

NORTHERN FUNDS

# Multi-Manager Global Real Estate Fund (NMMGX)

## 4Q 2018 Performance Review

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**December 31, 2018**

*Please carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call **800-595-9111** to obtain a prospectus and summary prospectus, which contains this and other information about the funds.*



# MULTI-MANAGER GLOBAL REAL ESTATE FUND (NMMGX)

## Fund Facts

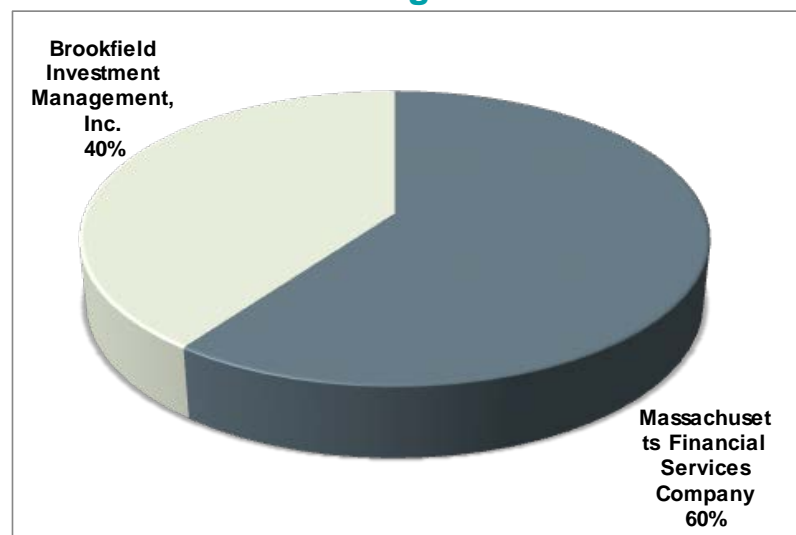
**Fund Objective:** Capital Appreciation and Current Income

**Inception Date:** November 19, 2008

**Ticker Symbol:** NMMGX

**Benchmark :** FTSE® EPRA®/NAREIT® Developed Index

## Sub-Adviser Target Allocations\*



\*Actual allocations may vary.

## Strategy Objectives

- Add value through the combination of sub-advisers who are specialists in their respective styles. This approach should isolate the stock selection skills of the sub-advisers as the primary source of value added for the Fund over time.
- Leverage a disciplined and consistent research process to identify sub-advisers who show high probability of success.
- Maintain the target allocations of the sub-advisers while continuously monitoring the style and characteristics of the Fund and sub-advisers to ensure that the Fund equally balances growth and value objectives while maintaining size (capitalization) characteristics similar to the Fund's market benchmark.
- *By properly combining sub-advisers, we attempt to reduce low conviction bets such as style and size and focus the risk of the portfolio on higher conviction bets – the stock picking skills of the sub-advisers.*

## Portfolio Characteristics

- Well diversified portfolio, benchmarked to the FTSE EPRA/NAREIT® Developed Index.
- The Fund currently uses two sub-advisers with various investment approaches.
- Style characteristics are designed to be neutral to the Index.

# GLOSSARY

**Equity Risk:** 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.

**International Risk:** International investing involves increased risk and volatility.

**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.

**REIT/Real Estate Risk:** investments in the Fund are subject to the risks related to direct investment in real estate, such as real estate risk, regulatory risks, concentration risk and diversification risk. Investments in REITs involve certain additional unique risks. By itself the Fund does not constitute a complete investment plan and should be considered a long-term investment for investors who can afford to weather changes in the value of their investments.

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**Weighted Average Market Capitalization:** a firm's closing stock price multiplied by the number of shares.

**Positive Trailing P/E:** the ratio of a firm's closing stock price and its trailing 12 months' earnings per share, excluding those companies with negative earnings. A P/E ratio is generally used to provide investors with a better understanding of a company's value.

