



# CAPTURING ESG AND FINANCIAL SUSTAINABILITY

## Targeting High-Quality and Highly Rated ESG Companies

### Northern Funds U.S. Quality ESG Fund (NUEIX/NUESX)

implements an innovative ESG integration strategy, alongside a proprietary quality screen, to quantitatively target companies that have shown both financial and non-financial sustainability. By incorporating ESG metrics, eliminating exposure to companies involved in objectionable business lines, and avoiding exposure to the least financially sustainable companies, the U.S. Quality ESG fund invests at the intersection of high-quality and highly rated ESG companies.



NUEIX (Class I) was ranked 13th out of 157 Morningstar US Large Company Stock funds with an above average or higher sustainability rating and based on 1-year total returns as of 12/31/21.



#### Overall Morningstar Rating™

For Northern Funds U.S. Quality ESG Fund (Class I) among 1,237 Large Blend funds derived from a weighted average of the fund's 3-, 5- and 10-year risk-adjusted returns as 9/30/22.<sup>1</sup>



#### Overall Morningstar Rating™

For Northern Funds U.S. Quality ESG Fund (Class K) among 1,237 Large Blend funds derived from a weighted average of the fund's 3-, 5- and 10-year risk-adjusted returns as 9/30/22.<sup>1</sup>

1

### QUALITY AS A COMPONENT TO ESG

Our proprietary quality factor serves as an enhancement to the quality bias already present in ESG screening and integration while providing the potential for additional alpha.

2

### ESG INTEGRATION WITH TARGETED SCREENS

The combination of negative screening with ESG integration helps investors achieve a portfolio of highly rated ESG companies while avoiding exposure to companies that may be in undesirable industries.

3

### REDUCE CARBON FOOTPRINT

The U.S. Quality ESG fund is designed to systematically reduce carbon footprint, relative to the Russell 1000 Index.

## INTEGRATING SUSTAINABILITY

By leveraging multiple datasets, the strategy can identify highly rated ESG companies and evaluate firm-specific ESG controversies. We then eliminate from inclusion companies involved in objectionable business lines and seek to reduce the portfolio's carbon footprint.

### ESG RATINGS

Seeks to invest in companies that acknowledge and manage material ESG risks better than peers, including climate change, employee health and safety, and board independence.

### CONTROVERSIES

Exclude companies that have been involved in recent egregious controversies with significant negative environmental, social or governance impacts.

### CONTROVERSIAL BUSINESS LINES

Exclude companies that derive a portion of annual revenues from the production of tobacco products or civilian firearms.

### CARBON METRICS

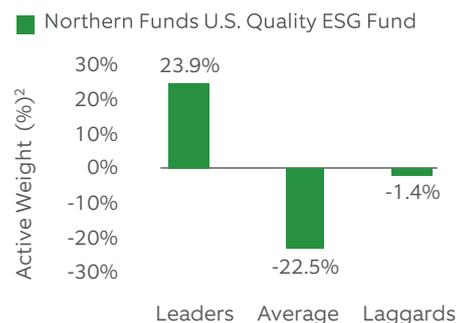
Reduce the carbon footprint of the portfolio.



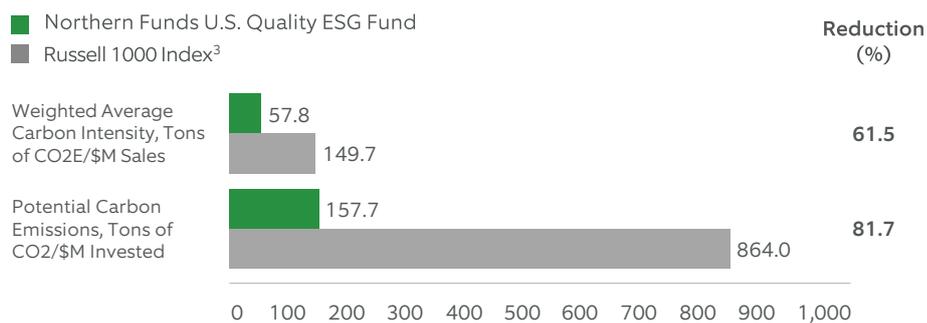
# HIGH QUALITY, HIGH ESG RATINGS & LOWER CARBON FOOTPRINT

Investing at the intersection of highly ranked ESG companies and high-quality companies

