

NORTHERN GLOBAL TACTICAL ASSET ALLOCATION FUND

SEMI-ANNUAL REPORT

SEPTEMBER 30, 2018





A MESSAGE FROM

BOB BROWNE

CHIEF INVESTMENT OFFICER

Global equity markets delivered mixed returns during the six-month reporting period ended September 30, 2018. In the United States, stocks posted solid gains despite concerns regarding trade policy and continued interest rate increases by the U.S. Federal Reserve (the “Fed”). Equities were propelled by positive economic trends such as declining unemployment, rising business and consumer confidence, and gross domestic product (“GDP”) growth that exceeded 4% in the second quarter. Improving growth drove corporate results, with top-line revenues and bottom-line earnings both coming in above expectations throughout the course of the reporting period. According to market data, companies in the S&P 500 Index reported year-over-year earnings growth of 25% in the second quarter – the fastest pace since the third quarter of 2010. In addition, 80% of companies in the S&P 500 Index exceeded analysts’ earnings estimates for the second quarter. These factors proved highly supportive of investor sentiment, helping major stock indices to climb the proverbial “wall of worry,” and providing support for valuations that were above historical averages.

Growth stocks outpaced value stocks over the reporting period, as investor preference for companies with rising earnings – particularly in the technology sector – provided momentum for the continuation of the growth style’s multi-year stretch of outperformance. Conversely, robust investor sentiment led to reduced demand for the defensive, slower-growing companies typically represented in the value category, such as those in the utilities and consumer staples sectors. As of September 30, 2018, the trailing 12-month return for the Russell 1000 Growth Index stood at 26.30%, outperforming the 9.45% gain for the Russell 1000 Value Index.

The investment backdrop was quite different overseas, where a number of challenges caused both developed and emerging equity markets to finish the reporting period well behind U.S. returns. Overseas developed markets initially came under pressure when weaker economic data dampened enthusiasm regarding the potential for synchronized global growth. Concern over U.S. trade policy, rising populism in Europe and Italy’s elevated government debt were additional factors that depressed returns for developed market non-U.S. equities. Emerging markets returns finished well

behind U.S. stocks due to escalating trade tensions between the United States and China, as well as economic and political turmoil in Argentina and Turkey. Weakness in most global currencies relative to the U.S. dollar, which hindered returns for U.S.-based investors, also was a key factor in the shortfall for both developed and emerging markets.

While the fundamental pillars of domestic stock market performance – healthy economic growth and robust corporate earnings – were still in place at the close of the reporting period, key risk factors remained below the surface. Foremost among these were the potential for an escalation of trade disputes and the chance that the Fed or another major central bank could make a monetary policy misstep. Investors should therefore be prepared for volatility to re-emerge as a feature of market performance as we move toward 2019. We will remain vigilant in the months ahead to assess developments that could disrupt the long-running bull market in U.S. equities.

Bob Browne
Chief Investment Officer
Northern Trust

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This report has been prepared for the general information of Global Tactical Asset Allocation Fund shareholders. It is not authorized for distribution to prospective investors unless accompanied or preceded by a current Global Tactical Asset Allocation Fund summary prospectus or prospectus, which contains complete information about a fund's investment objectives, risks, fees and expenses. Investors are reminded to read the summary prospectus or prospectus carefully before investing or sending money.

This report contains certain forward-looking statements about factors that may affect the performance of the funds in the future. These statements are based on Northern Funds' management predictions and expectations concerning certain future events, such as performance of the economy as a whole and of specific industry sectors, changes in the levels of interest rates, the impact of developing world events, and other factors. Management believes these forward-looking statements to be reasonable, although they are inherently uncertain and difficult to predict. Actual events may cause adjustments in Northern Funds' management strategies from those currently expected to be employed.

Northern Funds are distributed by Northern Funds Distributors, LLC, Three Canal Plaza, Suite 100, Portland, Maine 04101, not affiliated with Northern Trust.

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STATEMENT OF ASSETS AND LIABILITIES

SEPTEMBER 30, 2018 (UNAUDITED)

<i>Amounts in thousands, except per share data</i>	GLOBAL TACTICAL ASSET ALLOCATION FUND
ASSETS:	
Investments, at value	\$5,363
Investments in affiliates, at value	86,795
Receivable for fund shares sold	64
Receivable from investment adviser	3
Prepaid and other assets	11
Total Assets	92,236
LIABILITIES:	
Payable for fund shares redeemed	29
Payable to affiliates:	
Management fees	3
Custody fees	1
Shareholder servicing fees	9
Trustee fees	4
Accrued other liabilities	42
Total Liabilities	88
Net Assets	\$92,148
ANALYSIS OF NET ASSETS:	
Capital stock	\$82,301
Accumulated undistributed net investment income	581
Accumulated undistributed net realized loss	(251)
Net unrealized appreciation	9,517
Net Assets	\$92,148
Shares Outstanding (\$.0001 par value, unlimited authorization)	7,127
Net Asset Value, Redemption and Offering Price Per Share	\$12.93
Investments, at cost	\$5,407
Investments in affiliates, at cost	\$77,234

See Notes to the Financial Statements.

STATEMENT OF OPERATIONS

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2018 (UNAUDITED)

<i>Amounts in thousands</i>	GLOBAL TACTICAL ASSET ALLOCATION FUND
INVESTMENT INCOME:	
Dividend income	\$35
Dividend income from investments in affiliates	1,595
Total Investment Income	1,630
EXPENSES:	
Management fees	108
Custody fees	11
Transfer agent fees	7
Blue sky fees	11
SEC fees	1
Printing fees	19
Professional fees	19
Shareholder servicing fees	13
Trustee fees	5
Interest expense	1
Other	6
Total Expenses	201
Less expenses reimbursed by investment adviser	(76)
Net Expenses	125
Net Investment Income	1,505
NET REALIZED AND UNREALIZED LOSSES:	
Net realized losses on:	
Investments	(9)
Investments in affiliates	(211)
Net changes in unrealized (depreciation) on:	
Investments	(31)
Investments in affiliates	(708)
Net Losses	(959)
Net Increase in Net Assets Resulting from Operations	\$546

See Notes to the Financial Statements.

STATEMENT OF CHANGES IN NET ASSETS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2018, (UNAUDITED)
OR THE FISCAL YEAR ENDED MARCH 31, 2018

Amounts in thousands	GLOBAL TACTICAL ASSET ALLOCATION FUND	
	SEP 30, 2018	MAR 31, 2018
OPERATIONS:		
Net investment income	\$1,505	\$2,247
Net realized gains (losses)	(220)	1,819
Net change in unrealized appreciation (depreciation)	(739)	3,051
Net Increase in Net Assets Resulting from Operations	546	7,117
CAPITAL SHARE TRANSACTIONS:		
Net increase (decrease) in net assets resulting from capital share transactions	(1,272)	5,687
Net Increase (Decrease) in Net Assets Resulting from Capital Share Transactions	(1,272)	5,687
DISTRIBUTIONS PAID:		
From net investment income	(1,171)	(2,257)
From net realized gains	—	(800)
Total Distributions Paid	(1,171)	(3,057)
Total Increase (Decrease) in Net Assets	(1,897)	9,747
NET ASSETS:		
Beginning of period	94,045	84,298
End of period	\$92,148	\$94,045
Accumulated Undistributed Net Investment Income	\$581	\$247

See Notes to the Financial Statements.

