

NORTHERN FUNDS

LARGE CAP CORE FUND (NOLCX)

As of 12/31/18

FUND COMMENTARY

The fourth quarter 2018 posted the largest quarterly decline for the U.S. market in more than 7 years. The quarter was rocked by a number economic growth concerns. Chief amongst the concerns was the slowing of corporate earnings as margins are feared to have peaked and interest rates continued to rise. The Federal Reserve hiked rates four times during 2018 bringing the target rate to 2.5%. As a result, the yield curve has flattened and the shorter end has inverted. In addition, to the economic concerns investors have been focusing on additional political issues that are posed to disrupt the global markets including; a trade war with China, BREXIT and the U.S. budget impasse. The political and economic environment has resulted in a significant increase in price volatility.

The Large Cap Core Fund posted a total return of -13.28% for the quarter, compared with -13.52% for the Fund's benchmark, the S&P 500 Index. The value factor was volatile throughout the quarter, during October the overweight to value securities added value relative to the benchmark; however the value factor ended the quarter in-line with the benchmark after a strong reversal in November and December. The momentum factor was additive in the quarter as high momentum securities outperformed low momentum securities by nearly 3.5%. Defensive sectors, utilities and consumer staples, outperformed other sectors in the S&P 500 Index, while the cyclical sectors, trailed the benchmark. As many of the high growth expensive technology securities pulled back on fears of declining growth, the information technology sector added value relative to other sectors.

We expect the outlook for high-quality, inexpensive securities to remain positive in the U.S., given current valuation levels. We also believe the Fund is positioned to benefit from the economic growth, albeit slowly, rising interest rates, and the strong company fundamentals.

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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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
Large Cap Core Fund	-13.28%	-5.89%	-5.89%	7.99%	7.15%	12.64%	6.84%	0.58%	0.46%
S&P 500 Index	-13.52%	-4.38%	-4.38%	9.26%	8.49%	13.12%	7.61%		

*Inception Date- 12/16/05

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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