

# NORTHERN FUNDS

## INTERNATIONAL EQUITY FUND (NOIGX)

As of 12/31/18

### FUND COMMENTARY

The global equity markets finished a volatile year losing nearly 12%, as measured by the MSCI World ex USA, in the quarter to finish the year down for the first time since 2015. Every sector finished the quarter in negative territory led by energy as oil prices fell 38% for the quarter. Volatility increased significantly during the quarter as investors worked through the economic and political news. Although the global economy remains strong there are indicators that the global economy is slowing. Global inflation remains in check allowing central banks to remain accommodative. Global politics have added to the volatility as many countries have moved to a protectionist stance and trade agreements are being renegotiated. Additionally, there is significant uncertainty around BREXIT and the necessary agreements required ahead of the March deadline. Finally, the number two global economy, China, is showing signs of slowing after many years of outsized growth.

The International Equity Fund posted a total return of -12.98% for the quarter, compared with -12.78% for the Fund's benchmark, the MSCI World ex USA Index. Defensive sectors had the strongest absolute performance during the fourth quarter as investors lowered their risk profile, while the cyclicals were the weakest. The strategy overweight to inexpensive and high-quality securities added to performance. The value style factor outperformed for the quarter led by inexpensive defensive securities. Also expensive energy companies trailed the benchmark by 20%. The quality factor outperformed and contributed to benchmark relative performance, high-quality securities beat the benchmark and low-quality healthcare securities trailed by 11%. The global turmoil has halted the rise in interest rates and led to underperformance in the financial sector.

By focusing on inexpensive, high-quality securities and prudent risk management, we believe the strategy can deliver attractive long-term performance. We believe the fund is favorably positioned as geopolitical concerns have subsided and investors are refocusing on company fundamentals and valuations.

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

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# NORTHERN FUNDS

## INTERNATIONAL EQUITY FUND (NOIGX)

| Performance as of 12/31/18 |         |         |         | Annualized Returns |        |         |                  |                     |                   |
|----------------------------|---------|---------|---------|--------------------|--------|---------|------------------|---------------------|-------------------|
| FUND                       | QTR     | YTD     | 1 Year  | 3 Year             | 5 Year | 10 Year | Since Inception* | Gross Expense Ratio | Net Expense Ratio |
| International Equity Fund  | -12.98% | -15.10% | -15.10% | 2.73%              | -1.08% | 5.56%   | 4.09%            | 0.67%               | 0.51%             |
| MSCI World ex USA Index**  | -12.78% | -14.09% | -14.09% | 3.11%              | 0.34%  | 6.24%   | 4.68%            |                     |                   |
| MSCI EAFE Index            | -12.54% | -13.79% | -13.79% | 2.87%              | 0.53%  | 6.32%   | 4.54%            |                     |                   |

\*Inception Date- 04/01/94

\*\*Effective July 31, 2018 the benchmark for the International Equity Fund has changed from MSCI EAFE Index to MSCI World ex USA Index which better aligns with the investment adviser's view of the developed international equity markets.

**Performance quoted represents past performance and does not guarantee future results. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than that shown here. Performance data current to the most recent month end is available by calling 800-595-9111.**

The Gross and Net Expense Ratios are as of the most recent prospectus. The Net Expense Ratio includes contractual expense reimbursements that, if not extended, will end on July 31, 2019.

Not FDIC insured | May lose value | No bank guarantee

Please remember that all investments carry some level of risk, including the potential loss of principal invested. They do not typically grow at an even rate of return and may experience negative growth. As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns.

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