

NORTHERN FUNDS

INCOME EQUITY FUND (NOIEX)

As of 12/31/20

FUND COMMENTARY

After a short period of volatility around the U.S. election, the S&P 500 Index posted strong gains to finish the year at all-time highs. Investors quickly looked through election uncertainty and focused on positive news surrounding COVID-19 vaccine development. Credit spreads and market volatility declined, while oil prices, interest rates, and inflation expectations moved higher. Cyclical sectors benefitted from the improving economic environment and investors returned to more value-oriented segments of the market. Energy and financials sectors were the best performing, benefitting from rising commodity prices and interest rates. Defensive sectors, such as real estate, utilities, and consumer staples lagged the broader market.

The Fund slightly outperformed its benchmark index in the quarter. The Fund's allocation to higher-dividend-yielding securities added to performance, as high yielding stocks outperformed low yielding and non-dividend paying securities. The Fund's allocation to high-quality names detracted from performance as high quality stocks underperformed low quality stocks. Stock selection within the information technology and financials sectors added to performance. Selection within the industrials and communication services sectors detracted from performance. Sector allocation detracted from performance, as the Fund was overweight the underperforming consumer staples and real estate sectors.

Throughout the COVID-19 pandemic, our high quality positioning has allowed us to proactively manage the impact of dividend cuts and suspensions. As 2020 came to a close, aggregate dividends paid across the U.S. market finished down less than 3% as compared to 2019, a sharp improvement from what was expected earlier in the year. Yet investors' expectations for future dividend payments remains relatively impaired, indicating an opportunity may be present to take advantage of a stronger recovery as compared to what is currently priced in.

Looking ahead, we will continue to focus on identifying high-quality, dividend-paying companies. 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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NORTHERN FUNDS INCOME EQUITY FUND (NOIEX)

Performance as of 12/31/20				Annualized Returns					
FUND	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception*	Gross Expense Ratio	Net Expense Ratio
Income Equity Fund	12.40%	10.97%	10.97%	9.67%	12.04%	10.59%	9.08%	1.13%	1.02%
S&P 500 Index	12.15%	18.40%	18.40%	14.18%	15.22%	13.88%	10.42%		

*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, 2021.

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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