FINANCIAL HIGHLIGHTS

GLOBAL TACTICAL ASSET ALLOCATION FUND						
Selected per share data	SIX MONTHS ENDED SEP 30, 2018 (UNAUDITED)	FISCAL YEAR ENDED MAR 31, 2018	FISCAL YEAR ENDED MAR 31, 2017	FISCAL YEAR ENDED MAR 31, 2016	FISCAL YEAR ENDED MAR 31, 2015	FISCAL YEAR ENDED MAR 31, 2014
Net Asset Value, Beginning of Period	\$13.02	\$12.41	\$11.54	\$12.20	\$12.20	\$11.40
INCOME (LOSS) FROM INVESTMENT OPERATIONS:						
Net investment income	0.21	0.33	0.32	0.33	0.24	0.20
Net realized and unrealized gains (losses)	(0.14)	0.72	0.90	(0.52)	0.06	0.81
Total from Investment Operations	0.07	1.05	1.22	(0.19)	0.30	1.01
LESS DISTRIBUTIONS PAID:						
From net investment income	(0.16)	(0.33)	(0.35) ⁽¹⁾	(0.32) ⁽¹⁾	(0.21)	(0.21)
From net realized gains	—	(0.11)	—	(0.15)	(0.09)	—
Total Distributions Paid	(0.16)	(0.44)	(0.35)	(0.47)	(0.30)	(0.21)
Net Asset Value, End of Period	\$12.93	\$13.02	\$12.41	\$11.54	\$12.20	\$12.20
Total Return⁽²⁾	0.57%	8.55%	10.73%	(1.52)%	2.51%	8.96%
SUPPLEMENTAL DATA AND RATIOS:						
Net assets, in thousands, end of period	\$92,148	\$94,045	\$84,298	\$72,400	\$79,345	\$81,591
Ratio to average net assets of: ⁽³⁾						
Expenses, net of reimbursements and credits ⁽⁴⁾⁽⁵⁾	0.27%	0.27%	0.27%	0.27%	0.26%	0.25%
Expenses, before reimbursements and credits ⁽⁵⁾	0.43%	0.44%	0.49%	0.46%	0.53%	0.75%
Net investment income, net of reimbursements and credits ⁽⁴⁾	3.20%	2.53%	2.67%	2.78%	1.95%	1.79%
Net investment income, before reimbursements and credits	3.04%	2.36%	2.45%	2.59%	1.68%	1.29%
Portfolio Turnover Rate	47.82%	25.39%	27.84%	20.49%	51.55%	23.95%

⁽¹⁾ Distributions to shareholders from net investment income include amounts related to foreign currency transactions, which are treated as ordinary income for federal income tax purposes.

⁽²⁾ Assumes investment at net asset value at the beginning of the period, reinvestment of all dividends and distributions, and a complete redemption of the investment at net asset value at the end of the period. The total return is not annualized for periods less than one year.

⁽³⁾ Annualized for periods less than one year.

⁽⁴⁾ The net expenses and net investment income ratios include additional reimbursements of management or advisory fees, as applicable, incurred in connection with the investment of uninvested cash in affiliated money market funds of approximately \$1,000, which represents less than 0.01 percent of average net assets for the six months ended September 30, 2018, less than \$1,000, which represents less than 0.01 percent of average net assets for the fiscal years ended March 31, 2018 and 2017, and less than 0.005 percent for the fiscal years ended March 31, 2016, 2015 and 2014, respectively. Absent the additional reimbursements, net investment income and reimbursements would have been decreased and net expenses would have been increased by a corresponding amount.

⁽⁵⁾ Expense ratios reflect only the direct expenses of the Fund and not any expenses associated with the underlying funds.

See Notes to the Financial Statements.

GLOBAL TACTICAL ASSET ALLOCATION FUND

	NUMBER OF SHARES	VALUE (000S)
INVESTMENT COMPANIES – 100.0%		
FlexShares [®] Credit-Scored US Corporate Bond Index Fund ⁽¹⁾	169,253	\$8,287
FlexShares [®] Credit-Scored US Long Corporate Bond Index Fund ⁽¹⁾	95,526	4,775
FlexShares [®] Disciplined Duration MBS Index Fund ⁽¹⁾	463,525	10,610
FlexShares [®] Global Quality Real Estate Index Fund ⁽¹⁾	29,972	1,837
FlexShares [®] High Yield Value-Scored Bond Index Fund ^{(1) (2)}	200,909	10,095
FlexShares [®] International Quality Dividend Index Fund ⁽¹⁾	231,954	5,574
FlexShares [®] Morningstar Developed Markets ex-US Factor Tilt Index Fund ⁽¹⁾	143,217	9,340
FlexShares [®] Morningstar Emerging Markets Factor Tilt Index Fund ⁽¹⁾	123,671	6,418
FlexShares [®] Morningstar Global Upstream Natural Resources Index Fund ⁽¹⁾	138,800	4,697
FlexShares [®] Morningstar US Market Factor Tilt Index Fund ⁽¹⁾	117,864	14,070
FlexShares [®] Quality Dividend Index Fund ⁽¹⁾	181,817	8,605
FlexShares [®] STOXX [®] Global Broad Infrastructure Index Fund ⁽¹⁾	38,840	1,811
iShares 20+ Year Treasury Bond ETF	2,367	278
iShares 3-7 Year Treasury Bond ETF	33,525	3,992
iShares Short-Term Corporate Bond ETF	21,092	1,093
Northern Institutional Funds - U.S. Government Portfolio (Shares), 1.87% ^{(1) (3)}	675,520	676
Total Investment Companies		
(Cost \$82,641)		92,158
Total Investments – 100.0%		
(Cost \$82,641)		92,158
Liabilities less Other Assets – (0.0%)		(10)
NET ASSETS – 100.0%		\$92,148

⁽¹⁾ Investment in affiliated fund. Northern Trust Investments, Inc. is the investment adviser to the Fund and the investment adviser to other Northern Funds, Northern Institutional Funds and FlexShares Trust.

⁽²⁾ Holding resulted from transactions with an affiliate. See Note 6 for further details.

⁽³⁾ 7-day current yield as of September 30, 2018 is disclosed.

Percentages shown are based on Net Assets.

At September 30, 2018, the asset class weightings for the Fund were:

ASSET CLASS	WEIGHT	WEIGHT
U.S. Equity	15.3%	FlexShares [®] Morningstar US Market Factor Tilt Index Fund
U.S. Equity	9.3	FlexShares [®] Quality Dividend Index Fund
Non U.S. Equity - Developed	10.1	FlexShares [®] Morningstar Developed Markets ex-US Factor Tilt Index Fund
Non U.S. Equity - Developed	6.1	FlexShares [®] International Quality Dividend Index Fund
Non U.S. Equity - Emerging Markets	7.0	FlexShares [®] Morningstar Emerging Markets Factor Tilt Index Fund
Global Real Estate	2.0	FlexShares [®] Global Quality Real Estate Index Fund
U.S. Bonds - High Yield	10.9	FlexShares [®] High Yield Value-Scored Bond Index Fund
U.S. Bonds - Investment Grade	9.0	FlexShares [®] Credit-Scored US Corporate Bond Index Fund
U.S. Bonds - Investment Grade	11.5	FlexShares [®] Disciplined Duration MBS Index Fund
U.S. Bonds - Investment Grade	5.2	FlexShares [®] Credit-Scored US Long Corporate Bond Index Fund
U.S. Bonds - Investment Grade	1.2	iShares Short-Term Corporate Bond ETF
U.S. Bonds - Investment Grade	4.3	iShares 3-7 Year Treasury Bond ETF
U.S. Bonds - Investment Grade	0.3	iShares 20+ Year Treasury Bond ETF
Commodities/Natural Resources	5.1	FlexShares [®] Morningstar Global Upstream Natural Resources Index Fund
Global Infrastructure	2.0	FlexShares [®] STOXX [®] Global Broad Infrastructure Index Fund
Cash	0.7	NIF U.S. Government Portfolio
Total	100.0%	

Various inputs are used in determining the value of the Fund's investments. These inputs are summarized in three levels listed below:

Level 1 - Unadjusted quoted market prices in active markets for identical securities on the measurement date.

