

NORTHERN FUNDS

SMALL CAP CORE FUND (CLASS I - NSGRX, CLASS K - NSCKX)

As of 09/30/21

FUND COMMENTARY

The Russell 2000 Index trailed larger cap indexes, reflecting the increased risk aversion experienced during some periods 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 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 staged a recovery, leading returns, while financials followed, 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 some former favorites.

The Fund outperformed its benchmark index in the quarter. Positive stock selection was seen in most sectors, particularly among health care and industrial stocks. Stock selection was a negative contributor only in the energy sector, the sector with the highest price return in the index this quarter.

Strong stock selection results generally reflected the underperformance of lower quality stocks, those rated as "Do Not Buy" or "Sell" in our proprietary stock selection models. Micro caps (stocks with capitalizations below \$350 million) lagged, although stock selection within this group of smaller stocks was a positive contributor to returns. A meaningful contributor to results was the underperformance of higher volatility stocks, which are typically underweighted in the portfolio, a reversal of the return pattern seen since the bottom of the pandemic sell off. Less profitable stocks, those without reported earnings or low profit margins, similarly saw a reversal of previous strong performance, contributing to this quarter's 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 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 Core Fund - Class I	-2.57%	15.18%	47.86%	9.86%	12.44%	14.28%	8.22%	0.67%	0.59%
Small Cap Core Fund - Class K	-2.54%	15.28%	47.98%	9.91%	12.47%	14.29%	8.23%	0.57%	0.49%
Russell 2000 Index ¹	-4.36%	12.41%	47.68%	10.54%	13.45%	14.63%	9.18%		

*Inception Date- 09/30/99

¹**Russell 2000® Index** is an unmanaged index which measures the performance of the 2,000 smallest of the 3,000 largest U.S. companies, based on market capitalization. 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.

Not FDIC insured | May lose value | No bank guarantee

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