

NORTHERN FUNDS

U.S. GOVERNMENT (NOUGX)

As of 03/31/18

FUND COMMENTARY

The Federal Reserve (Fed), led by new Chairman Jerome Powell, raised the fed funds rate 25 basis points (0.25%) in March, as the economy continued its momentum to start the year. Congress passed a massive spending bill in first quarter that will keep the government operating through the end of its fiscal year, while the White House announced tariffs that created fears of a trade war. The median forecast for the fed funds rate at the end of 2018 remains 2.125%, unchanged from December's projection, which represents two more hikes in 2018. However, the median forecast for the fed funds rate at the end of 2019 rose to 2.875% (3 hikes) from 2.700%, and to 3.375% (2 hikes) at the end of 2020 from 3.063%, signaling a steeper trajectory of future hikes than was indicated at the December meeting.

During the first quarter, U.S. nonfarm payrolls averaged 201,667 jobs per month, compared to 203,667 jobs per month in the fourth quarter of 2017. The first quarter unemployment rate held at 4.1%. U.S. economic growth was 2.7% in fourth quarter 2017, down from 3.2% in the previous quarter. Personal consumption surged to 3.8% in fourth quarter 2017, up from 2.2% in the previous quarter.

The Fund returned -1.00% for the quarter, underperforming the -0.73% return of the Bloomberg Barclays Intermediate U.S. Government Bond Index. The Fund's exposure to mortgage-backed securities, and its duration and curve positioning, were the main drivers of underperformance.

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 03/31/18				Annualized Returns				Gross Expense Ratio	Net Expense Ratio
FUND	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception		
U.S. Government Fund	-1.00%	-1.00%	-0.62%	0.03%	0.16%	1.91%	3.88%	0.92%	0.47%
Bloomberg Barclays Intermediate U.S. Government Bond Index	-0.73%	-0.73%	-0.14%	0.46%	0.75%	2.21%	4.47%		

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, 2018.

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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