

NORTHERN FUNDS

Active M International Equity Fund (NMIEX)

(Formerly known as Multi-Manager International Equity Fund)

4Q 2018 Performance Review

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.*



ACTIVE M INTERNATIONAL EQUITY FUND (NMIEX)

Fund Facts

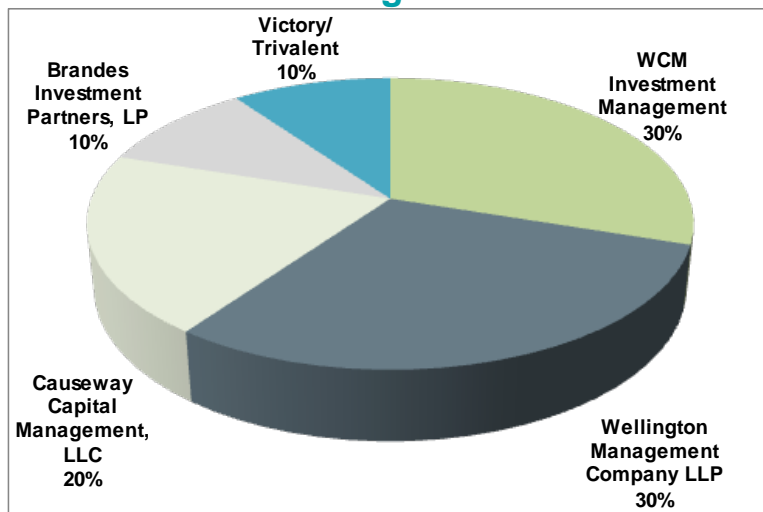
Fund Objective: **Capital Appreciation**

Inception Date: **June 22, 2006**

Ticker Symbol: **NMIEX**

Benchmark: **MSCI World ex USA IM Index**

Sub-Adviser Target Allocations*



*Actual allocations may vary.

Strategy Objectives

- Under normal circumstances, invest at least 80% of net assets in equity securities of issuers domiciled outside the U.S.
- Leverage a disciplined and consistent research process to identify sub-advisers where manager selection and allocations are determined using a multi-factor based screening and optimization approach augmented with deep qualitative and fundamental due diligence.
- 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.
- Continuously monitor the style and characteristics of the Fund and actively manage to the target allocations of the sub-advisers.

By properly combining sub-advisers, we attempt to deliver robust alpha and broad diversification, while maintaining factor neutral biases (such as size, value and momentum) across international equity markets.

Portfolio Characteristics

- Well diversified portfolio, benchmarked to the MSCI World ex-USA IM Index.
- The Fund currently uses five sub-advisers with various investment approaches.
- Designed to maintain factor neutral biases across international equity markets.

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.

Emerging Markets Risk: Emerging market investing is subject to additional economic, political, liquidity and currency risks not associated with more developed countries.

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

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

% 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.

MSCI World ex USA IM Index: is a free float-adjusted, market capitalization weighted index that is designed to measure the equity market performance of developed markets. It captures large, mid and small cap representation across 22 developed markets, excluding the United States, and covers approximately 99% of the free float-adjusted market capitalization in each country. It is not possible to invest directly in an Index.

MSCI ACWI ex USA Index: is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. It is not possible to invest directly in an Index.

MSCI World ex USA Index: is a free float-adjusted, market capitalization weighted index that is designed to measure the equity market performance of developed markets. It captures large and mid cap representation across 22 developed markets, excluding the United States, and covers approximately 85% of the free float-adjusted market capitalization in each country. It is not possible to invest directly in an index.

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



ACTIVE M INTERNATIONAL EQUITY FUND (NMIEX)

Fund Performance & Quarterly Fund Commentary

4Q | 2018

QUARTERLY COMMENTARY

- Major equity markets posted double-digit declines in the fourth quarter on growing concerns of a global economic slowdown, increased tensions over trade and rising interest rates. The MSCI World ex-U.S. IMI Index fell -13.28% during the quarter and entered bear market territory as it has fallen more than 20% since late January. For 2018, the Index was down -14.68%, its largest annual decline since 2008. Dispersion of country returns in the Index was relatively small so the biggest negative impact came from the countries with the largest weights: Japan, U.K., France, Canada and Germany, respectively. Investors looked for stability and fled to defensive, higher paying dividend sectors, such as utilities, real estate and consumer staples. The energy sector lagged all other sectors during the quarter. In contrast to the first three quarters of the year, value outpaced growth.
- The Active M International Equity Fund lagged its benchmark, the MSCI World ex U.S. IMI Index, for the quarter returning -13.74% versus -13.28%, primarily due to an underweight to those better-performing defensive sectors. An underweight to higher yielding stocks in general and a slight growth tilt also had a negative impact on relative performance. Stock selection in the Fund's off-benchmark allocation to emerging markets contributed positively to relative performance.
- Relative to the Fund's benchmark, Causeway Capital's value-oriented strategy and Victory's international small-cap strategy both struggled with stock selection during quarter. Conversely, Brandes Investment Partners's international small/mid-cap strategy performed relatively well largely due to its exposure to emerging markets.