**% Earnings Per Share (EPS) Growth – past 5 years:** a 5 year annualized earnings growth rate. Earnings per share is a part of a company's profit which is allocated to an individual outstanding share of common stock. As viewed by the investor, it is the rate of earnings which are returned on the original investment made. Also known as EPS for short, the earnings per share can be used to indicate a corporation's financial profitability.

**Positive Trailing P/E:** the ratio of a firm's closing stock price and its trailing 12 months' earnings per share, excluding those companies with negative earnings. A P/E ratio is generally used to provide investors with a better understanding of a company's value.

**Price to Book:** a ratio used to compare a stock's market value to its book value. It is calculated by dividing the current price of the stock by the latest quarter's book value per share.

**Real Estate Investment Trust (REIT):** a security through which pooled capital of many investors purchase and manage income property (equity REIT) and/or mortgage loans (mortgage REIT). REITs are traded on major exchanges just like stocks.

**FTSE® EPRA®/NAREIT® Developed Index:** The FTSE EPRA/NAREIT Developed Index is designed to track the performance of listed real estate companies and REITs worldwide. By making the index constituents free-float adjusted, liquidity, size and revenue screened, the series is suitable for use as the basis for investment products, such as derivatives and Exchange Traded Funds (ETFs). It is not possible to invest directly in an index.

**FTSE® EPRA®/NAREIT® Global Index:** The FTSE® EPRA®/NAREIT® Global Index is a free float-adjusted, market capitalization-weighted real estate index designed to represent publicly traded equity REITs and listed property companies in 38 countries worldwide, covering both the developed and emerging markets. It is not possible to invest directly in an index.

Please refer to the Fund's prospectus for further information relating to principal risks.

# MULTI-MANAGER GLOBAL REAL ESTATE FUND (NMMGX)

Fund Performance & Quarterly Fund Commentary

4Q | 2018

## QUARTERLY COMMENTARY

- In the fourth quarter, the global real estate market, as measured by the FTSE® EPRA®/NAREIT® Developed Index declined -5.69%. The U.S., which held up well relative to global equities fell significantly in December when the Federal Reserve signaled they were not yet ready to slow the pace of hikes despite slower global growth, widening credit spreads and falling inflation expectations. Most major regions saw declines in the quarter. Europe underperformed the benchmark, while the Asia Pacific Region outperformed. All property sectors sold off with the exception of health care and self-storage which posted positive returns in the quarter.
- The Multi-Manager Global Real Estate Fund returned -5.60% during the quarter, performing in-line with the FTSE EPRA/NAREIT Developed Index. Property sector positioning contributed positively to performance relative to its benchmark, while stock selection detracted from results. The top contributors to relative performance were the healthcare and hotel sectors. The residential and diversified property sectors detracted, offsetting the positive results. Stock selection in continental Europe negatively impacted performance versus the Index. An underweight and positive stock selection in the U.S. helped neutralize this impact.
- Sub-adviser Brookfield underperformed during the quarter. Stock selection in Japan and the office and diversified sectors were the primary detractors. An underweight in retail and positive stock selection contributed positively to performance. Sub-adviser MFS outperformed in the quarter due to strong stock selection in the hotels, office and healthcare sectors. Stock selection was also positive in the Asia Pacific region, while continental Europe and the residential sector detracted from performance.

### PERFORMANCE (in %) as of December 31, 2018

	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Inception to Date	2017	2016	2015	2014	2013
<b>Multi-Manager Global Real Estate Fund - Inception 11/19/08</b>	-5.60	-4.57	-4.57	2.97	3.86	8.90	11.46	9.68	4.30	-0.92	11.72	1.88
FTSE EPRA/NAREIT Developed NET	-5.69	-5.63	-5.63	2.72	4.34	9.65	11.98	10.36	4.06	-0.79	15.02	3.67
<i>Excess Return</i>	<i>0.09</i>	<i>1.07</i>	<i>1.07</i>	<i>0.25</i>	<i>-0.48</i>	<i>-0.75</i>	<i>-0.52</i>	<i>-0.68</i>	<i>0.23</i>	<i>-0.13</i>	<i>-3.30</i>	<i>-1.79</i>
<i>Annual Expense Ratio: Gross, 1.10%; Net, 0.93%<sup>1</sup></i>												
FTSE EPRA/NAREIT Global Index	-5.01	-6.37	-6.37	3.46	4.50	9.39	11.72	10.36	4.06	-0.79	--	--

Returns quoted represent past performance, which 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. Call 800-595-9111 for returns current to the most recent month-end. Returns for periods greater than one year are annualized. Net expense ratio reflects voluntary expense reimbursements by the Fund's investment advisors that may be changed or terminated at any time. See the Appendix for additional disclosure about performance.

