

NORTHERN FUNDS

U.S. QUALITY ESG FUND (NUESX)

As of 12/31/19

FUND COMMENTARY

The market capped off 2019 with a strong fourth quarter, rising more than 9% as measured by the S&P 500 Index. Trade tensions between the U.S. and China eased as a “Phase One” deal between the two nations was announced. Progress in trade talks along with steady economic numbers provided a tailwind for investor confidence. Credit spreads narrowed, oil prices moved higher, treasury yields increased, and the yield curve steepened during the quarter as investors embraced the risk-on environment. Health care was one of the best-performing sectors, benefitting from lower perceived political risk in the 2020 U.S. elections. Information technology and financials sectors also performed well, aided by the positive trade outlook and steepening yield curve, respectively. Defensive and higher-yielding sectors such as a utilities, real estate, and consumer staples lagged the overall market, negatively impacted by rising bond yields and the increasing investor risk appetite.

Corporations stepped up at the Conference of Parties, or COP25, in December, with 177 companies pledging to do their part in order to limit the global temperature rise to 1.50C above pre-industrial levels. Combined, these companies represent over \$2.8 trillion in market cap and span 36 countries, with nearly 6 million employees.

The U.S. Quality ESG Fund posted a total return of 9.41% in the quarter, compared with 9.04% for the Fund’s benchmark, the Russell 1000 Index. The Fund’s allocation to higher-quality securities added to performance, as the top quintile of stocks outperformed all others. During the quarter, our allocation to companies with favorable ESG profiles also added to performance, as this segment outperformed those with less favorable ratings.

Looking ahead, we will continue to focus on investing in companies with favorable environmental, social and governance (ESG) qualities who also exhibit strong business fundamentals, solid management, and reliable cash flows. We believe the Fund is well-positioned for an accommodative interest rate environment and steady global growth.

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
U.S. Quality ESG Fund	9.41%	31.40%	31.40%	N/A	N/A	N/A	13.29%	1.10%	0.43%
Russell 1000 Index	9.04%	31.43%	31.43%	N/A	N/A	N/A	13.47%		

*Inception Date- 10/02/17

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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