

NORTHERN FUNDS

TAX-EXEMPT (NOTEX)

As of 03/31/18

FUND COMMENTARY

The Federal Reserve (Fed) increased the fed funds rate 25 basis points (0.25%) in March. This is the sixth such increase since the Fed began tightening in December 2015. The Fed, under the new Chairman Jerome Powell, forecast another two increases in 2018. The municipal yield curve steepened as longer rates, 10 years plus, increased more than shorter rates, one to three years. Municipal new issue supply was significantly lighter due to the record issuance in December spurred by tax reform. Credit quality spreads and returns were roughly unchanged and similar respectively.

The Fund returned -1.19% for the first quarter, compared to -1.11% for the Bloomberg Barclays U.S. Municipal Index as interest rates rose across the yield curve, during January in particular. The Fund was positioned defensively, with a duration profile 5 to 10 percent below normal levels, which helped to cushion the rise in tax-free rates. The Fund's broad maturity profile was a relative negative as the yield curve steepened.

The Fund continues to have a high credit quality. Over 85 percent of holdings are AAA or AA-rated as we expect the current higher nominal rates and upcoming April and May supply may present better opportunities to add lower investment grade holdings. The Fund raised cash in the first quarter and with upcoming maturities is well prepared to take advantage of relative value opportunities through its active approach. The Fund will continue to emphasize its premium coupon structures. The Fund reduced New York holdings during the quarter, selling into strong demand, and increased California holdings to try to capture some upcoming seasonal benefits.

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		
Tax-Exempt Fund	-1.19%	-1.19%	2.57%	2.22%	2.80%	4.45%	4.93%	0.48%	0.46%
Bloomberg Barclays U.S. Municipal Index	-1.11%	-1.11%	2.66%	2.25%	2.73%	4.40%	5.24%		

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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