

NORTHERN UPDATE

JANUARY 2015

Building Bridges

Engineering a link between active and passive investing could combine important aspects of both management styles

ALSO IN THIS ISSUE:

Winners and Losers from the Oil Price Crash: Declining prices can prove to be a slippery slope for some

Investment Strategy Commentary: 2015 Outlook—Watching our weightings

Standards Bearer: The Northern Small Cap Core Fund seeks outperformance through quality and diversification

TRUST NORTHERN FOR WHAT REALLY MATTERS



Managed by
Northern Trust

Carl Tannenbaum
Chief Economist,
Northern Trust



Winners and Losers from the Oil Price Crash

Declining prices can prove to be a slippery slope for some

Many Americans received an extra holiday gift this year: cheap gasoline. Following a 50% decline in oil prices during the latter half of last year, pump prices fell to five-year lows. This energy “dividend” provided a boost to household budgets at a welcome time.

However, the market for oil is a zero-sum game. Benefits reaped by oil consumers come at the cost of oil producers. The dramatic realignment of energy prices will prompt a significant change of fortune on both sides of this equation.

Origins of the correction

Both supply and demand factors provided the impetus for lower crude prices. Development of new reserves, aided by advanced technology, has brought millions of additional barrels to market each day. At the same time, slowing global economic growth has caused consumption to moderate. The slowing in the Chinese manufacturing sector has been among the biggest elements of this latter trend. While the onset of the correction was sudden, the forces behind it were well-established.

As prices fell, the Organization for Petroleum Exporting Countries (OPEC) was unable to stabilize them. OPEC no longer has the same control over world markets that it once did; four of the top five world oil producers are outside of the cartel. And many OPEC members need cash to fight insurgency and sustain social benefits.

Among the countries most affected by the halving of crude prices is Russia, which relies heavily on petroleum exports. The Russian economy is heading for a deep recession, and the ruble has lost a substantial portion of its value. Other leading exporters, including Iran, Mexico, Venezuela, and Nigeria, will see their revenues decline significantly, placing pressure on their national budgets.



A mixed blessing for the United States

Countries reliant on oil imports will enjoy significant benefits. Japan, India, and members of the eurozone all fall into this category. For the United States, there are entries on both sides of the ledger. Consumers will benefit, but the U.S. energy sector (which has grown substantially during the past decade) will

be hindered. Jobs may be lost, and investment in production equipment will ebb.

It is difficult to assess how all of these crosscurrents will interact. Large oil market participants often hedge their costs, so they won't be fully exposed to the new equilibrium for a while. But as reality sets in, the consequences could be significant. And not everyone will be feeling merry about them. ■

Key Economic Indicators: Northern Trust's Forecasts for 2015 (as of 1/21/15)

	2014				2015				Annual Change		
	Q1a	Q2a	Q3a	Q4f	Q1f	Q2f	Q3f	Q4f	2013a	2014f	2015f
Real Gross Domestic Product (% change, SAAR)	-2.1	4.6	5.0	3.1	2.8	2.9	3.0	3.0	2.2	2.4	3.3
Consumer Price Index (% change, annualized)	1.8	3.5	-0.1	-2.5	0.6	2.9	1.9	1.9	1.5	1.6	0.6
Civilian Unemployment Rate (% average)	6.6	6.2	6.1	5.7	5.6	5.5	5.4	5.3	7.0*	5.7*	5.3*
Federal Funds Rate	0.07	0.09	0.09	0.10	0.10	0.10	0.20	0.50	0.09*	0.10*	0.50*
2-Year Treasury Note	0.37	0.42	0.52	0.54	0.60	0.76	1.04	1.44	0.33*	0.54*	1.44*
10-Year Treasury Note	2.76	2.62	2.50	2.28	2.20	2.50	2.90	3.20	2.75*	2.28*	3.20*

a = actual; f = forecast; * = end of period; SAAR = seasonally adjusted annual rate.

COVER STORY

2 **Building Bridges**

Engineering a link between active and passive investing could combine important aspects of both management styles



DEPARTMENTS

ECONOMIC INSIGHTS

Winners and Losers from the Oil Price Crash

Declining prices can prove to be a slippery slope for some

MARKET VIEWPOINT

6 **Investment Strategy Commentary**

2015 Outlook – Watching our weightings

FUND RATINGS

12 **Morningstar Ratings Highlights**

Markets fluctuate over time, but Northern Trust has remained steadfast in its disciplined, risk-managed investment philosophy

FUND PROFILE

Standards Bearer

The Northern Small Cap Core Fund seeks outperformance through quality and diversification

61 **It's on northernfunds.com**

Visit our website for the latest Northern Funds information

NORTHERN FUNDS

A family of 47 mutual funds designed to offer investors a wide range of investment options

10 **RISK/REWARD POTENTIAL FUND INDEX**

13 **EQUITY FUNDS**

35 **FIXED-INCOME FUNDS**

WANT MORE INFORMATION?

To find out how Northern Funds can enhance your investment portfolio, contact your financial advisor or visit northernfunds.com.

Individual Investors: Call 800-595-9111

We always appreciate comments and suggestions. Please contact us at northernupdate@ntrs.com.

Before investing, you should carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds. A prospectus and summary prospectus with this and other information may be obtained at 800-595-9111 or northernfunds.com.

Mutual fund investing involves risk including the possible loss of principal. Please see individual fund pages or northernfunds.com for fund specific risk.

Northern Funds Distributors, LLC
Three Canal Plaza, Suite 100
Portland, Maine 04101

Not affiliated with Northern Trust

NOT FDIC INSURED

May lose value / No bank guarantee

At Northern Funds, we're committed to providing you with materials and information to support your understanding of our investment products. In keeping with that commitment, we regularly evaluate our client communications to ensure we are providing you with the best service in the most efficient way possible. Based on our latest findings, Northern Funds will no longer publish *Northern Update*.

All of the great content you received through *Northern Update*, in addition to timely market briefings, videos and more, is still available on our recently redesigned website, northernfunds.com. You'll find more information about our expanded website on the inside back cover.

We appreciate your ongoing commitment to Northern Funds, and we hope you visit northernfunds.com!

Sincerely,

Lloyd A. Wennlund
President
Northern Funds



This Northern Update utilized 100% vegetable oil based inks on two recycled papers containing 30% post-consumer waste. The electricity used was 100% offset with renewable energy credits generated from wind power in the U.S. The favorable environmental impact from using the high post-consumer waste content paper in lieu of virgin paper contributed to a savings of: 30,439 gallons of wastewater flow; 3,368 pounds of solid waste; 6,631 pounds net greenhouse gasses; and 50,756,475 BTUs of energy.



Building Bridges

Engineering a link between active and passive investing could combine important aspects of both management styles

To a logician, a false dichotomy is a fallacy that implies that there are only two possible answers to a single question: Left or right? Up or down? Here or there?

On the short list of false choices, “None of the above” is not an option. But in the real world of investment choices, answers are rarely so black or white.

A key question faced by shareholders is whether active or passive management might generate better risk-adjusted returns over time. The argument is academic and relevant, controversial and polarizing.

Active managers, of course, seek to outperform a market benchmark through astute stock or bond selection. At the opposite end of the spectrum,

passive managers try to match a market benchmark (less operating expenses) by owning all or a representative sample of the securities comprising it.

A middle ground

There are sound reasons for selecting either — or both — of those strategies. But that doesn’t mean that there isn’t a middle ground, a third option, one whose complimentary methodology ideally combines favorable aspects of both styles.

“Having to choose between active and passive management oversimplifies a complex and individualistic set of factors,” said Matt Peron, senior vice president and managing director of global equity at Northern Trust Asset Management. “It doesn’t have to be an

‘either/or’ decision. Active and passive strategies can complement one another.”

Indeed, claiming a middle ground between active and passive could be justified by evidence and theory. “We believe that there is a way to combine the two strategies that borrows from some of the potential advantages of each,” Peron said.

In a nutshell, the main advantage of active management lies in the ability to weed out holdings that the manager believes are less likely to outperform over time. Passive management can offer investors lower operating costs, as well as the risk-diffusing benefits of maximum diversification.

“There are strong points to both the active and passive styles,” said Peron. “So

we set out to identify strategies that could combine the best characteristics of each.”

Timely debate

The goal of linking potentially favorable aspects of the active and passive styles could be especially important now, as memories of the global credit crunch and Great Recession remain disturbingly fresh. Dampening volatility, generating income, boosting diversification and enhancing transparency have assumed greater importance to investors in the post-crisis world, especially for those in or approaching retirement age.

“Having to choose between active and passive management oversimplifies a complex and individualistic set of factors.”

Matt Peron, senior vice president and managing director of global equity for Northern Trust Asset Management

According to Peron, investors in active management strategies are seeking greater consistency and value from whatever outperformance their holdings generate. “They want to know whether the relative performance of their funds merits the risks undertaken by straying from a market benchmark,” he said.

Such concerns are understandable and, perhaps, overdue.

For example, an active manager overweighting the high-flying high-tech sector in the late 1990s would have subjected shareholders to a hyperbolic ride—and almost certainly extreme underperformance when the dot-com bubble burst.

Though skilled managers still can find pricing inefficiencies to exploit, more than three-quarters of actively managed

mutual funds nonetheless lagged their respective benchmarks during the five years through June 2014¹.

Meanwhile, the passive approach of investing in capitalization-weighted indexes is being put under the microscope as well. That’s because just matching a benchmark amid a severe downturn like the one that struck global equity markets in 2008 may be considered something of a Pyrrhic victory, or one that’s been achieved only after suffering heavy losses.

“Dampening volatility during turbulent economic times potentially could take some of the sting out of a bear market,” noted Peron. “But the key to making that happen is to understand which risks are worth taking and which ones are not.”

Expertise or good fortune?

One component of the active versus passive argument involves determining how much outperformance should be attributed to managerial skill and how much derived from just being in the right place at the right time.

Or, to adapt a well-known aphorism: What portion of an active manager’s success should be attributed to just showing up?

Importantly, performance numbers can be viewed in terms of how much risk the manager took to attain them.

“It’s really a question of whether the magnitude of any outperformance adequately compensated investors for any extra risk the manager took to get it,” said Peron, who added that most risk factors are both identifiable and quantifiable.

Risk factors

The process of identifying and quantifying those factors led Peron and his research team to dig deep into the history books. That quest began, however, with an irrefutable fact of investing life.

“There is a relationship between risk and reward,” Peron acknowledged, adding that returns from the only risk-free asset

class, U.S. Treasury Bills, would have fallen far behind those on stocks and bonds over most long periods.

Still, Peron noted that the historical relationship between risk and reward is not necessarily symmetrical or proportional.

In poring over reams of historical data, Peron and his researchers determined that the risk-adjusted returns of most actively managed funds are closely related to the biases that typically make up their security selection process.

Those biases, or risk factors, include market capitalization, relative valuation, price momentum and dividend yield. Peron said that while some risks are worth taking, others can and should be avoided, depending on personal preferences.

“We recognize that each investor has unique goals, financial circumstances and risk tolerances,” Peron said. “So it is never a matter of one size fitting all.”

But it is a matter of trying to assure that once investors have determined how much risk is appropriate for their situation, the managerial style they choose maximizes the potential return for whatever amount of risk is taken.

“Northern Trust’s engineered approach to constructing active portfolios seeks to contain risk to those categories that historically have adequately compensated investors for the amount of risk assumed,” Peron said.

Three pillars

That’s where what Peron calls “the three pillars of Engineered Equity” comes into play, laying a foundation for the bridge linking the active and passive styles.

The proprietary points of distinction that make up Northern Trust’s engineered approach to portfolio construction include:

1 Implement portfolios efficiently.

The objective of this first pillar is to give Northern Trust fund managers the tools to understand and potentially avoid

unintended risks in their value- and core-based strategies.

Unintended risks are usually “uncompensated,” and thus detract from the risk-return profile of a fund. To help mitigate that possibility, the Northern Trust global equity quantitative research team developed an efficiency ratio to measure the risk-reward impact of various factors over time.

“It’s a matter of getting paid for the amount of risk that’s been taken,” he said.

Topping the list of what might be called a “worthwhile” risk are stocks with above-average dividend yields and those with below-average price-to-earnings ratios.

In each case, of course, the equity market is waving something of a red flag.

If there weren’t concerns, a stock’s price would be higher and its dividend yield lower. Which is why, Peron said, borrowing the broad diversification that is a major characteristic of a passively managed fund is a bedrock component of Northern Trust’s engineered approach to active management.

“Since the late 1920s, value stocks have been the top-performing group,” said Peron. “But the diversification aspect is vitally important in tempering the risk that goes along with buying value.”

Peron cited the example of British Petroleum, a value stock that abruptly lost half its value following the disastrous May 2010 oil spill in the Gulf of Mexico.

“By isolating the factors that embody risk, we strive to construct actively managed portfolios that are tailored to the needs of all our shareholders,” Peron said. “Our objective is to ‘engineer out’ uncompensated risk factors.”

2 Be savvy, but straightforward.

While engineering a more refined portfolio construction process, Peron said it is important to guard against making the system overly complicated.

With that goal in mind, Northern Trust fund managers using the engineered management style rely mostly upon fundamental measures of value and quality.

However, they also drill down into each of those traditional factors and combine them in ways that could dampen volatility during periods of market stress.

3 Embrace quality.

Northern Trust’s proprietary quality factor systematically sorts businesses according to characteristics that often have been shown to generate outperformance. Typically, these are companies that have strong balance sheets, high returns on equity and management teams that are adept in deploying capital.

On the flipside, Peron said that extreme volatility is a market characteristic of lower-quality securities, as well as being a type of risk that is not worth taking on.

