

NORTHERN FUNDS

# Active M International Equity Fund (NMIEX)

## 4Q 2020 Performance Review

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December 31, 2020

*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.*

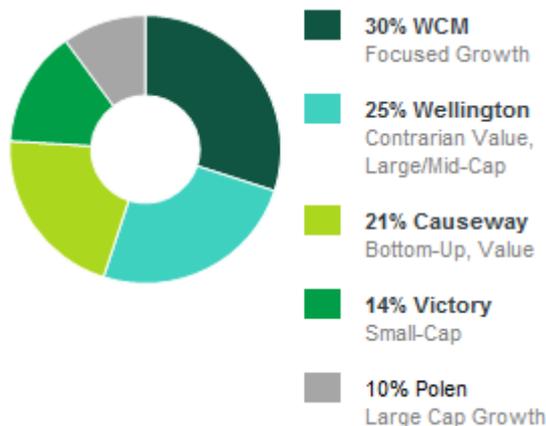


# ACTIVE M INTERNATIONAL EQUITY FUND (NMIEX)

## FUND OVERVIEW

	FUND
Benchmark/Index	MSCI World ex USA IM Index (ND)
Morningstar Category	Foreign Large Blend
Inception Date	6/22/06
Total Net Assets	\$652 Million
Symbol/CUSIP	NMIEX
Dividend Schedule	Annually
Redemption Fee	2% on shares sold or exchanged within 30 days of purchase
Expense Ratio - Gross (%)	0.91
Expense Ratio - Net (%)	0.85

## SUB-ADVISER TARGET ALLOCATIONS\*



\*Brandes Investment Partners, LP was terminated as a sub-adviser to the Northern Active M International Equity Fund, and assets were re-allocated among remaining sub-advisers of the Fund on March 27, 2020. On September 4, 2020, Polen Capital Management LLC began managing a portion of the Fund.

\*Actual allocations may vary.

## STRATEGY OBJECTIVES

- Under normal circumstances, invest at least 80% of net assets in equity securities of issuers domiciled outside the U.S.
- Leverage a disciplined and consistent research process to identify sub-advisers where manager selection and allocations are determined using a multi-factor based screening and optimization approach augmented with deep qualitative and fundamental due diligence.
- 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.
- Continuously monitor the style and characteristics of the Fund and actively manage to the target allocations of the sub-advisers.

*By properly combining sub-advisers, we attempt to deliver robust alpha and broad diversification, while maintaining factor neutral biases (such as size, value and momentum) across international equity markets.*

## PORTFOLIO CHARACTERISTICS

- Well diversified portfolio, benchmarked to the MSCI World ex-USA IM Index.
- The Fund currently uses multiple sub-advisers with various investment approaches.
- Designed to maintain factor neutral biases across international equity markets.



# ACTIVE M INTERNATIONAL EQUITY FUND (NMIEX)

Fund Quarterly Commentary & Performance

4Q | 2020

## QUARTERLY COMMENTARY

- Non-U.S. equity markets struggled to begin the fourth quarter as COVID-19 cases were on the rise, but as the news of the effectiveness of the Pfizer/BioNTech and Moderna vaccines hit, the markets quickly reversed. The MSCI World ex USA IM Index finished with its second highest quarterly return in just over a decade, rising 16.10%. Regionally, Europe led the way (MSCI Europe IMI, +16.40%), followed by the Pacific (MSCI Pacific IMI, +15.85%) and North America (MSCI Canada IMI, +13.92%). The U.K. and France were the biggest contributors in Europe while Switzerland lagged. The Pacific region was led by Australia while Japan was a bit of a drag. On a sector basis, those with more cyclical exposure led the way with one exception, energy. Energy was the top performing sector followed by financials, consumer discretionary, materials, industrials and information technology. Consumer staples and health care were the only two sectors to not post double-digit returns. For the quarter, small capitalization stocks outperformed large caps and value names outpaced growth.
- The Fund performed well for the quarter, advancing 17.89% versus 16.10% return for its benchmark, the MSCI World ex USA IM Index. Stock selection drove the Fund's outperformance, particularly within the healthcare, information technology and financials sectors. The Fund's off-benchmark exposure to emerging markets also contributed positively as the region outperformed developed markets and stock selection within the region was strong. For the full calendar year period, the Fund gained 11.69% outperforming its benchmark return of 8.32%.
- Three out of five of the Fund's sub-advisers outpaced the Fund's benchmark for the quarter. Value sub-advisers Causeway and Wellington performed well as value and cyclical stocks recovered, while WCM's quality growth portfolio kept pace with the market. Both small cap sub-adviser Victory and growth sub-adviser Polen faced style headwinds.

