

NORTHERN FUNDS

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# QUARTERLY PERFORMANCE UPDATE

September 30, 2018

# DISCOVER

## the Full Spectrum of Financial Opportunity

The entire Northern Funds family of no-load mutual funds is managed by Northern Trust's own team of investment professionals.<sup>1</sup>

To assist you in implementing your asset allocation strategy, Northern Funds offers a broad range of domestic and international equity funds, as well as taxable and tax-exempt fixed income funds and money market funds.

*Please carefully read the summary prospectus or prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Visit [northerntrust.com/funds](http://northerntrust.com/funds) or call 800-595-9111 to obtain a summary prospectus and prospectus. The summary prospectus and prospectus contain this and other information about the Funds.*

### HOW TO INVEST IN NORTHERN FUNDS

BY PHONE	Call 800-595-9111
ONLINE	Visit <a href="http://northerntrust.com/funds">northerntrust.com/funds</a>
BY MAIL	Send your completed application & check to:  Northern Funds P.O. Box 75986 Chicago, IL 60675-5986
IN PERSON	Visit any Northern Trust location
MINIMUM INVESTMENT	\$2,500 \$500 for IRAs

### IT'S ON NORTHERNTRUST.COM/FUNDS

Visit our Web site for the latest Northern Funds information including:

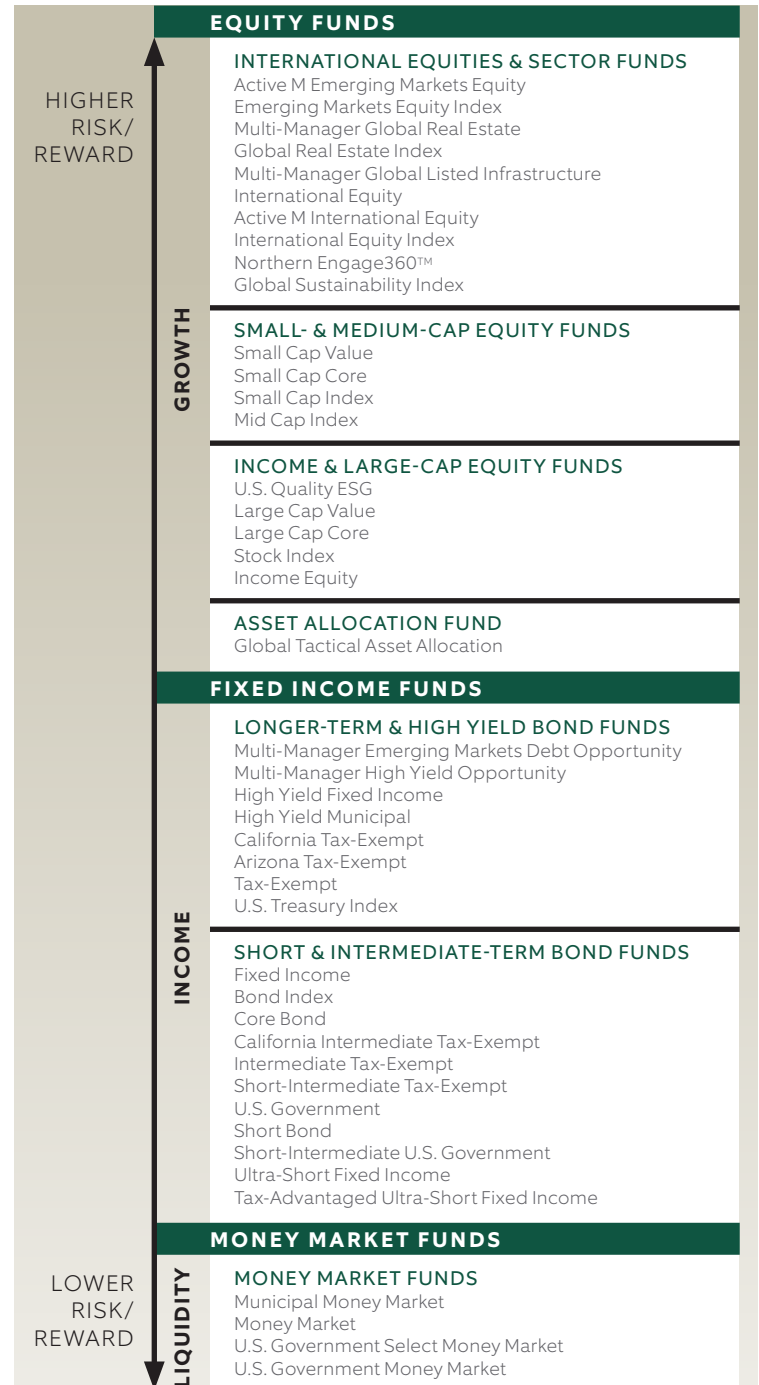
- Fund performance, including daily NAVs, at [northerntrust.com/funds](http://northerntrust.com/funds)
- Market commentary from our Northern Trust investment group, at [northerntrust.com/resources](http://northerntrust.com/resources)

