

# NORTHERN FUNDS

## BOND INDEX FUND

# FIXED INCOME

MUTUAL FUND

AS OF 1Q20



Overall Morningstar Rating™

among 384 Intermediate Core Bond funds derived from a weighted average of the fund's 3- 5- and 10-year risk-adjusted returns as of 3/31/20.<sup>1</sup>

### Investment Objective

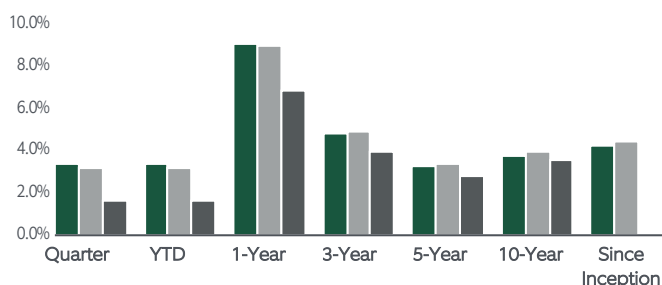
The Fund seeks to provide investment results approximating the overall performance of the securities included in the Barclays U.S. Aggregate Bond Index.

### Investment Approach

The Fund will invest substantially all (and at least 80%) of its net assets in the U.S. investment-grade bond market, in weightings that approximate the relative composition of securities included in the Barclays U.S. Aggregate Bond Index.

### INVESTMENT PERFORMANCE % — AS OF 3/31/20

- Northern Funds Bond Index Fund
- Bloomberg Barclays U.S. Aggregate Bond Index<sup>2</sup>
- Morningstar Category Avg Intermediate Core Bond



#### Average Annual Returns

	3.28	3.28	9.01	4.77	3.25	3.74	4.18
■ Fund	3.28	3.28	9.01	4.77	3.25	3.74	4.18
■ Benchmark <sup>2</sup>	3.15	3.15	8.93	4.82	3.36	3.88	4.36
■ Morningstar	1.57	1.57	6.78	3.90	2.74	3.51	—

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.

Northern Trust Investments, Inc. has contractually agreed to reimburse a portion of the operating expenses of the Fund (other than certain excepted expenses, i.e., acquired fund fees and expenses; the compensation paid to each Independent Trustee of the Trust, expenses of third party consultants engaged by the Board of Trustees, membership dues paid to the Investment Company Institute and Mutual Fund Directors Forum, expenses in connection with the negotiation and renewal of the revolving credit facility, and extraordinary expense and interest) to the extent the "Total Annual Fund Operating Expenses" exceed 0.15%. This contractual limitation may not be terminated before July 31, 2020 without the approval of the Board of Trustees. The "Total Annual Fund Operating Expenses After Expense Reimbursement" may be higher than the contractual limitation as a result of the excepted expenses that are not reimbursed. In the absence of contractual expense reimbursements, yield, total return, growth since inception and dividends would have been reduced. Total return is based on net change in NAV assuming reinvestment of distributions.

Please see back page for calendar year returns, index definitions and investment terms.

Please carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call 800-595-9111 to obtain a prospectus and summary prospectus, which contain this and other information about the funds.

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### FUND OVERVIEW

	Fund
Benchmark/Index	Bloomberg Barclays U.S. Aggregate Bond Index <sup>2</sup>
Morningstar Category	Intermediate Core Bond
Inception Date	2/27/07
Total Net Assets	\$2.9 Billion
Symbol/CUSIP	NOBOX
Dividend Schedule	Monthly
Expense Ratio - Gross (%)	0.19
Expense Ratio - Net (%)	0.15

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.

### FUND CHARACTERISTICS

	Fund
Number of Holdings	2,706
30-Day SEC Yield w/ Waivers (%)	1.82
30-Day SEC Yield w/o Waivers (%)	1.79
Effective Duration	5.87 years
Average Maturity	7.91 years

NOT FDIC INSURED

MAY LOSE VALUE

NO BANK GUARANTEE

NORTHERN FUNDS  
BOND INDEX FUND

CALENDAR YEAR RETURNS %

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Bond Index Fund	8.62	-0.16	3.47	2.33	0.50	5.93	-2.29	4.06	7.63	6.21
Benchmark <sup>2</sup>	8.72	0.01	3.54	2.65	0.55	5.97	-2.02	4.21	7.84	6.54
Morningstar Intermediate Core Bond	8.06	-0.50	3.71	3.23	-0.26	5.18	-1.42	7.01	5.86	7.72

Performance quoted represents past performance and does not guarantee future results.