## ESG RATINGS VS. RUSSELL 1000 INDEX



## CARBON DATA METRICS



Source: MSCI, Northern Trust, Northern Trust Quantitative Research. ESG Ratings are based on MSCI ESG Ratings. ESG Rating groups range from most sustainable to least sustainable in the following order: Leaders, Average, Laggards. Securities that receive an AAA or AA ESG Rating are considered Leaders; those with an ESG Rating between A and BB are considered to be Average; those with an ESG Rating of B or CCC are interpreted as Laggards. CO<sub>2</sub> Intensity is determined by calculating the carbon intensity (Scope 1 + 2 Emissions / \$M Sales) for each portfolio company and calculating the weighted average by portfolio weight. CO<sub>2</sub> Potential Carbon Emissions measure the potential carbon emissions of the fossil fuel reserves owned by a company (updated annually), computed as the sum of potential carbon emissions of the company's thermal coal, total oil and total gas reserves. To convert reserves data to potential carbon emissions, MSCI ESG Research applies a formula from the Potsdam Institute for Climate Impact Research.\* Data accuracy is dependent on the accuracy of company reporting, MSCI data validation and MSCI calculations. Note: past results are not indicative of future results. It is not possible to invest directly in an index. Indexes are the property of their respective owners, all rights reserved. Data as of September 30, 2022.

\*Malte Meinshausen, Nicolai Meinshausen, William Hare, Sarah C. B. Raper, Katja Frieler, Reto Knutti, David J. Frame & Myles R. Allen. Greenhouse-gas emission Target for limiting global warming to 2 °C. *Nature* 458, 1158-1162 (30 April 2009) | doi: 10.1038/nature08017; Received 25 September 2008; Accepted 25 March 2009. Supplementary Information, p. 7.

## NORTHERN FUNDS U.S. QUALITY ESG FUND INVESTMENT PERFORMANCE (%) AS OF 9/30/2022

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception	Gross Expense Ratio	Net Expense Ratio
Northern Funds U.S. Quality ESG Fund Class I (NUEIX)	-5.16	-24.55	-16.33	9.16	N/A	N/A	9.50	0.54%	0.49%
Northern Funds U.S. Quality ESG Fund Class K (NUESX)	-5.15	-24.51	-16.24	9.22	N/A	N/A	9.54	0.44%	0.39%
Russell 1000 Index <sup>3</sup>	-4.61	-24.59	-17.22	7.75	N/A	N/A	8.92		

Effective July 31, 2020, Class K and Class I replaced the Fund's predecessor Shares Class ("Shares Class"). The Fund's performance returns are shown for Class K and Class I for periods starting July 31, 2020 and August 21, 2020, respectively. For Class I, the performance return from July 31, 2020 through August 20, 2020 reflects the performance and expenses of the Fund's Class K shares. Class K and Class I would have similar returns because each class is invested in the same portfolio of securities. The Fund's performance returns prior to July 31, 2020 are shown for the Shares Class, which had an inception date of October 2, 2017. The performance of the Fund's Shares Class has not been adjusted to reflect the expenses applicable to Class K or Class I shares since the classes have different expense ratios than the expense ratio of the Shares Class. The expenses applicable to the Fund's Class K and Class I shares are lower than the expenses applicable to the Shares Class. Excluding the effect of any fees, expenses, fee waivers or reimbursements, the performance of the Fund's Class K shares and Class I shares would have annual returns substantially similar to those of Shares Class because the classes invest in the same portfolio of securities. Please refer to the current prospectus for further information.

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.

