

NORTHERN FUNDS

INCOME EQUITY FUND (NOIEX)

As of 12/31/19

FUND COMMENTARY

The market capped off 2019 with a strong fourth quarter, rising more than 9% as measured by the S&P 500 Index. Trade tensions between the U.S. and China eased as a “Phase One” deal between the two nations was announced. Progress in trade talks along with steady economic numbers provided a tailwind for investor confidence. Credit spreads narrowed, oil prices moved higher, treasury yields increased, and the yield curve steepened during the quarter as investors embraced the risk-on environment. Health care was one of the best-performing sectors, benefitting from lower perceived political risk in the 2020 U.S. elections. Information technology and financials sectors also performed well, aided by the positive trade outlook and steepening yield curve, respectively. Defensive and higher-yielding sectors such as a utilities, real estate, and consumer staples lagged the overall market, negatively impacted by rising bond yields and the increasing investor risk appetite.

The Income Equity Fund posted a total return of 7.65% in the fourth quarter, compared with 9.07% for the Fund’s benchmark, the S&P 500 Index. The Fund generally invests in high-quality, income-producing stocks, which we believe will generate above-market returns over time. The Fund’s allocation to higher-dividend-yielding securities detracted from performance, as high-yielding stocks underperformed non-dividend paying securities. The Fund’s allocation to high-quality names added to performance as high-quality stocks outperformed low-quality stocks. Stock selection within the materials and real estate sectors added to performance. Selection within the communication services and information technology sectors detracted from performance. Sector allocation was a slight detractor; as the Fund was overweight the utilities, real estate and consumer staples sectors.

Looking ahead, we will continue to focus on identifying high-quality, dividend-paying companies. Following 2019’s strong market rally, driven nearly entirely by price-earnings multiple expansion, we believe the importance of company fundamentals will stand out and the strategy will benefit accordingly. We will maintain our exposure to companies that exhibit prudent use of shareholder capital, focusing on total return. We believe the Fund is well-positioned to provide an elevated level of income, generated from a diversified basket of stocks that offer opportunities to outperform over the long term.

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

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Performance as of 12/31/19				Annualized Returns					
FUND	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception*	Gross Expense Ratio	Net Expense Ratio
Income Equity Fund	7.64%	27.01%	27.01%	12.63%	9.83%	11.08%	9.01%	1.13%	1.01%
S&P 500 Index	9.07%	31.49%	31.49%	15.27%	11.70%	13.56%	10.12%		

*Inception Date- 04/01/94

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.

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, 2020.

Not FDIC insured | May lose value | No bank guarantee

Please remember that all investments carry some level of risk, including the potential loss of principal invested. They do not typically grow at an even rate of return and may experience negative growth. As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns.

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