Level 2 - Other observable inputs (e.g., quoted prices in active markets for similar securities, securities valuations based on commonly quoted benchmark interest rates and yield curves, maturities, ratings and/or securities indices).

Level 3 - Significant unobservable inputs (e.g., information about assumptions, including risk, market participants would use in pricing a security).

The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities and other financial instruments, if any. The following table summarizes the valuations of the Fund's investments by the above fair value hierarchy as of September 30, 2018:

INVESTMENTS	LEVEL 1 (000S)	LEVEL 2 (000S)	LEVEL 3 (000S)	TOTAL (000S)
Investment Companies	\$92,158	\$—	\$—	\$92,158

See Notes to the Financial Statements.

EXPLANATION OF ABBREVIATIONS AND ACRONYMS USED THROUGHOUT
THE SCHEDULE OF INVESTMENTS:

ETF - Exchange Traded Fund

MBS - Mortgage-Backed Security

NIF - Northern Institutional Funds

See Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATION

Northern Funds (the “Trust”) is a Delaware statutory trust and is registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as an open-end management investment company. The Trust offers 44 funds as of September 30, 2018, each with its own investment objective (e.g., long-term capital appreciation, total return or income consistent with preservation of capital). The Global Tactical Asset Allocation Fund (the “Fund”) is a separate, diversified investment portfolio of the Trust. The Fund seeks to provide long-term capital appreciation and current income by investing primarily in shares of a combination of underlying mutual funds and exchange-traded funds (“ETFs”) for which Northern Trust Investments, Inc. (“NTI”), the Fund’s investment adviser, or an affiliate of NTI acts as investment adviser. The Fund also may invest in other unaffiliated mutual funds and ETFs (together with affiliated underlying funds and ETFs, the “Underlying Funds”) and other securities and investments not issued by mutual funds.

NTI is a subsidiary of The Northern Trust Company (“Northern Trust”). Northern Trust serves as the custodian, transfer agent and sub-administrator for the Trust. NTI serves as the Trust’s administrator. Northern Funds Distributors, LLC is the Trust’s distributor.

2. SIGNIFICANT ACCOUNTING POLICIES

The Trust, which is an investment company, follows accounting and reporting guidance under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic 946, *Financial Services-Investment Companies*.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. These policies are in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

The net asset value (“NAV”) of the Fund is determined daily as of the close of regular trading on the New York Stock Exchange (“NYSE”), generally 3:00 P.M. Central Time, on each day the NYSE is open for trading.

A) VALUATION OF SECURITIES Securities are valued at their fair value. Securities traded on United States (“U.S.”) securities exchanges or in the NASDAQ National Market System are principally valued at the regular trading session closing price (generally, 3:00 P.M. Central Time) on the exchange or market in which such securities are principally traded. If any such security is not traded on a valuation date, it is valued at the most recent

quoted bid price. Over-the-counter securities not reported in the NASDAQ National Market System are also generally valued at the most recent quoted bid price.

The values of securities of foreign issuers are generally based upon market quotations, which depending upon local convention or regulation, may be the last sale price, the last bid price or the mean between the last bid and asked price as of, in each case, the close of the appropriate exchange or other designated time.

Shares of open-end investment companies, other than ETFs, are valued at their NAV. Spot and forward foreign currency exchange contracts are generally valued using an independent pricing service. Short-term investments with a maturity of 60 days or less are valued at their amortized cost, which NTI, as authorized by the Trust’s Board of Trustees (the “Board”), has determined approximates fair value.

Any securities for which market quotations are not readily available or are believed to be incorrect are valued at fair value as determined in good faith by NTI under the supervision of the Board. The Trust, in its discretion, may make adjustments to the prices of securities held by a Fund if an event occurs after the publication of fair values normally used by a Fund but before the time as of which the Fund calculates its NAV, depending on the nature and significance of the event, consistent with applicable regulatory guidance and U.S. GAAP. This may occur particularly with respect to certain foreign securities held by the Fund, in which case the Trust may use adjustment factors obtained from an independent evaluation service that are intended to reflect more accurately the fair value of those securities as of the time the Fund’s NAV is calculated.

The use of fair valuation involves the risk that the values used by the Fund to price their investments may be higher or lower than the values used by other unaffiliated investment companies and investors to price the same investments.

B) FOREIGN CURRENCY TRANSLATION Values of investments denominated in foreign currencies are converted into U.S. dollars using the spot rates on the NYSE, generally at 3:00 P.M. Central Time. The cost of purchases and proceeds from sales of investments, interest and dividend income are translated into U.S. dollars using the spot rates on the NYSE, generally at 3:00 P.M. Central Time. The gains or losses, if any, on investments from original purchase date to subsequent sales trade date resulting from changes in foreign exchange rates are included in the Statement of Operations in Net realized gains (losses) on investments and Net change in unrealized appreciation (depreciation) on investments. The gains or losses, if any, on translation of other assets and liabilities denominated in foreign currencies and between the trade and settlement dates on investment transactions are included in Net realized gains (losses) on foreign currency transactions and Net change in unrealized appreciation (depreciation) on foreign currency translations in the Statement of Operations.

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C) FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS The Fund is authorized to enter into forward foreign currency exchange contracts, or forward currency exchange contracts, for the purchase or sale of a specific foreign currency at a specified exchange rate on a future date. The Fund and certain of the Underlying Funds may enter into these contracts when seeking to hedge against fluctuations in foreign currency exchange rates. Certain of the Underlying Funds may also enter into forward foreign currency exchange contracts as a cross-hedge transaction or for speculative purposes. All forward foreign currency exchange contracts are “marked-to-market” daily at the applicable exchange rates. Any resulting unrealized gains or losses are recorded in Net change in unrealized appreciation (depreciation) on forward foreign currency exchange contracts in the Statement of Operations. Gains or losses are recorded for financial statement purposes as unrealized until settlement date. Realized gains or losses, if any, are included in Net realized gains (losses) on forward foreign currency exchange contracts in the Statement of Operations.

Forward foreign currency exchange contracts are privately negotiated transactions, and can have substantial price volatility. As a result, these contracts offer less protection against default by the other party than is available for instruments traded on an exchange. When used for hedging purposes, forward foreign currency exchange contracts tend to limit any potential gain that may be realized if the value of the Fund’s or an Underlying Fund’s foreign holdings increase because of currency fluctuations. When used for speculative purposes, the contracts may result in additional losses that are not otherwise related to the changes in value of the securities held by an Underlying Fund. The Fund bears the market risk from changes in forward foreign currency exchange rates and the credit risk if the counterparty to the contract fails to perform. The institutions that deal in forward foreign currency exchange contracts are not required to continue to make markets in the currencies they trade and these markets can experience periods of illiquidity. No forward foreign currency exchange contracts were held by the Fund during the six months ended September 30, 2018.

D) INVESTMENT TRANSACTIONS AND INCOME Investment transactions are recorded as of the trade date. The Fund determines the gain or loss realized from investment transactions by using an identified cost basis method. Interest income, if any, is recognized on an accrual basis and includes amortization of premiums and accretion of discounts using the effective yield method. The interest rates reflected in the Schedule of Investments represent the 7-day yield for money market funds. Dividend income, if any, is recognized on the ex-dividend date. Dividends from foreign securities are recorded on the ex-dividend date, or as soon as the information is available.

