

# NORTHERN INSTITUTIONAL FUNDS

## PRIME OBLIGATIONS PORTFOLIO (NPAXX)

As of 12/31/18

### FUND COMMENTARY

Global markets were very volatile during the quarter with risk assets and bond yields sharply lower to end 2018. Despite this volatility the Federal Open Market Committee (FOMC) pressed ahead with its well telegraphed quarterly cadence for rate hikes, increasing the federal funds target range for the fourth time this year to 2.25% — 2.50% while making a further adjustment to the rate paid on excess reserves (IOER), only increasing it by 0.20% to 2.40%. The yield curve continued to flatten meaningfully and the risk-off tone in markets prompted a significant repricing of expectations for future hikes. The market priced out more than two full hikes during the quarter and now expects zero hikes in 2019, in contrast to the FOMC's projections for two hikes. We'll continue to monitor market pricing closely and selectively add high quality credits and duration to remain long to our peer group, while maintaining a strong liquidity profile to accommodate any unexpected outflows.

The money markets were not immune to the volatility in broader fixed income markets. In the fourth quarter, credit spreads began to widen and the 3-month London Interbank Offered Rate (LIBOR) increased meaningfully. Federal funds also inched up to within 5 basis points (0.05%) of the high end of their trading range, causing the FOMC to agree in November that perhaps an additional adjustment to IOER would be necessary prior to the December FOMC meeting.

[View investment terms definitions](#)

Not FDIC insured | May lose value | No bank guarantee

*You could lose money by investing in the Portfolio. Because the share price of the Portfolio will fluctuate, when you sell your shares they may be worth more or less than what you originally paid for them. The Portfolio may impose a fee upon sale of your shares or may temporarily suspend your ability to sell shares if the Portfolio's liquidity falls below required minimums because of market conditions or other factors. An investment in the Portfolio is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Portfolio's sponsor has no legal obligation to provide financial support to the Portfolio, and you should not expect that the sponsor will provide financial support to the Portfolio at any time.*

**Please carefully read the summary prospectus or prospectus and consider the investment objectives, risks, charges and expenses of Northern Institutional Funds before investing. Call 800-637-1380 to obtain a summary prospectus or prospectus, which contains this and other information about the Funds.**

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