

NORTHERN FUNDS

**TAX
FACTS**

2011

TRUST NORTHERN FOR WHAT REALLY MATTERS



Managed by
Northern Trust

LONG-TERM CAPITAL GAIN DISTRIBUTIONS

Listed in the table below are the long-term capital gain distributions per share made by each equity and fixed income fund, as applicable. For more information about capital gain distributions, see the 2011 Northern Funds Tax Guide or visit northernfunds.com/tax-center.

NORTHERN FUNDS	CAPITAL GAINS
ARIZONA TAX-EXEMPT	0.038702
BOND INDEX	0.021283
CALIFORNIA TAX-EXEMPT	0.014707
FIXED INCOME	0.036360
GLOBAL FIXED INCOME	0.189231
INTERMEDIATE TAX-EXEMPT	0.017857
MULTI-MANAGER EMERGING MARKETS	1.952902
MULTI-MANAGER HIGH YIELD OPPORTUNITY	0.181855
MULTI-MANAGER LARGE CAP	0.268326
MULTI-MANAGER MID CAP	0.351079
MULTI-MANAGER SMALL CAP	0.928828
SHORT INTERMEDIATE U.S. GOVERNMENT	0.035545
SMALL CAP VALUE	0.024490
TAX-ADVANTAGED ULTRA-SHORT FIXED INCOME	0.008256
ULTRA-SHORT FIXED INCOME	0.010230
U.S. GOVERNMENT	0.106801

CAPITAL GAIN INFORMATION FOR RESIDENTS OF RHODE ISLAND

For Rhode Island residents, the following chart shows the percentage of capital gain distributions for assets held one to five years and five years or more. This information may be necessary to prepare your Rhode Island state tax filings.

NORTHERN FUNDS	ASSETS HELD MORE THAN 1 YEAR AND UP TO 5 YEARS	ASSETS HELD MORE THAN 5 YEARS
ARIZONA TAX-EXEMPT	65%	35%
BOND INDEX	100%	—
CALIFORNIA TAX-EXEMPT	100%	—
FIXED INCOME	91%	9%
GLOBAL FIXED INCOME	71%	29%
INTERMEDIATE TAX-EXEMPT	100%	—
MULTI-MANAGER EMERGING MARKETS	100%	—
MULTI-MANAGER HIGH YIELD OPPORTUNITY	100%	—
MULTI-MANAGER LARGE CAP	100%	—
MULTI-MANAGER MID CAP	100%	—
MULTI-MANAGER SMALL CAP	100%	—
SHORT-INTERMEDIATE U.S. GOVERNMENT	100%	—
SMALL CAP VALUE	98%	2%
TAX-ADVANTAGED ULTRA SHORT FIXED INCOME	100%	—
ULTRA SHORT FIXED INCOME	100%	—
U.S. GOVERNMENT	100%	—

PERCENTAGE OF EXEMPT INTEREST DIVIDENDS

The amount of dividends paid that are excludable from gross income for federal income tax purposes is now reported on Form 1099-INT, box 8. Please refer to the Northern Funds Tax Guide for more information about Form 1099-INT.

DIRECT U.S. GOVERNMENT & AGENCY OBLIGATIONS

Percentage of dividends from direct U.S. Government and Agency Obligations

In some states, mutual fund dividends derived from certain direct U.S. government and agency obligations may be exempt from state income taxes. A portion of the dividend income paid by Northern Funds during 2011 may qualify for this exemption. The table below shows the percentage of dividends (the amount reported in box 1a of Form 1099-DIV) attributable to direct U.S. government and agency obligations for each of the Northern Funds during 2011.