<sup>1</sup>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 of July 31, 2019.

The Fund benchmark is the FTSE® EPRA®/NAREIT® Developed Index. \*Effective December 1, 2017, the benchmark for the Multi-Manager Global Real Estate Fund has changed from the FTSE® EPRA®/NAREIT® Global Index to the FTSE® EPRA®/NAREIT® Developed Index which is a better representative of the Fund's composition.



# MULTI-MANAGER GLOBAL REAL ESTATE FUND (NMMGX)

Fund Characteristics

4Q I 2018

## FUND FACTS

**Fund Objective:** Capital Appreciation and Current Income  
**Inception Date:** November 19, 2008  
**Ticker Symbol:** NMMGX  
**Benchmark:** FTSE® EPRA®/NAREIT® Developed Index

## REGIONAL/COUNTRY WEIGHTS

	NMMGX	Benchmark
U.K.	6.3%	4.6%
Europe ex U.K.	11.4%	12.9%
Japan	12.6%	11.6%
Pacific ex Japan	14.8%	15.4%
North America	54.2%	55.5%
Emerging Markets	0.8%	0.0%
Not Classified	0.0%	0.0%
<b>Total*</b>	<b>100.0%</b>	<b>100.0%</b>

## 5 LARGEST HOLDINGS

Company	% of Fund
Simon Pty Group Inc	4.9%
Public Storage Inc	4.2%
Mid-Amer Apt Cmnty	3.6%
Avalonbay Cmnty Inc	3.1%
Welltower Inc	3.0%
<b>Total*</b>	<b>18.8%</b>

## FUND CHARACTERISTICS

	NMMGX	Benchmark
Wtd Avg Market Cap	\$13.9 Billion	\$13.5 Billion
% EPS Growth - Past 5 yrs.	11.31%	10.94%
Positive Trailing P/E	14.8x	15.2x
Price to Book	1.28	1.30
Number of Holdings**	93	337

\*The "Total" column may not sum exactly due to rounding.

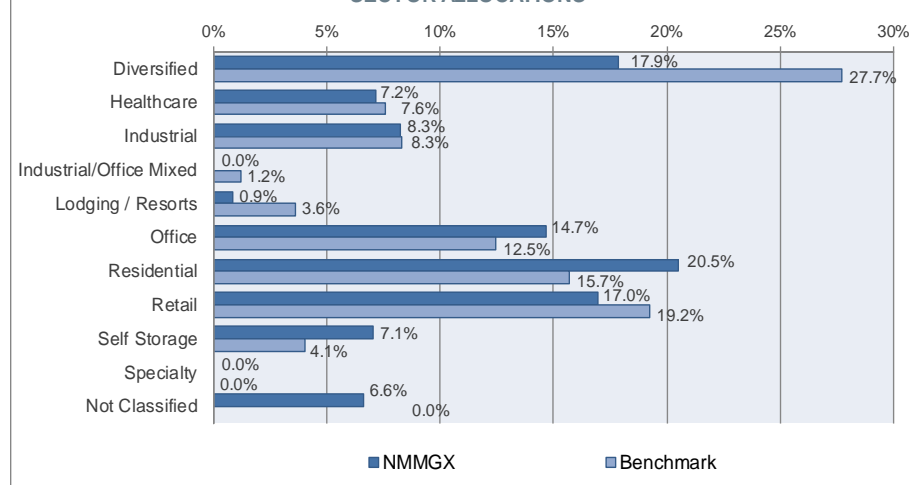
\*\*Currency positions are excluded.

