

NORTHERN FUNDS

SMALL CAP VALUE FUND (NOSGX)

As of 09/30/21

FUND COMMENTARY

The Russell 2000 Value Index lagged both the small cap growth and larger cap indexes, reflecting the intermittent heightening of risk aversion this quarter. Concerns in the Chinese real estate market added to investors uncertainty around U.S. fiscal policy and a potential government shutdown. Credit spreads, interest rates, and commodity prices ended the quarter relatively unchanged as investors awaited more details surrounding the size and scope of the U.S. Infrastructure Bill as well as the pace of U.S. Federal Reserve tapering. Energy stocks staged a recovery, leading returns in the index, and financials followed closely, helped by a late quarter rally in interest rates and steepening yield curves. Less robust were returns among communication services, health care, and consumer discretionary sectors, as sentiment shifted away from former favorites.

The Fund outperformed its benchmark index in the quarter. Sector selection contribution was positive, but modest, led by an underweight to the communication services sector, offset by underweights in better-returning utilities and real estate. Stock selection was strong in a number of sectors, but most notably in communication services. Strong stock selection results among discretionary and industrial stocks further added to performance. Weaker were picks among financials and real estate. Performance of the strategy generally followed the overall market's intermittent risk on/risk off experience this quarter.

In general, higher risk, less profitable, and lower quality stocks underperformed despite a strong showing in August. Stocks rated as "Buy" by our proprietary stock selection models outperformed lower ranked "Holds" and "Sells", after trailing for much of the last 18 months. Changing expectations of inflation and interest rate directions cooled the desire to buy and hold stocks with lower profit margins, higher debt, and more volatility, giving the strategy a boost.

Going forward, consistent with our long-term approach, we will continue to seek more reasonably priced, but more profitable, small-company stocks and avoid lower quality companies. We continue to apply our disciplined cost- and risk-efficient investment strategy, balancing return, risk, and transaction costs, in an effort to achieve intended objectives.

Please carefully read the summary prospectus or prospectus and consider the investment objectives, risks, charges and expenses of the Northern Funds carefully 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 09/30/21				Annualized Returns					
FUND	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception*	Gross Expense Ratio	Net Expense Ratio
Small Cap Value Fund	-2.52%	17.89%	50.20%	5.01%	7.98%	11.86%	9.62%	1.13%	1.00%
Russell 2000 Value Index ¹	-2.98%	22.92%	63.92%	8.58%	11.03%	13.22%	10.18%		

*Inception Date- 04/01/94

¹**Russell 2000® Value Index** measures the performance of those Russell 2000® Index companies with lower price-to-book ratios and lower forecasted growth values. It is not possible to invest directly in an index.

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, 2022.

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.

Small-Cap Risk: Small-capitalization funds typically carry additional risks since smaller companies generally have a higher risk of failure. Their stocks are subject to a greater degree of volatility, trade in lower volume and may be less liquid.

Value Risk: Value-based investments are subject to the risk that the broad market may not recognize their intrinsic value

Not FDIC insured | May lose value | No bank guarantee

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