

NORTHERN FUNDS

HIGH YIELD MUNICIPAL (NHYMX)

As of 03/31/18

FUND COMMENTARY

Global economic growth continued in the first quarter of 2018 as companies continued to post improved earnings results. Inflation and inflation expectations remained relatively subdued despite continued economic growth. As expected, the Federal Reserve raised its target rate another 25 basis points (0.25%) in March and continued its balance sheet reduction. As a consequence, the U.S. Treasury yield curve moved up and flattened slightly.

Municipal new issue supply was lighter due to the record issuance in December. First quarter supply of \$62 billion was down 31% versus first quarter 2017. This strong technical backdrop was anticipated to be a net positive for municipals. However, rising Treasury rates, large-scale selling from bank portfolios and the supply overhang from December that persisted into January all combined to push municipal yields higher in January and February, before recovering some ground in March. High yield municipals outperformed investment grade municipals during the period, which was driven by outperformance by Puerto Rico as well as the continued demand for yield.

The Fund returned -0.93% for the quarter, underperforming the -0.52% return of the Bloomberg Barclays Municipal Bond 65-35 Investment Grade/High Yield Index. Pre-refunded bonds and tobacco were the largest contributors to performance, while a number of sectors contributed to underperformance over the quarter, including tax-supported, utilities, transportation, and higher education. A lack of exposure to Puerto Rico credits was the key driver of underperformance this quarter.

Holdings are subject to change and current and future portfolio holdings are subject to risk.

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.

©2018 Northern Funds | Northern Funds are distributed by Northern Funds Distributors, LLC, not affiliated with Northern Trust.



NORTHERN FUNDS

HIGH YIELD MUNICIPAL (NHYMX)

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		
High Yield Municipal	-0.93%	-0.93%	4.03%	2.89%	3.33%	4.15%	3.81%	0.83%	0.61%
Bloomberg Barclays MuniBond 65-35 Inv Gr/HY Index	-0.52%	-0.52%	3.83%	3.08%	3.21%	4.88%	4.91%		

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.

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.

©2018 Northern Funds | Northern Funds are distributed by Northern Funds Distributors, LLC, not affiliated with Northern Trust.

