in the period. Stock selection was positive across the residential, office, retail and industrial sectors, while health care detracted.

### PERFORMANCE (in %) as of June 30, 2019

	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Inception to Date	2018	2017	2016	2015	2014
<b>Multi-Manager Global Real Estate Fund - Inception 11/19/08</b>	1.69	16.47	9.30	5.71	5.07	10.03	12.50	-4.57	9.68	4.30	-0.92	11.72
FTSE EPRA/NAREIT Developed Index	-0.07	14.51	7.68	4.46	4.85	10.57	12.82	-5.63	10.36	4.06	-0.79	15.02
Excess Return	1.76	1.96	1.62	1.25	0.22	-0.54	-0.32	1.07	-0.68	0.23	-0.13	-3.30
Annual Expense Ratio: Gross, 1.10%; Net, 0.93% <sup>1</sup>												

Returns quoted represent past performance, which 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. Call 800-595-9111 for returns current to the most recent month-end. Returns for periods greater than one year are annualized. Net expense ratio reflects voluntary expense reimbursements by the Fund's investment advisors that may be changed or terminated at any time. See the Appendix for additional disclosure about performance.

<sup>1</sup>The Gross and Net Expense Ratios are as of the most recent prospectus. The Net Expense Ratio includes contractual expense reimbursements that, if not extended, will end of July 31, 2019.

The Fund benchmark is the FTSE® EPRA®/NAREIT® Developed Index.



# MULTI-MANAGER GLOBAL REAL ESTATE FUND (NMMGX)

## Fund Characteristics

2Q | 2019

### FUND FACTS

**Fund Objective:** Capital Appreciation and Current Income  
**Inception Date:** November 19, 2008  
**Ticker Symbol:** NMMGX  
**Benchmark:** FTSE® EPRA®/NAREIT® Developed Index

### REGIONAL/COUNTRY WEIGHTS

	NMMGX	Benchmark
U.K.	6.0%	4.4%
Europe ex U.K.	9.5%	12.1%
Japan	10.5%	11.2%
Pacific ex Japan	16.4%	15.3%
North America	56.4%	57.1%
Emerging Markets	1.3%	0.0%
Not Classified	0.0%	0.0%
<b>Total*</b>	<b>100.0%</b>	<b>100.0%</b>

### 5 LARGEST HOLDINGS

Company	% of Fund
Public Storage Inc	3.9%
Avalonbay Cmnty Inc	3.5%
Mid-Amer Apt Cmnty	3.4%
Prologis Inc	3.2%
Welltower Inc	2.7%
<b>Total*</b>	<b>16.8%</b>

### FUND CHARACTERISTICS

	NMMGX	Benchmark
Wtd Avg Market Cap	\$15.8 Billion	\$15.3 Billion
% EPS Growth - Past 5 yrs.	11.78%	9.48%
Positive Trailing P/E	17.x	17.6x
Price to Book	1.45	1.43
Number of Holdings**	101	334

\*The "Total" column may not sum exactly due to rounding.

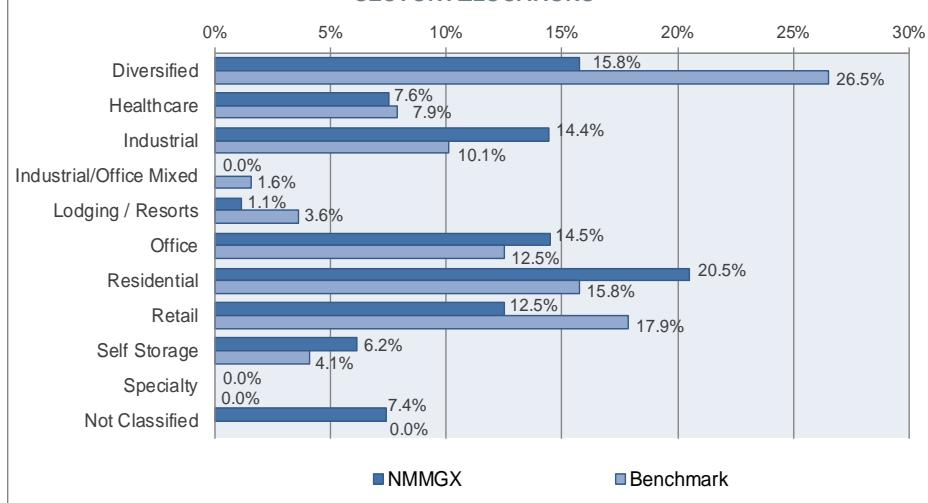
\*\*Currency positions are excluded.