“Our engineered strategies generally avoid high-beta stocks (those that are

significantly more volatile than the overall market),” Peron said. “Certainly, volatility can be your friend under certain circumstances and during brief periods, but our research has shown that the potential reward of owning low-quality, volatile stocks is not worth the risk of holding them over the long haul.”

High leverage, or the amount of debt relative to equity on a company’s balance sheet, is another characteristic that often indicates lower quality. While it can be tempting to chase those types of stocks because of the potential to boost returns by using borrowed money, Peron said that too often those tactics saddle investors with large losses.

Peron acknowledged that, like highly volatile stocks, lower-quality securities sometimes outperform their sturdier counterparts. But those periods tend to be short-lived and virtually impossible to determine in advance.

Taken together, the three pillars of fund management that Peron described could provide a link between the two dominant investment styles of the last 30 years.

“Combining quality and value, for example, with broad diversification has been shown to be an effective way to merge active and passive management,” Peron said. “There really is a third and potentially better way of building portfolios for the long term.”

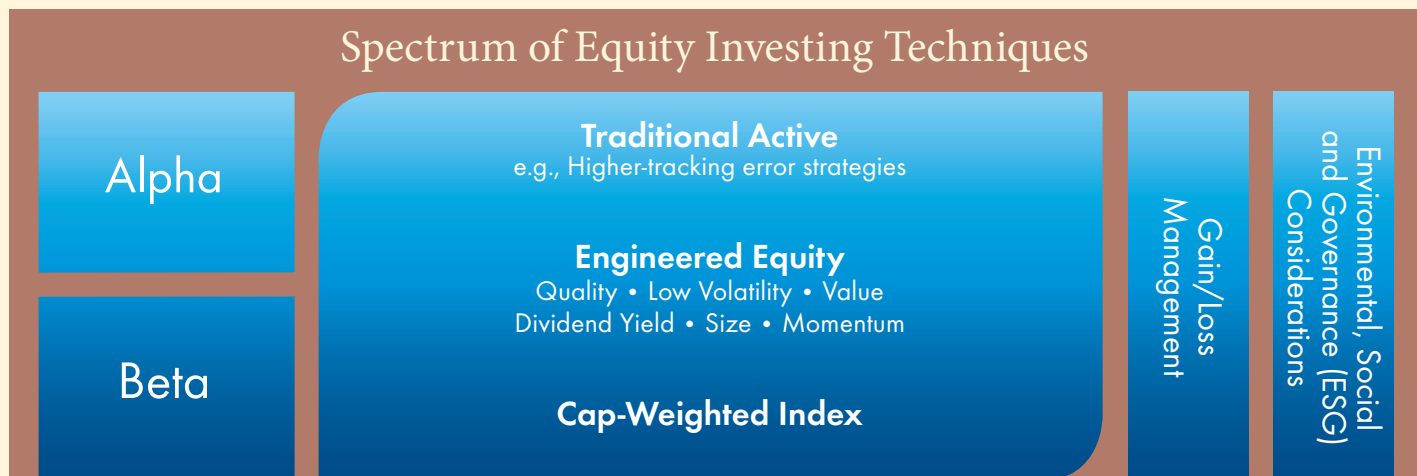
Logicians would like that answer. ■

Five Funds Driving the Active-Passive Bridge

Northern Trust has 15-plus years of experience in researching, engineering and implementing an active management strategy designed to link key characteristics of the active and passive investment styles. The strategy, based on Northern Trust’s systematic proprietary quality factor, forms the basis of portfolio construction in five Northern Trust mutual funds: Income Equity, Large Cap Value, Large Cap Core, Small Cap Core and Small Cap Value. Talk to your Northern Funds relationship manager about which of those “middle of the road” funds might best fit your needs.



A Middle Road Since the creation in 1975 of the first mutual fund designed solely to track a market benchmark—in this case, the S&P 500® Index—portfolio management has largely been segregated into one of two camps: active or passive. The debate about the relative merits of seeking outperformance through active management versus avoiding underperformance through a passive strategy has been ongoing and contentious. The “Engineered Equity” family of solutions pioneered by Northern Trust, however, seeks to combine the best aspects of each style through a rigorous, historical-based approach to risk management.



Engineered Solutions at a Glance: Factor-Based Investing Since 1994

Quality Dividend Focus	Quality Low Volatility	Quality Value Portfolio	Quality Value Momentum	Quality Small-Cap Core	Quality Small-Cap Value
Invest in high-quality, dividend-paying securities to generate outperformance and additional income.	Capture the “low volatility anomaly” by investing in high-quality securities in a risk-controlled framework.	Invest in high-quality, high-value securities to generate outperformance over time.	Identify and exploit short-term market inefficiencies using quality, value and momentum to deliver alpha through a consistent process.	Capture the “small-cap effect” through a quality-oriented, disciplined, risk- and cost-controlled investment in small- and micro-cap stocks.	Capture the “small-cap and value effects” by seeking reasonably priced, profitable small-company stocks while avoiding those showing signals of distress in a disciplined framework.
Income Equity (NOIEX)		Large Cap Value (NOLVX)	Large Cap Core (NOLCX)	Small Cap Core (NSGRX)	Small Cap Value (NOSGX)

Past performance is no guarantee of future results.

Diversification does not guarantee a profit or protect against a loss.

Equity Risk: Equity securities (stocks) are more volatile and carry more risk than other forms of investments, including investments in high-grade fixed-income securities. The net asset value per share of this Fund will fluctuate as the value of the securities in the portfolio changes.

High-Yield Risk: Although a high-yield fund’s yield may be higher than that of fixed income funds that purchase higher-rated securities, the potentially higher yield is a function of the greater risk that a high-yield fund’s share price will decline.

Interest-Rate Risk: Increases in prevailing interest rates will cause fixed-income securities, including convertible securities, held by the Fund to decline in value.

Small-Cap Risk: Small-capitalization funds typically carry additional risks since smaller companies generally have a higher risk of failure. Their stocks are subject to a greater degree of volatility, trade in lower volume and may be less liquid.

Value Risk: Value-based investments are subject to the risk that the broad market may not recognize their intrinsic value.

S&P 500® Index is an unmanaged index consisting of 500 stocks and is a widely recognized common measure of the performance of the overall U.S. stock market. It is not possible to invest directly in an index.

Alpha measures a fund’s risk-adjusted performance and represents the difference between a fund’s actual performance and its expected performance, given its level of risk.

Beta represents the systematic risk of a portfolio and measures its sensitivity to a benchmark.

Environmental, Social and Governance (ESG) three factors used to evaluate sustainability and ethical impact of an investment in a company or business.

Tracking Error measures the difference between the fund’s performance and that of the index.

¹ “Most mutual funds lag S&P 500 on one year returns.” Stan Choe. *The Denver Post*. Sept. 14, 2014.



Jim McDonald
Chief Investment Strategist, Northern Trust

Investment Strategy Commentary

2015 OUTLOOK— Watching our weightings

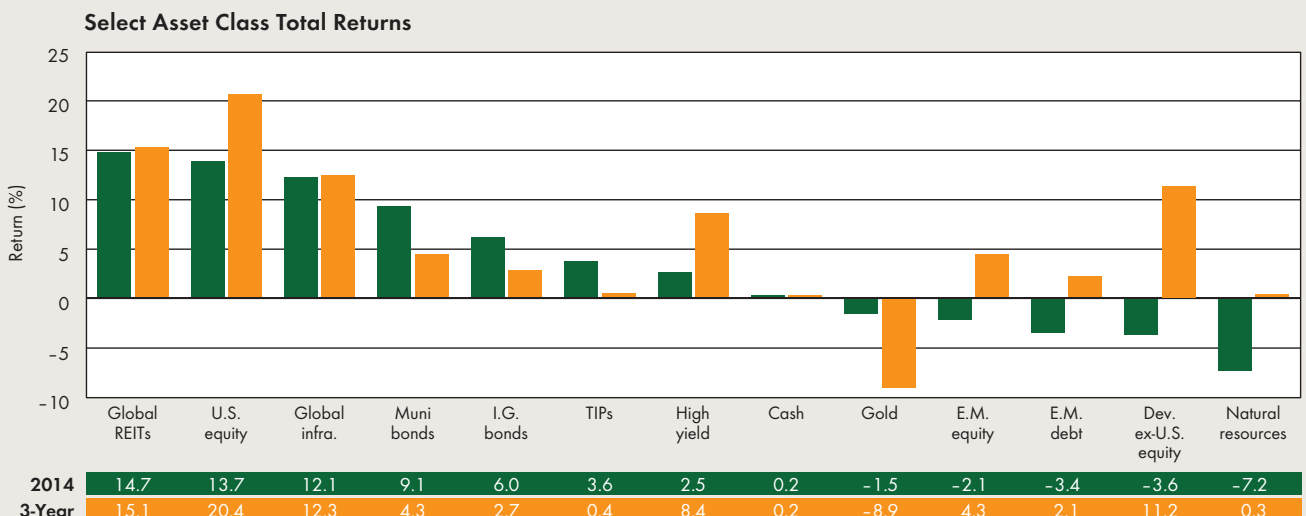
Asset class returns were much more differentiated in 2014 than in 2013, with yield-oriented assets and U.S. equities being the standout performers. We entered 2014 favoring risk, but we made several changes as the year

progressed. Global growth was modestly disappointing in 2014, with the United States having the best momentum, while Europe and Japan fell short. Inflation trends continued to undershoot forecasts, most markedly in Europe. We believe this will lead to further divergence in central bank policy in 2015, with a likely follow-through impact on currencies. While we enter 2015 with a risk position that still favors risk-taking, our risk appetite is lower than a year ago. The downgrade of our expectations for growth outside the United States is why we are watching our weightings. Our primary risk cases are the outlook for G-2 (U.S. and Chinese) economic growth, the potential for heightened financial market volatility surrounding monetary policy normalization and geopolitical risks emanating from the conflict between Russia and the West.



Yield and U.S. Equities Led the Way

Exhibit 1



Sources: Northern Trust, Bloomberg. Year-to-date and trailing three-year annualized returns through 12/31/2014.

Revisiting Our Five-Year Macro Themes

Exhibit 2

CMA Theme	What was said at the time ...	What the data show so far ...
Enduring and Maturing Global Growth	The modest pace of the post-financial crisis global expansion is expected to increase its longevity. Emerging market maturation will support the slow but steady global growth profile.	The global economy has been primarily supported by the United States, keeping global growth in a slow-but-positive trajectory. Emerging market “maturation” has disappointed investors.
Central Bank Paradox	Central bank accommodation will be offset by restricted lending while the corporate shift to technology serves as a headwind for the Fed’s full employment mandate. Policy remains dovish.	U.S. bank credit has accelerated, growing 7% in 2014, but is weak in Europe. Labor markets are still not fully healed in the United States, and are weak in Europe, supporting a dovish stance.
Developed Market Inflation Sponge	Low-inflation persists in developed markets. Despite overly accommodative monetary policy, the “Central Bank Paradox” combined with modest demand soaks up inflation pressures.	Inflation and inflation expectations continue to fall in the developed world. Even in the United States, where bank lending has accelerated, inflation sits at 1.7% and 5-year breakevens have fallen to 1.3%.
Geopolitical Risk: A Balanced Assessment	Geopolitical dynamics have entered a new stage with increased East-West tensions, but conflicts will increasingly be addressed through financial sanctions as opposed to military intervention.	The strengthening U.S. dollar may have a component of “flight to safety” but seems mostly due to central bank divergence. Risk assets—at least those in the United States—have shrugged off geopolitical concerns.
Bubble Hyperbole	Low growth and low interest rates risk a bubble environment, but fears are overblown given better financial sector health and prudent valuations in a low-interest-rate world.	Risk asset valuations continue to be elevated versus history. However, historically speculative asset classes, like high yield and emerging market equities, have been met with high scrutiny.

Source: Northern Trust Capital Market Assumptions Group. For full detail on themes, see the Northern Trust *Five-Year Outlook: 2014 Edition*.

While the Federal Reserve has ended its quantitative easing (QE) program and is contemplating its first rate hike in 2015, both the European Central Bank (ECB) and the Bank of Japan (BOJ) are conjuring up additional stimulus as disinflation is widespread and unemployment in Europe has shown little improvement. The 2014 U.S. midterm elections highlighted voters’ disaffection with political leadership. Britain, Canada and Spain are among the important elections in 2015 that are likely to further crystalize this dissatisfaction and define the political reaction. Geopolitical risks are likely to remain elevated in 2015, with plunging oil prices raising fiscal uncertainties and the Russia-Ukraine conflict unsettled.

Macro theme review

Part of our 2015 outlook is a review of how our long-term capital market assumption themes, as published each summer in our Five-Year Outlook paper, are developing. These themes drive the forward-looking portion of our “forward-looking, but historically aware” approach to strategic asset allocation (five-year time horizon). They also serve as a useful template for our (one-year time horizon) outlook and asset allocation positioning. **Exhibit 2** details five of our key themes from the 2014 edition and how those themes are progressing.

Our theme of Enduring and Maturing Global Growth is central to our strategic outlook. It continues to be in play, providing for a continuation of accommodative monetary policy, low interest rates, strong profit margins and elevated equity valuations. This supports our base case of equity market

appreciation in line with revenue growth and our belief in a moderate overweight to risk assets. At risk, however, is our expectation for “maturing” emerging market growth — wherein concerns over a faster pace of slowdown impair the outlook for emerging market equities. U.S. bank credit has overcome some of the regulatory obstacles noted in Central Bank Paradox, but inflation is steady and inflation expectations have fallen — so far validating the Developed Market Inflation Sponge theme. We remain slightly cautious with real assets given the disinflationary environment, but we are cognizant that our balanced assessment of geopolitical risks may be too benign, as social unrest in oil-exporting emerging markets may increase geopolitical concerns. Fears over bubbles have proven to be mostly hyperbole thus far with elevated valuations justified given the interest rate environment.



