

# NORTHERN FUNDS

## TAX-EXEMPT (NOTEX)

As of 09/30/19

### FUND COMMENTARY

Longer interest rates (5 years and longer) declined in the third quarter. The Federal Reserve met market expectations and cut interest rates twice during the quarter, each time by 25 basis points (0.25%). Slowing Global growth, low inflation, and global trade concerns were continued central themes driving the rates markets. For the third quarter the Northern Tax Exempt Fund returned a strong 1.91 percent, ahead of the fund's benchmark, the Bloomberg Barclays Municipal Index, return of 1.58 percent. Year to date the Fund return vs Index is ahead 7.22 percent vs. 6.75 percent. Longer maturity holdings benefited the fund as the long end of the yield curve performed the best for the quarter. The Fund benefited by keeping a duration profile 5-10 percent longer than normal. Top state exposures in New York, Texas, and California were good decisions as high demand for those holdings from individual and institutional investors drove positive performance. The Fund remained high credit quality, over 80% of holdings were AAA or AA rated. A broad maturity structure has enhanced returns as the municipal yield curve flattened. Supply is expected to pick up early in the fourth quarter, which should provide opportunities for the fund to seek attractive relative value opportunities in areas of the yield curve offering compelling return vs risk scenarios.

*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 09/30/19              |       |       |        | Annualized Returns |        |         |                  |                     |                   |
|---|-------|-------|--------|--------------------|--------|---------|------------------|---------------------|-------------------|
| FUND                                    | QTR   | YTD   | 1 Year | 3 Year             | 5 Year | 10 Year | Since Inception* | Gross Expense Ratio | Net Expense Ratio |
| Tax-Exempt Fund                         | 1.91% | 7.22% | 8.98%  | 3.07%              | 3.62%  | 4.11%   | 5.00%            | 0.50%               | 0.46%             |
| Bloomberg Barclays U.S. Municipal Index | 1.58% | 6.75% | 8.55%  | 3.19%              | 3.66%  | 4.16%   | 5.29%            |                     |                   |

\*Inception Date- 04/01/94

**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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