

NORTHERN FUNDS

SMALL CAP VALUE FUND (NOSGX)

As of 03/31/18

FUND COMMENTARY

Despite a late quarter pause, the market continued to favor higher risk and higher valuation versus higher quality and reasonable valuations. Macro conditions remained favorable, albeit with a bit more caution, after U.S. trade policy changes and technology company worries that sent the market for a dip in March. While less profitable, higher risk stocks took a short breather from their rapid run up during this dip, the overall quarter remained challenging for the Small Cap Value Fund's higher quality focus.

The Small Cap Value Fund had a return of -2.95%, slightly behind its Index, the Russell 2000® Value Index, which returned -2.64%. Once again, the small-cap value market segment trailed small-cap growth significantly, while small caps overall beat the larger capitalization companies. Low-quality stocks slightly outperformed, despite a drop in the market as fears of trade and volatility increased.

Stock selection was positive in the majority of sectors, most notably within industrials, materials and energy. Less successful were stock picks within technology, financials and consumer discretionary. Within technology, stocks rated "Sell" by our stock selection model, significantly outperformed higher rated stocks, reducing overall returns in the portfolio. Within financials, stock selection was affected by the outperformance of more volatile stocks. As intended, sector weight differences were not a significant contributor to excess returns. The Fund's underweight to stocks with low or no reported return on equity and avoidance of companies without positive book values proved to be additive.

We continue to maintain our focus on what we believe are the more profitable and more reasonably priced stocks in the small-cap segment, avoiding lower quality companies. We continue to apply our disciplined cost- and risk-efficient investment strategy, balancing return, risk and transaction costs, in an effort to achieve intended objectives.

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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Performance as of 03/31/18				Annualized Returns					
FUND	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception	Gross Expense Ratio	Net Expense Ratio
Small Cap Value Fund	-2.95%	-2.95%	3.76%	7.18%	10.38%	9.33%	10.06%	1.14%	1.01%
Russell 2000 Value Index	-2.64%	-2.64%	5.13%	7.87%	9.96%	8.61%	10.16%		

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, 2018.

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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