**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. Northern Funds include contractual expense reimbursements that if not extended, will end on July 31, 2019. All Northern Funds money market funds also include a voluntary fee waiver that may change or end at any time. In the absence of voluntary expense reimbursements, total return and yield would be lower.**

<sup>1</sup>Although the funds are no-load, other annual fees and expenses do apply as described in the prospectus.

## NORTHERN FAMILY OF FUNDS

### RISK/REWARD POTENTIAL



*You could lose money by investing in the Money Market Funds. Although each of the Money Market Funds seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. The Funds sponsor has no legal obligation to provide financial support to the Funds, and you should not expect that the sponsor will provide financial support in the Funds at any time.*

*The Money Market Fund and Municipal Fund may impose a fee upon the sale of your shares or may temporarily suspend your ability to sell shares if a Fund's liquidity falls below required minimums because of market conditions or other factors.*

*An investment in a Fund is not a deposit of the bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation ("FDIC"), any other government agency, or The Northern Trust Company, its affiliates, subsidiaries or any other bank.*

NOT FDIC INSURED

May lose value / No bank guarantee

NORTHERN FUNDS PERFORMANCE

EQUITY AND FIXED INCOME FUNDS

TOTAL RETURNS AS OF QUARTER ENDING 9/30/18\*

EQUITY FUNDS <sup>(1)</sup>		1-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION	GROSS EXPENSE RATIO	NET EXPENSE RATIO**	INCEPTION DATE
Active M Emerging Markets Equity <sup>(3)††</sup>	(NMMEX)	-0.93%	3.30%	—	11.54%	1.21%	1.10%	11/19/08
Active M International Equity <sup>(3)††</sup>	(NMIEX)	4.74%	3.70%	4.57%	3.06%	0.95%	0.85%	6/22/06
Emerging Markets Equity Index <sup>(3,11)</sup>	(NOEMX)	-1.55%	3.22%	4.57%	3.50%	0.35%	0.31%	4/25/06
Global Real Estate Index <sup>(3,10,11)</sup>	(NGREX)	2.12%	5.50%	5.63%	3.42%	0.53%	0.50%	7/26/06
Global Sustainability Index <sup>(3,11)</sup>	(NSRIX)	10.28%	8.86%	8.16%	5.98%	0.34%	0.30%	3/5/08
Global Tactical Asset Allocation <sup>(3,15,16)</sup>	(BBALX)	3.07%	5.29%	6.70%	6.18%	0.80%	0.63%	7/1/93
Income Equity <sup>(8,15)</sup>	(NOIEX)	15.78%	11.22%	10.86%	9.06%	1.11%	1.01%	4/1/94
International Equity <sup>(3)</sup>	(NOIGX)	-0.08%	2.94%	4.77%	4.72%	0.67%	0.51%	4/1/94
International Equity Index <sup>(3,11)</sup>	(NOINX)	2.46%	4.28%	5.02%	4.53%	0.30%	0.25%	3/22/05
Large Cap Core	(NOLCX)	16.60%	12.72%	11.29%	8.17%	0.58%	0.46%	12/16/05