E) EXPENSES The Fund is charged for those expenses that are directly attributable to the Fund. Expenses incurred which do not specifically relate to the Fund generally are allocated among all funds in the Trust in proportion to each fund’s relative net assets.

Expenses included in the accompanying financial statements reflect the expenses of the Fund and do not include any expenses associated with the Underlying Funds.

F) DISTRIBUTIONS TO SHAREHOLDERS Distributions of dividends from net investment income, if any, are declared and paid quarterly.

Distributions of net realized capital gains, if any, are declared and paid at least annually. Distributions to shareholders are recorded on the ex-dividend date.

Income dividends and capital gains distributions are determined in accordance with federal income tax regulations. Such amounts may differ from income and capital gains recorded in accordance with U.S. GAAP. Accordingly, the Fund may periodically make reclassifications among certain capital accounts to reflect differences between financial reporting and federal income tax basis distributions. The reclassifications are reported in order to reflect the tax treatment for certain permanent differences that exist between income tax regulations and U.S. GAAP. These reclassifications may relate to net operating losses, expired capital loss carryforwards, and gains or losses on in-kind transactions. These reclassifications have no impact on the total net assets or the net asset values per share of the Fund. At March 31, 2018, the Fund did not record any reclassifications.

G) FEDERAL INCOME TAXES No provision for federal income taxes has been made since the Fund’s policy is to comply with the requirements of Subchapter M of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies and to distribute, each year, substantially all of its taxable income and capital gains to its shareholders.

The Regulated Investment Company Modernization Act of 2010 (the “Act”) allows capital losses to be carried forward for an unlimited period and to retain their character as either short-term or long-term. The Fund’s ability to utilize capital loss carryforwards in the future may be limited under the Internal Revenue Code and related regulations based on the results of future transactions.

During the fiscal year ended March 31, 2018, the Global Tactical Asset Allocation Fund utilized approximately \$229,000 in capital loss carryforwards.

There were no capital losses incurred that will be carried forward indefinitely under the provisions of the Act.

NOTES TO THE FINANCIAL STATEMENTS *continued*

At March 31, 2018, the tax components of undistributed net investment income, undistributed realized gains and unrealized gains were as follows:

Amounts in thousands	UNDISTRIBUTED		UNREALIZED GAINS (LOSSES)
	ORDINARY INCOME*	LONG-TERM CAPITAL GAINS	
Global Tactical Asset Allocation	\$252	\$735	\$9,488

* Ordinary income includes short-term capital gains, if any.

The tax character of distributions paid during the fiscal year ended March 31, 2018, was as follows:

Amounts in thousands	DISTRIBUTIONS FROM	
	ORDINARY INCOME*	LONG-TERM CAPITAL GAINS
Global Tactical Asset Allocation	\$2,257	\$800

* Ordinary income includes short-term capital gains, if any.

The tax character of distributions paid during the fiscal year ended March 31, 2017, was as follows:

Amounts in thousands	DISTRIBUTIONS FROM	
	ORDINARY INCOME*	LONG-TERM CAPITAL GAINS
Global Tactical Asset Allocation	\$2,166	\$ -

* Ordinary income includes short-term capital gains, if any.

As of March 31, 2018, the Fund had no uncertain tax positions that would require financial statement recognition or disclosure. The Fund's federal tax returns remain subject to examination by the Internal Revenue Service for three years after they are filed. Interest or penalties incurred, if any, on future unknown, uncertain tax positions taken by the Fund will be recorded as interest expense and other expenses, respectively, on the Statement of Operations.

3. SERVICE PLAN

The Trust has adopted a Service Plan pursuant to which the Trust may enter into agreements with Northern Trust, its affiliates or other institutions (together "Service Organizations") under which the Service Organizations agree to provide certain administrative support services and, in some cases, personal and account maintenance services for their customers, whom are beneficial owners of shares of the Fund. As compensation for services provided pursuant to the Service Plan, the Service Organizations receive a fee at an annual rate of up to 0.15 percent of the average daily net assets of the Fund beneficially owned by their customers. Service Plan expenses are included in the Statement of Operations under Shareholder servicing fees for the six months ended

September 30, 2018. There were no shareholder servicing fees paid by the Fund to Northern Trust or its affiliates during the six months ended September 30, 2018.

4. BANK BORROWINGS

The Trust and Northern Institutional Funds jointly entered into a \$250,000,000 senior unsecured revolving credit facility on November 20, 2017, which is administered by Citibank, N.A., for liquidity and other purposes (the "Credit Facility"). The interest rate charged under the Credit Facility is equal to the sum of (i) the Federal Funds Rate plus (ii) if the one month London Interbank Offered Rate ("LIBOR") on the date of borrowing exceeded such Federal Funds Rate, the amount by which it so exceeded, plus (iii) 1.00 percent. In addition, there is an annual commitment fee of 0.15 percent on the unused portion of the credit line under the Credit Facility, payable quarterly in arrears, which is included in Other expenses on the Statements of Operations.

At a meeting held on November 14-15, 2018, the Board approved an agreement to replace the Credit Facility (as replaced, the "New Credit Facility"). The New Credit Facility is also in the amount of \$250,000,000 and will also be administered by Citibank, N.A. The interest rate charged under the New Credit Facility is the same as it was for the Credit Facility. In addition, there is an annual commitment fee of 0.15 percent on the unused portion of the credit line under the New Credit Facility, payable quarterly in arrears. The New Credit Facility is anticipated to go into effect on November 19, 2018 and will expire on November 18, 2019, unless renewed.

During the six months ended September 30, 2018, the following Fund had borrowings with the average loan amounts and weighted average interest rates as disclosed below:

Amounts in thousands	DOLLAR AMOUNT	RATE
Global Tactical Asset Allocation	\$367	3.06%

5. MANAGEMENT AND OTHER AGREEMENTS

As compensation for advisory (asset allocation) and administration services and the assumption of related expenses, NTI is entitled to a management fee, computed daily and payable monthly, at the annual rate set forth in the table below (expressed as a percentage of the Fund's average daily net assets).

NTI has contractually agreed to reimburse a portion of the operating expenses of the Fund (other than certain excepted expenses, i.e., acquired fund fees and expenses, the compensation paid to each independent Trustee of the Trust, expenses of third-party consultants engaged by the Board, membership dues paid to the Investment Company Institute and Mutual Fund Directors Forum, expenses in connection with the negotiation and renewal of the revolving credit facility, extraordinary expenses and interest) as shown on the accompanying Statement of

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Operations, to adhere to the expense limitations set forth below. The total annual fund operating expenses after expense reimbursement for the Fund may be higher than the contractual limitation as a result of certain excepted expenses that are not reimbursed. The amount of the reimbursement is included in Less expenses reimbursed by investment adviser as a reduction to Total Expenses in the Statement of Operations.

At September 30, 2018, the annual management fees and contractual expense limitations for the Fund were based on the following annual rates as set forth in the table below.

	CONTRACTUAL	
	ANNUAL MANAGEMENT FEES	EXPENSE LIMITATIONS
Global Tactical Asset Allocation	0.23%	0.25%

The contractual reimbursement arrangement described in the table above is expected to continue until at least July 31, 2019. The contractual reimbursement arrangement will continue automatically thereafter for periods of one year (each such one-year period, a “Renewal Year”). The arrangement may be terminated, as to any succeeding Renewal Year, by NTI or the Fund upon 60 days’ written notice prior to the end of the current Renewal Year. The Board may terminate the contractual arrangement at any time with respect to the Fund if it determines that it is in the best interest of the Fund and its shareholders.

