

NORTHERN FUNDS

U.S. GOVERNMENT (NOUGX)

As of 03/31/21

FUND COMMENTARY

Markets started the year on a positive note, thanks to widespread vaccine distribution, stimulus checks and a gradually reopening economy. As the country continued to emerge from the pandemic, congress passed a \$1.9 trillion COVID-19 relief bill, providing aid to families, businesses, and local governments. Economic data continued to improve led by manufacturing and housing while initial and continuing jobless claims reached their lowest levels since the start of the pandemic. The Federal Reserve reiterated its commitment to providing financial accommodation until their dual-mandate is met. Consumer and business optimism could also be seen in corporate credit spreads and commodities. After starting the year at roughly \$47, West Texas Intermediate (WTI), an oil benchmark, finished the quarter up 23% while investment grade and high yield bonds performed well. Market participants increased near-term inflation expectations, bringing treasury yields along for the ride.

Shorter-maturity US Treasuries were basically unchanged for the quarter while the curve steepened with the 5 year portion up 58 basis points (0.58%) and the 10 to 30 year portion up about 80 basis points (0.80%). Inflation linked notes outperformed nominal treasuries as inflation expectations increased 40-60 basis points (0.40%-0.60%) off of low levels. Markets were driven by fiscal stimulus expectations and improved U.S. growth prospects as the economy continues to re-open. The Bloomberg Barclays Intermediate U.S. Government Index had its third worst first quarter return since 1980.

The Fund returned -1.98% in the first quarter, compared to the Bloomberg Barclays Intermediate U.S. Government Index return of -1.72%. The Fund's duration and curve positioning detracted from performance, while the overweight to mortgage-backed securities contributed positively.

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 03/31/21				Annualized Returns					
FUND	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception*	Gross Expense Ratio	Net Expense Ratio
U.S. Government Fund	-1.98%	-1.98%	-1.58%	3.37%	1.63%	1.89%	3.82%	0.75%	0.44%
Bloomberg Barclays Intermediate U.S. Government Bond Index	-1.72%	-1.72%	-1.20%	3.75%	2.07%	2.28%	4.39%		

*Inception Date- 04/01/94

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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