

NORTHERN FUNDS

SHORT BOND FUND (BSBAX)

As of 03/31/19

FUND COMMENTARY

The first quarter of 2019 marked an impressive rebound for risk assets, as the Federal Reserve (Fed) pivoted from last year's perceived hawkishness, while corporate earnings remained firm. The Fed downgraded its growth and inflation expectations, while increasing its risk assessments due to global headwinds. The Fed's dovish pivot caused interest rates to fall across the curve, creating a supportive environment for both investment grade and high yield spreads.

Investors cautiously entered the first quarter despite sensing that December's weakness was overdone, exacerbated by poor liquidity at year end. The Fed's pivot gave the broader market comfort helping drive demand for credit. That demand pushed the option-adjusted spread (OAS) of the Bloomberg Barclays U.S. Credit Index 30 basis points (0.30%) tighter during the period, producing a total return of 4.87%, outperforming comparable U.S. Treasuries by 2.52%. Similarly, high yield benefited from the technical environment, as outsized demand and sluggish supply pushed the Bloomberg Barclays U.S. Corporate High Yield Bond Index OAS 135 basis points (1.35%) tighter, producing a total return of 7.26%, and exceeding the return of similarly dated U.S. Treasuries by 5.73%.

The Fund returned 1.94% in the first quarter, outperforming the Bloomberg Barclays 1-3 Year Government/Credit Index's 1.21% return. The Fund's overweight to credit, especially high yield, generated positive alpha. Additionally, security selection within credit boosted results, particularly in the banking, communications and energy sectors. Duration and curve positioning were modest positives for the Fund.

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 03/31/19				Annualized Returns					
FUND	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception*	Gross Expense Ratio	Net Expense Ratio
Short Bond	1.94%	1.94%	3.02%	1.64%	1.23%	2.01%	3.82%	0.45%	0.40%
Bloomberg Barclays 1-3 Year U.S. Government/Credit Index	1.21%	1.21%	3.03%	1.32%	1.22%	1.59%	3.80%		

*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, 2019.

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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