Portfolio composition may change at any time.

Source: Wilshire Atlas

5 See page 10 for important disclosure information

## SECTOR ALLOCATIONS



NORTHERN FUNDS

# Sub-Adviser 4Q 2018 Review

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# MULTI-MANAGER GLOBAL REAL ESTATE FUND (NMMGX)

Sub-Adviser Allocation and Portfolio Characteristics

4Q I 2018

## SUB-ADVISER ALLOCATION

Sub-Adviser	Target Allocation*	Role in Portfolio
Massachusetts Financial Services Company	60%	High conviction, value-oriented portfolio with a quality bias. Bottom-up, fundamental driven portfolio focused on cash flow and NAV per share growth. Seeks companies where these characteristics are underappreciated, or developing, with the expectation they should outperform over the long run.
Brookfield Investment Management, Inc.	40%	A concentrated value-based approach which focuses on under-followed and out-of-favor real estate securities. The portfolio should exhibit slightly higher volatility than the market, while yield and valuation characteristics are generally below that of the index.

## PORTFOLIO CHARACTERISTICS

	MFS	Brookfield	NMMGX	FTSE EPRA/NAREIT Developed
Wtd Avg Market Cap	\$13.2 Billion	\$14.8 Billion	\$13.9 Billion	\$13.5 Billion
% EPS Growth - Past 5 yrs.	9.45%	14.07%	11.31%	10.94%
Positive Trailing P/E	13.3x	\$18.1	14.8x	15.2x
Price to Book	1.42	1.12	1.28	1.30
Number of Holdings**	55	51	93	337

\*Actual allocations may vary.

\*\*Currency positions are excluded.

Portfolio composition may change at any time.

Source: Wilshire Atlas



# MULTI-MANAGER GLOBAL REAL ESTATE FUND (NMMGX)

Sub-Adviser Sector and Regional/Country Allocations

4Q | 2018

## SECTOR ALLOCATIONS

	MFS	Brookfield	NMMGX	FTSE EPRA/NAREIT Developed Index
Diversified	9.1%	30.8%	17.9%	27.7%
Healthcare	6.3%	8.5%	7.2%	7.6%
Industrial	11.0%	4.3%	8.3%	8.3%
Industrial/Office Mixed	0.0%	0.0%	0.0%	1.2%
Lodging / Resorts	0.0%	2.1%	0.9%	3.6%
Office	9.8%	21.8%	14.7%	12.5%
Residential	23.3%	16.4%	20.5%	15.7%
Retail	24.7%	5.5%	17.0%	19.2%
Self Storage	8.3%	5.3%	7.1%	4.1%
Specialty	0.0%	0.0%	0.0%	0.0%
Not Classified	7.6%	5.2%	6.6%	0.0%
<b>Total*</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## REGIONAL/COUNTRY WEIGHTS

	MFS	Brookfield	NMMGX	FTSE EPRA/NAREIT Developed Index
U.K.	5.0%	8.1%	6.3%	4.6%
Europe ex U.K.	12.2%	10.2%	11.4%	12.9%
Japan	11.2%	14.6%	12.6%	11.6%
Pacific ex Japan	16.1%	12.8%	14.8%	15.4%
North America	54.7%	53.4%	54.2%	55.5%
Emerging Markets	0.7%	0.9%	0.8%	0.0%
Not Classified	0.0%	0.0%	0.0%	0.0%
<b>Total*</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

\*The "Total" column may not sum exactly due to rounding.

Portfolio composition may change at any time.

Source: Wilshire Atlas





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# Appendix

Disclosure of additional information

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# APPENDIX: DISCLOSURES

- **Past performance does not guarantee future results.**
- Total return is based on net change in NAV, assuming reinvestment of all distributions. Returns for periods greater than one year are annualized. Sub-adviser returns are represented gross of Fund expenses. Returns of an index do not reflect the deduction of any management fees, transaction costs or other expenses. Direct investment in an index is not possible.
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