Northern Trust Investments, Inc. ("NTI" or the "Investment Adviser") has contractually agreed to reimburse a portion of the operating expenses of the Fund (other than extraordinary expenses) to the extent the "Total Annual Operating Expenses" exceed 0.49% for Class I shares and 0.39% for Class K shares. The "Total Annual Fund Operating Expenses After Expense Reimbursement" may be higher than the contractual limitation as a result of extraordinary expenses that are not reimbursed. This contractual limitation may not be terminated before July 31, 2023 without the approval of the Fund's Board of Trustees. In the absence of fee waivers, yield, total return, growth since inception and dividends would have been reduced. Total return is based on net change in NAV assuming reinvestment of distributions. ‡The Fund also includes voluntary expense reimbursement that may change or end at any time.

## DISCLOSURE AND RISKS

All data is as of date indicated and subject to change.

**Environmental, Social and Governance (ESG) Risk:** The Fund's ESG screening process may affect exposures to certain companies or industries and cause the Fund to forego certain investment opportunities.

**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.

**Barron's Top Sustainable Funds 2022:** Barron's examined the most accessible share class of all the U.S. large-company stock funds — actively managed mutual funds and ETFs — in Morningstar's universe with more than \$300 million AUM. They then screened for funds that received a "high" or "above average" Morningstar Sustainability Rating as of 12/31/2021. The funds were then ranked based on 1-year total return as of 12/31/2021.

**Additional Information on Carbon Intensity:** At the company level, the carbon intensity (Scope 1 + 2 Emissions / \$M Sales) represents the company's most recently reported or estimated Scope 1 + Scope 2 greenhouse gas emissions normalized by sales in USD, which allows for comparison between companies of different sizes. MSCI ESG Research collects company-specific direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions data from company public documents and the Carbon Disclosure Project (CDP).

If a company does not report GHG emissions, then MSCI ESG Research uses a proprietary methodology to estimate Scope 1 and Scope 2 GHG emissions. The data is updated on an annual basis. Scope 1 emissions are those from sources owned or controlled by the company, typically direct combustion of fuel as in a furnace or vehicle. Scope 2 emissions are those caused by the generation of electricity purchased by the company. Scope 3 emissions include an array of indirect emissions resulting from activities such as business travel, distribution of products by third parties, and downstream use of a company's products (i.e. by customers). Most reports of Scope 3 emissions include only some portion of these.

## DEFINITIONS

**1 Past performance is no guarantee of future results. Ratings reflect fee waivers in effect; in their absence, ratings may have been lower.**

The Morningstar Rating™ for funds, or “star rating,” is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed products monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. **The U.S. Quality ESG Fund (Class I)** received 4 stars for the 3-year rating among 1,237 Large Blend funds. **The U.S. Quality ESG Fund (Class K)** received 5 stars for the 3-year rating among 1,237 Large Blend funds.

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**2 Active Weight** is the difference in allocation of an individual security or portfolio segment between portfolio and the benchmark.

**3 The Russell 1000 Index** measures the performance of the large-cap segment of the U.S. equity universe. The Russell 1000 represents approximately 92% of the U.S. market. Index performance returns do not reflect any advisory fees, transaction costs or expenses. It is not possible to invest directly in any index.

## IMPORTANT INFORMATION

### About Sustainable Investing

At Northern Trust Asset Management (“NTAM”), we define Sustainable Investing as encompassing all of NTAM’s investment strategies and accounts that utilize values based and norms based screens, best-in-class and ESG integration, or thematic investing that may focus on a specific ESG issue such as climate risk. NTAM’s Sustainable Investing includes portfolios designed by NTAM as well as those portfolios managed to client-defined methodologies or screens. As the data, analytical models and aforementioned portfolio construction tools available in the marketplace have evolved over time, so too has NTAM. NTAM’s Sustainable Investing encompasses strategies and client assets managed in accordance with client specified responsible investing terms (historically referred to as Socially Responsible), as well as portfolios that leverage contemporary approaches and datasets, including ESG analytics and ESG thematic investing.

### About Northern Funds

*An Investment in Northern Funds is not insured by the FDIC, and is not a deposit or obligation of, or guaranteed by The Northern Trust Company or any affiliate. An investment in Northern Funds involves risks, including possible loss of principal.*

**Please carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds carefully before investing. Call 800-595-9111 to obtain a prospectus and summary prospectus, which contain this and other information about the funds.**

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