

# NORTHERN FUNDS

## U.S. GOVERNMENT (NOUGX)

As of 09/30/21

### FUND COMMENTARY

The third quarter was relatively stable for markets. Equities closed the quarter flat, as stocks declined from all-time high's during the final month. Interest rates were stable with 3-5 year maturities increasing 8 basis points (0.08%), while longer dated maturities fell. Investment grade corporate spreads widened slightly off of multi-year tight, while securitized assets were generally flat. Central Banks began to signal a pivot away from the extraordinary accommodation, led by the expectation of a reduction in official bond purchases in the U.S. and a discussion of rate increases in the U.K. Fiscal stimulus is also expected to wane next year, while the U.S. Treasury is discussing a reduction in supply. The labor market continued to heal, albeit at a much slower pace. Inflation remained elevated (driven mostly by the transitory components of used cars, hotels and airlines) but also began to show tentative signs of slowing. Investors are focused on the speed and duration of economic growth versus a reduction in central bank and fiscal accommodation while also keeping a close eye on COVID-19 variants.

Shorter-maturity U.S. Treasuries slightly increased during the quarter while 10-year and 30-year maturities declined. Rates markets were driven partly by reduced fiscal stimulus expectations, a re-pricing of rate hike expectations, as well as some softening in economic data.

The Fund slightly underperformed its benchmark in the quarter. The Fund's duration and curve positioning was a positive for performance, while the overweight to mortgage-backed securities detracted.

**Please carefully read the summary prospectus or prospectus and consider the investment objectives, risks, charges and expenses of the Northern Funds carefully 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 09/30/21				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	-0.02%	-1.53%	-1.86%	3.55%	1.54%	1.44%	3.77%	0.58%	0.43%
Bloomberg Intermediate U.S. Government Bond Index <sup>1</sup>	0.00%	-1.12%	-1.33%	3.98%	1.99%	1.81%	4.33%		

\*Inception Date- 04/01/94

<sup>1</sup>**Bloomberg Intermediate U.S. Government Bond Index** is an unmanaged index of debt securities including all public obligations of the U.S. Treasury and all publicly issued debt of U.S. government agencies with maturities of up to 10 years. It is not possible to invest directly in an index.

**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, 2022.

**Bond Risk:** Bond funds will tend to experience smaller fluctuations in value than stock funds. However, investors in any bond fund should anticipate fluctuations in price, especially for longer-term issues and in environments of rising interest rates.

**Mortgage-Backed Securities Risk:** Mortgage-backed investments involve risk of loss due to prepayments and, like any bond, due to default. Because of the sensitivity of mortgage-related securities to changes in interest rates, the Fund's performance may be more volatile than if it did not hold these securities.

**U.S. Government Guarantee:** U.S. government guarantees apply only to the underlying securities of a Fund's portfolio and not the Fund's shares.

Not FDIC insured | May lose value | No bank guarantee

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