

# NORTHERN FUNDS

## SMALL CAP INDEX FUND (NSIDX)

As of 12/31/18

### FUND COMMENTARY

In the fourth quarter of 2018, small-cap equities as measured by the Russell 2000 Index returned -20.20% underperforming large-cap equities as measured by the Russell 1000 Index which returned -13.82%.

The top-performing sectors over this time period were utilities and consumer staples, returning -1.99% and -13.35%, respectively. Energy and materials were the worst-performing sectors for the quarter, with returns of -41.19% and -27.04%, respectively.

The Small Cap Index Fund returned -20.22% for the quarter, in-line with its benchmark, the Russell 2000 Index, which returned -20.20% for the quarter. The S&P 500 Index reversed course in the fourth quarter and fell substantially, leading to the first negative annual return in a decade. U.S. investor fears over the ongoing global trade war and the path of interest rates were the main drivers of sentiment. On the trade war front, despite initial positive reports coming out of the G-20 Summit, investors questioned whether additional progress would be made before the March 1st deadline. The Federal Reserve increased interest rates by a quarter point in December and then lowered 2019's expected number of increases. Investors found shelter in more defensive sectors, with utilities and real estate leading relative to other sectors. Energy led the decline with the collapse of crude oil prices during the period.

**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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## SMALL CAP INDEX FUND (NSIDX)

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
Small Cap Index Fund	-20.22%	-11.14%	-11.14%	7.25%	4.27%	11.80%	7.06%	0.18%	0.15%
Russell 2000 Index	-20.20%	-11.01%	-11.01%	7.36%	4.41%	11.97%	7.54%		

\*Inception Date- 09/03/99

**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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