Large Cap Value <sup>(12)</sup>	(NOLVX)	10.23%	9.60%	8.46%	6.50%	0.80%	0.58%	8/3/00
Mid Cap Index <sup>(4,11)</sup>	(NOMIX)	13.99%	11.72%	12.25%	9.94%	0.18%	0.15%	3/22/05
Multi-Manager Global Listed Infrastructure <sup>(3,4,13,17,18,19,20,21,22)†</sup>	(NMFIX)	-4.90%	6.10%	—	7.93%	1.03%	1.01%	9/18/12
Multi-Manager Global Real Estate <sup>(3,10)†</sup>	(NMMGX)	4.47%	5.11%	—	12.43%	1.10%	0.93%	11/19/08
Northern Engage360™ <sup>(1,3)†</sup>	(NENGX)	—	—	—	4.00%***	1.08%	0.70%	11/20/17
Small Cap Core <sup>(4)</sup>	(NSGRX)	13.30%	10.77%	11.55%	7.96%	0.73%	0.65%	9/30/99
Small Cap Index <sup>(4,11)</sup>	(NSIDX)	15.08%	10.93%	10.94%	8.43%	0.18%	0.15%	9/3/99
Small Cap Value <sup>(4,12)</sup>	(NOSGX)	6.36%	9.94%	9.96%	10.20%	1.13%	1.00%	4/1/94
Stock Index <sup>(11)</sup>	(NOSIX)	17.77%	13.83%	11.81%	8.36%	0.12%	0.10%	10/7/96
U.S. Quality ESG <sup>(1,11,26)</sup>	(NUESX)	—	—	—	18.03%****	2.08%	0.43%	10/2/17

FIXED INCOME FUNDS<sup>(2)</sup>

Arizona Tax-Exempt <sup>(6,7,13)</sup>	(NOAZX)	-0.25%	3.29%	4.60%	4.41%	0.62%	0.47%	10/1/99
Bond Index <sup>(11,14)</sup>	(NOBOX)	-1.40%	2.02%	3.53%	3.55%	0.17%	0.15%	2/27/07
California Intermediate Tax-Exempt <sup>(6,7,13)</sup>	(NCITX)	-0.20%	2.95%	4.03%	3.93%	0.51%	0.46%	10/1/99
California Tax-Exempt <sup>(6,7,13)</sup>	(NCATX)	0.25%	4.24%	5.64%	5.18%	0.59%	0.47%	4/8/97
Core Bond <sup>(14)</sup>	(NOCBX)	-1.31%	2.09%	4.23%	4.23%	0.47%	0.42%	3/29/01
Fixed Income <sup>(14)</sup>	(NOFIX)	-0.91%	2.49%	4.15%	4.88%	0.49%	0.46%	4/1/94
High Yield Fixed Income <sup>(8)</sup>	(NHFIX)	3.36%	4.64%	7.69%	5.87%	0.82%	0.79%	12/31/98
High Yield Municipal <sup>(6,8)</sup>	(NHMYX)	1.24%	4.69%	4.68%	3.75%	0.83%	0.60%	12/31/98
Intermediate Tax-Exempt <sup>(6)</sup>	(NOITX)	-0.45%	2.53%	3.78%	4.03%	0.51%	0.47%	4/1/94
Multi-Manager Emerging Markets Debt Opportunity <sup>(3,8,13,15,18,21,23)†</sup>	(NMEDX)	-5.57%	—	—	0.30%	1.06%	0.95%	12/3/13
Multi-Manager High Yield Opportunity <sup>(8)†</sup>	(NMHYX)	2.99%	5.01%	—	6.91%	1.00%	0.87%	9/23/09
Short Bond	(BSBAX)	0.49%	1.06%	2.20%	3.82%	0.45%	0.40%	1/11/93
Short-Intermediate Tax-Exempt <sup>(6)</sup>	(NSITX)	-0.29%	0.79%	1.68%	1.83%	0.50%	0.47%	8/22/07
Short-Intermediate U.S. Government <sup>(9,14)</sup>	(NSIUX)	-0.89%	0.33%	1.37%	2.75%	0.54%	0.42%	10/1/99
Tax-Advantaged Ultra-Short Fixed Income Tax-Exempt <sup>(6)</sup>	(NTAUX)	0.82%	0.74%	—	0.98%	0.26%	0.25%	6/18/09
Ultra-Short Fixed Income	(NUSFX)	1.36%	1.11%	—	1.33%	0.26%	0.25%	6/18/09
U.S. Government <sup>(9,14)</sup>	(NOUGX)	-1.48%	0.58%	1.97%	3.79%	0.94%	0.49%	4/1/94
U.S. Treasury Index <sup>(9,11)</sup>	(BTIAX)	-1.81%	1.15%	2.50%	4.73%	0.28%	0.17%	1/11/93

