

# NORTHERN FUNDS

## HIGH YIELD MUNICIPAL (NHYMX)

As of 03/31/19

### FUND COMMENTARY

Concerns over global economic growth and trade sharpened in the first quarter of 2019. Inflation and inflation expectations moved lower. The Federal Reserve (Fed) left rates unchanged in the quarter, reduced the planned number of rate increases to zero in 2019 and one in 2020, and announced an end to the balance sheet runoff by September 2019. As a consequence, U.S. Treasuries rallied, and the yield curve flattened out on the long end and inverted on the short end.

Municipal new issue supply was \$77 billion in the first quarter, a 12% decline from the fourth quarter of 2018, but 17% greater than the first quarter of 2018. Municipal yields tightened down and the curve flattened throughout the quarter, driven by steady positive flows, and following the Treasury rally. High yield municipals outperformed investment grade municipals during the period, despite the macroeconomic concerns, driven in large part by a supportive technical environment as well as the renewed reach for yield.

The Fund saw significant inflows during the quarter. The money was put to work in a barbell strategy, buying lower-rated credits that presented attractive yields in sectors where we were underweight, and purchasing blocks of high quality, highly liquid names, to be held in reserve until spreads widen.

The Fund returned 3.18% for the first quarter, compared to 3.22% for the Bloomberg Barclays Municipal Bond 65-35 Investment Grade/High Yield Index. Health care, higher education, and transportation were the largest contributors to performance, while tax-supported and utilities were drags on performance during the 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.**

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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
High Yield Municipal	3.18%	3.18%	4.47%	2.78%	4.55%	6.24%	3.84%	0.83%	0.60%
Bloomberg Barclays MuniBond 65-35 Inv Gr/HY Index	3.22%	3.22%	6.34%	3.91%	4.57%	6.13%	4.98%		

\*Inception Date- 12/31/98

**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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