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
Active M International Equity Fund - Inception 6/22/06	-13.74	-13.74	-13.74	3.24	-0.34	5.00	1.79	29.05	-1.16	-5.14	-5.81	15.78
MSCI World ex USA IMI Index (net)*	-13.28	-14.68	-14.68	3.21	0.59	6.68	2.48	25.17	2.95	-1.95	-4.45	21.57
<i>Excess Return</i>	<i>-0.45</i>	<i>0.95</i>	<i>0.95</i>	<i>0.03</i>	<i>-0.93</i>	<i>-1.68</i>	<i>-0.68</i>	<i>3.88</i>	<i>-4.11</i>	<i>-3.19</i>	<i>-1.35</i>	<i>-5.79</i>
<i>Annual Expense Ratio: Gross, 0.95%; Net, 0.85%¹</i>												

*The net index provides the equity returns including dividends net of withholding tax rates

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.

¹The 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.



ACTIVE M INTERNATIONAL EQUITY FUND (NMIEX)

Fund Characteristics

4Q I 2018

Fund Facts

Fund Objective: Capital Appreciation
Inception Date: June 22, 2006
Ticker Symbol: NMIEX
Benchmark: MSCI World ex USA IM Index

5 LARGEST HOLDINGS

Company	% of Fund
Csl	1.5%
Experian Plc	1.4%
Keyence Corp	1.4%
Canadian Pac Ry Ltd	1.4%
Accenture Plc Ireland	1.3%
Total*	7.0%

FUND CHARACTERISTICS

	NMIEX	Benchmark
Wtd Avg Market Cap	\$45.6 Billion	\$44.4 Billion
% EPS Growth - Past 5 yrs.	9.25%	9.36%
Positive Trailing P/E	15.36x	14.2x
Price to Book	1.35	1.46
Number of Holdings**	452	3571

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

**Currency positions are excluded.

Portfolio composition may change at any time.

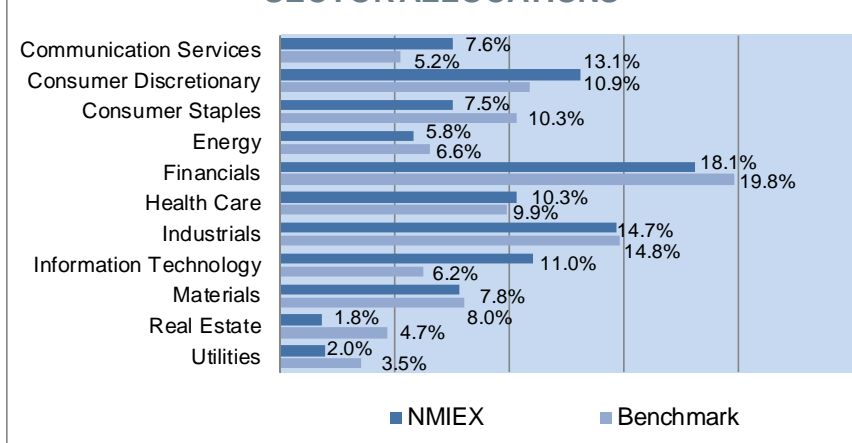
Source: Wilshire Atlas

5 See page 10 for important disclosure information

REGIONAL/COUNTRY WEIGHTS

	NMIEX	Benchmark
U.K.	17.2%	15.6%
Europe ex U.K.	35.5%	41.0%
Japan	17.2%	23.4%
Pacific ex Japan	3.9%	11.3%
North America	11.5%	8.7%
Emerging Markets	14.2%	0.0%
Frontier Markets	0.3%	0.0%
Not Classified	0.1%	0.0%
Total*	100.0%	100.0%

SECTOR ALLOCATIONS



NORTHERN FUNDS

Sub-Adviser 4Q 2018 Review



ACTIVE M INTERNATIONAL EQUITY FUND (NMIEX)

Sub-Adviser Allocation and Portfolio Characteristics

4Q I 2018

SUB-ADVISER ALLOCATION

Sub-Adviser	Target Allocation*	Role in Portfolio
WCM Investment Management	30%	A concentrated large-cap growth manager focusing on companies that possess a durable and growing competitive advantage.
Wellington Management Company LLP	30%	A large-cap to mid-cap, contrarian value approach with a focus on companies trading at significant discount to current market price and strong balance sheets.
Causeway Capital Management, LLC	20%	A fundamental, bottom-up, value manager. The portfolio is relatively concentrated with a preference toward yield and risk-adjusted rates of return.
Brandes Investment Partners, LP	10%	A small/mid-cap manager following a traditional 'Graham and Dodd,' bottom-up, value approach.
Victory/Trivalent	10%	A diversified, small cap specialist manager with positive exposure to momentum and value.