Portfolio composition may change at any time.

Source: Wilshire Atlas

5 See page 10 for important disclosure information

### SECTOR ALLOCATIONS



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# Sub-Adviser 2Q 2019 Review

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# MULTI-MANAGER GLOBAL REAL ESTATE FUND (NMMGX)

Sub-Adviser Allocation and Portfolio Characteristics

2Q | 2019

## SUB-ADVISER ALLOCATION

Sub-Adviser	Target Allocation*	Role in Portfolio
Massachusetts Financial Services Company	60%	High conviction, value-oriented portfolio with a quality bias. Bottom-up, fundamental driven portfolio focused on cash flow and NAV per share growth. Seeks companies where these characteristics are underappreciated, or developing, with the expectation they should outperform over the long run.
Brookfield Public Securities Group LLC.	40%	A concentrated value-based approach which focuses on under-followed and out-of-favor real estate securities. The portfolio should exhibit slightly higher volatility than the market, while yield and valuation characteristics are generally below that of the index.

## PORTFOLIO CHARACTERISTICS

	MFS	Brookfield	NMMGX	FTSE EPRA/NAREIT Developed
Wtd Avg Market Cap	\$16 Billion	\$15.5 Billion	\$15.8 Billion	\$15.3 Billion
% EPS Growth - Past 5 yrs.	11.45%	12.29%	11.78%	9.48%
Positive Trailing P/E	16.6x	\$17.5	17.x	17.6x
Price to Book	1.62	1.25	1.45	1.43
Number of Holdings**	53	61	101	334

\*Actual allocations may vary.

\*\*Currency positions are excluded.

Portfolio composition may change at any time.

Source: Wilshire Atlas

7 See page 10 for important disclosure information



# MULTI-MANAGER GLOBAL REAL ESTATE FUND (NMMGX)

Sub-Adviser Sector and Regional/Country Allocations

2Q | 2019

## SECTOR ALLOCATIONS

	MFS	Brookfield	NMMGX	FTSE EPR/NAREIT Developed
Diversified	8.7%	26.2%	15.8%	26.5%
Healthcare	5.3%	10.9%	7.6%	7.9%
Industrial	17.5%	10.0%	14.4%	10.1%
Industrial/Office Mixed	0.0%	0.0%	0.0%	1.6%
Lodging / Resorts	0.0%	2.8%	1.1%	3.6%
Office	10.6%	20.3%	14.5%	12.5%
Residential	22.2%	17.9%	20.5%	15.8%
Retail	18.0%	4.5%	12.5%	17.9%
Self Storage	7.6%	4.1%	6.2%	4.1%
Specialty	0.0%	0.0%	0.0%	0.0%
Not Classified	10.2%	3.3%	7.4%	0.0%
<b>Total*</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## REGIONAL/COUNTRY WEIGHTS

	MFS	Brookfield	NMMGX	FTSE EPR/NAREIT Developed Index
U.K.	5.6%	6.5%	6.0%	4.4%
Europe ex U.K.	10.2%	8.4%	9.5%	12.1%
Japan	9.4%	12.1%	10.5%	11.2%
Pacific ex Japan	16.8%	15.8%	16.4%	15.3%
North America	56.4%	56.3%	56.4%	57.1%
Emerging Markets	1.7%	0.8%	1.3%	0.0%
Not Classified	0.0%	0.0%	0.0%	0.0%
<b>Total*</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

\*The "Total" column may not sum exactly due to rounding.

Portfolio composition may change at any time.

Source: Wilshire Atlas





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# Appendix

Disclosure of additional information

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# APPENDIX: DISCLOSURES

- **Past performance does not guarantee future results.**
- Total return is based on net change in NAV, assuming reinvestment of all distributions. Returns for periods greater than one year are annualized. Sub-adviser returns are represented gross of Fund expenses. Returns of an index do not reflect the deduction of any management fees, transaction costs or other expenses. Direct investment in an index is not possible.
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- Portfolio sector and characteristics comparisons are provided to illustrate sector allocations and characteristics for each Fund/sub-adviser's strategy versus their respective benchmarks as of the date indicated. The information in this presentation reflects prevailing market conditions and our judgment as of this date, which are subject to change. In preparing this presentation we have relied upon and assumed without independent verification, the accuracy and completeness of all information available from public sources.
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