

# NORTHERN FUNDS

## ARIZONA TAX-EXEMPT FUND (NOAZX)

As of 03/31/18

### FUND COMMENTARY

The Federal Reserve (Fed), led by new Chairman Jerome Powell, raised the fed funds rate 0.25% in March. This is the sixth such increase since the Fed began tightening in December 2015. The Fed is responding to sustained economic growth, strong corporate earnings, and tentative signs of wage pressures. Treasury yields increased moderately across the board with the government yield curve flattening for the quarter. Municipal yields also rose across all maturities. However, the municipal yield curve steepened over the same period, particularly on the front end. Municipals benefited from a significant drop in new issuance versus last year's pace, but this benefit was countered by sizable selling by several institutional investors.

The Fund returned -1.34% for the quarter, compared to -1.12% for the Bloomberg Barclays Arizona Municipal Bond Index. We shortened interest rate exposure but kept duration close to neutral relative to the related index. To take advantage of the steeper yield curve, particularly with regards to the Arizona market, we modestly extended the maturity of our positioning. We solidified the Fund's high credit quality in comparison to the Fund's benchmark. At quarter end, we held under 6% in A-rated securities and had no exposure to BBB-rated securities.

We will monitor the Fed for any changes in expectations for additional rate hikes this year. Also, we will keep a close eye on market-impacting comments coming from Washington D.C. officials. More specifically, we will monitor expected Arizona supply for any opportunities presented by notable changes in issuance patterns.

*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 03/31/18				Annualized Returns				Gross Expense Ratio	Net Expense Ratio
FUND	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception		
Arizona Tax-Exempt Fund	-1.34%	-1.34%	1.95%	1.93%	2.47%	4.23%	4.50%	0.61%	0.48%
Bloomberg Barclays Arizona Municipal Bond Index	-1.12%	-1.12%	2.22%	2.13%	2.72%	4.52%	4.82%		

**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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