

NORTHERN FUNDS

GLOBAL TACTICAL ASSET ALLOCATION FUND (BBALX)

As of 12/31/18

FUND COMMENTARY

Global financial markets struggled in the fourth quarter, facing headwinds from moderating global growth, ongoing Federal Reserve tightening and continued trade tensions between the U.S. and China. Global equities declined more than 13%, as measured by the MSCI World, over the quarter and most major asset classes ended up in negative territory for calendar year 2018. The Federal Reserve raised interest rates for the fourth time in 2018 and forecasted further policy tightening in 2019, while the European Central Bank concluded its asset purchase program in December.

The Global Tactical Asset Allocation Fund posted a total return of -7.34% for the quarter, compared with -7.28% for the Fund's blended static benchmark. Tactical positioning each modestly contributed to the overall underperformance for the Fund, despite modest benefits from strategic positioning.

We made one change in asset allocation during the quarter. In October, we increased our investment grade fixed income allocation while decreasing our U.S. equity and emerging market equity allocations. The change was designed to reduce risk in the Fund, while also reflecting our view that investment grade fixed income looked attractive on a risk-adjusted basis given our interest rate views. In addition, the U.S. equity allocation was reduced given prior outperformance and emerging market equities were decreased due to anticipated headwinds from tighter Fed policy and U.S.-China trade tensions. The change brought the Fund to slightly overweight investment grade fixed income and equal-weight U.S. equities versus the benchmark weights. The tactical move further reduced the risk profile of the Fund, bringing it roughly in-line with the risk profile of its strategic benchmark. Currently, the Fund has a significant overweight to high yield fixed income and a slight overweight to investment grade fixed income, funded by underweights to cash, inflation-protected fixed income and emerging market equities.

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.

©2018 Northern Funds | Northern Funds are distributed by Northern Funds Distributors, LLC, not affiliated with Northern Trust.



NORTHERN FUNDS

GLOBAL TACTICAL ASSET ALLOCATION FUND (BBALX)

Performance as of 12/31/18				Annualized Returns					
FUND	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception*	Gross Expense Ratio	Net Expense Ratio
Global Tactical Asset Allocation	-7.34%	-7.91%	-7.91%	4.69%	2.76%	6.85%	5.80%	0.80%	0.63%
Asset Allocation Blend Index	-7.28%	-5.70%	-5.70%	4.85%	3.68%	7.30%	6.35%		

*Inception Date- 07/01/93

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, 2019.

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.

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.

©2018 Northern Funds | Northern Funds are distributed by Northern Funds Distributors, LLC, not affiliated with Northern Trust.

