

# NORTHERN FUNDS

## HIGH YIELD FIXED INCOME (NHFIX)

As of 12/31/19

### FUND COMMENTARY

Risk markets reacted positively in the quarter supported by a reduction in macroeconomic concerns. Sources of volatility throughout the year such as trade tariffs, monetary policy, Brexit, growth concerns and fear of a reduction in business investment abated in the final months of the year. The Federal Reserve (Fed) cut interest rates for the third time in 2019 at its October meeting. Financial markets are now discounting further Fed action given some easing in downside risk to the economy and the U.S. presidential election. This backdrop enabled stable credit fundamentals to provide support for valuations.

The Fund returned 3.20% for the fourth quarter, compared to 2.61% for the Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index, the Fund's benchmark. Credits rated CCC outperformed in the quarter. These were followed by B, BB and CC to D-rated securities. The Fund was overweight CCC and B-rated securities and underweight BB and CC to D-rated securities. Overweight positions in finance companies and pharmaceuticals, along with an underweight in independent energy contributed to performance. Underweight positions in wirelines and healthcare, along with an overweight position in retailers detracted from performance.

The high yield market continues to benefit from solid credit fundamentals driven by stable corporate earnings. A low default rate along with positive technical factors support high yield valuations. International trade, central bank policy and U.S. politics may be sources of volatility but the market has maintained its focus on positive fundamentals.

*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 12/31/19				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	3.20%	15.89%	15.89%	6.25%	5.29%	6.79%	5.94%	0.83%	0.78%
Bloomberg Barclays US Corp HY 2% Issuer Capped Index	2.61%	14.32%	14.32%	6.36%	6.14%	7.55%	6.97%		

\*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, 2020.

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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