MONEY MARKET FUNDS

TOTAL RETURNS AS OF QUARTER ENDING 9/30/18\*

		1-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION	GROSS EXPENSE RATIO	NET EXPENSE RATIO**	INCEPTION DATE
Money Market	(NORXX)	1.57%	0.50%	0.28%	2.39%	0.43%	0.35%	4/11/94
Municipal Money Market <sup>(6)</sup>	(NOMXX)	0.95%	0.38%	0.25%	1.57%	0.38%	0.35%	4/11/94
U.S. Government Money Market <sup>(9)</sup>	(NOGXX)	1.25%	0.34%	0.20%	2.30%	0.36%	0.35%	4/11/94
U.S. Government Select Money Market <sup>(9)</sup>	(NOSXX)	1.25%	0.35%	0.19%	2.23%	0.37%	0.35%	12/12/94

Performance quoted represents past performance and does not guarantee future results.

\*\*\*Not annualized. Performance represents the period 11/20/17 through 9/30/18.

\*\*\*\*Not annualized. Performance represents the period 10/21/17 through 9/30/18.

## BROAD MARKET INDICES

Following are some of the broad market indices that can help you stay in touch with current trends and provide perspective on your fund's performance.

	YEAR-TO-DATE as of 9-30-18	2017	2016	2015	2014	2013
Consumer Price Index	2.28% <sup>(24)</sup>	2.17%	2.04%	1.07%	0.76%	1.50%
Dow Jones Industrial Average	8.83%	28.11%	16.50%	0.21%	10.04%	29.65%
NASDAQ Composite Index	16.56%	28.24%	7.50%	5.73%	13.40%	38.32%
S&P 500® Index	10.56%	21.83%	11.96%	1.38%	13.69%	32.39%
Russell Midcap Growth® Index	13.38%	25.27%	7.33%	-0.20%	11.90%	35.74%
Russell 2000 Growth® Index	15.76%	22.17%	11.32%	-1.38%	5.60%	43.30%
Russell 2000 Value® Index	7.14%	7.84%	31.74%	-7.47%	4.22%	34.52%
MSCI EAFE® Index	-1.43%	25.03%	1.00%	-0.81%	-4.90%	22.78%
NYSE Arca Tech 100 <sup>SM</sup> Index	19.86%	32.48%	12.68%	-0.31%	16.02%	36.11%
Bloomberg Barclays U.S. Aggregate Bond Index	-1.60%	3.54%	2.65%	0.55%	5.97%	-2.02%
Bloomberg Barclays U.S. Government Bond Index	-1.62%	2.30%	1.05%	0.86%	4.92%	-2.60%
Bloomberg Barclays Municipal Bond Index	-0.40%	5.45%	0.25%	3.30%	9.05%	-2.55%
Bloomberg Barclays Intermediate Municipal Bond Index	-0.42%	4.70%	-0.45%	3.28%	6.39%	-1.10%
iMoneynet™ Money Fund Average/All Taxable Funds	1.00%	0.55%	0.12%	0.02%	0.01%	0.02%

\* Total return is based on net change in NAV, assuming reinvestment of all distributions. Total return is annualized for periods greater than one year.