as of December 31, 2020				Annualized				Calendar Year				
	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Inception to Date	2019	2018	2017	2016	2015
<b>FUND</b>	<b>17.89</b>	<b>11.69</b>	<b>11.69</b>	<b>5.80</b>	<b>8.60</b>	<b>4.56</b>	<b>3.78</b>	<b>22.93</b>	<b>(13.74)</b>	<b>29.05</b>	<b>(1.16)</b>	<b>(5.15)</b>
Benchmark	16.10	8.32	8.32	4.34	7.92	5.43	4.17	22.91	(14.68)	25.17	2.95	(1.95)
Morningstar Category Avg. Foreign Large Blend	15.77	9.30	9.30	4.18	7.57	5.33	--	21.59	(14.59)	25.12	0.79	(1.59)

Fund inception: June 22, 2006

Annual Expense Ratio: Gross 0.91%, Net 0.85%<sup>1</sup>

Benchmark: MSCI World ex USA IM Index. The Index performance is represented net of foreign withholding taxes on dividends.

**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 on July 31, 2021.

<sup>2</sup>See pages 8 & 9 for important risk and disclosure information



NORTHERN FUNDS

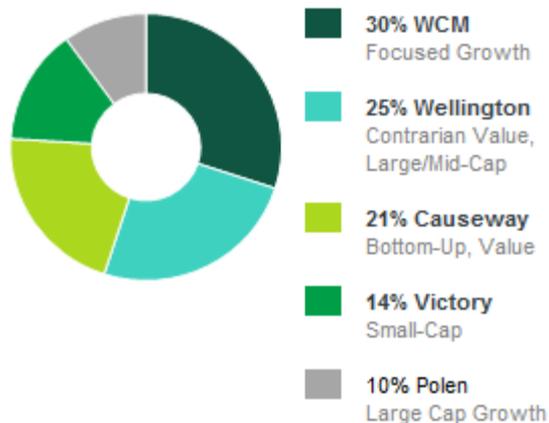
# Fund and Sub-Advisers 4Q 2020 Review

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# ACTIVE M INTERNATIONAL EQUITY FUND (NMIEX)

Sub-Adviser Target Allocations & Portfolio Characteristics

4Q | 2020



Sub-Adviser	Target Allocation*	Role in Portfolio
WCM Investment Management	30%	A concentrated large-cap growth manager focusing on companies that possess a durable and growing competitive advantage.
Wellington Management Company LLP	25%	A large-cap to mid-cap, contrarian value approach with a focus on companies trading at significant discount to current market price and strong balance sheets.
Causeway Capital Management, LLC	21%	A fundamental, bottom-up, value manager. The portfolio is relatively concentrated with a preference toward yield and risk-adjusted rates of return.
Victory Capital Management Inc.	14%	A diversified, small-cap specialist manager with positive exposure to momentum and value.
Polen Capital Management LLC	10%	A concentrated large-cap growth manager that seeks to invest in companies with consistent earnings growth and strong balance sheets that offer a "margin of safety."

## PORTFOLIO CHARACTERISTICS

	WCM	Wellington	Causeway Capital	Victory	Polen	FUND	Benchmark
Wtd Avg Market Cap	\$138.1 Billion	\$27.5 Billion	\$77.3 Billion	\$4.7 Billion	\$185.2 Billion	<b>\$82.1 Billion</b>	\$58 Billion
% EPS Growth - Past 5 yrs.	9.06%	4.89%	8.86%	13.05%	12.84%	<b>8.97%</b>	8.60%
Positive Trailing P/E	45.8x	9.8x	16.3x	17.6x	39.6x	<b>18.3x</b>	18.6x
Price to Book	7.67	0.67	1.16	1.76	6.71	<b>1.50</b>	1.67
Number of Holdings**	31	116	55	219	24	<b>420</b>	3,516

\*Actual allocations may vary

\*\*Currency positions are excluded.

