

# NORTHERN FUNDS

## SMALL CAP CORE FUND (NSGRX)

As of 03/31/21

### FUND COMMENTARY

The Russell 2000 Index posted another strong quarter, beating the S&P 500 Index and recording the highest trailing 4-quarter return since its inception. The roll-out of COVID-19 vaccines to the public along with the passage of an additional \$1.9T fiscal stimulus bill provided a tailwind to economic reopening and the market. Credit spreads continued to move lower as oil prices, interest rates, and inflation expectations moved higher. Cyclical segments of the market outperformed, led by energy and consumer discretionary sectors. Health care, utilities, and information technology sectors lagged the market, as investors continued to prefer value-oriented names tied to the improving economic conditions, as well as a select set of lower quality, but may be viewed as high-profile social media favorites.

The Fund outperformed its benchmark index in the quarter. Differences in sector returns were not a significant contributor to Fund performance, with the exception of the modest benefit to an underweight of health care stocks. More important was the strong stock selection within the healthcare sector, in which lower-quality rated stocks (as defined by our proprietary stock selection models as “Sell” or “No Buy”) were significant underperformers, particularly among biotech and health care equipment companies. Stock selection was weaker within the energy and consumer discretionary sectors, the two best performers in the index this quarter.

The underperformance of our lower quality, “No Buy” rated stocks was echoed by the underperformance of stocks with lower returns-on-equity, profit margins, and those without reported earnings, a reversal of these groups’ recent patterns. Microcaps (stocks with capitalizations below \$350 million) outperformed, and the Fund’s overweight to this group contributed to excess return.

We will continue to maintain our focus on higher-quality companies. Further, we will continue to seek diverse exposure to domestic small-cap stocks, including those within the smallest segments of the market, while maintaining a disciplined process to manage active risk and transaction costs.

**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 03/31/21				Annualized Returns					
FUND	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception*	Gross Expense Ratio	Net Expense Ratio
Small Cap Core Fund - Class I	13.61%	13.61%	84.09%	13.05%	14.59%	11.35%	8.35%	0.66%	0.60%
Small Cap Core Fund - Class K	13.64%	13.64%	84.21%	13.08%	14.61%	11.35%	8.35%	0.56%	0.50%
Russell 2000 Index	12.70%	12.70%	94.85%	14.76%	16.35%	11.68%	9.41%		

\*Inception Date- 09/30/99

**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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