NORTHERN FUNDS	U.S. GOV'T	FEDERAL FARM CREDIT BANK	FEDERAL HOME LOAN BANK	STUDENT LOAN MARKETING ASSN.	TENNESSEE VALLEY AUTHORITY
MONEY MARKET FUNDS					
CA MUNICIPAL	—	—	—	—	—
MONEY MARKET	6.55%	1.35%	8.70%	—	—
MUNICIPAL	42.01%	—	—	—	—
U.S. GOVERNMENT	5.93%	14.16%	26.42%	—	0.11%
U.S. GOVERNMENT SELECT	10.00%	30.46%	56.33%	—	1.11%
FIXED INCOME FUNDS					
AZ TAX EXEMPT	—	—	—	—	—
BOND INDEX	21.97%	—	0.65%	—	0.15%
CA INTERMEDIATE TAX EXEMPT	—	—	—	—	—
CA TAX-EXEMPT	—	—	—	—	—
FIXED INCOME	7.32%	—	—	—	—
GLOBAL FIXED INCOME	29.39%	—	—	—	—
HIGH YIELD FIXED INCOME	—	—	—	—	—
HIGH YIELD MUNICIPAL	—	—	—	—	—
INTERMEDIATE TAX-EXEMPT	—	—	—	—	—
MULTI-MANAGER HIGH YIELD OPPORTUNITY	0.06%	—	—	—	—
SHORT INTERMEDIATE TAX-EXEMPT	—	—	—	—	—
SHORT INTERMEDIATE U.S. GOV'T	16.85%	—	0.32%	—	—
TAX-ADVANTAGED ULTRA-SHORT FIXED INCOME	—	—	—	—	—
TAX-EXEMPT	—	—	—	—	—
ULTRA-SHORT FIXED INCOME	0.12%	0.29%	0.12%	—	—
U.S. GOVERNMENT	25.63%	—	0.58%	—	—
EQUITY FUNDS					
EMERGING MARKETS EQUITY INDEX	—	—	—	—	—
ENHANCED LARGE CAP	0.01%	—	—	—	—
GLOBAL SUSTAINABILITY	—	—	—	—	—
GLOBAL TACTICAL ASSET ALLOCATION	—	—	—	—	—
INCOME EQUITY	—	—	—	—	—
INTERNATIONAL EQUITY	—	—	—	—	—
INTERNATIONAL EQUITY INDEX	—	—	—	—	—
LARGE CAP EQUITY	—	—	—	—	—
LARGE CAP GROWTH	—	—	—	—	—
LARGE CAP VALUE	—	—	—	—	—
MID CAP INDEX	0.02%	—	—	—	—
MULTI-MANAGER EMERGING MARKETS EQUITY	—	—	—	—	—
MULTI-MANAGER INTERNATIONAL EQUITY	0.01%	—	—	—	—
MULTI-MANAGER LARGE CAP	0.01%	—	—	—	—
MULTI-MANAGER MID CAP	0.01%	—	—	—	—
MULTI-MANAGER SMALL CAP	0.01%	—	—	—	—
SMALL CAP CORE	0.02%	—	—	—	—
SMALL CAP INDEX	0.02%	—	—	—	—
SMALL CAP VALUE	0.01%	—	—	—	—
STOCK INDEX	0.01%	—	—	—	—
TECHNOLOGY	—	—	—	—	—

PERCENTAGE OF QDI AND DRD

Income & Capital Gain Distributions

For the 2011 calendar year, 100% of the dividends paid by the fixed income funds is taxable as ordinary income for federal income tax purposes. Listed in this table are the percentages of ordinary income distributed by the equity funds, as applicable, that can be treated as Qualified Dividend Income (QDI).

Percentage of Dividends Eligible for the Corporate Dividends Received Deduction

Mutual fund dividends derived from certain domestic corporations may be eligible for the dividends received deduction (DRD) for corporations. A portion of the ordinary income dividend paid in 2011 by the Funds listed below may qualify for this deduction. The table below shows the portion of the ordinary dividends attributable to such domestic corporations for each of the Funds for 2011.

