

NORTHERN INSTITUTIONAL FUNDS

PRIME OBLIGATIONS PORTFOLIO (NPAXX)

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.

As we approached the September FOMC meeting, short-end credit spreads began to widen modestly. It was anticipated that this would continue through quarter end and into early October. It is likely that short-end credit spreads may widen further later in the fourth quarter as Treasury issuance increases and the FDIC surcharge expires, but not to the extent that occurred earlier in the year.

[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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