As compensation for the services rendered as transfer agent, including the assumption by Northern Trust of the expenses related thereto, Northern Trust receives a fee, computed daily and payable monthly, at an annual rate of 0.015 percent of the average daily net assets outstanding for the Fund.

NTI has entered into a sub-administration agreement with Northern Trust, pursuant to which Northern Trust performs certain administrative services for the Fund. NTI pays Northern Trust for its sub-administration services out of NTI’s management fees.

For compensation as custodian, Northern Trust receives an amount based on a pre-determined schedule of charges approved by the Board. The Fund has entered into an expense offset arrangement with the custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund’s custodian expenses. Custodian credits, if any, are reflected as Less custodian credits in the Fund’s Statement of Operations.

Northern Funds Distributors, LLC, the distributor for the Fund, received no compensation from the Fund under its distribution agreement. However, it received compensation from NTI for its services as distributor pursuant to a separate letter agreement between it and NTI.

Certain officers of the Trust are also officers of Northern Trust and NTI. All officers serve without compensation from the Fund. The Trust provided a deferred compensation plan for its Trustees who are not officers of Northern Trust or NTI. Prior to August 22, 2013, under the deferred compensation plan, Trustees may have elected to defer all or a portion of their compensation. Effective August 22, 2013, the Trustees may no longer defer their compensation. Any amounts deferred and invested under the plan shall remain invested pursuant to the terms of the plan. Each Trustee’s account shall be deemed to be invested in shares of the U.S Government Portfolio of Northern Institutional Funds and/or the Fund and/or, at the discretion of the Trust, another money market fund selected by the Trust that complies with the provisions of Rule 2a-7 under the 1940 Act or one or more short-term fixed-income instruments selected by the Trust that are “eligible securities” as defined by that rule. The net investment income, gains and losses achieved by such deemed investment shall be credited to the Trustee’s account as provided in the plan.

6. RELATED PARTY TRANSACTIONS

The Fund may invest its uninvested cash in a money market fund advised by NTI or its affiliates. Accordingly, the Fund bears indirectly a proportionate share of that money market fund’s operating expenses. These operating expenses include the management, transfer agent and custody fees that the money market fund pays to NTI and/or its affiliates. At September 30, 2018, the uninvested cash of the Fund was invested in the Northern Institutional Funds U.S. Government Portfolio (the “Portfolio”). The total annual portfolio operating expenses after expense reimbursement (other than certain excepted expenses as described in the fees and expenses table of the Portfolio’s prospectus) on any assets invested in the Portfolio is 0.25%. However, to the extent of any duplicative advisory fees, NTI will reimburse the Fund for a portion of the management fees attributable to and payable by the Fund for advisory services on any assets invested in an affiliated money market fund. This reimbursement is included in Less expenses reimbursed by the investment adviser as a reduction to Total Expenses in the Statement of Operations. This reimbursement’s impact on the Fund’s net expense and net investment income ratios is included in the Fund’s Financial Highlights.

On July 31, 2018 and thereafter, the Fund had transactions in the FlexShares High Yield Value-Scored Bond Index Fund (“HYGV”) that have been deemed affiliated transactions. On November 20, 2018, the Fund disposed of its remaining position in HYGV and NTI reimbursed the Fund for the realized loss (net of dividends paid) and commissions associated with the transactions.

NOTES TO THE FINANCIAL STATEMENTS *continued***7. INVESTMENT TRANSACTIONS**

For the six months ended September 30, 2018, the aggregate costs of purchases and proceeds from sales of securities (excluding short-term investments) for the Fund were as follows:

<i>Amounts in thousands</i>	PURCHASES	SALES
	OTHER	OTHER
Global Tactical Asset Allocation	\$43,891	\$45,140

The difference between book basis and tax basis net unrealized appreciation (depreciation) is attributable primarily to the tax deferral of losses on wash sales.

At September 30, 2018, for federal income tax purposes, gross unrealized appreciation, gross unrealized depreciation, net unrealized appreciation on investments (including the effects of

8. CAPITAL SHARE TRANSACTIONS

Transactions in capital shares for the six months ended September 30, 2018, were as follows:

<i>Amounts in thousands</i>	SHARES SOLD	PROCEEDS FROM SHARES SOLD	SHARES FROM REINVESTED DIVIDENDS	REINVESTMENT OF DIVIDENDS	SHARES REDEEMED	PAYMENTS FOR SHARES REDEEMED	NET INCREASE (DECREASE) IN SHARES	NET INCREASE (DECREASE) IN NET ASSETS
	Global Tactical Asset Allocation	526	\$6,825	69	\$894	(692)	\$(8,991)	(97)

Transactions in capital shares for the fiscal year ended March 31, 2018, were as follows:

<i>Amounts in thousands</i>	SHARES SOLD	PROCEEDS FROM SHARES SOLD	SHARES FROM REINVESTED DIVIDENDS	REINVESTMENT OF DIVIDENDS	SHARES REDEEMED	PAYMENTS FOR SHARES REDEEMED	NET INCREASE (DECREASE) IN SHARES	NET INCREASE (DECREASE) IN NET ASSETS
	Global Tactical Asset Allocation	1,859	\$24,055	196	\$2,545	(1,623)	\$(20,913)	432

9. INVESTMENTS IN AFFILIATES

Transactions in affiliated investments for the six months ended September 30, 2018, were as follows:

<i>Amounts in thousands</i>	VALUE, BEGINNING OF PERIOD	PURCHASES	SALES PROCEEDS	NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION)	NET REALIZED GAINS (LOSSES)	DIVIDEND INCOME	VALUE, END OF PERIOD	SHARES, END OF PERIOD
	FlexShares [®] Credit-Scored US Corporate Bond Index Fund	\$ 2,067	\$ 6,619	\$ 329	\$ (58)	\$ (12)	\$ 100	\$ 8,287
FlexShares [®] Credit-Scored US Long Corporate Bond Index Fund	1,050	4,183	256	(184)	(18)	84	4,775	96
FlexShares [®] Disciplined Duration MBS Index Fund	2,172	8,992	374	(164)	(16)	128	10,610	464
FlexShares [®] Global Quality Real Estate Index Fund	1,905	–	96	23	5	32	1,837	30
FlexShares [®] High Yield Value-Scored Bond Index Fund	–	10,266	172	1	–	145	10,095	201
FlexShares [®] iBoxx 5-Year Target Duration TIPS Index Fund	3,784	–	3,769	102	(117)	53	–	–
FlexShares [®] International Quality Dividend Index Fund	9,399	387	3,592	(620)	–	196	5,574	232
FlexShares [®] Morningstar Developed Markets ex-US Factor Tilt Index Fund	9,424	710	451	(372)	29	172	9,340	143

foreign currency translation and derivative instruments, if any) and the cost basis of investments (including derivative instruments, if any) were as follows:

<i>Amounts in thousands</i>	UNREALIZED APPRECIATION	UNREALIZED DEPRECIATION	NET APPRECIATION (DEPRECIATION)	COST BASIS OF INVESTMENTS
Global Tactical Asset Allocation	\$9,605	\$(537)	\$9,068	\$83,090

SEPTEMBER 30, 2018 (UNAUDITED)