\*\* Northern Funds include contractual expense reimbursements that if not extended, will end on July 31, 2019. All Northern Funds money market funds also include a voluntary fee waiver that may change or end at any time.

The recent growth rate in the stock market has helped to produce short-term returns that are not typical and may not continue in the future. Because of ongoing market volatility, fund performance may be subject to substantial short-term changes.

† Multi-Manager Risk is the risk that the sub-advisers' investment styles will not always be complementary, which could affect the performance of the Fund.

‡ Management Risk is the risk that a strategy used by the Fund's investment adviser or sub-advisers may fail to produce the intended results or that imperfections, errors or limitations in the tools and data used by the investment adviser or sub-advisers may cause unintended results.

- (1) 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.
- (2) Bond funds will tend to experience smaller fluctuations in value than stock funds. However, investors in any bond fund should anticipate fluctuations in price, especially for longer-term issues and in environments of rising interest rates.
- (3) Foreign and emerging market securities may involve additional risks, such as social and political instability, reduced market liquidity and currency volatility.
- (4) Small- and mid-sized company stocks are generally riskier than large-company stocks due to greater volatility and less liquidity.
- (5) Technology stocks may be very volatile and mutual funds that concentrate in one market sector are generally riskier than more diversified strategies.
- (6) Tax-exempt funds' income may be subject to certain state and local taxes and, depending on your tax status, the federal alternative minimum tax.
- (7) The geographical concentration of portfolio holdings in this Fund may involve increased risk.
- (8) The Fund invests in below investment grade debt obligations, commonly known as "junk bonds." While offering higher current yields, these securities generally are considered speculative and are subject to greater risks than higher-rated bonds.
- (9) U.S. government guarantees apply only to the underlying securities of a Fund's portfolio and not the Fund's shares.
- (10) Real estate securities may involve special risks, including sensitivity to changes in the overall economy or interest rate levels.
- (11) 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.
- (12) Value-based investments are subject to the risk that the broad market may not recognize their intrinsic value.
- (13) The Fund invests in a smaller number of securities than the average mutual fund. The change in value of a single holding may have a more pronounced effect on the Fund's net asset value and performance than for other funds.

(14) Mortgage-backed investments involve risk of loss due to prepayments and, like any bond, due to default. Because of the sensitivity of mortgage-related securities to changes in interest rates, the Fund's performance may be more volatile than if it did not hold these securities.

(15) Increases in prevailing interest rates will cause fixed income securities, including convertible securities, held by the Fund to decline in value.

(16) An asset allocation strategy does not guarantee any specific result or profit nor protect against a loss.

(17) Investing a high percentage of net assets in securities in a specific industry, the Fund may be subject to greater volatility than a fund that is more broadly diversified.

(18) Foreign currencies will fluctuate in value relative to the U.S. dollar; therefore you may lose money if the local currency of a foreign market depreciates against the U.S. dollar.

(19) Investing in foreign (non-U.S.) securities may result in the Fund experiencing more rapid and extreme changes in value than a fund that invests exclusively in securities of U.S. companies, due to less liquid markets, foreign government intervention and adverse economic, political, diplomatic, financial and regulatory factors.

(20) Infrastructure companies may not realize projected revenue volumes due to; cost overruns; changes in terms making a project no longer economical; macroeconomic factors may raise the average cost of funding; government regulation; government budgetary constraints; special tariffs and/or changes in tax law and unfavorable accounting standards.

(21) Some securities held by the Fund may be difficult to sell, or illiquid, particularly during times of market turmoil. Illiquid securities also may be difficult to value. If the Fund is forced to sell an illiquid asset to meet redemption requests or other cash needs, the Fund may be forced to sell at a loss.