Fixed income

When thinking about the outlook for interest rates, we focus on both traditional drivers (the outlook for growth and inflation) and also technical factors (other factors affecting the supply or demand for fixed income). The sluggish global growth environment, alongside benign inflation data, has supported global fixed income for the last several years. In addition, the quantitative easing programs of the Fed, BOE and BOJ have suppressed global rates, and the ECB has also contributed to the low rate environment — although they have yet to actually implement QE. With our muted growth expectations for both Europe and Japan in place for 2015, we see little upside risk to their interest rates. This highlights the relative attractiveness of rates in Australia, the United States and the United Kingdom (as shown in **Exhibit 3**). This helps address the question of who will step in to buy U.S. bonds now that the Fed has completed its QE program. To wit, foreign investors bought \$284 billion of U.S. Treasuries in the first nine months of 2014, compared with just \$83 billion in the same period during 2013. We think the relative attractiveness of U.S. yields limits the upside risk to U.S. rates during the next several years.

We do not expect a serious negative reaction in bond prices to the

commencement of the tightening cycles in the United States or the United Kingdom. We believe both central banks will have sufficient latitude to be patient in their pace of rate hikes, and we expect the eventual rate hikes will be less than that priced into current bond prices. This should set the stage for continued positive investment returns from investment-grade bonds as was experienced during the 1986, 1988 and 2004 rate hike cycles (see **Exhibit 3**). In the U.S. municipal bond market, last year's undervaluation has been rectified through the market-leading 9% return of municipal bonds. With municipal credit spreads remaining tight, we favor higher-quality issuers going into 2015. The recent increase in U.S. high-yield spreads has boosted the current yield-to-worst to 7.1%. We think this creates sufficient cushion for the eventual default and restructuring of some high-leveraged energy company bonds.

Equities

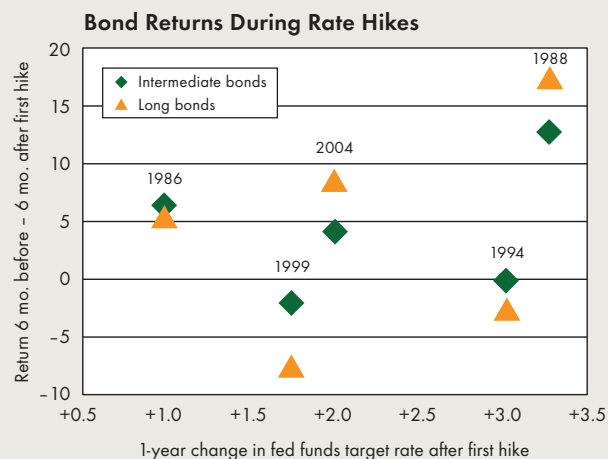
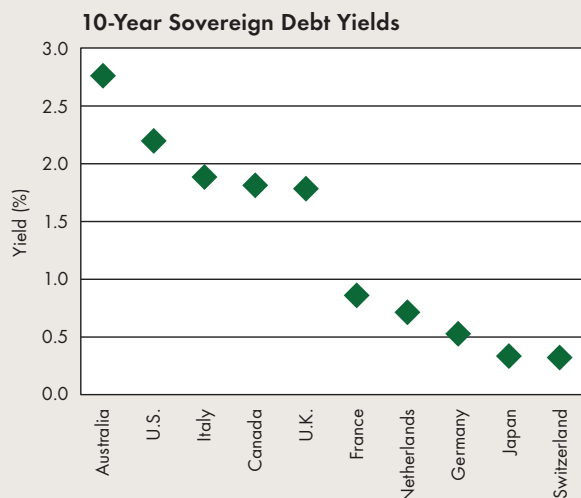
The year 2014 appears to have ended up similarly to 2013, in that U.S. equities led the developed and emerging markets. However, it was a much tougher market environment as the easy multiple expansion of 2013 is behind us. The bull market that began in October 2011

led to significant valuation expansion, as is typically the case, and further advances will rely on earnings growth and dividends. As long as growth remains good, but not great, corporate management teams will likely continue to use their excess capital for dividend increases and share repurchases. The S&P 500 Index price-to-earnings ratio reached 18.3 at the end of November (surpassing the historic median of 16.6), but the current dividend yield of 2.0% looks reasonable compared with the 10-year Treasury yield of 2.12%. These comparisons grow more extreme in Europe and Japan, where dividend yields of 3.8% in Europe compare with the German 10-year at 0.54% and Japanese yields of 1.5% also dwarf their 10-year yields of 0.32%. Our base case forecast for 2015 is for little valuation change, with the S&P 500 outperforming emerging markets, and emerging markets outperforming developed markets outside the United States. It is important to note that these forecasts assume constant currency values — and if the dollar keeps rallying, the markets outside the United States will see a commensurate reduction in their dollar-based returns.

A key question investors are wrestling with is how stocks will perform once central bank policy starts to normalize.

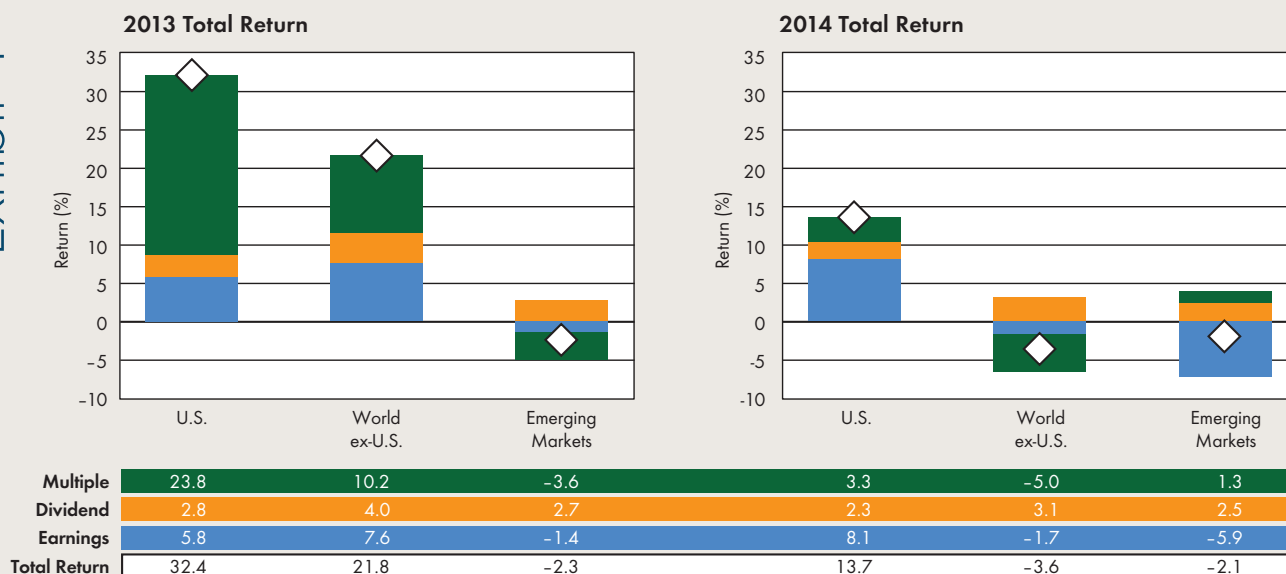
The U.S. Will Be the First to Move

Exhibit 3



Sources: Northern Trust, Barclays, Bloomberg. Left panel: yields as of 12/31/2014. Right panel: intermediate bonds: Barclays U.S. Government/Credit Index; long bonds: Barclays U.S. Long Government/Credit Index.

Exhibit 4



Sources: Northern Trust, FactSet, Bloomberg; data through 12/31/2014.

With the Fed first up to raise rates, we can use it as a template for other developed markets. In the last five rate cycles, U.S. stocks generated a positive return four times in the one-year period that commenced six months before the first rate hike (this accounts for the discounting mechanism in the stock market). The one exception was the 1988 rate cycle, for which the performance timeframe captures the 1987 crash that was unrelated to the rate cycle. We think that the Fed will only increase interest rates in an environment of durable growth, and will be unlikely to surprise the markets. Therefore, while the rate hikes could increase volatility in the markets, they should not derail equity prices in an expanding economy.

Conclusion

There are three key themes that are driving our asset allocation views for 2015. First, we have conviction that U.S. assets are attractive in the current environment. U.S. growth is outpacing its peers, the central bank is gaining confidence to start normalizing policy, and the United States is a geopolitical safe haven. Second, we see divergent growth patterns due to uncoordinated global policy. This may lead to increased volatility, but it will also push monetary policy toward accommodation and keep interest rates low. Finally, the continuing low interest rate environment means there is a high bar for taking out portfolio insurance by investing in cash or short duration bonds.

What kind of market environment may unfold in 2015? We do expect an

increase in volatility tied to the continued upheaval in the oil markets and also driven by expectations toward rate hikes from the Fed and the Bank of England. Slowing growth in Europe, Japan and China is why we are watching our weightings as we enter the new year. We think the recent increase in yields in U.S. high-yield bonds improves their prospective returns. We believe this outlook justifies a favorable view of U.S. high-yield bonds, especially as the return potential is above what we expect from developed non-U.S. and emerging market equities. An unexpected downturn from U.S. or Chinese growth remains our primary risk case, along with concerns about Russian/Western relations and market volatility stemming from monetary policy developments. ■

Barclays Capital U.S. Government/Credit Index includes securities in the Government and Credit Indices. The Government Index includes treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year) and agencies (i.e., publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government). The Credit Index includes publicly issued U.S. corporate and foreign

debentures and secured notes that meet specified maturity, liquidity, and quality requirements.

Barclays Capital U.S. Long Government/Credit Index is the Long component of the U.S. Government/Credit index—including debt issuance with maturities greater than 10 years.

S&P 500® Index is an unmanaged index consisting of 500 stocks and is a widely recognized common measure of the

performance of the overall U.S. stock market.

It is not possible to invest directly in an index.

Price-to-Book Ratio is a ratio used to compare a stock's market value to its book value. It is calculated by dividing the current price of the stock by the latest quarter's book value per share.

Yield-to-maturity is the rate of return anticipated on a bond if it is held until the maturity date.

NORTHERN FUNDS PERFORMANCE

EQUITY AND FIXED INCOME FUNDS

HIGHER
RISK/
REWARD

GROWTH

INCOME

LIQUIDITY

LOWER
RISK/
REWARD

			TOTAL RETURNS AS OF 12/31/14*			
	PAGE	TICKER SYMBOL	YEAR-TO-DATE	1-YEAR	5-YEAR	10-YEAR
INTERNATIONAL EQUITIES & SECTOR FUNDS						
Multi-Manager Emerging Markets Equity	17	NMMEX	-4.22%	-4.22%	3.12%	—
Emerging Markets Equity Index	northernfunds.com	NOEMX	-3.34%	-3.34%	1.26%	—
Technology	northernfunds.com	NTCHX	16.05%	16.05%	14.13%	6.88%
Multi-Manager Global Real Estate	21	NMMGX	11.72%	11.72%	9.74%	—
Global Real Estate Index	northernfunds.com	NGREX	13.44%	13.44%	10.18%	—
Multi-Manager Global Listed Infrastructure	19	NMFI	7.62%	7.62%	—	—
International Equity	northernfunds.com	NOIGX	-7.08%	-7.08%	5.10%	4.57%
Multi-Manager International Equity	23	NMIE	-5.81%	-5.81%	4.09%	—
International Equity Index	northernfunds.com	NOINX	-5.79%	-5.79%	5.06%	—
Global Sustainability Index	northernfunds.com	NSRIX	4.56%	4.56%	9.80%	—
SMALL- & MEDIUM-CAPITALIZATION EQUITY FUNDS						
Small Cap Value	33	NOSGX	7.07%	7.07%	15.54%	8.22%
Small Cap Core	31	NSGRX	6.54%	6.54%	16.22%	8.98%
Multi-Manager Small Cap	29	NMMSX	3.98%	3.98%	14.43%	—
Small Cap Index	northernfunds.com	NSIDX	4.69%	4.69%	15.28%	7.48%
Multi-Manager Mid Cap	27	NMMCX	6.92%	6.92%	14.84%	—
Mid Cap Index	northernfunds.com	NOMIX	9.60%	9.60%	16.29%	—
INCOME & LARGE-CAPITALIZATION EQUITY FUNDS						
Large Cap Equity	northernfunds.com	NOGEX	10.43%	10.43%	14.01%	6.85%
Large Cap Value	northernfunds.com	NOLVX	10.61%	10.61%	12.02%	5.65%
Multi-Manager Large Cap	25	NMMLX	9.61%	9.61%	13.67%	—
Large Cap Core	northernfunds.com	NOLCX	13.84%	13.84%	15.90%	—
Stock Index	northernfunds.com	NOSIX	13.55%	13.55%	15.27%	7.46%
Income Equity	15	NOIE	9.28%	9.28%	12.33%	8.00%
ASSET ALLOCATION FUND						
Global Tactical Asset Allocation	13	BBALX	2.14%	2.14%	7.56%	4.81%
LONGER-TERM, GLOBAL & HIGH YIELD BOND FUNDS						
Multi-Manager Emerging Markets Debt Opportunity	northernfunds.com	NMEDX	-2.34%	-2.34%	—	—
Multi-Manager High Yield Opportunity	47	NMHYX	1.94%	1.94%	7.73%	—
High Yield Fixed Income	41	NHFIX	2.11%	2.11%	8.32%	6.19%
High Yield Municipal	43	NHYMX	12.42%	12.42%	6.62%	3.68%
California Tax-Exempt	35	NCATX	12.36%	12.36%	6.96%	5.35%
Arizona Tax-Exempt	northernfunds.com	NOAZX	8.81%	8.81%	5.06%	4.39%
Tax-Exempt	57	NOTEX	10.47%	10.47%	5.19%	4.63%
U.S. Treasury Index	northernfunds.com	BTIAX	4.87%	4.87%	3.68%	4.21%
SHORT- & INTERMEDIATE-TERM BOND FUNDS						
Fixed Income	39	NOFIX	6.19%	6.19%	4.98%	4.58%
Bond Index	northernfunds.com	NOBOX	5.93%	5.93%	4.25%	—
Core Bond	37	NOCBX	6.10%	6.10%	4.98%	4.95%
California Intermediate Tax-Exempt	northernfunds.com	NCITX	8.02%	8.02%	4.85%	3.94%
Intermediate Tax-Exempt	45	NOITX	6.85%	6.85%	4.06%	3.88%
Short-Intermediate Tax-Exempt	51	NSITX	1.38%	1.38%	1.43%	—
U.S. Government	northernfunds.com	NOUGX	2.32%	2.32%	2.36%	3.18%
Short Bond	49	BSBAX	0.59%	0.59%	2.03%	2.92%
Short-Intermediate U.S. Government	53	NSIUX	0.94%	0.94%	1.40%	2.54%
Ultra-Short Fixed Income	59	NUSFX	0.55%	0.55%	1.23%	—
Tax-Advantaged Ultra-Short Fixed Income	55	NTAUX	0.52%	0.52%	0.97%	—