PORTFOLIO CHARACTERISTICS

	WCM	Wellington	Causeway Capital	Brandes	Victory / Trivalent	NMIEX	MSCI World ex USA IMI Index
Wtd Avg Market Cap	\$72.5 Billion	\$37.7 Billion	\$57 Billion	\$3.5 Billion	\$4 Billion	\$45.6 Billion	\$44.4 Billion
% EPS Growth - Past 5 yrs.	12.26%	5.16%	6.22%	4.69%	18.52%	9.25%	9.36%
Positive Trailing P/E	27.0x	11.0x	12.8x	14.2x	14.x	15.4x	14.2x
Price to Book	4.80	0.77	1.19	0.90	1.59	1.35	1.46
Number of Holdings**	34	99	53	66	220	452	3,571

*Actual allocations may vary.

**Currency positions are excluded.

Portfolio composition may change at any time.

Source: Wilshire Atlas



ACTIVE M INTERNATIONAL EQUITY FUND (NMIEX)

Sub-Adviser Sector and Regional/Country Allocations

4Q | 2018

SECTOR ALLOCATIONS

	WCM	Wellington	Causeway Capital	Brandes	Victory / Trivalent	NMIEX	MSCI World ex US IM Index
Communication Services	4.0%	10.9%	11.9%	5.8%	4.6%	7.6%	5.2%
Consumer Discretionary	17.5%	8.3%	9.4%	17.8%	12.9%	13.1%	10.9%
Consumer Staples	10.2%	2.0%	2.9%	21.7%	6.1%	7.5%	10.3%
Energy	1.4%	15.1%	6.8%	0.0%	3.6%	5.8%	6.6%
Financials	11.7%	30.8%	22.6%	10.2%	10.8%	18.1%	19.8%
Health Care	13.7%	3.3%	11.1%	14.6%	9.0%	10.3%	9.9%
Industrials	13.9%	10.6%	15.1%	18.4%	20.5%	14.7%	14.8%
Information Technology	22.3%	5.4%	4.6%	2.7%	10.2%	11.0%	6.2%
Materials	5.3%	8.1%	12.4%	4.4%	8.9%	7.8%	8.0%
Real Estate	0.0%	1.4%	0.0%	2.5%	10.4%	1.8%	4.7%
Utilities	0.0%	4.1%	3.1%	1.8%	1.5%	2.0%	3.5%
Not Classified	0.0%	0.0%	0.0%	0.0%	1.5%	0.2%	0.0%
Total*	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

REGIONAL/COUNTRY WEIGHTS

	WCM	Wellington	Causeway Capital	Brandes	Victory / Trivalent	NMIEX	MSCI World ex US IM Index
U.K.	8.0%	16.7%	32.7%	15.3%	17.2%	17.2%	15.6%
Europe ex U.K.	40.3%	35.5%	35.7%	20.9%	36.0%	35.5%	41.0%
Japan	4.2%	28.0%	14.0%	33.4%	23.1%	17.2%	23.4%
Pacific ex Japan	8.5%	0.0%	0.0%	2.1%	7.8%	3.9%	11.3%
North America	24.4%	2.4%	6.8%	3.4%	9.2%	11.5%	8.7%
Emerging Markets	14.7%	16.8%	10.8%	22.5%	6.3%	14.2%	0.0%
Not Classified	0.0%	0.6%	0.0%	2.4%	0.4%	0.1%	0.0%
Total*	100.0%	100.0%	100.0%	100.0%	100.0%	99.6%	100.0%

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

Portfolio composition may change at any time.

Source: Wilshire Atlas

8 See page 10 for important disclosure information



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Appendix

Disclosure of additional information



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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- Portfolio sector and characteristics comparisons are provided to illustrate sector allocations and characteristics for each Fund versus its respective benchmarks as of the date indicated. The information in this presentation reflects prevailing market conditions and our judgment as of this date, which are subject to change. In preparing this presentation we have relied upon and assumed without independent verification, the accuracy and completeness of all information available from public sources.
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