

NORTHERN FUNDS

SMALL CAP INDEX FUND (NSIDX)

As of 12/31/20

FUND COMMENTARY

In the fourth quarter of 2020, small-cap equities as measured by the Russell 2000 Index (Fund Index) returned 31.37%, outperforming large-cap equities as measured by the Russell 1000 Index, which returned 13.69%.

Within the Fund Index, the top-performing sectors over this time period were energy and materials returning 45.40% and 39.62%, respectively. Utilities and real estate were the worst performing sectors for this quarter with returns of 21.29% and 22.83%, respectively.

The Small Cap Index Fund returned 31.33% for the quarter, slightly below its benchmark, the Russell 2000 Index, which returned 31.37% for the quarter. The U.S. market entered the fourth quarter with heightened volatility, seeing a small correction in October before resuming the previous quarter's rally in risk assets during November. Initial concerns in late October regarding the presidential election went away quickly, as equity markets rebounded in November on the prospects of a vaccine. The rally persisted at a slower rate into December, despite an uptick in COVID-19 cases and deaths. Equity markets seemed to be more forward-looking, as two vaccines were approved for use and have begun distribution. Also helping to continue the rally was a long awaited \$900 billion stimulus package passed by the U.S. Congress in mid-December. The U.S. Federal Reserve once again re-emphasized its accommodative stance, citing that their main priorities are still to achieve maximum employment and inflation at a 2% average rate over the long run. Credit spreads continued to tighten over the quarter, with both positive vaccine news and continuing monetary support from the U.S. Fed helping to keep credit markets strong. Oil followed a pattern similar to equities, as October saw prices drop. This was followed by a rally in November and December off of positive vaccine news and optimism about increased demand in the near future. Both WTI and Brent finished the quarter near early March levels. U.S. equities posted positive returns across all capitalizations on the quarter, as the country looks to the new year with hopes of putting the pandemic behind them.

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 12/31/20				Annualized Returns					
FUND	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception	Gross Expense Ratio	Net Expense Ratio
Small Cap Index Fund	31.33%	19.54%	19.54%	9.97%	13.05%	11.00%	8.41%	0.19%	0.15%
Russell 2000 Index	31.37%	19.96%	19.96%	10.25%	13.26%	11.20%	8.88%		

*Inception Date- 09/03/99

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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