MONEY MARKET FUNDS

				TOTAL RETURNS AS OF 12/31/14*			
	PAGE	TICKER SYMBOL	INCEPTION DATE	YEAR-TO-DATE	1-YEAR	10-YEAR	SINCE INCEPTION
MONEY MARKET FUNDS							
California Municipal Money Market	northernfunds.com	NOCXX	11/29/94	0.01%	0.01%	0.96%	1.65%
Municipal Money Market	northernfunds.com	NOMXX	4/11/94	0.02%	0.02%	1.00%	1.76%
Money Market	northernfunds.com	NORXX	4/11/94	0.01%	0.01%	1.41%	2.71%
U.S. Government Select Money Market	northernfunds.com	NOSXX	12/12/94	0.01%	0.01%	1.34%	2.56%
U.S. Government Money Market	northernfunds.com	NOGXX	4/11/94	0.01%	0.01%	1.37%	2.64%

SINCE INCEPTION	YIELDS			1-YEAR AVERAGE ANNUAL AS OF DECEMBER 31			GROSS EXPENSE RATIO	NET EXPENSE RATIO	INCEPTION DATE
	30-DAY SEC WITH WAIVER	30-DAY SEC W/O WAIVER	TAX-EQUIVALENT	2013	2012	2011			
15.86%	—	—	—	0.44%	19.75%	-17.73%	1.41%	1.36%	11/19/08
3.01%	—	—	—	-3.03%	18.80%	-19.17%	0.34%	0.30%	4/25/06
8.89%	—	—	—	21.91%	13.40%	-2.72%	1.35%	1.25%	4/1/96
18.14%	—	—	—	1.87%	27.99%	-7.02%	1.19%	1.11%	11/19/08
3.10%	—	—	—	1.70%	29.44%	-8.93%	0.53%	0.50%	7/26/06
14.25%	—	—	—	24.28%	—	—	1.04%	1.01%	9/18/12
4.79%	—	—	—	24.12%	17.88%	-13.10%	1.17%	1.06%	4/1/94
2.13%	—	—	—	15.77%	17.76%	-15.14%	1.25%	1.21%	6/22/06
4.03%	—	—	—	21.74%	18.68%	-12.62%	0.31%	0.26%	3/22/05
4.62%	—	—	—	27.28%	15.15%	-5.68%	0.40%	0.30%	3/5/08
10.48%	—	—	—	36.44%	13.78%	-0.60%	1.26%	1.01%	4/1/94
7.43%	—	—	—	38.78%	17.12%	-2.49%	0.86%	0.75%	9/30/99
6.78%	—	—	—	39.59%	14.31%	-5.07%	1.17%	1.11%	6/22/06
7.83%	—	—	—	38.65%	16.20%	-4.49%	0.19%	0.15%	9/3/99
8.33%	—	—	—	35.40%	14.41%	-2.99%	1.05%	1.01%	6/22/06
9.63%	—	—	—	33.24%	17.76%	-2.05%	0.18%	0.15%	3/22/05
8.12%	—	—	—	29.53%	19.63%	-2.23%	0.95%	0.85%	4/1/94
6.36%	—	—	—	35.59%	13.85%	-8.91%	1.05%	0.86%	8/3/00
5.95%	—	—	—	32.04%	13.23%	0.06%	0.94%	0.91%	10/17/07
7.42%	—	—	—	36.27%	14.51%	4.13%	1.24%	0.62%	12/16/05
7.65%	—	—	—	32.23%	15.86%	1.89%	0.12%	0.10%	10/7/96
8.81%	2.37%	2.18%	—	24.85%	10.61%	2.18%	1.10%	1.00%	4/1/94
6.35%	—	—	—	11.58%	14.02%	-0.01%	0.87%	0.66%	7/1/93
-1.72%	5.24%	5.04%	—	—	—	—	1.29%	0.97%	12/3/13
8.06%	5.92%	5.73%	—	6.67%	16.65%	1.41%	1.00%	0.91%	9/23/09
6.15%	6.39%	6.30%	—	7.68%	15.08%	3.75%	0.82%	0.81%	12/31/98
3.94%	3.81%	3.69%	6.73%	-4.45%	12.49%	11.47%	0.85%	0.80%	12/31/98
5.80%	2.61%	2.27%	5.88%	-2.96%	9.58%	15.15%	0.62%	0.46%	4/8/97
5.04%	2.51%	2.17%	4.82%	-2.50%	6.28%	11.60%	0.57%	0.45%	10/1/99
5.34%	2.94%	2.72%	5.19%	-3.64%	7.94%	11.85%	0.50%	0.46%	4/1/94
5.47%	1.19%	0.88%	—	-2.90%	1.71%	9.60%	0.25%	0.15%	1/11/93
5.50%	2.62%	2.49%	—	-1.49%	7.16%	7.22%	0.48%	0.46%	4/1/94
4.70%	2.07%	1.92%	—	-2.29%	4.06%	7.63%	0.18%	0.16%	2/27/07
5.09%	2.07%	1.85%	—	-2.08%	6.69%	7.91%	0.57%	0.42%	3/29/01
4.48%	1.83%	1.61%	4.13%	-2.33%	6.08%	10.14%	0.50%	0.46%	10/1/99
4.49%	1.67%	1.45%	2.94%	-2.22%	5.02%	10.09%	0.50%	0.46%	4/1/94
2.46%	0.48%	0.30%	0.85%	0.08%	1.25%	3.30%	0.49%	0.46%	8/22/07
4.43%	0.68%	0.00%	—	-3.31%	2.75%	5.77%	0.72%	0.44%	4/1/94
4.30%	1.48%	1.32%	—	0.59%	3.07%	2.27%	0.45%	0.41%	1/11/93
3.36%	0.40%	0.19%	—	-2.10%	2.16%	2.75%	0.49%	0.43%	10/1/99
1.37%	0.73%	0.63%	—	0.78%	2.43%	0.87%	0.27%	0.25%	6/18/09
1.11%	0.51%	0.42%	—	0.75%	1.36%	0.94%	0.26%	0.25%	6/18/09

The tax-equivalent 30-Day SEC yields are based on an assumed tax rate of 47.9% for Arizona, 55.7% for California and 43.4% for national municipal funds.

*Total return is annualized for periods greater than one year.

Northern Funds include contractual expense reimbursements that if not extended, will end on July 31, 2015. All Northern Funds' money market funds also include voluntary expense reimbursements that may change or end at anytime. In the absence of expense reimbursements, total return and yield would be lower.

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 at northernfunds.com. An investment in the money market funds is not insured or guaranteed by the FDIC or any other governmental agency. Although the money market funds seek to maintain a value of \$1.00 per share, it is possible to lose money.

SEVEN-DAY YIELD AS OF 12/31/14

CURRENT	EFFECTIVE	CURRENT TAX-EQUIVALENT	CURRENT W/O FEE WAIVER
0.01%	0.01%	0.02%	-0.31%
0.01%	0.01%	0.02%	-0.29%
0.01%	0.01%	—	-0.17%
0.01%	0.01%	—	-0.24%
0.01%	0.01%	—	-0.25%



NORTHERN FUNDS

as of 12/31/14

Morningstar Ratings Highlights

Northern Trust has built a tradition of strength and stability in investment management. Markets fluctuate over time, but we have remained steadfast in our disciplined, risk-managed investment philosophy.

Fund Name Ticker Symbol	Morningstar Category	Overall Rating	3-Year Rating	5-Year Rating	10-Year Rating
		# of funds in category			
Equity					
Income Equity ^{1,9,10} NOIEX	Large Value	★★★★ 1,106	★★ 1,106	★★★ 975	★★★★★ 666
Large Cap Core ¹ NOLCX	Large Value	★★★★★ 1,106	★★★★★ 1,106	★★★★★ 975	—
Mid Cap Index ^{1,5,6} NOMIX	Mid-Cap Blend	★★★★ 311	★★★ 311	★★★★ 268	—
Multi-Manager Emerging Markets Equity ^{1,8} NMMEX	Diversified Emerging Markets	★★★★ 521	★★★ 521	★★★★ 341	—
Small Cap Core ^{1,11} NSGRX	Small Blend	★★★★ 624	★★★★★ 624	★★★★★ 567	★★★★★ 362
Small Cap Value ^{1,11,12} NOSGX	Small Value	★★★★ 352	★★★ 352	★★★★★ 281	★★★★★ 194
Stock Index ^{1,6} NOSIX	Large Blend	★★★★★ 1,336	★★★★★ 1,336	★★★★★ 1,193	★★★★★ 812
Fixed Income					
California Tax-Exempt ^{2,3,4,7} NCATX	Municipal California Long	★★★★ 132	★★★ 132	★★★ 127	★★★★★ 107
Core Bond ^{2,13} NOCBX	Intermediate-Term Bond	★★★★ 913	★★★ 913	★★★★ 807	★★★★★ 588

Past performance is no guarantee of future results. Ratings reflect fee waivers in effect; in their absence, ratings may have been lower. Due to ongoing market volatility, the Funds may have experienced negative returns for the time periods shown. For complete performance information, please visit northernfunds.com. Mutual fund investing involves risk, including loss of principal. Please see risk disclosure below for important fund-specific risks.

- Equity Risk:** Equity securities (stocks) are more volatile and carry more risk than other forms of investments, including investments in high-grade fixed-income securities. The net asset value per share of this Fund will fluctuate as the value of the securities in the portfolio changes.
- Bond Risk:** Bond funds will tend to experience smaller fluctuations in value than stock funds. However, investors in any bond fund should anticipate fluctuations in price, especially for longer-term issues and in environments of rising interest rates.
- Tax-Free/AMT Risk:** Tax-exempt funds' income may be subject to certain state and local taxes and, depending on your tax status, the federal alternative minimum tax.
- Regional-Investment Risk:** The geographical concentration of portfolio holdings in a fund may involve increased risk.
- Mid-Cap Risk:** Mid-capitalization stocks typically carry additional risk, since smaller companies generally have higher risk of failure and, historically, their stocks have experienced a greater degree of volatility.
- Index Fund Risk:** The performance of the Fund is expected to be lower than that of the Index because of Fund fees and expenses. It is important to remember that there are risks associated with index investing, including the potential risk of market decline, as well as the risks associated with investing in specific companies.
- Non-Diversified Risk:** The Fund invests in a smaller number of securities than the average mutual fund. The change in value of a single holding may have a more pronounced effect on the Fund's net asset value and performance than for other funds.
- Emerging and Frontier Markets Risk:** Emerging and frontier market investing may be subject to additional economic, political, liquidity and currency risks not associated with more developed countries. Additionally, frontier countries generally have smaller economies or less developed capital markets than traditional emerging markets and, as a result, the risks of investing in emerging market countries are magnified in frontier countries.
- High-Yield Risk:** Although a high-yield fund's yield may be higher than that of fixed-income funds that purchase higher-rated securities, the potentially higher yield is a function of the greater risk that a high-yield fund's share price will decline.
- Interest-Rate Risk:** Increases in prevailing interest rates will cause fixed income securities, including convertible securities, held by the Fund to decline in value.
- Small-Cap Risk:** Small-capitalization funds typically carry additional risks since smaller companies generally have a higher risk of failure. Their stocks are subject to a greater degree of volatility, trade in lower volume and may be less liquid.
- Value Risk:** Value-based investments are subject to the risk that the broad market may not recognize their intrinsic value.
- Mortgage-Backed Securities Risk:** Mortgage-backed investments involve risk of loss due to prepayments and, like any bond, due to default. Because of the sensitivity of mortgage-related securities to changes in interest rates, the Fund's performance may be more volatile than if it did not hold these securities.

Star ratings are based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The overall rating is a weighted average of the 3-, 5- and 10-year (if applicable) returns. 5 stars = top 10% of funds in an asset category; 4 stars = next 22.5% of funds; 3 stars = next 35%; 2 stars = next 22.5% and 1 star = next 10%. A fund must be in existence three years to be rated. Ratings are subject to change monthly.