MATURITY DISTRIBUTION %

Maturity Range	Fund	Fund
0 — 1yr	1.6	10yrs — 15yrs 1.1
1yr — 2yrs	11.4	15yrs — 20yrs 3.6
2yrs — 3yrs	14.0	20yrs — 25yrs 4.8
3yrs — 5yrs	32.2	25yrs — 30yrs 9.1
5yrs — 7yrs	12.4	30yrs — 35yrs 0.2
7yrs — 10yrs	9.5	35yrs+ 0.2

QUALITY DISTRIBUTION %

Quality Rating	Fund	Benchmark <sup>2</sup>
AAA	74.2	73.5
AA	2.7	2.9
A	10.7	11.2
BBB	11.7	12.3
Unrated	0.0	0.1
Cash & Cash Equivalents	0.7	0.0

SECTOR WEIGHTINGS %

Economic Sector	Fund	Benchmark <sup>2</sup>
Treasury	41.7	40.9
Mortgage-Backed	26.2	26.6
Industrial	13.9	14.5
Financial	7.4	7.7
Commercial MBS	2.1	2.1
Utilities	1.9	1.9
Supranational	1.3	1.4
Agency	1.3	1.3
Foreign Agencies	1.1	1.2
Sovereign	1.0	1.0
Cash	0.7	0.0
Municipals	0.7	0.7
Asset-Backed	0.5	0.4
Foreign Local Govt	0.2	0.3

PORTFOLIO MANAGEMENT

KEVIN J. O'SHAUGHNESSY, CFA<sup>®</sup>

Began career in 1989 | With Northern Trust since 1989

BRANDON P. FERGUSON, CFA<sup>®</sup>

Began career in 2005 | With Northern Trust since 2007

DISCLOSURE AND RISKS

All data is as of date indicated and subject to change.

<sup>1</sup> Past performance is no guarantee of future results. Ratings reflect fee waivers in effect; in their absence, ratings may have been lower.

The Morningstar Rating™ for funds, or “star rating,” is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed products monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. The Bond Index Fund received 4 stars for the 3-year rating among 384 Intermediate Core Bond funds, 4 stars for the 5-year rating among 331 funds and 3 stars for the 10-year rating among 253 funds.

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**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.

**Index Fund Risk:** The performance of the Fund is expected to be lower than that of the Index because of Fund fees and expenses. It is important to remember that there are risks associated with index investing, including the potential risk of market decline, as well as the risks associated with investing in specific companies.

**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.

DEFINITIONS

<sup>2</sup> Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged index of prices of U.S. dollar denominated, fixed-rate, taxable, investment-grade fixed-income securities with remaining maturities of one year and longer. The Index includes Treasury, government, corporate, mortgage-backed, commercial mortgage-backed and asset-backed securities. It is not possible to invest directly in an index.

**Characteristics:** Benchmark and Fund analytics have been calculated using a third party vended model. All material has been obtained from sources believed to be reliable, but the accuracy, completeness and interpretation cannot be guaranteed. Information contained herein is current as of the date appearing in this material only and is subject to change without notice. Certain benchmark calculations may not match the published benchmark characteristics.

**Distribution Calculations:** All distribution calculations (Maturity Distribution, Sector Weightings and Quality Distribution) are measured on a trade date basis and are adjusted for uninvested cash from the market value used to compute the percentage calculations.

**Effective Duration:** Effective Duration measures percent change in price for 100 basis point parallel shift.

**Quality Distribution:** Credit quality ratings are based on the conservative average of Moodys, Standard & Poors and Fitch ratings. If ratings from all three rating agencies disagree, the model assigns the middle rating to the security. If two of the three agree, the model assigns the rating from those two to the security. If none of these three rating agencies has assigned a rating, the Fund will assign a rating of not rated. The ratings, expressed in Standard & Poors nomenclature, range from AAA (extremely strong capacity to meet its financial commitment) to D (in default). Short-term ratings, expressed in Standard & Poors nomenclature, range from A-1 (obligors capacity to meet its financial commitment on the obligation is strong) to A-3 (exhibits adequate protection parameters). Committed Cash includes any traded cash (forward settling trades), the sweep vehicle and commercial paper. The ratings represent the rating agencies opinions of the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality.

**Cash & Cash Equivalents:** includes committed cash, sweep vehicles and commercial paper with maturities of less than one year.

**Cash:** includes committed cash and sweep vehicles.

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