

ESG investing helps keep values in sync with performance

STRATEGY HIGHLIGHTS 'DOING GOOD' WHILE 'DOING WELL'

Many investors desire to “do good” with investments that are “doing well.” At its core, this is the foundational tenet that drives most ESG (environmental, social and governance) investing. ESG falls under the umbrella of responsible investing and takes into consideration the environmental, social and governance aspects of an investment opportunity. This type of investing is growing in demand, as investors increasingly require portfolio management solutions that reflect their values.

In its infancy, responsible investing was primarily driven by values — often religious or morally based — rather than the pursuit of optimal risk-adjusted returns. Responsible investing began as a way to avoid “sinful” investments, such as alcohol, tobacco, or adult entertainment, by excluding them from a portfolio. Most investors who pursued this objective justified the possibility of lower returns by their overriding motivations to “do good.”

Now, there is a growing sentiment that doing good and doing well don't have to be mutually exclusive. Today, the focus is on companies that have embraced ESG principles. These companies are often well managed and enjoy more limited risk exposures relative to companies that have not adopted ESG practices. These strengths translate to greater growth and profit potential and the ability for the company's stock to potentially outperform in the long run.

An evolving discipline

Northern Trust maintains a multi-dimensional, international view of ESG investing, remaining attuned to the



evolving ESG landscape and the key trends driving the discipline, which include:

- **Performance:** Among investors, there remains some skepticism about the risk and return implications of ESG strategies. They wonder if there is a trade-off between investing ethically and generating strong performance. Northern Trust's investment managers believe the answer lies in an innovative approach. Whereas many existing data sources assign ESG scores to companies based solely on how companies address ESG priorities, Northern Trust believes adding a measure of company strength and/or quality will emphasize the long-run sustainability of ESG practices. Research indicates focusing on the highest-quality companies among the top-rated ESG firms may improve returns and generate benchmark-beating performance.

- **Identifying quality:** Northern Trust's research shows that investing at the intersection of quality and ESG can provide a favorable return profile. By applying Northern Trust's proprietary quality screening process to the highest-caliber ESG companies, portfolio managers seek to enhance results of a responsible investment strategy. The screening process considers results of metrics in three broad areas: management efficiency, cash flow, and profitability.

- **Understanding the new generation of investors:** A key factor driving the need for innovative ESG solutions, especially in the United States, is the millennial generation. The ways in which millennials think about the world and their investments are changing some parameters of asset allocation. In general, they want to see the effect their investments have on their communities. They are committed to aligning their investment portfolios with their social values. Accordingly, investment managers likely will create more innovative products to satisfy this investor class.

Fund pursues ESG strategy

Northern Trust's approach to ESG investing is reflected in the Northern Global Sustainability Index Fund, which invests in companies that seek to unite responsibility and profitability. The Fund tracks the KLD Global Sustainability Index, a benchmark of companies that demonstrate superior management of environmental, social, and corporate governance issues, in pursuit of attractive investment returns.

The Fund differs from other socially responsible funds by remaining sector-neutral, which helps limit risk and considers a broad range of companies that implement sound ESG policies. It also assesses

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companies in all industries, rather than restricting its investment universe — and its return potential — to a more traditional pool of stocks. To learn more about the Fund and how it may fit in a diversified investment portfolio, please call **800-595-9111**, or visit **northernfunds.com**. 

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.

International Risk: International investing involves increased risk and volatility.

Index Fund Risk: The performance of the Fund is expected to be lower than that of the Index because of Fund fees and expenses. It is important to remember that there are risks associated with index investing, including the potential risk of market decline, as well as the risks associated with investing in specific companies.

Past performance is no guarantee of future results. Investing involves risk including the possible loss of principal.

Schedule of Northern Funds 2015 Tax Materials

What?	When?	Who?
Year-end Statements	January 8	Statements will be mailed to all shareholders.
Corporate DRD Letter	January 29	Corporate shareholders who may be eligible for the dividends received deduction (DRD).
Required Minimum Distribution Letter	February 1	A letter will be mailed to investors who will be reaching 70½ in 2016 reminding them of minimum distribution requirements.
1099-DIV	February 1 *	Shareholders in nonretirement accounts who received taxable distributions and exempt-interest dividends in 2015.
1099-Q	February 1 *	Shareholders in 529s or Education Savings Accounts (ESAs) who redeemed or exchanged shares in 2015. **
1099-R	February 1 *	Shareholders who received Individual Retirement Account (IRA) distributions in 2015.
1099-B	February 1 *	Shareholders (excluding money market funds and retirement accounts) who redeemed or exchanged shares in 2015. (Includes cost basis information.)
1042-S	March 15	All nonresident alien shareholders who received dividends or capital gains distributions from a nonretirement account, or an account distribution from an IRA or employer-sponsored plan.
5498-ESA	May 1	ESA shareholders who made contributions for 2015.
5498	May 31	IRA shareholders who made contributions for 2015, including rollover contributions.

* Shareholders in the Global Real Estate Index Fund and the Multi-Manager Global Real Estate Fund will not receive tax information for those funds until February; as Real Estate Investment Trusts (REITs) often don't provide complete tax information until after the calendar year-end.

** Northern Funds does not offer 529s.


If a date falls on a non-business day or holiday, the Internal Revenue Service (IRS) due date is the next business day.

Note: Northern Funds does not provide tax reporting for corporate accounts (other than S corporations), institutional accounts, and Northern Trust trust accounts.

Keep your fund account in active status


If you haven't had any activity in your Northern Funds account for a while, you should get in touch with us. Otherwise, your assets may be escheated to your state as unclaimed property.

When a fund account goes inactive for a few years (as defined by your state of residence, and generally three or five years), it becomes subject to escheatment. Northern Trust will notify you of this via a letter. To prevent your account from being remitted to the state, you must sign, date, and return the letter by a specified date. Or, you may contact the Northern Funds Service Center at **800-595-9111** to return your account to "active" status.

Failure to respond will result in your account being remitted to your state as unclaimed property. Once the fund balance is remitted to the state, you must make all future claims directly with the state. 

Northern Trust to report IRA fair market values

According to Internal Revenue Service (IRS) regulations, financial organizations must report the year-end fair market value of the retirement accounts of individuals with required minimum distributions (RMDs).

If you had an RMD in 2015, we included the fair market value of your Northern Funds IRA as of December 31, 2015, on your December 2015 year-end statement. We will report this figure to the IRS via Form 5498. If you have any questions, please call the Northern Funds Center at **800-595-9111**. 

contact us

by phone call 800-595-9111, Monday thru Friday, 7:00 a.m. – 7:00 p.m. Central Time

automated information line call 800-595-9111, 24 hours a day, 7 days a week

online visit northernfunds.com

by mail write to Northern Funds, P.O. Box 75986, Chicago, Illinois 60675-5986



Managed by
Northern Trust

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 contains this and other information about the funds.

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