©2015 Morningstar, Inc. All rights reserved. Morningstar and/or its content providers are the proprietors of this information; do not permit its unauthorized copying or distribution; do not warrant it to be accurate, complete or timely; and are not responsible for damages or losses arising from its use.

Northern Funds GLOBAL TACTICAL ASSET ALLOCATION FUND

4Q2014

BBALX/ASSET ALLOCATION

FUND FACTS

Fund Objective: Capital Appreciation and Current Income
Inception Date: July 1, 1993
Ticker Symbol: BBALX
Gross Expense Ratio: 0.87%¹
Net Expense Ratio: 0.66%¹
Dividend Schedule: Quarterly
Benchmark: Asset Allocation Blend Index
Morningstar Category: Moderate Allocation

FUND CHARACTERISTICS

Total Net Assets: \$78 million
Number of Holdings: 12
Annual Portfolio Turnover: 23.95% (as of 3/31/14)

RISK CHARACTERISTICS

	Fund	Benchmark ²
Beta	1.06	1.00
Up Market Capture	102.75	100.00
Down Market Capture	112.49	100.00
Information Ratio	-0.27	0.00

Above risk characteristics are based on 3-year time period.

FUND STRATEGY

- Diversify among various asset classes (stocks, bonds, commodities, and other) both domestic and foreign. The allocation will be based on an asset allocation framework developed by the Investment Policy Committee of The Northern Trust Company (TNTC) and Northern Trust Investments, Inc. (NTI).
- Invest significantly in funds that invest in companies that are located outside of the U.S. as represented in either the MSCI EAFE[®] Index, MSCI Emerging Markets IndexSM or other diversified foreign indices.
- Monitor the current asset allocation framework regularly to ensure the allocation is aligned with evolving investment views amid changing market and economic conditions.

ASSET ALLOCATION WEIGHTINGS

Asset Class	Investment Vehicle	Weight
U.S. EQUITY	FlexShares [®] Morningstar US Market Factor TILT Index Fund	16.1%
	FlexShares [®] US Quality Dividend Index Fund	16.1%
NON U.S. EQUITY - DEVELOPED	FlexShares [®] Morningstar Dev Ex-US Market Factor TILT Index Fund	3.9%
	FlexShares [®] Dev Ex-US Quality Dividend Index Fund	7.8%
NON U.S. EQUITY - EMERGING MARKETS	FlexShares [®] Morningstar Emerging Market Factor TILT Index Fund	3.9%
GLOBAL REAL ESTATE	NF Global Real Estate Index Fund	3.0%
U.S. BONDS - HIGH YIELD	NF High Yield Fixed Income Fund	12.8%
U.S. BONDS - INVESTMENT GRADE	NF Bond Index Fund	26.8%
U.S. BONDS - INFLATION PROTECTED	FlexShares [®] iBoxx 5-Year Target Duration TIPS Index Fund	4.0%
COMMODITIES/NATURAL RESOURCES	FlexShares [®] Morningstar Global Upstream Natural Resources Index Fund	2.0%
GLOBAL INFRASTRUCTURE	FlexShares [®] STOXX Global Broad Infrastructure Index Fund	3.0%
CASH	NIF Diversified Assets Portfolio	0.6%
TOTAL		100.0%

PERFORMANCE as of 12/31/14

FUND	ANNUALIZED						
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
FUND	0.32%	2.14%	2.14%	9.13%	7.56%	4.81%	6.35%
ASSET ALLOCATION BLEND INDEX ²	0.98%	4.97%	4.97%	9.55%	7.56%	5.89%	6.92%
INTERNAL REFERENCE BENCHMARK ³	0.63%	4.54%	4.54%	8.61%	7.51%	—	—
MORNINGSTAR CATEGORY AVG MODERATE ALLOCATION	1.87%	6.21%	6.21%	11.72%	9.43%	5.93%	—

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 Advisor has agreed to reimburse certain expenses of the Fund (excluding acquired fund fees and expenses; a portion of the compensation paid to each Trustee who is not an officer, director or employee of Northern Trust Corporation or its subsidiaries; expenses related to third-party consultants engaged by the Board of Trustees of the Trust; membership dues paid to the Investment Company Institute and Mutual Fund Directors Forum; extraordinary expenses; and interest, if any) to the extent the "Total Annual Fund Operating Expenses" exceed 0.25%. The contractual limitation may not be terminated before July 31, 2015 without the approval of the Board of Trustees. In the absence of fee waivers, yield, total return, growth since inception and dividends would have been reduced. Total return is based on net change in NAV assuming reinvestment of distributions.

Asset Allocation Risk: An asset allocation strategy does not guarantee any specific result or profit nor protect against a loss. **Equity Risk:** Equity securities (stocks) are more volatile and carry more risk than other forms of investments, including investments in high-grade fixed-income securities. The net asset value per share of this Fund will fluctuate as the value of the securities in the portfolio changes. **Interest Rate Risk:** Increases in prevailing interest rates will cause fixed-income securities, including convertible securities, held by the Fund to decline in value. **International Risk:** International investing involves increased risk and volatility.

Please see back page for calendar year returns, index definitions and investment terms.

NOT FDIC INSURED

May lose value/No bank guarantee

SECTOR WEIGHTINGS (Equity Holdings)

Economic Sector	Fund	Benchmark ²
Financials	25.5%	—
Information Technology	11.9%	—
Industrials	10.9%	—
Consumer Discretionary	10.5%	—
Energy	9.1%	—
Health Care	8.2%	—
Consumer Staples	7.2%	—
Materials	6.8%	—
Utilities	5.8%	—
Telecommunication Services	4.1%	—
TOTAL	100.0%	—

ASSET ALLOCATION

Stocks	47.8%
Bonds	43.6%
Real Assets	8.0%
Cash	0.6%
TOTAL	100.0%

All data is as of date indicated and subject to change.

¹ 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, 2015.

² **Asset Allocation Blend Index** consists of 60% MSCI All Country World Index and 40% Barclays U.S. Aggregate Bond Index. It is not possible to invest directly in an index.

³ **Internal Reference Benchmark** represents the strategic asset allocation weights assigned annually by the Investment Policy Committee — the baseline from which the portfolio managers tactically allocate within the fund. As of July 1, 2014, the benchmark consists of 34% Barclays U.S. Aggregate Bond Index, 21% MSCI U.S. IMI, 17% MSCI World ex. USA IMI, 7% MSCI Emerging Markets IMI, 4% Barclays U.S. TIPS Index, 3% Barclays EM Local Currency Government Diversified Index, 3% Barclays U.S. Corporate High Yield 2% Issuer Capped, 3% FTSE® EPRA®/NAREIT® Global Index, 3% Morningstar Global Upstream Natural Resources Index, 3% S&P Global Infrastructure Index and 2% iMoneyNet Fund Avg. – First Tier Institutional. It is not possible to invest directly in an index.

PORTFOLIO MANAGERS



BOB BROWNE, CFA® | Began career in 1989 | *With Northern Trust since 2009*
Mr. Browne holds a B.A. with a major in economics from the College of the Holy Cross. He also has a Masters in international business studies from the University of South Carolina. He is an active CFA charterholder.

DANIEL J. PHILLIPS, CFA® | Began career in 2005 | *With Northern Trust since 2005*
Mr. Phillips received a BBA in finance and economics from the University of Iowa and an MBA in finance, economics and international business from the University of Chicago. He is an active CFA charterholder.

JIM MCDONALD | Began career in 1981 | *With Northern Trust since 2001*
Mr. McDonald received a BBA from the University of Michigan and an MBA with high distinction from Babson College. He is a member of the CFA Society Chicago and a registered CPA in the state of Michigan.

CALENDAR YEAR RETURNS

	2014	2013	2012	2011	2010
FUND	2.14%	11.58%	14.02%	-0.01%	10.80%
ASSET ALLOCATION BLEND INDEX ²	4.97%	12.35%	13.09%	1.28%	13.05%
INTERNAL REFERENCE BENCHMARK ³	4.54%	9.06%	12.37%	-0.05%	12.19%
MORNINGSTAR CATEGORY AVG MODERATE ALLOCATION	6.21%	16.48%	11.72%	-0.11%	11.83%

Performance quoted represents past performance and does not guarantee future results.

Barclays Emerging Markets Local Currency Government Diversified Index measures the performance of fixed-rate local currency sovereign debt of emerging market countries. The Index includes government bonds issued by countries outside the United States, in local currencies, that have a remaining maturity of one year or more and are rated B3/B-/B- or higher. **Barclays U.S. Aggregate Bond Index** is an unmanaged index of prices of U.S. dollar-denominated, fixed rate, taxable, investment-grade fixed-income securities with remaining maturities of one year and longer. **Barclays U.S. Corporate High Yield 2% Issuer Capped Index** is an unmanaged index that measures the market of U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bonds. It is a version of the Barclays High Yield Corporate Bond Index except it limits its exposure of each issuer to 2% of the total market value and redistributes any excess market value Index-wide on a pro-rata basis. **Barclays U.S. Treasury Inflation Protected Securities (TIPS) Index** is a rules-based, market value-weighted index that tracks inflation-protected securities issued by the U.S. Treasury. **FTSE® EPRA®/NAREIT® Global Index** is a free float, market capitalization-weighted real estate index designed to represent publicly traded equity REITs and listed property companies in 38 countries worldwide, covering both the developed and emerging markets. **iMoneyNet Fund Avg. – First Tier Institutional Category** includes only non-government institutional funds that also are not holding any second tier securities. Portfolio holdings of first tier funds include U.S. Treasury, U.S. other, repos, time deposits, domestic bank obligations, foreign bank obligations, first tier CP, floating rate notes and asset-backed commercial paper. **Morningstar Global Upstream Natural Resources Index** measures the performance of stocks issued by companies that have significant business operations in the ownership, management and/or production of natural resources in energy, agriculture, precious or industrial metals, timber and water resources sectors as defined by Morningstar's industry classification standards. Individual stock weights as well as category and regional exposure are capped to provide diversified exposure. **MSCI All Country World Index** is a free float-adjusted market capitalization index that is designed to measure the equity performance of large and mid cap securities in the global developed and emerging markets. **MSCI Emerging MarketsSM Investable Markets Index (IMI)** is a free float-adjusted market capitalization index that is designed to measure equity market performance of large, mid, and small cap securities in the global emerging markets. **MSCI United States Investable Markets Index (IMI)** is a free float-adjusted market capitalization index that is designed to measure equity market performance of large, mid, and small cap securities of the U.S. market. **MSCI World ex. USA Investable Markets Index (IMI)** is a free float-adjusted market capitalization index that is designed to measure the equity performance of large, mid, and small cap securities in developed markets, excluding the USA. **S&P Global Infrastructure Index** provides liquid and tradable exposure to 75 companies from around the world that represent the listed infrastructure universe. The Index has balanced weights across three distinct infrastructure clusters: Utilities, Transportation and Energy.

Beta: Beta represents the systematic risk of a portfolio and measures its sensitivity to a benchmark.

Up Market Capture: A measure of a manager's performance in up markets relative to the market.

Down Market Capture: A measure of a manager's performance in down markets relative to the market.

Information Ratio: A measure of risk-adjusted relative return.

Please carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call 800-595-9111 to obtain a prospectus and summary prospectus, which contain this and other information about the funds.

©2015 Northern Funds | Northern Funds are distributed by Northern Funds Distributors, LLC, not affiliated with Northern Trust.

NF FCT GTAA (1/15)



Managed by
Northern Trust

OVERALL MORNINGSTAR RATING™



among 1,106 large value funds derived from a weighted average of the fund's 3-, 5- and 10-year risk-adjusted returns as of 12/31/14*

FUND FACTS

Fund Objective: Current Income and Capital Appreciation
Inception Date: April 1, 1994
Ticker Symbol: NOIEX
Gross Expense Ratio: 1.10%¹
Net Expense Ratio: 1.00%¹
Dividend Schedule: Monthly
Benchmark: S&P 500® Index
Morningstar Category: Large Value

FUND CHARACTERISTICS

Total Net Assets: \$327 million
Number of Holdings: 63
Annual Portfolio Turnover: 14.34% (as of 3/31/14)
30-Day SEC Yield w/Waivers: 2.37%
30-Day SEC Yield w/o Waivers: 2.18%

	Fund	Benchmark ²
Trailing 12-month Price-to-Earnings Ratio	19.36	18.88
Price-to-Book Ratio	3.07	2.78

RISK CHARACTERISTICS

	Fund	Benchmark ²
Beta	0.87	1.00
Up Market Capture	77.97	100.00
Down Market Capture	100.11	100.00
Information Ratio	-2.21	0.00

Above risk characteristics are based on 3-year time period.

FUND STRATEGY

- Select securities with the potential to generate high current yields, such as dividend-paying common stocks, preferred stocks and convertible securities, as well as selected fixed-income securities.
- Maintain a conservative, broadly diversified portfolio of companies with strong prospects for growth and appreciation potential.
- Apply a proprietary quality score to screen out low-quality securities, then select stocks from the remaining universe of securities giving exposure to securities ranking at the top in both quality and dividend yield.