<i>Amounts in thousands</i>	VALUE, BEGINNING OF PERIOD	PURCHASES	SALES PROCEEDS	NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION)	NET REALIZED GAINS (LOSSES)	DIVIDEND INCOME	VALUE, END OF PERIOD	SHARES, END OF PERIOD
FlexShares [®] Morningstar Emerging Markets Factor Tilt Index Fund	\$ 9,352	\$ 1,209	\$ 2,642	\$(1,482)	\$ (19)	\$ 153	\$ 6,418	124
FlexShares [®] Morningstar Global Upstream Natural Resources Index Fund	4,689	219	405	143	51	79	4,697	139
FlexShares [®] Morningstar US Market Factor Tilt Index Fund	12,577	1,902	1,542	887	246	131	14,070	118
FlexShares [®] Quality Dividend Index Fund	8,880	70	1,059	535	179	121	8,605	182
FlexShares [®] Ready Access Variable Income Fund	1,782	–	1,781	4	(5)	6	–	–
FlexShares [®] STOXX [®] Global Broad Infrastructure Index Fund	1,855	–	63	18	1	33	1,811	39
NF - Bond Index Fund	18,361	23	18,313	449	(520)	17	–	–
NF - High Yield Fixed Income Fund	5,564	4,013	9,572	10	(15)	136	–	–
NIF - U.S. Government Portfolio	385	39,796	39,505	–	–	9	676	676
	\$93,246	\$78,389	\$83,921	\$ (708)	\$(211)	\$1,595	\$86,795	2,611

10. INDEMNIFICATIONS AND WARRANTIES

In the ordinary course of its business, the Fund may enter into contracts or agreements that contain indemnifications or warranties. Future events could occur that lead to the execution of these provisions against the Fund. The maximum exposure to the Fund under these provisions is unknown, as this would involve future claims that have not yet occurred. However, the Fund has not had prior claims or losses pursuant to these contracts and believe the risk of loss to be remote.

11. NEW ACCOUNTING PRONOUNCEMENTS

On August 28, 2018, the FASB issued ASU 2018-13, “Disclosure Framework -- Changes to the Disclosure Requirements for Fair Value Measurement,” which amends the fair value measurement disclosure requirements of ASC 820. The amendments of ASU 2018-13 include new, eliminated, and modified disclosure requirements of ASC 820. In addition, the amendments clarify that materiality is an appropriate consideration of entities when evaluating disclosure requirements. The ASU is effective for all entities for fiscal years beginning after December 15, 2019, including interim periods therein. Early adoption is permitted for any eliminated or modified disclosures upon issuance of this ASU. The Funds have early adopted ASU 2018-13 for these financial statements.

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events for the Fund through the date the financial statements were issued, and has concluded that there are no recognized or non-recognized subsequent events relevant for financial statement disclosure, other than the New Credit Facility disclosed in Note 4 - Bank

Borrowings, the transactions in the FlexShares High Yield Value-Scored Bond Index Fund disclosed in Note 6 - Related Party Transactions and the item noted below.

A Special Joint Meeting of Shareholders of Northern Funds and Northern Institutional Funds was held on October 24, 2018. At the meeting, shareholders of the Trust elected eight Trustees. See “Shareholder Meeting Results” below on page 14.

A Special Joint Meeting of Shareholders of Northern Funds and Northern Institutional Funds was held on October 24, 2018, at the office of The Northern Trust Company, 50 South LaSalle Street, Chicago, Illinois. At the meeting, the following matters were voted upon by the shareholders of Northern Funds (the resulting votes are presented below):

1. Election of eight Trustees of Northern Funds.

NOMINEE	AFFIRMATIVE	WITHHELD
Therese M. Bobek	17,848,259,502.142	60,151,369.599
Mark G. Doll	17,837,611,403.775	70,799,467.966
Sandra Polk Guthman	17,827,972,827.529	80,438,044.212
Thomas A. Kloet	17,838,253,061.217	70,157,810.524
David R. Martin	17,830,027,812.404	78,383,059.337
Cynthia R. Plouché	17,835,803,612.482	72,607,259.259
Mary Jacobs Skinner	17,844,143,895.597	64,266,976.144
Darek Wojnar	17,839,889,785.968	68,521,085.773

FUND EXPENSES

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As a shareholder of the Funds, you incur two types of costs: (1) transaction costs, if any, and (2) ongoing costs, including management fees and other fund expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Funds and to compare these costs with the ongoing costs of investing in other mutual funds.

The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period, April 1, 2018 through September 30, 2018.

ACTUAL EXPENSES

The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid 4/1/2018 - 9/30/2018" to estimate the expenses you paid on your account during this period.

HYPOTHETICAL EXAMPLE FOR COMPARISON PURPOSES

The second line in the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratios and an assumed rate of return of 5 percent per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5 percent hypothetical example with the 5 percent hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transaction costs, such as sales charges (loads), redemption fees, or exchange fees, but shareholders of other funds may incur such costs. If these fees were included, your costs would have been higher. The information also does not reflect reimbursements on advisory fees incurred in connection with the investment of uninvested cash in affiliated money market funds (See page 11) which may result in different expense ratios in the Financial Highlights. Therefore, the hypothetical information is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds.

GLOBAL TACTICAL ASSET ALLOCATION

SHARES	EXPENSE RATIO	BEGINNING ACCOUNT VALUE 4/1/2018	ENDING ACCOUNT VALUE 9/30/2018	EXPENSES PAID* 4/1/2018-9/30/2018
Actual	0.27%	\$1,000.00	\$1,005.70	\$1.36
Hypothetical	0.27%	\$1,000.00	\$1,023.71	\$1.37

* Expenses are calculated using the Funds' annualized expense ratios, which represent ongoing expenses as a percentage of net assets for the six months ended September 30, 2018. Expenses are calculated by multiplying the annualized expense ratio by the average account value of the period; then multiplying the result by the number of days in the most recent fiscal half year (183); and then dividing that result by the number of days in the current fiscal year (365).

APPROVAL OF MANAGEMENT AGREEMENT

The Board of Trustees (the “Board” or the “Trustees”) of Northern Funds (the “Trust”) oversees the management of the Trust, including review of the investment performance and expenses of the Global Tactical Asset Allocation Fund (the “Fund”), at regularly scheduled meetings held during the Fund’s fiscal year. In addition, the Trustees determine annually whether to approve and continue the Trust’s management agreement (the “Management Agreement”) for the Fund with Northern Trust Investments, Inc. (“Northern”).

The Management Agreement was re-approved with respect to the Fund by the Board, including all of the Trustees who are not parties to the Management Agreement or “interested persons” (as defined in the Investment Company Act of 1940, as amended (the “1940 Act”)) of any party thereto (the “Independent Trustees”) voting separately, at the in-person annual contract renewal meeting held on May 16-17, 2018 (the “Annual Contract Meeting”).

In advance of, and at, the Annual Contract Meeting, the Trustees received, considered and discussed a variety of information relating to the Management Agreement and Northern and its affiliates. This information included written materials and verbal presentations at in-person Board meetings held on February 14-15, 2018 and April 12, 2018. At the Annual Contract Meeting, the Trustees considered these reports and presentations and discussed the information that had been provided. Throughout the process, the Trustees also asked questions of and requested additional information from management. In connection with their deliberations, the Independent Trustees met separately with and were advised by their independent legal counsel and received a memorandum from their independent legal counsel regarding their responsibilities under applicable law. They also met in executive sessions at the Annual Contract Meeting, and each of the other Board meetings, with their independent legal counsel without employees of Northern present.

