

# NORTHERN FUNDS

## SMALL CAP CORE FUND

EQUITY

MUTUAL FUND

AS OF AUGUST 31, 2020



Overall Morningstar Rating™

among 612 funds derived from a weighted average of the fund's 3- 5- and 10-year risk-adjusted returns as of 8/31/2020.<sup>1</sup>

### Investment Objective

The Fund seeks to provide long-term capital appreciation. Any income received is incidental to this objective.

### Investment Approach

The Fund seeks to efficiently capture the small cap premium and deliver excess return by investing in a diverse portfolio of quality U.S. small capitalization companies. The Fund applies a multi-factor investment process seeking to identify quality in an effort to avoid value traps and unsustainable growth.

- Northern Funds Small Cap Core Fund Class I
- Northern Funds Small Cap Core Fund Class K
- Russell 2000 Index
- Morningstar Category Avg Small Blend

	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
INVESTMENT PERFORMANCE % — AS OF 6/30/20							
	Average Annual Returns						
■ Fund	21.70	-14.04	-8.59	0.99	3.47	10.45	6.52
■ Benchmark <sup>2</sup>	25.42	-12.98	-6.63	2.01	4.29	10.50	7.46
■ Morningstar	22.95	-16.88	-11.41	-0.64	2.49	9.32	—
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception

INVESTMENT PERFORMANCE % — AS OF 8/31/20							
	Average Annual Returns						
■ Fund Class I	9.81	-7.57	1.89	3.70	6.50	11.33	6.83
■ Fund Class K	9.81	-7.57	1.89	3.70	6.50	11.33	6.83
■ Benchmark	12.40	-5.53	6.02	5.03	7.65	11.53	—
■ Morningstar	11.08	-10.00	-0.19	2.38	5.58	10.28	—

Effective July 31, 2020, Class K and Class I replaced the Fund's predecessor Shares Class ("Shares Class"). For periods starting July 31, 2020, the Fund's performance returns are shown for Class K and Class I. The Fund's performance returns prior to July 31, 2020 are shown for the Shares Class, which had an inception date of September 30, 1999. 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. has contractually agreed to reimburse a portion of the operating expenses of the Fund (other than certain excepted expenses, i.e., acquired fund fees and expenses; the compensation paid to each Independent Trustee of the Trust, expenses of third party consultants engaged by the Board of Trustees, membership dues paid to the Investment Company Institute and Mutual Fund Directors Forum, expenses in connection with the negotiation and renewal of the revolving credit facility, and extraordinary expense and interest) to the extent the "Total Annual Fund Operating Expenses" exceed 0.49%. The "Total Annual Fund Operating Expenses After Expense Reimbursement" may be higher than the contractual limitation as a result of the excepted expenses that are not reimbursed. This contractual limitation may not be terminated before July 31, 2021 without the approval of the Board of Trustees. In the absence of contractual expense reimbursements, 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.

Please see back page for calendar year returns, index definitions and investment terms.

### FUND

#### OVERVIEW

	Fund	
Benchmark/Index	Russell 2000 Index <sup>2</sup>	
Morningstar Category	Small Blend	
Total Net Assets	\$404.6 Million	
Dividend Schedule	Annually	
	Class I	Class K
Symbol/CUSIP	NSGRX	NSCKX
Expense Ratio - Gross (%)	0.66	0.56
Expense Ratio - Net (%)	0.60	0.50

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.

### FUND

#### CHARACTERISTICS

	Fund	Benchmark
Number of Holdings	1,620	1,993
Weighted Average Market Cap (\$M)	2,345.7	2,409.3
Return on Equity (%)	3.4	0.2
Trailing 12-month Price-to-Earnings Ratio	19.4	19.7
Price-to-Book Ratio	2.0	2.0
Annual Portfolio Turnover as of 3/31/20 (%)	18.7	

### PERFORMANCE AND

#### RISK CHARACTERISTICS (3 YR)

	Fund
Beta	0.93
Information Ratio	-0.65
Upside Capture Ratio	88.16
Downside Capture Ratio	96.95

Above risk characteristics are based on 3-year time period.

NOT FDIC INSURED

MAY LOSE VALUE

NO BANK GUARANTEE

NORTHERN FUNDS

# SMALL CAP CORE FUND

## CALENDAR YEAR RETURNS %

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Small Cap Core Fund Class I	23.27	-10.21	13.03	20.72	-4.28	6.54	38.78	17.12	-2.49	25.58
Small Cap Core Fund Class K	23.27	-10.21	13.03	20.72	-4.28	6.54	38.78	17.12	-2.49	25.58
Benchmark <sup>2</sup>	25.52	-11.01	14.65	21.31	-4.41	4.89	38.82	16.35	-4.18	26.85
Morningstar Small Blend	23.75	-12.72	12.28	20.78	-5.38	3.79	37.39	15.46	-4.07	25.61

Performance quoted represents past performance and does not guarantee future results.

## TOP HOLDINGS %

	Fund
Churchill Downs Incorporated	0.4
MAXIMUS, Inc.	0.4
Penn National Gaming, Inc.	0.3
Tetra Tech, Inc.	0.3
LHC Group, Inc.	0.3
Emergent BioSolutions Inc.	0.3
Helen of Troy Ltd.	0.3
Lithia Motors, Inc. Class A	0.3
Darling Ingredients Inc.	0.3
Ultragenyx Pharmaceutical, Inc.	0.3

## SECTOR

ALLOCATION %	Fund	Benchmark
Health Care	20.0	20.0
Industrials	15.6	15.3
Financials	14.5	15.4
Information Technology	14.1	13.8
Consumer Discretionary	13.2	13.2
Real Estate	6.1	6.8
Materials	4.3	4.2
Consumer Staples	3.7	3.4
Utilities	3.5	3.2
Communication Services	2.6	2.5
Energy	2.3	2.2

## ASSET ALLOCATION %

	Fund
Stocks	99.0
Cash	1.0

## PORTFOLIO MANAGEMENT

**Robert H. Bergson, CFA**

Began career in 1995 | With Northern Trust since 1997

**Michael Hunstad, Ph.D. \***

Began career in 2000 | With Northern Trust since 2012

\*Portfolio Manager added effective July 31, 2020

## DISCLOSURE AND RISKS

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

<sup>1</sup> Past performance is no guarantee of future results. Ratings reflect fee waivers in effect; in their absence, ratings may have been lower. MorningStar Ratings represents the oldest share class of the fund.

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 Small Cap Core Fund received 4 stars for the 3-year rating among 612 funds, 4 stars for the 5-year rating among 491 funds and 4 stars for the 10-year rating among 353 funds.

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**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.

## DEFINITIONS

<sup>2</sup> 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.

**Beta:** Beta represents the systematic risk of a portfolio and measures its sensitivity to a benchmark.

**Down Market Capture:** A measure of a managers performance in down markets relative to the market.

**Information Ratio:** A measure of risk-adjusted relative return.

**Price-to-Book Ratio:** A ratio used to compare a stocks market value to its book value. It is calculated by dividing the current price of the stock by the latest quarters book value per share.

**Return on Equity:** Amount of net income returned as a percentage of shareholders equity.

**Trailing 12-month Price-to-Earnings Ratio:** The sum of a companys price-to-earnings. Calculated by taking the current stock price and dividing it by the current earnings per share for the past 12 months.

**Up Market Capture:** A measure of a managers performance in up markets relative to the market.

**Please carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds 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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