

NORTHERN FUNDS

ARIZONA TAX-EXEMPT FUND (NOAZX)

As of 12/31/19

FUND COMMENTARY

The U.S. and China announced the first phase of an agreement on a trade deal between the two countries. Investor optimism stemming from this, along with dovish actions by central banks, caused U.S. Treasury yields to rise and the interest rate curve to steepen. The Federal Reserve (Fed) continued its dovish actions, lowering its benchmark fed funds rate 25 basis points (0.25%) at its October meeting, its third 25 basis point (0.25%) interest rate reduction during the year.

The Fund returned 0.43% in the fourth quarter, compared to 0.79% 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 security selection, which emphasized owning higher coupon bonds. The largest detractor to performance was the Fund's maturity structure, which was broader than that of the benchmark.

The team will continue to monitor new bond issuance and credit spreads in the Arizona market closely. While new issuance of bonds increased over the past year, demand remains very strong. This is due, in part, to changes incorporated in the new tax law limiting state, local, and property tax deductions for individuals. The restriction of this widely used deduction has made the tax-exemption available to Arizona residents through municipal bond investments more valuable than in the past.

Holdings are subject to change and current and future portfolio holdings are subject to risk.

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 12/31/19				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	0.43%	6.66%	6.66%	4.16%	3.14%	4.09%	4.57%	0.61%	0.47%
Bloomberg Barclays Arizona Municipal Bond Index	0.79%	7.08%	7.08%	4.36%	3.33%	4.29%	4.86%		

*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, 2020.

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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