

# NORTHERN FUNDS

## SMALL CAP VALUE FUND (NOSGX)

As of 12/31/19

### FUND COMMENTARY

A substantial rebound of smaller capitalization stocks with lower quality and higher volatility characteristics proved to be a challenging environment for the Fund. Continued low interest rates, accommodating credit conditions, generally positive economic news, and reduced trade tensions all tended to stimulate a risk-on environment in the stock market.

The Small Cap Value Fund returned 6.71% during the quarter, trailing its Russell 2000 Value Index benchmark which returned 8.49%. Weaker stock selection in the better-performing sectors of technology, health care, and materials, as well as within consumer discretionary, accounted for a substantial portion of the Fund's struggles to keep up with its benchmark. As intended, sector allocation did not have a substantial impact on excess returns. Deeper valuation, based on Price-to-Book ratio and to a lesser extent, Price to Earnings, was a favorable characteristic. However, more meaningfully for Fund performance, was the performance of stocks with low, or negative, profitability; companies in the lowest (most negative) quintile of Returns on Equity or those without reported ROE or earnings, were the best performers. Also at the top of the performance charts were stocks in the highest quintile of volatility, to which the Fund was underweighted, a result of the strategy's bias to higher quality companies, which tend to have more stable return patterns.

Going forward, as is 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, 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 12/31/19				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	6.71%	22.27%	22.27%	3.95%	6.50%	10.93%	9.70%	1.14%	1.00%
Russell 2000 Value Index	8.49%	22.39%	22.39%	4.77%	6.99%	10.56%	9.83%		

\*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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