

NORTHERN FUNDS

SHORT-INTERMEDIATE TAX-EXEMPT (NSITX)

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 and committed to ongoing balance sheet reduction. U.S. Treasury yields increased during the period with short-term rates rising more in response to monetary policy actions than long-term rates, which were supported by benign inflation readings and comparatively lower rates in other developed countries.

Municipal new issue supply was significantly lighter due to the many refinancing deals done in December ahead of the January 1, 2018 tax reform effective date. Despite the limited new issue supply and heavy seasonal coupon and maturity cash flows, municipals underperformed Treasuries. The yield spread between short and long maturity municipals increased. The Fund returned -0.27% for the quarter, compared to -0.05% for the Bloomberg 1-5 Year Blend Municipal Bond Index.

During the quarter, we reduced duration as we felt municipal securities had become overvalued and expect heavier second quarter supply to provide an opportunity to boost duration at more attractive yields. We focused on selling overvalued two and three-year maturities. We reduced California and New York holdings amid limited supply and strong demand. We added five-to-seven year maturities in states with abundant supply and higher yields such as Maryland. We remain overweight high credit quality versus the benchmark. Credit spreads are narrow and are not representative of the additional risk in our view. The Fund is comprised of primarily AA and AAA-rated securities and has no BBB-rated holdings.

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		
Short-Intermediate Tax Exempt	-0.27%	-0.27%	0.07%	0.46%	0.61%	1.62%	1.87%	0.48%	0.46%
Bloomberg Barclays 1-5 Year Blend Muni Bond Index	-0.05%	-0.05%	0.53%	0.94%	1.10%	2.36%	2.71%		

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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