(22) Investing in Master Limited Partnerships (MLPs) involves certain risks related to investing in the underlying assets of the MLPs and risks associated with pooled investment vehicles. MLPs that concentrate in a particular industry or a particular geographic region are subject to risks associated with such industry or region. The benefit derived from the Fund's investment in MLPs is largely dependent on the MLPs being treated as partnerships for federal income tax purposes, treatment of an MLP (owned by the Fund) as a corporation would materially reduce the after-tax return to the Fund with respect to its investment in the MLP. The Fund must include its allocable share of the MLP's taxable income in its taxable income, whether or not it receives a distribution of cash from the MLP. In such cases, the Fund may have to liquidate securities to make required distributions to the Fund's shareholders.

(23) The Fund may be subject to credit/default risk, which is the risk that the inability or unwillingness of an issuer or guarantor of a fixed-income security to meet its payment or other financial obligations will adversely affect the value of the Fund's investments and its returns. Changes in the credit rating of a debt security held by the Fund could have a similar effect.

(24) Year-to-date data is reported on a one-month lag.

(25) Portfolio turnover risk is the risk that high portfolio turnover is likely to lead to increased Fund expenses that may result in lower investment returns.

(26) Environmental, Social and Governance (ESG) Risk: The Fund's ESG screening process may affect exposures to certain companies or industries and cause the Fund to forego certain investment opportunities.

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OVERALL MORNINGSTAR RATINGS™ AS OF 9/30/18\*

Derived from a weighted average of the fund's 3-, 5-, and 10-year risk-adjusted returns

### EQUITY FUNDS

Global Tactical Asset Allocation	★★★★	Among 399 world allocation funds
Income Equity	★★★★★	Among 1,109 large value funds
Large Cap Core	★★★★	Among 1,109 large value funds
Mid Cap Index	★★★★	Among 371 mid-cap blend funds
Small Cap Core	★★★★	Among 652 small blend funds
Stock Index	★★★★	Among 1,196 large blend funds

### FIXED INCOME FUNDS

Arizona Tax-Exempt	★★★★★	Among 138 municipal single state intermediate funds
Multi-Manager High Yield Opportunity	★★★★	Among 592 high yield bond funds

Past performance is no guarantee of future results. Ratings reflect fee waivers in effect; in their absence, ratings may have been lower.

\*The Morningstar Rating™ for funds, or “star rating,” is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Past performance is no guarantee of future results.

**Global Tactical Asset Allocation** received 4 stars for the 3-year rating among 399 world allocation funds, 4 stars for the 5-year rating among 334 funds and 4 stars for the 10-year rating among 166 funds.

**Income Equity** received 4 stars for the 3-year rating among 1,109 large value funds, 4 stars for the 5-year rating among 948 funds and 5 stars for the 10-year rating among 696 funds.

**Large Cap Core** received 4 stars for the 3-year rating among 1,109 large value funds, 5 stars for the 5-year rating among 948 funds and 4 stars for the 10-year rating among 696 funds.

**Mid Cap Index** received 4 stars for the 3-year rating among 371 mid-cap blend funds, 4 stars for the 5-year rating among 334 funds and 4 stars for the 10-year rating among 230 funds.

**Small Cap Core** received 3 stars for the 3-year rating among 652 small blend funds, 4 stars for the 5-year rating among 539 funds and 4 stars for the 10-year rating among 388 funds.

**Stock Index** received 4 stars for the 3-year rating among 1,196 large blend funds, 4 stars for the 5-year rating among 1,058 funds and 4 stars for the 10-year rating among 794 funds.

**Arizona Tax-Exempt** received 4 stars for the 3-year rating among 138 municipal single state intermediate funds, 4 stars for the 5-year rating among 137 funds and 5 stars for the 10-year rating among 115 funds.

**Multi-Manager High Yield Opportunity** received 4 stars for the 3-year rating among 592 high yield bond funds and 4 stars for the 5-year rating among 502 funds. The 10-year Morningstar Rating is not available.

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