

NORTHERN INSTITUTIONAL FUNDS

U.S. GOVERNMENT PORTFOLIO (BNGXX)

As of 09/30/18

FUND COMMENTARY

Money market rates continued their march higher last quarter as the market fully priced in the 25 basis point (0.25%) hike in the Federal Funds Target range well ahead of the September Federal Open Market Committee (FOMC) meeting. Economic growth surprised to the upside and inflation edged modestly higher, increasing confidence among market participants and policy makers of the likelihood of another rate hike in December. While the very near term outlook for monetary policy is well telegraphed, the more complex debate over when the current hiking cycle will end is far less certain, with some market-based measures even pricing in rate cuts in 2020. We'll continue to monitor market pricing closely and selectively add high-quality credits and duration to remain long to our peer group, while maintaining a strong liquidity profile to accommodate any unexpected outflows.

Treasury bill (T-bill) supply fell during the period, but the market did not rally as expected, with strong economic data and the increasing likelihood of future rate hikes offsetting the downward supply pressures on money market rates. Supply is expected to increase in the fourth quarter of 2018, including the introduction of a new tenor in a two-month T-bill, which may provide attractive entry points to position the portfolio into the December FOMC meeting and the end of the calendar year.

[View investment terms definitions](#)

Not FDIC insured | May lose value | No bank guarantee

You could lose money by investing in the Portfolio. All purchase and sale activity is being transacted at the Amortized Cost NAV of \$1.00. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the Portfolio is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Portfolio's sponsor has no legal obligation to provide financial support to the Portfolio, and you should not expect that the sponsor will provide financial support to the Portfolio at any time.

Please carefully read the summary prospectus or prospectus and consider the investment objectives, risks, charges and expenses of Northern Institutional Funds before investing. Call 800-637-1380 to obtain a summary prospectus or prospectus, which contains this and other information about the Funds.

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