

NORTHERN FUNDS

U.S. TREASURY INDEX (BTIAX)

As of 12/31/20

FUND COMMENTARY

Markets continued their march higher during the fourth quarter of 2020, as investor worries over the rise of COVID-19 infection rates globally and delays in further fiscal support were more than offset by an earlier than expected approval of a vaccine and continued monetary support from global central banks. Although control over the Senate remained unknown, the Democrats did not sweep the election cycle and associated policy fears quickly gave way and allowed investors to put on "reopening trades" meaning to invest based on expectations of the economy reopening. The light at the end of the tunnel and the potential for re-emerging global growth led to strong returns in investment grade credit, high yield credit, commodities, emerging markets and small cap equities.

The rates curve repriced to higher yields, and continued its steepening bias, as investors priced in higher inflation prospects with a Democratic-led presidency and the expectations of greater fiscal spending. Spreads between five-year and 30-year Treasuries reached their widest levels in more than four years as the long-end of the curve led the fourth quarter selloff.

The Fund returned -0.89% for the third quarter, compared to -0.83% for the Bloomberg Barclays U.S. Treasury Index, the Fund's benchmark. The Treasury curve steepened in the fourth quarter. Two-year Treasury yields fell 1 basis points (0.01%) to 0.12%, five-year Treasury yields rose 8 basis point (0.08%) to 0.36%, 10-year Treasury yields rose 23 basis points (0.23%) to 0.91% and 30-year Treasury yields rose 19 basis points (0.19%) to 1.645%. We will continue to invest with the goal of providing returns that closely approximate those of the Index.

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 12/31/20				Annualized Returns					
FUND	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception*	Gross Expense Ratio	Net Expense Ratio
U.S. Treasury Index	-0.89%	7.81%	7.81%	5.00%	3.58%	3.14%	4.96%	0.28%	0.16%
Bloomberg Barclays U.S. Treasury Index	-0.83%	8.00%	8.00%	5.19%	3.77%	3.34%	5.16%		

*Inception Date- 01/11/93

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, 2021.

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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