PERFORMANCE as of 12/31/14

FUND	ANNUALIZED						
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
FUND	4.27%	9.28%	9.28%	14.70%	12.33%	8.00%	8.81%
S&P 500 INDEX ²	4.93%	13.69%	13.69%	20.41%	15.45%	7.67%	9.75%
MORNINGSTAR CATEGORY AVG LARGE VALUE	3.59%	10.21%	10.21%	18.33%	13.45%	6.65%	—

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 Advisor has agreed to reimburse certain expenses of the Fund (excluding acquired fund fees and expenses; a portion of the compensation paid to each Trustee who is not an officer, director or employee of Northern Trust Corporation or its subsidiaries; expenses related to third-party consultants engaged by the Board of Trustees of the Trust; membership dues paid to the Investment Company Institute and Mutual Fund Directors Forum; extraordinary expenses; and interest, if any) to the extent the "Total Annual Fund Operating Expenses" exceed 1.00%. The contractual limitation may not be terminated before July 31, 2015 without the approval of the Board of Trustees. In the absence of fee waivers, yield, total return, growth since inception and dividends would have been reduced. Total return is based on net change in NAV assuming reinvestment of distributions.

Equity Risk: Equity securities (stocks) are more volatile and carry more risk than other forms of investments, including investments in high-grade fixed-income securities. The net asset value per share of this Fund will fluctuate as the value of the securities in the portfolio changes.

High-Yield Risk: Although a high-yield fund's yield may be higher than that of fixed-income funds that purchase higher-rated securities, the potentially higher yield is a function of the greater risk that a high-yield fund's share price will decline.

Interest Rate Risk: Increases in prevailing interest rates will cause fixed-income securities, including convertible securities, held by the Fund to decline in value.

¹ 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, 2015.

Please see back page for calendar year returns, index definitions and investment terms.

*Past performance is no guarantee of future results. Ratings reflect fee waivers in effect; in their absence, ratings may have been lower.

Star ratings are based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The overall rating is a weighted average of the 3-, 5- and 10-year (if applicable) returns. 5 stars = top 10% of funds in an asset category; 4 stars = next 22.5% of funds; 3 stars = next 35%; 2 stars = next 22.5% and 1 star = next 10%. A fund must be in existence three years to be rated. Ratings are subject to change monthly. The Income Equity Fund received 2 stars for the 3-year rating among 1,106 large value funds, 3 stars for the 5-year rating among 975 funds and 5 stars for the 10-year rating among 666 funds.

©2015 Morningstar, Inc. All Rights Reserved. Morningstar and/or its content providers are the proprietors of this information; do not permit its unauthorized copying or distribution; do not warrant it to be accurate, complete or timely; and are not responsible for damages or losses arising from its use.

TOP 10 HOLDINGS

Company	Fund % of Net Assets
Home Depot Inc	5.4%
Altria Group Inc	5.2%
Wells Fargo & Co	5.1%
Pfizer Inc	5.0%
Merck & Co Inc	4.0%
Boeing Co	3.4%
Accenture PLC	3.3%
United Parcel Service Inc Class B	3.2%
Texas Instruments Inc	3.2%
Chevron Corp	2.8%
TOTAL	40.6%

SECTOR WEIGHTINGS

Economic Sector	Fund	Benchmark ²
Financials	19.9%	16.6%
Information Technology	18.4%	19.8%
Consumer Staples	11.8%	9.8%
Industrials	11.1%	10.4%
Consumer Discretionary	10.8%	12.1%
Health Care	10.8%	14.2%
Energy	7.0%	8.4%
Utilities	5.7%	3.2%
Materials	2.5%	3.2%
Telecommunication Services	2.0%	2.3%
TOTAL	100.0%	100.0%

ASSET ALLOCATION

Stocks	98.6%
Cash	1.4%
TOTAL	100.0%

All data is as of date indicated and subject to change.

PORTFOLIO MANAGERS



JOHN A. FERGUSON, CFA® | Began career in 1995
With Northern Trust since 2009

Mr. Ferguson received a B.S. in accounting from Miami University in Oxford, OH. He is an active CFA charterholder and a member of the CFA Institute and the CFA Society Chicago.

JACOB C. WEAVER, CFA®, CPA | Began career in 1998
With Northern Trust since 1998

Mr. Weaver received a B.S. in finance from the University of Illinois at Urbana-Champaign and an MBA from the University of Chicago Booth School of Business with concentrations in finance and organizational behavior. He is an active CFA charterholder, a CPA, and a member of the CFA Institute and the CFA Society Chicago.

CALENDAR YEAR RETURNS

	2014	2013	2012	2011	2010
FUND	9.28%	24.85%	10.61%	2.18%	15.99%
S&P 500 INDEX ²	13.69%	32.39%	16.00%	2.11%	15.06%
MORNINGSTAR CATEGORY AVG LARGE VALUE	10.21%	31.21%	14.57%	-0.75%	13.66%

Performance quoted represents past performance and does not guarantee future results.

A Conservative Investment Approach

Northern Trust has built a tradition of strength and stability in investment management. Markets fluctuate over time, but we have remained steadfast in our disciplined, risk-managed investment philosophy.

² **S&P 500® Index** is an unmanaged index consisting of 500 stocks and is a widely recognized common measure of the performance of the overall U.S. stock market. It is not possible to invest directly in an index.

Trailing 12-month Price-to-Earnings Ratio: The sum of a company's price-to-earnings. Calculated by taking the current stock price and dividing it by the current earnings per share for the past 12 months.

Price-to-Book Ratio: A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current price of the stock by the latest quarter's book value per share.

Beta: Beta represents the systematic risk of a portfolio and measures its sensitivity to a benchmark.

Up Market Capture: A measure of a manager's performance in up markets relative to the market.

Down Market Capture: A measure of a manager's performance in down markets relative to the market.

Information Ratio: A measure of risk-adjusted relative return.

Please carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call 800-595-9111 to obtain a prospectus and summary prospectus, which contain this and other information about the funds.



Managed by
Northern Trust

Northern Funds MULTI-MANAGER EMERGING MARKETS EQUITY FUND

4Q2014

NMMEX/EQUITY

OVERALL MORNINGSTAR RATING™



among 521 diversified emerging markets funds derived from a weighted average of the fund's 3- and 5-year risk-adjusted returns as of 12/31/14*

FUND FACTS

Fund Objective: Capital Appreciation

Inception Date: November 19, 2008

Ticker Symbol: NMMEX

Gross Expense Ratio: 1.41%¹

Net Expense Ratio: 1.36%¹

Redemption Fee: 2% on shares sold or exchanged within 30 days of purchase

Dividend Schedule: Annually

Benchmark: MSCI Emerging Markets IndexSM

Morningstar Category: Diversified Emerging Markets

FUND CHARACTERISTICS

Total Net Assets: \$1.4 billion

Number of Holdings: 361

Annual Portfolio Turnover: 54.90% (as of 3/31/14)

Weighted Average Market Cap (\$mil): \$44,371

	Fund	Benchmark ²
Trailing 12-month Price-to-Earnings Ratio	12.37	12.85
Price-to-Book Ratio	1.60	1.63

RISK CHARACTERISTICS

	Fund	Benchmark ²
Beta	0.97	1.00
Up Market Capture	96.16	100.00
Down Market Capture	93.38	100.00
Information Ratio	0.34	0.00

Above risk characteristics are based on 3-year time period.

FUND STRATEGY

- Invest at least 80% of net assets in equity securities of emerging and frontier markets — emerging and frontier markets are defined as markets in MSCI Emerging Markets Index and MSCI Frontier Markets Index.
- Select complementary managers from a broad universe of investment managers.
- Blend managers into a single fund in an effort to provide an attractive combination of risk/return.

SUB-ADVISER ALLOCATIONS

Sub-Adviser	Target Allocation	Role in Portfolio
AXIOM INTERNATIONAL INVESTORS, LLC	30%	Opportunistic bottom-up growth strategy seeks to identify high-quality companies exhibiting signs of improvement and/or acceleration in key business drivers. Axiom also applies a qualitative top-down overlay. The portfolio should participate in earnings momentum-driven markets.
WESTWOOD GLOBAL INVESTMENTS, LLC	30%	Value-oriented, opportunistic investment approach complementary to PanAgora's diversified quantitative style. This portfolio should exhibit a less benchmark-oriented approach to value investing.
OAKTREE CAPITAL MANAGEMENT, L.P.	20%	Opportunistic, fundamentally driven investment approach with a valuation overlay. Oaktree utilizes a bottom-up process with a focus on cash flow analysis.
PANAGORA ASSET MANAGEMENT, INC.	10%	Highly diversified quantitative value approach. Primary driver of out performance is country weights. Expected to provide consistent risk-adjusted performance as a result of its diversified investment approach.
PZENA INVESTMENT MANAGEMENT, LLC	10%	A deeper value strategy approach that targets companies whose earnings are underperforming their historical average.

PERFORMANCE as of 12/31/14

FUND	ANNUALIZED						
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
FUND	-5.65%	-4.22%	-4.22%	4.83%	3.12%	—	15.86%
MSCI EMERGING MARKETS INDEX ²	-4.50%	-2.19%	-2.19%	4.04%	1.78%	—	14.29%
MORNINGSTAR CATEGORY AVG DIV EMG MKTS	-4.99%	-3.01%	-3.01%	4.65%	1.81%	—	—

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 Advisor has agreed to reimburse certain expenses of the Fund (excluding acquired fund fees and expenses; a portion of the compensation paid to each Trustee who is not an officer, director or employee of Northern Trust Corporation or its subsidiaries; expenses related to third-party consultants engaged by the Board of Trustees of the Trust; membership dues paid to the Investment Company Institute and Mutual Fund Directors Forum; extraordinary expenses; and interest, if any) to the extent the "Total Annual Fund Operating Expenses" exceed 1.35%. The contractual limitation may not be terminated before July 31, 2015 without the approval of the Board of Trustees. In the absence of fee waivers, yield, total return, growth since inception and dividends would have been reduced. Total return is based on net change in NAV assuming reinvestment of distributions.

Risks on back page.

¹ 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, 2015.

Please see back page for risk disclosure, calendar year returns, index definitions and investment terms.

NOT FDIC INSURED

May lose value/No bank guarantee

Multi-Manager Emerging Markets Equity Fund

TOP 10 HOLDINGS

Company	Fund % of Net Assets
Samsung Electronics Co Ltd	5.5%
China Mobile Ltd	3.1%
Taiwan Semiconductor Manufacturing Co Ltd	2.9%
Grupo Televisa SAB	2.5%
Itau Unibanco Holding SA	2.2%
Taiwan Semiconductor Mfg Co Ltd ADR	2.0%
Tata Consultancy Services Ltd	1.7%
Hon Hai Precision Industry Co Ltd	1.7%
Shinhan Financial Group Co Ltd	1.6%
Hyundai Motor Co	1.5%
TOTAL	24.7%

SECTOR WEIGHTINGS

Economic Sector	Fund	Benchmark ²
Financials	25.8%	29.2%
Information Technology	23.8%	18.0%
Consumer Discretionary	15.3%	9.2%
Materials	7.4%	7.4%
Energy	6.9%	8.0%
Telecommunication Services	6.3%	7.5%
Industrials	6.0%	6.7%
Consumer Staples	5.3%	8.2%
Health Care	1.7%	2.3%
Utilities	1.5%	3.5%
TOTAL	100.0%	100.0%

TOP 10 COUNTRY WEIGHTINGS

Country	Fund	Benchmark ²
China	18.9%	21.8%
South Korea	12.8%	14.7%
Taiwan	11.7%	12.6%
Brazil	10.1%	8.9%
India	8.7%	7.1%
South Africa	8.5%	7.9%
Mexico	6.9%	4.9%
Turkey	2.9%	1.8%
Russia	2.6%	3.2%
Hong Kong	2.2%	0.0%
TOTAL	85.3%	82.9%

ASSET ALLOCATION

Stocks	97.6%
Cash	2.4%
TOTAL	100.0%

All data is as of date indicated and subject to change.

PORTFOLIO MANAGERS



JESSICA K. HART | Began career in 1999
With Northern Trust since 2000

Ms. Hart received a B.S. in economics from the University of Wisconsin and an MBA from New York University, Stern School of Business.

CHRISTOPHER E. VELLA, CFA® | Began career in 1993
With Northern Trust since 2004

Mr. Vella graduated Phi Beta Kappa from Lehigh University with a B.S. in finance and a minor in applied mathematics. He is an active CFA charterholder.

CALENDAR YEAR RETURNS

	2014	2013	2012	2011	2010
FUND	-4.22%	0.44%	19.75%	-17.73%	23.04%
MSCI EMERGING MARKETS INDEX ²	-2.19%	-2.60%	18.22%	-18.42%	18.88%
MORNINGSTAR CATEGORY AVG DIV EMG MKTS	-3.01%	-0.14%	18.15%	-19.86%	19.26%

Performance quoted represents past performance and does not guarantee future results.

Equity Risk: Equity securities (stocks) are more volatile and carry more risk than other forms of investments, including investments in high-grade fixed-income securities. The net asset value per share of this Fund will fluctuate as the value of the securities in the portfolio changes.

Emerging and Frontier Markets Risk: Emerging and frontier market investing may be subject to additional economic, political, liquidity and currency risks not associated with more developed countries. Additionally, frontier countries generally have smaller economies or less developed capital markets than traditional emerging markets and, as a result, the risks of investing in emerging market countries are magnified in frontier countries.

² **MSCI Emerging Markets IndexSM** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. It is not possible to invest directly in an index.

Trailing 12-month Price-to-Earnings Ratio: The sum of a company's price-to-earnings. Calculated by taking the current stock price and dividing it by the current earnings per share for the past 12 months.

Price-to-Book Ratio: A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current price of the stock by the latest quarter's book value per share.

Beta: Beta represents the systematic risk of a portfolio and measures its sensitivity to a benchmark.

Up Market Capture: A measure of a manager's performance in up markets relative to the market.

Down Market Capture: A measure of a manager's performance in down markets relative to the market.

