

NORTHERN FUNDS

ARIZONA TAX-EXEMPT FUND (NOAZX)

As of 12/31/20

FUND COMMENTARY

The U.S. economy continued to struggle with COVID-19 in the fourth quarter. As cases and deaths spiked higher, the out-going Congress passed another sizable aid package to help individuals and businesses. Several vaccines were approved and financial markets looked forward to a promising new year despite the strain on healthcare workers and the onerous task on inoculating the world. Central Banks around the globe promised to keep ultra-accommodative policies in place. The Federal Reserve, which had reduced its benchmark interest rate to near zero earlier in the year, had broad consensus among policy-makers to keep interest rates low in the new year even if the economy accelerates.

Investors continued to put new money into the municipal market, in part due to their optimism that the results of the presidential election would lead to a larger stimulus bill with more assistance for state and local governments. As reported by the Barclays Municipal Strategy Monthly Report, new municipal bond issuance was just \$120 billion, a 16% decrease from the third quarter.

The Fund returned 1.48% in the fourth quarter, compared to 1.70% for the Bloomberg Barclays Arizona Municipal bond Index, the Fund's benchmark. The largest contributor to performance relative to the benchmark was the Fund's interest rate curve exposure. The Fund owned more bonds with longer maturities and these performed well as the interest rate curve flattened. The largest detractor to performance was the Fund's overall credit quality. While the Fund owned many lower quality issuers, these holdings performed worse than those in 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 12/31/20				Annualized Returns					
FUND	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception*	Gross Expense Ratio	Net Expense Ratio
Arizona Tax-Exempt Fund	1.48%	4.06%	4.06%	3.92%	3.33%	4.33%	4.54%	0.61%	0.47%
Bloomberg Barclays Arizona Municipal Bond Index	1.70%	5.06%	5.06%	4.38%	3.69%	4.56%	4.87%		

*Inception Date- 10/01/99

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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