

NORTHERN FUNDS

SMALL CAP CORE FUND (NSGRX)

As of 12/31/19

FUND COMMENTARY

A return of risk taking was evident in the fourth quarter, as continued low interest rates, accommodating credit conditions, generally positive economic news, and reduced trade tensions all tended to stimulate the risk-on environment in the stock market. With risk aversion ebbing, lower quality and more volatile smaller company stocks were in favor, creating substantial headwinds for strategies, such as ours, that focus on higher quality companies.

The Small Cap Core Fund returned 8.02%, trailing its Russell 2000 Index benchmark which returned 9.94%. The Fund's underperformance in the fourth quarter was largely caused by results in the health care sector, the best-performing sector in the index. Within health care, underweights to lower quality biotechs and pharmaceuticals industries, both of which had returns in excess of 30% this quarter, reduced overall returns for the Fund. More generally throughout the index, stocks with lower quality ratings, as defined by our proprietary quality models, outperformed; most significantly, those stocks rated "DO NOT BUY" by our models and typically underweighted in the Fund relative to the benchmark, returned over 25%. While micro-cap stocks in the benchmark performed well, our holdings of a broader set of these small companies failed to keep up, resulting in weaker stock selection among this market segment. Further, an underweight to the most volatile stocks created a substantial hurdle to performance, as those stocks earned returns of more than 20%, more than double that of the index as a whole.

We will continue to maintain our focus on higher quality companies and 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.

©2020 Northern Funds | Northern Funds are distributed by Northern Funds Distributors, LLC, not affiliated with Northern Trust.



NORTHERN FUNDS

SMALL CAP CORE FUND (NSGRX)

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 Core Fund	8.02%	23.27	23.27%	7.75%	7.65%	11.85%	7.48%	0.75%	0.65%
Russell 2000 Index	9.94%	25.52%	25.52%	8.59%	8.23%	11.83%	8.39%		

*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, 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.

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.

©2020 Northern Funds | Northern Funds are distributed by Northern Funds Distributors, LLC, not affiliated with Northern Trust.