Information Ratio: A measure of risk-adjusted relative return.

*Past performance is no guarantee of future results. Ratings reflect fee waivers in effect; in their absence, ratings may have been lower.

Star ratings are based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The overall rating is a weighted average of the 3-, 5- and 10-year (if applicable) returns. 5 stars = top 10% of funds in an asset category; 4 stars = next 22.5% of funds; 3 stars = next 35%; 2 stars = next 22.5% and 1 star = next 10%. A fund must be in existence three years to be rated. Ratings are subject to change monthly. The Multi-Manager Emerging Markets Equity Fund received 3 stars for the 3-year rating among 521 diversified emerging markets funds and 4 stars for the 5-year rating among 341 funds. The 10-year Morningstar Rating is not available.

©2015 Morningstar, Inc. All Rights Reserved. Morningstar and/or its content providers are the proprietors of this information; do not permit its unauthorized copying or distribution; do not warrant it to be accurate, complete or timely; and are not responsible for damages or losses arising from its use.

Please carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call 800-595-9111 to obtain a prospectus and summary prospectus, which contain this and other information about the funds.

©2015 Northern Funds | Northern Funds are distributed by Northern Funds Distributors, LLC, not affiliated with Northern Trust.

NF FCT MEMG (1/15)



Managed by
Northern Trust

Northern Funds MULTI-MANAGER GLOBAL LISTED INFRASTRUCTURE FUND

4Q2014

NMFI/EQUITY

FUND FACTS

Fund Objective: Total return through both income and capital appreciation
Inception Date: September 18, 2012
Ticker Symbol: NMFI
Gross Expense Ratio: 1.04%¹
Net Expense Ratio: 1.01%¹
Redemption Fee: 2% on shares sold or exchanged within 30 days of purchase
Dividend Schedule: Quarterly
Benchmark: S&P Global Infrastructure Index
Morningstar Category: World Stock

FUND CHARACTERISTICS

Total Net Assets: \$1.4 billion
Number of Holdings: 75
Annual Portfolio Turnover: 52.90% (as of 3/31/14)
Weighted Average Market Cap (\$mil): \$19,585

	Fund	Benchmark ²
Trailing 12-month Price-to-Earnings Ratio	20.18	22.07
Price-to-Book Ratio	2.37	1.94

RISK CHARACTERISTICS

	Fund	Benchmark ²
Beta	—	—
Up Market Capture	—	—
Down Market Capture	—	—
Information Ratio	—	—

Above risk characteristics are based on 3-year time period.

FUND STRATEGY

- Invest at least 80% of net assets in securities of infrastructure companies listed on a domestic or foreign exchange, normally investing at least 40% (and up to 100%) in infrastructure companies tied to foreign countries, including emerging and frontier markets.
- Select complementary managers from a broad universe of investment managers.
- Blend managers into a single fund in an effort to provide an attractive combination of risk/return.

SUB-ADVISER ALLOCATIONS

Sub-Adviser	Target Allocation	Role in Portfolio
BROOKFIELD INVESTMENT MANAGEMENT INC.	50%	Opportunistic, concentrated portfolio that may lead to non-benchmark investments resulting in higher tracking error. The portfolio may also invest up to 20% in MLPs.
LAZARD ASSET MANAGEMENT LLC	50%	Benchmark agnostic, bottom-up and valuation based approach to identify long-term value in infrastructure companies.

PERFORMANCE as of 12/31/14

	ANNUALIZED						
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
FUND	-2.44%	7.62%	7.62%	—	—	—	14.25%
S&P GLOBAL INFRASTRUCTURE INDEX ²	1.20%	12.98%	12.98%	—	—	—	12.83%
MORNINGSTAR CATEGORY AVG WORLD STOCK	0.52%	2.79%	2.79%	—	—	—	—

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 Advisor has agreed to reimburse certain expenses of the Fund (excluding acquired fund fees and expenses; a portion of the compensation paid to each Trustee who is not an officer, director or employee of Northern Trust Corporation or its subsidiaries; expenses related to third-party consultants engaged by the Board of Trustees of the Trust; membership dues paid to the Investment Company Institute and Mutual Fund Directors Forum; extraordinary expenses; and interest, if any) to the extent the "Total Annual Fund Operating Expenses" exceed 1.00%. The contractual limitation may not be terminated before July 31, 2015 without the approval of the Board of Trustees. In the absence of fee waivers, yield, total return, growth since inception and dividends would have been reduced. Total return is based on net change in NAV assuming reinvestment of distributions.

Equity Risk: Equity securities (stocks) are more volatile and carry more risk than other forms of investments, including investments in high-grade fixed-income securities. The net asset value per share of this Fund will fluctuate as the value of the securities in the portfolio changes. **Concentration Risk:** Investing a high percentage of net assets in securities in a specific industry, the Fund may be subject to greater volatility than a fund that is more broadly diversified. **Currency Risk:** Foreign currencies will fluctuate in value relative to the U.S. dollar; therefore you may lose money if the local currency of a foreign market depreciates against the U.S. dollar. **Emerging and Frontier Markets Risk:** Emerging and frontier market investing may be subject to additional economic, political, liquidity and currency risks not associated with more developed countries. Additionally, frontier countries generally have smaller economies or less developed capital markets than traditional emerging markets and, as a result, the risks of investing in emerging market countries are magnified in frontier countries.

Risks continued on back page.

¹ 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, 2015.

Please see back page for risk disclosure, calendar year returns, index definitions and investment terms.

NOT FDIC INSURED

May lose value/No bank guarantee

TOP 10 HOLDINGS

Company	Fund % of Net Assets
Atlantia SPA	5.5%
Snam SPA	4.5%
Transurban Group Ltd	4.3%
VINCI SA	4.2%
Tokyo Gas Co Ltd	4.2%
Terna SPA	3.3%
Enbridge Inc	3.3%
American Tower Corp	3.0%
Pennon Group PLC	2.9%
Eutelsat Communications SA	2.8%
TOTAL	38.0%

SECTOR WEIGHTINGS

Economic Sector	Fund	Benchmark ²
Utilities	36.2%	41.7%
Industrials	31.8%	40.1%
Energy	20.4%	18.2%
Consumer Discretionary	5.2%	0.0%
Financials	5.1%	0.0%
Telecommunication Services	1.3%	0.0%
TOTAL	100.0%	100.0%

TOP 10 COUNTRY WEIGHTINGS

Country	Fund	Benchmark ²
United States	34.2%	34.9%
Italy	15.6%	6.8%
France	12.1%	7.1%
Australia	10.6%	8.1%
Canada	6.9%	8.9%
United Kingdom	6.5%	7.3%
Japan	5.0%	3.8%
China	2.0%	5.0%
Spain	1.9%	5.6%
Switzerland	1.6%	1.1%
TOTAL	96.4%	88.6%

ASSET ALLOCATION

Stocks	97.8%
Cash	2.2%
TOTAL	100.0%

All data is as of date indicated and subject to change.

PORTFOLIO MANAGERS



JESSICA K. HART | Began career in 1999
With Northern Trust since 2000

Ms. Hart received a B.S. in economics from the University of Wisconsin and an MBA from New York University, Stern School of Business.

CHRISTOPHER E. VELLA, CFA® | Began career in 1993
With Northern Trust since 2004

Mr. Vella graduated Phi Beta Kappa from Lehigh University with a B.S. in finance and a minor in applied mathematics. He is an active CFA charterholder.

CALENDAR YEAR RETURNS

	2014	2013	2012	2011	2010
FUND	7.62%	24.28%	—	—	—
S&P GLOBAL INFRASTRUCTURE INDEX ²	12.98%	14.99%	—	—	—
MORNINGSTAR CATEGORY AVG WORLD STOCK	2.79%	25.19%	—	—	—

Performance quoted represents past performance and does not guarantee future results.

Foreign (Non-U.S.) Securities Risk: Investing in foreign (non-U.S.) securities may result in the Fund experiencing more rapid and extreme changes in value than a fund that invests exclusively in securities of U.S. companies, due to less liquid markets, foreign government intervention and adverse economic, political, diplomatic, financial and regulatory factors. **Infrastructure Companies Risk:** Infrastructure companies may not realize projected revenue volumes due to; cost overruns; changes in terms making a project no longer economical; macroeconomic factors may raise the average cost of funding; government regulation; government budgetary constraints; special tariffs and/or changes in tax law and unfavorable accounting standards. **Liquidity Risk:** Some securities held by the Fund may be difficult to sell, or illiquid, particularly during times of market turmoil. Illiquid securities also may be difficult to value. If the Fund is forced to sell an illiquid asset to meet redemption requests or other cash needs, the Fund may be forced to sell at a loss. **Master Limited Partnerships (MLPs) Risk:** Investing in MLPs involves certain risks related to investing in the underlying assets of the MLPs and risks associated with pooled investment vehicles. MLPs that concentrate in a particular industry or a particular geographic region are subject to risks associated with such industry or region. The benefit derived from the Fund's investment in MLPs is largely dependent on the MLPs being treated as partnerships for federal income tax purposes, treatment of an MLP (owned by the Fund) as a corporation would materially reduce the after-tax return to the Fund with respect to its investment in the MLP. The Fund must include its allocable share of the MLP's taxable income in its taxable income, whether or not it receives a distribution of cash from the MLP. In such cases, the Fund may have to liquidate securities to make required distributions to the Fund's shareholders. **Non-Diversified Risk:** The Fund invests in a smaller number of securities than the average mutual fund. The change in value of a single holding may have a more pronounced effect on the Fund's net asset value and performance than for other funds. **Small and Mid Cap Risk:** Small- and mid-sized company stocks are generally riskier than large-company stocks due to greater volatility and less liquidity.

² **S&P Global Infrastructure Index** provides liquid and tradable exposure to 75 companies from around the world that represent the listed infrastructure universe. The Index has balanced weights across three distinct infrastructure clusters: Utilities, Transportation and Energy. It is not possible to invest directly in an index.

Trailing 12-month Price-to-Earnings Ratio: The sum of a company's price-to-earnings. Calculated by taking the current stock price and dividing it by the current earnings per share for the past 12 months.

Price-to-Book Ratio: A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current price of the stock by the latest quarter's book value per share.

Beta: Beta represents the systematic risk of a portfolio and measures its sensitivity to a benchmark.

Up Market Capture: A measure of a manager's performance in up markets relative to the market.

Down Market Capture: A measure of a manager's performance in down markets relative to the market.

Information Ratio: A measure of risk-adjusted relative return.

Please carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call 800-595-9111 to obtain a prospectus and summary prospectus, which contain this and other information about the funds.

©2015 Northern Funds | Northern Funds are distributed by Northern Funds Distributors, LLC, not affiliated with Northern Trust.

NF FCT MMGLI (1/15)



Managed by
Northern Trust

FUND FACTS

Fund Objective: Capital Appreciation and Current Income
Inception Date: November 19, 2008
Ticker Symbol: NMMGX
Gross Expense Ratio: 1.19%¹
Net Expense Ratio: 1.11%¹
Redemption Fee: 2% on shares sold or exchanged within 30 days of purchase
Dividend Schedule: Quarterly
Benchmark: FTSE[®]EPRA[®]/NAREIT[®] Global Index
Morningstar Category: Global Real Estate

FUND CHARACTERISTICS

Total Net Assets: \$800 million
Number of Holdings: 107
Annual Portfolio Turnover: 48.54% (as of 3/31/14)
Weighted Average Market Cap (\$mil): \$15,144

	Fund	Benchmark ²
--	------	------------------------

Trailing 12-month Price-to-Earnings Ratio	26.12	22.93
Price-to-Book Ratio	1.51	1.54

RISK CHARACTERISTICS

	Fund	Benchmark ²
--	------	------------------------

Beta	0.96	1.00
Up Market Capture	92.09	100.00
Down Market Capture	93.45	100.00
Information Ratio	-0.44	0.00

Above risk characteristics are based on 3-year time period.

FUND STRATEGY

- Invest at least 80% of net assets in global real estate equities, primarily in real estate investment trusts (REITs).
- Select complementary managers from a broad universe of investment managers.
- Blend managers into a single fund in an effort to provide an attractive combination of risk and return.

SUB-ADVISER ALLOCATIONS

Sub-Adviser	Target Allocation	Role in Portfolio
DELAWARE INVESTMENTS	70%	Relative value investment strategy focused on capital markets impact on real estate valuations in addition to real estate fundamentals. The strategy is diversified and is expected to capture up-market performance, while also protecting in down markets, with lower volatility than the overall index.
BROOKFIELD INVESTMENT MANAGEMENT INC.	30%	A concentrated value-based approach which focuses on under-followed and out-of-favor real estate securities. The portfolio should exhibit slightly higher volatility than the market, while yield and valuation characteristics are generally below that of the index.

PERFORMANCE as of 12/31/14

	ANNUALIZED						
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
FUND	7.38%	11.72%	11.72%	13.36%	9.74%	—	18.14%
FTSE EPRA/NAREIT GLOBAL INDEX ²	6.88%	13.92%	13.92%	14.28%	10.20%	—	18.37%
MORNINGSTAR CATEGORY AVG GLOBAL REAL ESTATE	5.21%	11.67%	11.67%	14.58%	9.92%	—	—

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 Advisor has agreed to reimburse certain expenses of the Fund (excluding acquired fund fees and expenses; a portion of the compensation paid to each Trustee who is not an officer, director or employee of Northern Trust Corporation or its subsidiaries; expenses related to third-party consultants engaged by the Board of Trustees of the Trust; membership dues paid to the Investment Company Institute and Mutual Fund Directors Forum; extraordinary expenses; and interest, if any) to the extent the "Total Annual Fund Operating Expenses" exceed 1.10%. The contractual limitation may not be terminated before July 31, 2015 without the approval of the Board of Trustees. In the absence of fee waivers, yield, total return, growth since inception and dividends would have been reduced. Total return is based on net change in NAV assuming reinvestment of distributions.