In evaluating the Management Agreement at the Annual Contract Meeting, the Trustees took into account their knowledge of Northern, its services and the Fund resulting from their meetings and other interactions throughout the year and in past years at various meetings. The Trustees noted that the evaluation process with respect to Northern and the Management Agreement is an ongoing one. In this regard, the Trustees took into account materials and information relating to Northern’s investment management services received both in meetings specifically dedicated to the review of the Management Agreement and in other meetings held during the year. These materials included: (i) information on the investment performance of the Fund in comparison to other mutual funds and performance benchmarks; (ii) compliance reports; (iii) information about Northern’s and its affiliates’ risk management processes and cyber-

security program; (iv) fees charged to and expenses borne by the Fund; (v) Northern’s profitability and costs and compensation paid to affiliates of Northern; (vi) the qualifications of Northern and its affiliates to provide services to the Fund; (vii) information regarding purchases and redemptions of the Fund’s shares; (viii) policies adopted by Northern regarding brokerage, including soft dollars, trade allocations and other matters; and (ix) the nature of the Fund’s shareholders. The Trustees also considered the nature, quality and extent of non-advisory services provided to the Fund by Northern’s affiliates.

The Trustees reviewed, among other things, information specifically relating to: (i) the terms of the Management Agreement; (ii) the Fund’s investment performance over different time periods in comparison to the investment performance of a mutual fund peer group and categories selected by Broadridge, an independent third-party provider of mutual fund data; (iii) the contractual and net management fees and total expenses (after expense reimbursements and fee waivers) of the Fund in comparison to those borne by mutual fund peer groups and categories selected by Broadridge; (iv) the management fee charged to the Fund compared to the management fees charged by Northern to Northern’s other comparable institutional accounts, if any; (v) Northern’s staffing for the Fund and the experience of the portfolio managers and other personnel; (vi) Northern’s financial resources and its ability to attract and retain portfolio management talent; (vii) Northern’s investments in technology to benefit the Fund; (viii) the fees paid by the Fund to Northern and its affiliates for services, and the expenses incurred by them in connection with the provision of those services; and (ix) the benefits received by Northern and its affiliates from their relationships with the Fund. The Trustees were provided with a description of the methodology Broadridge used to determine the similarity of the Fund with the funds included in its peer group and peer universe. They also considered other factors (including conditions and trends prevailing generally in the economy, the securities markets, and the industry). In evaluating the Management Agreement for the Fund, the Trustees gave weight to various factors including those discussed herein, but did not identify any single factor as controlling their decision, and each Trustee may have attributed different weight to different factors.

Nature, Extent and Quality of Services

The Trustees considered, as part of their review, the nature, extent and quality of the services provided by Northern. In this regard, they considered both the investment advisory services, and separately the administrative and other non-advisory services that are provided to the Fund by Northern and its affiliates. These services include acting as the Fund’s administrator and sub-administrator, custodian and transfer agent and providing other services necessary for the operation of the Fund and the

Trust. The Trustees understood that the Management Agreement encompasses both the advisory and administrative functions being rendered by Northern and its affiliates. They considered the quality of Northern's communications with and services to shareholders, as well as the expenditures made by Northern and its affiliates to improve the quality and scope of their services to the Fund. The Trustees considered the strength of Northern's and its affiliates' risk management processes. The Trustees also reviewed the compliance and administrative services provided to the Fund by Northern and its affiliates, including its oversight of the Fund's day-to-day operations and fund accounting. The Trustees also noted that on a regular basis they receive and review information from the Trust's Chief Compliance Officer regarding the Fund's compliance policies and procedures pursuant to Rule 38a-1 under the 1940 Act. They also considered the quality of Northern's compliance oversight program with respect to all of the Fund's service providers and the continued involvement of Northern's internal audit group in reviewing operations that support the Fund. The Trustees also took into account that the scope of services provided by Northern, and the undertakings required of Northern in connection with those services, including maintaining and monitoring its own and the Fund's compliance programs, had expanded over time as a result of regulatory, market and other developments. In this regard, the Trustees considered Northern's preparations with respect to the increased Securities and Exchange Commission ("SEC") reporting requirements and liquidity risk management program required by new regulations.

The Trustees took into account the qualifications, background and responsibilities of Northern's senior and other investment personnel. They also noted Northern's recruitment and retention plans for attracting high quality investment professionals, as well as its portfolio management compensation structure, which was not based on the size of the Fund, and the consistency of investment approach with respect to the Fund. The Trustees also considered Northern's and its affiliates' strong financial position and stability. The Trustees concluded that Northern was able to commit, and had committed, substantial financial and other resources to the operations of the Fund and was able to continue to provide quality services to the Fund.

Performance

The Trustees considered the investment performance of the Fund, including whether it had operated within its investment objective, as well as its compliance with its investment restrictions and exemptive order conditions. The Trustees understood that the Fund had a "fund of funds" structure. The Trustees received information on the Fund's investment performance for one, two, three, four, five and ten years, as well as performance for the most recent quarter and year-to-date. They compared the investment performance of the Fund to the

performance of other SEC registered funds and to rankings issued by Broadridge. The Fund was ranked by Broadridge in quartiles, ranging from first to fourth, where first is the most desirable quartile position and fourth is the least desirable. The Trustees also reviewed the Fund's performance relative to its performance benchmarks and the Fund's three-year performance versus net expenses as calculated by Broadridge. The Trustees noted that the Fund outperformed its Broadridge performance universe average for the one-, three- and five-year periods ended January 31, 2018; and also outperformed its blended benchmark for the three-year period ended March 31, 2018 and underperformed the benchmark for the one- and five-year periods ended March 31, 2018.

The Trustees took into account management's discussion of the Fund's performance and considered the Fund's investment performance relative to the investor base the Fund is intended to serve. The Trustees noted the potential impact on performance of the relative risk parameters of the Fund. In addition, the Trustees reviewed the consistency of Northern's investment approach for the Fund and processes to address performance issues, if any.

The Trustees concluded, based on the information received, that the Fund's performance was satisfactory.

Fee Rates, Costs of Services and Profitability

The Trustees also evaluated: the Fund's contractual and net (after expense reimbursements) management fee rate; the Fund's total operating expense ratio; Northern's contractual commitments to continue expense reimbursements for at least one year with respect to the Fund; and whether a consistent methodology was in place for determining the fees and expenses of the Fund. The Trustees also noted certain other actions taken by Northern over the years to reduce Fund expenses, such as service provider fee reductions with respect to the Fund. The Trustees also considered that Northern was rebating back to the Fund all of the advisory fees that were received by Northern, if any, from the affiliated money market fund into which the Fund sweeps uninvested cash.

The Trustees reviewed information on the fee rates paid by the Fund under the Management Agreement and the Fund's total net operating expense ratio compared to similar information for mutual funds advised by unaffiliated investment management firms, as prepared by Broadridge. The Broadridge report compared the expenses of the Fund against its Broadridge peer group, peer universe and objective median (the median total expense ratio of all of the funds in the Fund's Broadridge category, regardless of sales charges). In comparing the Fund's contractual and net management fees to those of comparable funds, the Trustees noted that such fees include both advisory and

APPROVAL OF MANAGEMENT AGREEMENT

administrative costs. Among other data, the Trustees considered that the Fund's net management fee was below its Broadridge peer group median. They also considered that the Fund's total expense ratio after reimbursement of expenses was below its Broadridge peer group and objective medians. The Trustees took into account Northern's discussion of the Fund's expenses and that Northern had reimbursed expenses of the Fund. They also noted that Northern did not manage private institutional accounts similarly managed to the Fund.

The Trustees also determined that the management fees charged under the Management Agreement were based on services provided that were in addition to, rather than duplicative of, services provided under the management agreement of any affiliated underlying funds in which the Fund invested in the prior year.

In addition, the Trustees considered the amount of assets in the Fund; the information provided by Northern relating to the costs of the services provided by it and its affiliates; and the profits realized by them through their relationship with the Fund and on an overall Trust basis and both before and after distribution and certain non-distribution costs. The Trustees considered Northern's assumptions and methodology for allocating costs to the Fund, recognizing that cost allocation methodologies are inherently subjective and not audited. The Trustees also noted that Northern provides administrative services under the Management Agreement and that affiliates of Northern serve as sub-administrator, custodian and transfer agent. The Trustees considered that Northern pays the Fund's sub-administrative fees from its management fee.

The Trustees also discussed information provided by an independent consultant with respect to Northern's profitability compared to other publicly traded advisers as provided by Broadridge. They considered that comparisons of advisory agreement profitability across fund families are difficult because of numerous factors, including the type of funds managed, business mix, cost allocation methodologies and other factors. The Trustees also considered Northern's expense reimbursements during the year. They also took into account the nature of the Fund and the quality of the services provided by Northern. The Trustees understood that Northern should be entitled to earn a reasonable level of profit in exchange for the level of services it provides to the Fund. The Trustees concluded that Northern's profitability was not unreasonable based on the services and benefits provided and the costs assumed by Northern and its affiliates.

Economies of Scale

The Trustees considered the extent to which economies of scale would be realized as the Fund grows and whether fee levels reflected these economies of scale for the benefit of shareholders. They took into account management's discussion of the Fund's management fee structure and considered Northern's view that the Fund is sharing in economies of scale through the level at which the Fund's management fees are set and through Northern's contractual expense reimbursements that limit the expenses for the Fund to specific levels. The Trustees noted that although the management fee of the Fund did not currently have break-points, the total net expenses of the Fund after reimbursements were below the objective median of its Broadridge category and the net management fee was below its Broadridge group median.

The Trustees determined, on the basis of the foregoing, that the Fund's current management fee structure was reasonable.

Other Benefits to Northern

The Trustees also reviewed other benefits accruing to Northern and its affiliates as a result of their relationship with the Fund. Those benefits included fees received by the affiliates for transfer agency, custodial and sub-administrative functions, as well as the fees for these and other services received from the affiliated mutual funds in which the Fund invests. The Trustees also considered that many of the Fund's shareholders had other client relationships with The Northern Trust Company or its affiliates. The Trustees also took into account the extent to which Northern and its other clients, as well as the Fund, benefited from receipt of the research products and services generated by the Trust's equity investment portfolios and that Northern and its affiliates benefit from their ability to leverage resources over a larger asset base.

After deliberation, the Trustees concluded that the management fee paid by the Fund was reasonable in light of the services provided by Northern, its costs and the Fund's asset levels, and other factors including those discussed above and that renewal of the Management Agreement would be in the best interests of the Fund and its shareholders. Accordingly, the Board, and the Independent Trustees, voting separately, approved the Management Agreement with respect to the Fund for an additional one-year term.

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FOR MORE INFORMATION**PORTFOLIO HOLDINGS**

Northern Funds files its complete schedule of portfolio holdings with the U.S. Securities and Exchange Commission (“SEC”) for the first and third quarters of each fiscal year on Form N-Q. The Funds’ Forms N-Q are available on the SEC’s web site at www.sec.gov. You may also review and obtain copies at the SEC’s Public Reference Room in Washington, D.C. Information about the Public Reference Room may be obtained by calling 800-SEC-0330.

PROXY VOTING

Northern Funds’ Proxy Voting Policies and Procedures and each Fund’s portfolio securities voting record for the 12-month period ended June 30 are available upon request and without charge by visiting Northern Funds’ web site at northerntrust.com/funds or the SEC’s web site at www.sec.gov or by calling the Northern Funds Center at 800-595-9111.

NORTHERN FAMILY OF FUNDS

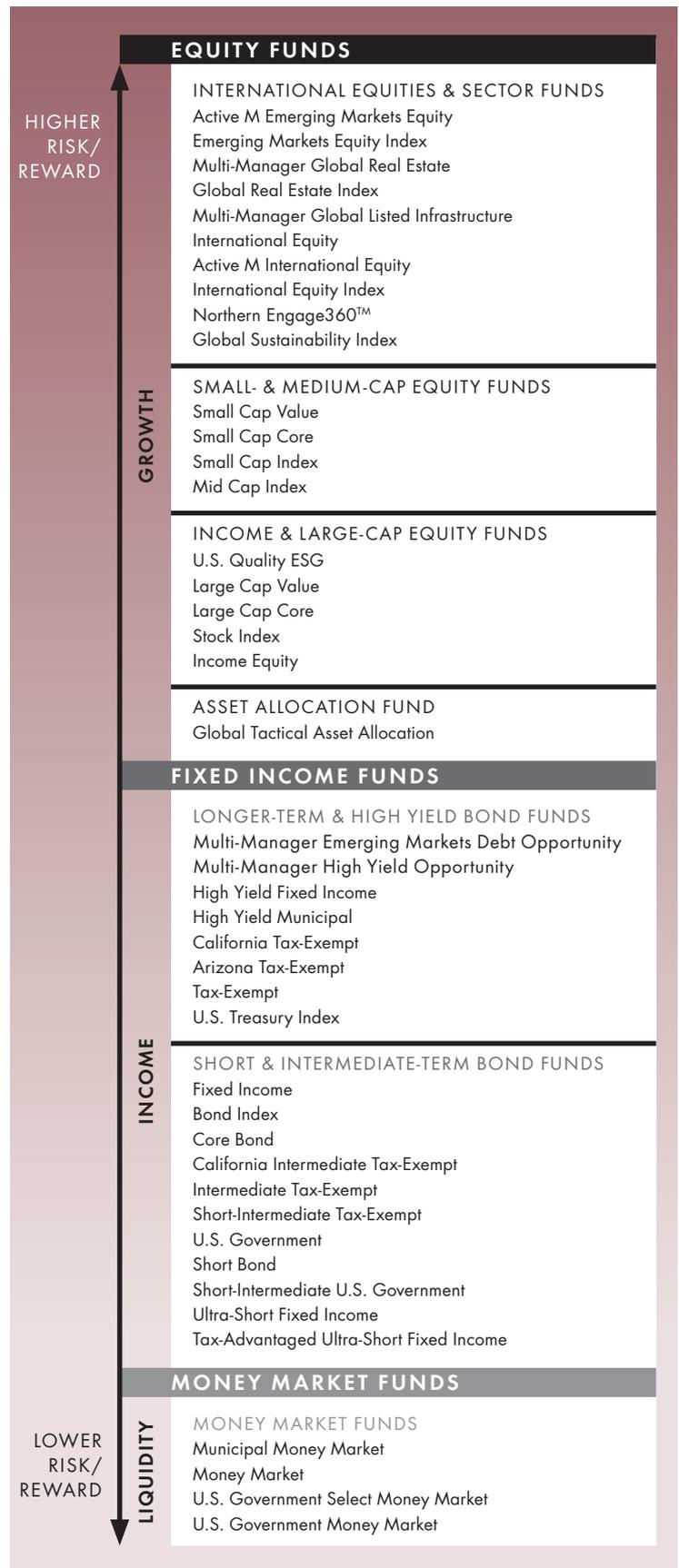
RISK/REWARD POTENTIAL

When building a sound Northern Funds investment strategy, you'll want to select a mix of equity, fixed income and money market funds that have return potential and an acceptable level of risk. 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 or call 800-595-9111 to obtain a summary prospectus or prospectus. The summary prospectus and prospectus contain this and other information about the funds.

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 to the Funds at any time.

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

You could lose money by investing in the Funds. An investment in a Fund involves investment risks, including possible loss of principal. An investment in a Fund is not a deposit of a 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.





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