

# NORTHERN FUNDS

## HIGH YIELD FIXED INCOME (NHFIX)

As of 03/31/21

### FUND COMMENTARY

The high yield market posted a solid return in the first quarter as default activity fell, supporting the asset class broadly and lower quality credits in particular. Returns in the higher quality portion of the market were challenged by the increase in interest rates as these bonds tend to have a longer duration than their lower quality counterparts. By industry, those most exposed to reduced mobility due to the COVID-19 virus outperformed this quarter as a return to a more normalized environment continued to be priced in. Despite expectations of a slowdown in primary markets after a record 2020, both the quarter and the month of March set new records for supply. The vast majority of this new issue was driven by refinancing activity, which limited the supply impact on the market. The outlook for high yield remains constructive with limited default activity expected, additional fiscal stimulus enacted during the quarter and continued acceleration in the vaccine rollout.

The Fund returned 1.46% for the first quarter, compared to 0.86% for the Bloomberg Barclays Capital U.S. Corporate High Yield 2% Issuer Capped Index. Returns by rating favored the lowest quality credits: Double-B securities returned -0.15%, Single-B securities returned 1.16%, and Triple-C securities returned 3.58%. The lowest quality, CC-D rated securities, returned 14.59% in the quarter. The Fund was overweight CCC and B-rated securities and underweight BB and CC to D-rated securities. Overweight positions in midstream and finance companies, along with underweights in construction machinery and technology contributed to performance. Underweight positions in leisure and food and beverage, along with an overweight position in automotive detracted from performance.

*Holdings are subject to change and current and future portfolio holdings are subject to risk.*

**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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## HIGH YIELD FIXED INCOME (NHFIX)

Performance as of 03/31/21				Annualized Returns					
FUND	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception *	Gross Expense Ratio	Net Expense Ratio
High Yield Fixed Income	1.46%	1.46%	28.40%	6.55%	7.37%	5.81%	5.95%	0.83%	0.78%
Bloomberg Barclays US Corp HY 2% Issuer Capped Index	0.86%	0.86%	23.65%	6.82%	8.04%	6.47%	6.94%		

\*Inception Date- 12/31/98

**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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