

NORTHERN INSTITUTIONAL FUNDS

MUNICIPAL PORTFOLIO (NMUXX)

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.

During the third quarter of 2018, the short duration municipal market saw an increase in the supply short duration municipal investments. It is the third quarter that marks what is termed as the "municipal note season," the time of year when select state and local municipalities come to market with short-term notes to fund their annual operating budgets. These short-term fixed-rate notes deemed Tax and Revenue Anticipation Notes (TRANs) or Revenue Anticipation Notes (RANs) are offered in anticipation of future tax and/or revenue receipts. By quarter end, investors witnessed the sizeable volume of TRANs and RANs offered in the short duration municipal space steepen the one-year municipal yield curve. These notes provided the opportunity for Northern Trust managers to lock in tax exempt notes at attractive historic levels relative to Treasuries. Portfolio managers maintained liquidity by investing approximately 95 percent of assets in municipal variable rate demand notes having durations of less than five business days.

[View investment terms definitions](#)

Not FDIC insured | May lose value | No bank guarantee

You could lose money by investing in the Portfolio. Because the share price of the Portfolio will fluctuate, when you sell your shares they may be worth more or less than what you originally paid for them. The Portfolio may impose a fee upon sale of your shares or may temporarily suspend your ability to sell shares if the Portfolio's liquidity falls below required minimums because of market conditions or other factors. 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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