NORTHERN FUNDS

LARGE CAP VALUE FUND (NOLVX)

As of 12/31/18

FUND COMMENTARY

After nearly a decade of steady economic and equity market growth, the bull market started showing its age during the quarter. The S&P 500 Index declined nearly 14% during this period, erasing all of the prior three quarter's gains, to finish the calendar year down approximately 4%. Seven out of 11 sectors experienced double digit declines, with energy stocks losing nearly 25% of their market value. Volatility spiked amid signs of a synchronized global slowdown, ongoing trade tensions with China and concerns over a tightening monetary policy. Investor risk aversion was high as the most volatile stocks underperformed the safer securities (as measured by volatility) by nearly 30% during this period for securities within the Russell 1000 Index. High-quality stocks outpaced lower quality peers; however, several mega-cap companies with strong cash flows and attractive margins, for example Apple, underperformed and weighed on the quality factor's performance. Investors were less concerned about valuation as their focus remained tuned to risk mitigation for the period resulting in underperformance of the value factor.

The Large Cap Value Fund posted a total return of -12.32% for the quarter, compared with -11.72% for the Fund's benchmark, the Russell 1000 Value Index. Stock selection was strongest within the declining energy sector where the highest quality stocks, which the strategy tends to overweight, outperformed their low quality peers in the benchmark by nearly 22%. Tilting the portfolio to deeper value and higher quality stocks within health care also contributed to performance. Positive performance among these sectors was offset by weak stock selection in financials where both a deeper value and a higher quality posture of the portfolio detracted from performance. The least expensive financials, measured on both contemporaneous as well as normalized (smoothed) valuation metrics, underperformed the most expensive stocks by nearly 10%, as measured by the proprietary value factor, during the quarter creating a headwind to performance. Overall, the deeper value exposure than the benchmark accounts for much of the underperformance during this period.

Earnings growth is expected to moderate over the coming quarters; however, the markets have largely discounted these expectations over the past three months. Uncertainty over trade and monetary policy persist however, and are expected to stir volatility throughout 2019. Given this backdrop, we believe a portfolio exposed to high-quality, attractively valued stocks is a prudent investment strategy to outperform the benchmark over the near term as well as the full market cycle.

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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LARGE CAP VALUE FUND (NOLVX)

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**
Large Cap Value Fund	-12.32%	-8.50%	-8.50%	6.39%	4.60%	9.62%	5.65%	0.80%	0.58%
Russell 1000 Value Index	-11.72%	-8.27%	-8.27%	6.95%	5.95%	11.18%	6.37%		

*Inception Date- 08/03/00

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.

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