Equity Risk: Equity securities (stocks) are more volatile and carry more risk than other forms of investments, including investments in high-grade fixed-income securities. The net asset value per share of this Fund will fluctuate as the value of the securities in the portfolio changes.

International Risk: International investing involves increased risk and volatility.

REIT/Real Estate Risk: Investments in the Fund are subject to the risks related to direct investment in real estate, such as real estate risk, regulatory risks, concentration risk and diversification risk. Investments in REITs involve certain additional unique risks. By itself the Fund does not constitute a complete investment plan and should be considered a long-term investment for investors who can afford to weather changes in the value of their investments.

¹ 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, 2015.

Please see back page for calendar year returns, index definitions and investment terms.

TOP 10 HOLDINGS

Company	Fund % of Net Assets
Simon Property Group Inc	5.3%
Sun Hung Kai Properties Ltd	3.2%
Mitsui Fudosan Co Ltd	2.9%
Vornado Realty Trust	2.5%
Westfield Corp	2.4%
Mitsubishi Estate Co Ltd	2.4%
Scentre Group	2.3%
Unibail-Rodamco SE	2.2%
AvalonBay Communities Inc	2.2%
Host Hotels & Resorts Inc	2.1%
TOTAL	27.5%

INDUSTRY WEIGHTINGS

Industry Sector	Fund	Benchmark ²
Real Estate Inv Trusts (REITs)	74.5%	69.9%
Real Estate Mgmt & Dev	18.2%	25.6%
Real Estate	5.3%	4.1%
Hotels Restaurants & Leisure	1.0%	0.0%
Household Durables	0.5%	0.4%
Health Care Providers & Svcs	0.5%	0.0%
TOTAL	100.0%	100.0%

TOP 10 COUNTRY WEIGHTINGS

Country	Fund	Benchmark ²
United States	56.6%	47.5%
Japan	9.3%	10.4%
Hong Kong	7.9%	7.3%
Australia	7.5%	5.3%
United Kingdom	5.4%	5.4%
Germany	3.4%	2.1%
France	2.9%	2.9%
Singapore	2.6%	3.1%
Canada	1.3%	2.9%
Austria	0.9%	0.2%
TOTAL	97.8%	87.1%

ASSET ALLOCATION

Stocks	98.0%
Cash	2.0%
TOTAL	100.0%

All data is as of date indicated and subject to change.

PORTFOLIO MANAGERS



JESSICA K. HART | Began career in 1999
With Northern Trust since 2000

Ms. Hart received a B.S. in economics from the University of Wisconsin and an MBA from New York University, Stern School of Business.

CHRISTOPHER E. VELLA, CFA® | Began career in 1993
With Northern Trust since 2004

Mr. Vella graduated Phi Beta Kappa from Lehigh University with a B.S. in finance and a minor in applied mathematics. He is an active CFA charterholder.

CALENDAR YEAR RETURNS

	2014	2013	2012	2011	2010
FUND	11.72%	1.87%	27.99%	-7.02%	17.49%
FTSE EPRA/NAREIT GLOBAL INDEX ²	13.92%	1.57%	28.98%	-8.72%	19.31%
MORNINGSTAR CATEGORY AVG GLOBAL REAL ESTATE	11.67%	2.92%	31.78%	-10.10%	17.22%

Performance quoted represents past performance and does not guarantee future results.

A Risk-Managed Investment Approach

Northern Trust has built a tradition of strength and stability in investment management. Markets fluctuate over time, but we have remained steadfast in our disciplined, risk-managed investment philosophy.

² FTSE®EPRA®/NAREIT® Global Index is a free float, market capitalization-weighted real estate index designed to represent publicly traded equity REITs and listed property companies in 38 countries worldwide, covering both the developed and emerging markets. It is not possible to invest directly in an index.

Trailing 12-month Price-to-Earnings Ratio: The sum of a company's price-to-earnings. Calculated by taking the current stock price and dividing it by the current earnings per share for the past 12 months.

Price-to-Book Ratio: A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current price of the stock by the latest quarter's book value per share.

Beta: Beta represents the systematic risk of a portfolio and measures its sensitivity to a benchmark.

Up Market Capture: A measure of a manager's performance in up markets relative to the market.

Down Market Capture: A measure of a manager's performance in down markets relative to the market.

Information Ratio: A measure of risk-adjusted relative return.

Please carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call 800-595-9111 to obtain a prospectus and summary prospectus, which contain this and other information about the funds.

Northern Funds MULTI-MANAGER INTERNATIONAL EQUITY FUND

4Q2014

NMIEX/EQUITY

FUND FACTS

Fund Objective: Capital Appreciation
Inception Date: June 22, 2006
Ticker Symbol: NMIEX
Gross Expense Ratio: 1.25%¹
Net Expense Ratio: 1.21%¹
Redemption Fee: 2% on shares sold or exchanged within 30 days of purchase
Dividend Schedule: Annually
Benchmark: MSCI ACWI[®] Ex-USA Index
Morningstar Category: Foreign Large Blend

FUND CHARACTERISTICS

Total Net Assets: \$2.0 billion
Number of Holdings: 374
Annual Portfolio Turnover: 39.36% (as of 3/31/14)
Weighted Average Market Cap (\$mil): \$49,633

	Fund	Benchmark ²
Trailing 12-month Price-to-Earnings Ratio	15.02	15.34
Price-to-Book Ratio	1.74	1.68

RISK CHARACTERISTICS

	Fund	Benchmark ²
Beta	0.96	1.00
Up Market Capture	97.58	100.00
Down Market Capture	98.92	100.00
Information Ratio	-0.16	0.00

Above risk characteristics are based on 3-year time period.

FUND STRATEGY

- Invest in companies of any size throughout the world, but primarily in developed markets and generally in securities similar to those in the MSCI ACWI Ex-USA Index.
- Select complementary managers from a broad universe of investment managers.
- Blend managers into a single fund in an effort to provide an attractive combination of risk and return.

SUB-ADVISER ALLOCATIONS

Sub-Adviser	Target Allocation	Role in Portfolio
WILLIAM BLAIR & COMPANY, LLC	25%	Portfolio of companies showing superior growth at reasonable valuations. Process combines bottom-up fundamental analysis with a top-down strategic overlay.
NFJ INVESTMENT GROUP, LLC	22%	Value manager with a focus on dividend-paying companies.
NORTHERN CROSS, LLC	20%	Core manager focusing on companies that exhibit fundamental characteristics that may lead to margin expansion over the long term. Will provide larger cap focus.
EARNEST PARTNERS, LLC	18%	Combining quantitative techniques with deep fundamental research, this manager can provide exposure to mid- and small-cap companies with a bias towards value relative to the benchmark.
ALTRINIC GLOBAL ADVISORS, LLC	15%	Relative value style expected to protect capital in negative markets. Favors high-quality, large-cap companies.

PERFORMANCE as of 12/31/14

	ANNUALIZED						
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
FUND	-4.06%	-5.81%	-5.81%	8.69%	4.09%	—	2.13%
MSCI ACWI EX-USA INDEX ²	-3.87%	-3.87%	-3.87%	8.99%	4.43%	—	3.56%
MORNINGSTAR CATEGORY AVG FOREIGN LARGE BLEND	-3.18%	-4.98%	-4.98%	10.22%	5.04%	—	—

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 Advisor has agreed to reimburse certain expenses of the Fund (excluding acquired fund fees and expenses; a portion of the compensation paid to each Trustee who is not an officer, director or employee of Northern Trust Corporation or its subsidiaries; expenses related to third-party consultants engaged by the Board of Trustees of the Trust; membership dues paid to the Investment Company Institute and Mutual Fund Directors Forum; extraordinary expenses; and interest, if any) to the extent the "Total Annual Fund Operating Expenses" exceed 1.20%. The contractual limitation may not be terminated before July 31, 2015 without the approval of the Board of Trustees. In the absence of fee waivers, yield, total return, growth since inception and dividends would have been reduced. Total return is based on net change in NAV assuming reinvestment of distributions.

Equity Risk: Equity securities (stocks) are more volatile and carry more risk than other forms of investments, including investments in high-grade fixed-income securities. The net asset value per share of this Fund will fluctuate as the value of the securities in the portfolio changes.

Risks continued on back page.

¹ 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, 2015.

Please see back page for calendar year returns, index definitions and investment terms.

NOT FDIC INSURED

May lose value/No bank guarantee

TOP 10 HOLDINGS

Company	Fund % of Net Assets
Roche Holding Ltd	1.8%
Diageo PLC	1.3%
Novartis AG	1.3%
Shire PLC	1.2%
Teva Pharmaceutical Industries Ltd	1.1%
Nestle SA	1.0%
Hitachi Ltd	1.0%
Sanofi	0.9%
ICICI Bank Ltd	0.9%
HSBC Holdings PLC	0.9%
TOTAL	11.4%

SECTOR WEIGHTINGS

Economic Sector	Fund	Benchmark ²
Financials	27.6%	27.6%
Health Care	12.6%	8.6%
Consumer Discretionary	11.7%	11.2%
Industrials	10.9%	11.0%
Consumer Staples	9.5%	9.9%
Information Technology	8.5%	7.5%
Materials	7.8%	7.7%
Energy	7.3%	7.5%
Telecommunication Services	2.7%	5.4%
Utilities	1.4%	3.6%
TOTAL	100.0%	100.0%

TOP 10 COUNTRY WEIGHTINGS

Country	Fund	Benchmark ²
United Kingdom	17.0%	14.9%
Japan	14.1%	15.0%
Switzerland	8.5%	6.6%
France	8.1%	6.9%
Germany	6.5%	6.5%
United States	6.4%	0.0%
China	5.1%	4.7%
Canada	3.3%	7.5%
Brazil	2.8%	1.9%
Sweden	2.6%	2.2%
TOTAL	74.4%	66.2%

ASSET ALLOCATION

Stocks	94.1%
Cash	5.9%
TOTAL	100.0%

All data is as of date indicated and subject to change.

PORTFOLIO MANAGERS



JESSICA K. HART | Began career in 1999
With Northern Trust since 2000

Ms. Hart received a B.S. in economics from the University of Wisconsin and an MBA from New York University, Stern School of Business.

CHRISTOPHER E. VELLA, CFA® | Began career in 1993
With Northern Trust since 2004

Mr. Vella graduated Phi Beta Kappa from Lehigh University with a B.S. in finance and a minor in applied mathematics. He is an active CFA charterholder.

CALENDAR YEAR RETURNS

	2014	2013	2012	2011	2010
FUND	-5.81%	15.77%	17.76%	-15.14%	12.14%
MSCI ACWI EX-USA INDEX ²	-3.87%	15.29%	16.83%	-13.71%	11.15%
MORNINGS STAR CATEGORY AVG FOREIGN LARGE BLEND	-4.98%	19.44%	18.29%	-13.97%	10.24%

Performance quoted represents past performance and does not guarantee future results.

A Risk-Managed Investment Approach

Northern Trust has built a tradition of strength and stability in investment management. Markets fluctuate over time, but we have remained steadfast in our disciplined, risk-managed investment philosophy.

Emerging Markets Risk: Emerging market investing is subject to additional economic, political, liquidity and currency risks not associated with more developed countries.

International Risk: International investing involves increased risk and volatility.

² **MSCI ACWI® Ex-USA Index** is a free float-adjusted market capitalization index that is designed to measure the equity performance in the global developed and emerging markets, excluding the U.S. It is not possible to invest directly in an index.

Trailing 12-month Price-to-Earnings Ratio: The sum of a company's price-to-earnings. Calculated by taking the current stock price and dividing it by the current earnings per share for the past 12 months.

Price-to-Book Ratio: A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current price of the stock by the latest quarter's book value per share.

Beta: Beta represents the systematic risk of a portfolio and measures its sensitivity to a benchmark.

Up Market Capture: A measure of a manager's performance in up markets relative to the market.

Down Market Capture: A measure of a manager's performance in down markets relative to the market.

Information Ratio: A measure of risk-adjusted relative return.

Please carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call 800-595-9111 to obtain a prospectus and summary prospectus, which contain this and other information about the funds.



Managed by
Northern Trust

Northern Funds MULTI-MANAGER LARGE CAP FUND

4Q2014

NMMLX/EQUITY

FUND FACTS

Fund Objective: Capital Appreciation
Inception Date: October 17, 2007
Ticker Symbol: NMMLX
Gross Expense Ratio: 0.94%¹
Net Expense Ratio: 0.91%¹
Dividend Schedule: Quarterly
Benchmark: Russell 1000[®] Index
Morningstar Category: Large Growth

FUND CHARACTERISTICS

Total Net Assets: \$556 million
Number of Holdings: 150
Annual Portfolio Turnover: 43.20% (as of 3/31/14)
Weighted Average Market Cap (\$mil): \$97,313

	Fund	Benchmark ²
Trailing 12-month Price-to-Earnings Ratio	20.39	19.29
Price-to-Book Ratio	2.71	2.78

RISK CHARACTERISTICS

	Fund	Benchmark ²
Beta	1.01	1.00
Up Market Capture	89.56	100.00
Down Market Capture	100.07	100.00
Information Ratio	-1.27	0.00

Above risk characteristics are based on 3-year time period.

FUND STRATEGY

- Invest in large-cap stocks through a variety of external large-cap managers who have distinct investment styles and strategies.
- Select complementary managers from a broad universe of investment managers.
- