

# NORTHERN FUNDS

## HIGH YIELD MUNICIPAL (NHYMX)

As of 03/31/21

### FUND COMMENTARY

The passage of the \$1.9 trillion America Rescue Plan and the improving outlook for vaccinations against COVID-19 provided a boost to the economic outlook as well as an increase in inflation expectations. Treasury yields rose in the quarter as an increase in inflation expectations and heavier debt issuance weighed on the market. Municipal yields rose in the quarter but the \$350 billion state and local governments received from the American Rescue plan helped reduce credit concerns for municipal bonds. Moreover, the technical environment continued to provide a tailwind for the municipal market. As reported by the Barclays Municipal Strategy Monthly Report, municipal new issue supply was \$105 billion in the first quarter, down 18% from Q4 2020, but 11% more than the first quarter of 2020. According to JP Morgan, flows were \$32 billion in the first quarter, including \$5.5 billion into municipal high yield funds. The treasury curve steepened each month throughout the quarter. Municipals generally outperformed treasuries, steepening in February, but holding firm in both January and March.

The Fund returned 0.85% in the first quarter, compared to 0.51% for the Bloomberg Barclays Municipal Bond 65-35 Investment Grade/High Yield Index, the Fund's benchmark. The reach for yield continued in the first quarter, with the municipal high yield index outperforming the municipal investment grade index (2.11% vs. -0.35%), as measured by the Fund's benchmark. The Fund's long duration and curve positioning were drags on performance, while security selection and sector allocation contributed to performance. The Fund's exposure to higher education was the largest contributor to performance, while industrial development bonds detracted from performance. The Fund remains overweight BBB credits, as well as long duration, versus the benchmark.

**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 03/31/21				Annualized Returns					
FUND	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception*	Gross Expense Ratio	Net Expense Ratio
High Yield Municipal	0.85%	0.85%	11.75%	5.06%	3.80%	5.68%	3.98%	0.84%	0.60%
Bloomberg Barclays Muni Bond 65-35 Inv Gr/HY Index	0.51%	0.51%	8.77%	5.77%	4.54%	5.45%	5.02%		

\*Inception Date- 12/31/98

**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, 2021.

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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