

NORTHERN FUNDS

TAX-EXEMPT (NOTEX)

As of 12/31/20

FUND COMMENTARY

The Federal Reserve (Fed) met twice, keeping rates unchanged at 0.00% - 0.25% and committing to keep policy accommodative until inflation gets to or even above their 2% target. Municipals outperformed U.S. Treasuries for the quarter. Tax free interest rates fell in the fourth quarter despite the rise in U.S. Treasury rates. Tax free municipal bonds performed very well as attractive valuations versus other fixed income sectors and traditional investors adding to positions both fueled strong demand. As reported by the Barclays Municipal Strategy Monthly Report, municipal new issue supply was \$120 billion in the fourth quarter, down 16% from the third quarter, and 18% less than fourth quarter 2019. Investor money continued to flow into the municipal market, with \$17 billion in inflows during the quarter.

The Fund returned 1.90% for the fourth quarter, compared to 1.82% the Bloomberg Barclays U.S. Municipal Index, the Fund's benchmark. The Fund performed well due to duration and yield curve selections. The Fund's quality overweight versus the index was a relative detractor as lower rated credits led the returns. Ratios of municipal yields versus U.S. Treasury yields declined. The duration of the Fund remained in a five percent overweight position versus the benchmark seeking to capitalize on the income benefits of a steeper yield curve. The Fund added shorter notes as the yield curve remained very flat out to five years and saved duration for more productive use out the yield curve in steeper ranges such as the 15 year to 25 year range. We continued to favor strong general obligation credits and dedicated essential service revenue bonds. Selectively, we have used our disciplined credit research process to capture attractive income opportunities in toll roads/expressways and larger healthcare issuers.

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 12/31/20				Annualized Returns					
FUND	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception*	Gross Expense Ratio	Net Expense Ratio
Tax-Exempt Fund	1.90%	5.10%	5.10%	4.42%	3.68%	4.79%	4.97%	0.50%	0.46%
Bloomberg Barclays U.S. Municipal Index	1.82%	5.21%	5.21%	4.64%	3.91%	4.63%	5.27%		

*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, 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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