NORTHERN FUNDS	% QDI	% DRD
EMERGING MARKETS EQUITY INDEX	72.95%	—
ENHANCED LARGE CAP	64.34%	64.75%
GLOBAL SUSTAINABILITY INDEX	100.00%	—
GLOBAL TACTICAL ASSET ALLOCATION	60.01%	11.04%
INCOME EQUITY	62.37%	60.09%
INTERNATIONAL EQUITY	100.00%	—
INTERNATIONAL EQUITY INDEX	100.00%	—
LARGE CAP EQUITY	100.00%	100.00%
LARGE CAP VALUE	89.69%	89.74%
MID CAP INDEX	89.99%	90.32%
MULTI-MANAGER EMERGING MARKETS EQUITY	100.00%	—
MULTI-MANAGER INT'L EQUITY INDEX	100.00%	—
MULTI-MANAGER LARGE CAP	100.00%	100.00%
MULTI-MANAGER MID CAP	100.00%	100.00%
SMALL CAP CORE	60.94%	58.61%
SMALL CAP INDEX	65.22%	62.55%
SMALL CAP VALUE	93.32%	92.41%
STOCK INDEX	100.00%	99.68%

ALTERNATIVE MINIMUM TAX

The Tax Reform Act of 1986 requires that interest income from certain municipal obligations called “private activity bonds” be included as a tax preference item for the Alternative Minimum Tax (AMT) computation on your federal tax return. Form 1099-INT (box 9) reports the tax-exempt income that is subject to AMT. The following table reports the percentage of the Fund’s distributions that are subject to the AMT. You may want to consult with a professional tax advisor to determine your exposure to the AMT.

TAX-EXEMPT FUNDS	% AMT
ARIZONA TAX-EXEMPT	2.40%
CALIFORNIA INTERMEDIATE TAX-EXEMPT	0.22%
CALIFORNIA MUNICIPAL MONEY MARKET	3.08%
CALIFORNIA TAX-EXEMPT	—
HIGH YIELD MUNICIPAL	3.91%
INTERMEDIATE TAX-EXEMPT	3.08%
MUNICIPAL MONEY MARKET	0.12%
SHORT INTERMEDIATE TAX-EXEMPT	—
TAX-ADVANTAGED ULTRA SHORT FIXED INCOME	2.17%
TAX-EXEMPT	3.89%

FOREIGN TAXES

To avoid double taxation, you are entitled to claim a foreign tax credit or take an itemized deduction, as applicable, on your federal income tax return for the foreign taxes paid by the Emerging Markets Equity Index, Global Real Estate Index*, Global Sustainability Index, International Equity, International Equity Index, Multi-Manager Emerging Markets Equity, Multi-Manager Global Real Estate* and Multi-Manager International Equity Funds during 2011. Generally, you will owe less federal income tax if you claim the foreign tax credit by filing IRS Form 1116. (For corporations, use Form 1118.)

Determining Your Credits & Deductions

Qualifying Foreign Taxes Paid: Form 1099-DIV (box 6) reports the foreign taxes paid. This is your qualifying foreign taxes paid used in Part II of Form 1116.

Gross Income from Sources Outside the U.S.: Multiply the “Foreign Source Income Factor” in the table below by the amount in box 1a of your Form 1099-DIV. This result is your gross income from sources outside the U.S. used in Part I of Form 1116.

For additional information, refer to IRS Publication 514, Foreign Tax Credit for Individuals, or call the Foreign Tax Credit Department of the IRS at 800-829-1040.

NORTHERN FUNDS	FOREIGN SOURCE INCOME
EMERGING MARKETS	0.973900
GLOBAL SUSTAINABILITY	0.656100
INTERNATIONAL EQUITY	0.986000
INTERNATIONAL EQUITY INDEX	0.995500
MULTI-MANAGER EMERGING MARKETS EQUITY	0.994100
MULTI-MANAGER INTERNATIONAL EQUITY	0.954800

*If you are an investor in the Global Real Estate Index Fund or the Multi-Manager Global Real Estate Fund, your Form 1099-DIV which will be used to report your Foreign Income Tax Credit, will be sent separately.



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P.O. BOX 75986 | CHICAGO, ILLINOIS 60675-5986 | 800-595-9111 | NORTHERNFUNDS.COM

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