Portfolio composition may change at any time.

Source: Wilshire Atlas

See pages 8-9 for important risk and disclosure information



# ACTIVE M INTERNATIONAL EQUITY FUND (NMIEX)

Sector and Regional/Country Allocations

4Q | 2020

SECTOR ALLOCATIONS %	Causeway					FUND	Benchmark
	WCM	Wellington	Capital	Victory	Polen		
Communication Services	2.85	9.01	1.60	5.25	8.58	<b>4.94</b>	4.89
Consumer Discretionary	15.87	13.37	9.18	12.37	25.22	<b>14.18</b>	11.82
Consumer Staples	4.90	1.70	5.78	4.98	7.73	<b>4.57</b>	9.62
Energy	0.00	11.94	2.88	2.45	0.00	<b>3.80</b>	3.73
Financials	9.94	31.69	22.65	9.30	4.58	<b>17.06</b>	16.88
Health Care	24.79	2.13	11.73	9.53	22.66	<b>14.17</b>	11.02
Industrials	13.39	13.90	22.31	20.03	7.15	<b>15.82</b>	15.98
Information Technology	25.22	3.51	14.03	12.78	24.08	<b>15.74</b>	9.33
Materials	3.05	8.13	6.57	9.65	0.00	<b>5.77</b>	8.68
Real Estate	0.00	2.62	0.00	10.69	0.00	<b>2.36</b>	4.21
Utilities	0.00	2.00	3.28	2.96	0.00	<b>1.61</b>	3.83
Not Classified	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>	0.00

REGIONAL/ COUNTRY WEIGHTS %	Causeway					FUND	Benchmark
	WCM	Wellington	Capital	Victory	Polen		
U.K.	5.93	14.48	11.58	14.94	14.42	<b>11.26</b>	13.27
Europe ex U.K.	36.19	40.34	67.26	41.70	41.22	<b>44.64</b>	43.31
Japan	3.52	26.96	9.66	21.23	0.00	<b>12.88</b>	23.50
Pacific ex Japan	8.03	0.69	1.03	8.81	5.04	<b>4.78</b>	10.90
North America	31.23	2.87	1.70	7.03	15.28	<b>13.37</b>	9.03
Emerging Markets	15.11	14.47	8.76	6.29	24.04	<b>13.03</b>	0.00
Frontier Markets	0.00	0.20	0.00	0.00	0.00	<b>0.05</b>	0.00
Not Classified	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>	0.00

Totals may not sum to 100% exactly due to rounding.

Portfolio composition may change at any time.

Source: Wilshire Atlas

See pages 8-9 for important risk and disclosure information



# Appendix

## Disclosure of additional information

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# DISCLOSURE AND RISKS

All data is as of date indicated and subject to change.

**Emerging Markets Risk:** Emerging market investing is subject to additional economic, political, liquidity and currency risks not associated with more developed countries.

**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.

**Foreign (Non-U.S.) Securities Risk:** Investing in foreign (non-U.S.) securities may result in the Fund experiencing more rapid and extreme changes in value than a fund that invests exclusively in securities of U.S. companies, due to less liquid markets, foreign government intervention and adverse economic, political, diplomatic, financial and regulatory factors.

**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.

**Market Turbulence Resulting from COVID-19:** The outbreak of COVID-19 has negatively affected the worldwide economy, individual countries, individual companies and the market in general. The future impact of COVID-19 is currently unknown, and it may exacerbate other risks that apply to the Fund.

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## DEFINITIONS

MSCI World ex-USA IM Index is a free float-adjusted, market capitalization weighted index that is designed to measure the equity market performance of developed markets. It captures large, mid and small cap representation across 22 developed markets, excluding the United States, and covers approximately 99% of the free float-adjusted market capitalization in each country. It is not possible to invest directly in an Index

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

**% 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 sum of a company's price-to-earnings. Calculated by taking the current stock price and dividing it by the current earnings per share for the past 12 months, excluding those companies with negative earnings.

**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.

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

See pages 8-9 for important risk and disclosure information



# 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. Returns of an index do not reflect the deduction of any management fees, transaction costs or other expenses. It is not possible to invest directly in an index.
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- Portfolio sector and characteristics comparisons are provided to illustrate sector allocations and characteristics for each Fund versus its 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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