

# NORTHERN FUNDS

## TAX-ADVANTAGED ULTRA-SHORT FIXED INCOME FUND

### (NTAUX)

As of 03/31/18

#### FUND COMMENTARY

The first quarter saw increased volatility as markets digested changes to monetary, tax and trade policies. The Federal Reserve (Fed), led by new Chairman Jerome Powell, raised the fed funds rate 25 basis points (0.25%) in March, as widely expected. President Trump added additional uncertainty to markets and to the economy by announcing tariffs on steel and aluminum, while leaving the door open for further trade conflicts. This all occurred during a quarter in which corporations and households began to digest recent tax reform measures. U.S. Treasury yields continued to move higher with two- and three-year yields increasing by 38 and 41 basis points (0.38% and 0.41%), respectively. Tax-exempt municipal bond yields were slower to react to broader market moves as supply failed to pick up following the dramatic increase in issuance in December. Municipal bond ratios versus U.S. Treasuries fell to nearly 70 percent and well below historic averages. Two- and three-year Municipal Market Data (MMD) yields ended the quarter higher by 11 and 16 basis points (0.11% and 0.16%), respectively.

The Fund returned 0.19%, while the 75% ICE BofA Merrill Lynch 6-12 Month Municipal Securities Index and 25% ICE BofA Merrill Lynch 1-3 Year U.S. General Obligation Municipal Securities Index returned 0.29%. The Fund benefited from its short duration strategy versus the benchmark. Floating rate securities in both municipal and corporate bonds, after accounting for taxes, were added. Curve positioning hurt the Fund as one-year municipals saw less of a price decrease relative to three-year municipals. The benchmark holds a higher percentage of one-year municipals, thus offsetting some of the relative outperformance of the Fund.

**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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 (NTAUX)

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-Adv antaged Ultra-Short Fixed Income Fund	0.19%	0.19%	0.60%	0.65%	0.62%	-	0.95%	0.26%	0.25%
75% ICE BofA ML 6-12 Month Municipal Securities Index and 25% ICE BofA ML 1-3 Year U.S. General Obligation Municipal Securities Index	0.29%	0.29%	0.63%	0.60%	0.53%	-	0.73%		

**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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