

NORTHERN FUNDS

SMALL CAP VALUE FUND (NOSGX)

As of 03/31/19

FUND COMMENTARY

Reversals of fortune were evident in the first quarter, as previously sinking stocks of the fourth quarter of 2018 made a rapid comeback in the beginning of the 2019. Higher risk appetites followed monetary policy statements and actions as well as easing credit conditions. More volatile, less profitable, and lower margin companies rebounded, including those the strategy seeks to avoid based on our proprietary stock selection ratings, despite the ongoing concerns of slowing growth and earnings outlook.

The Small Cap Value Fund returned 11.92%, in line with its benchmark, the Russell 2000 Value Index, which returned 11.93%. Stock selection struggled within the rebounding energy sector as well as within health care, and in both cases, reversed these sectors' results from the prior year. More successful were stock picks within the consumer discretionary and materials sectors where sell rated stocks, as assessed by our proprietary stock selection models, trailed the buy rated securities. Return differences among sectors in the benchmark were broad, and led to modest detractor from performance.

Profitability characteristics saw sharp differences in returns from the prior quarter, as companies with less desirable profit margins, returns on equity, or reported earnings outperformed their more profitable peers. In another deviation from prior year results, high volatility stocks outperformed low, as market risk aversion appeared to have ebbed in the first quarter. Valuation differences, as measured by price-to-earnings ratios, did not seem to be a consistent differentiator of returns, but companies with deeper (cheaper) valuations based on price-to-book ratios outperformed peers with higher price-to-book ratios.

Going forward, we will continue to seek profitable, reasonably priced 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, to achieve intended objectives.

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 03/31/19				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	11.92%	11.92%	-0.45%	8.55%	5.73%	14.18%	9.62%	1.13%	1.00%
Russell 2000 Value Index	11.93%	11.93%	0.17%	10.86%	5.59%	14.12%	9.75%		

*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, 2019.

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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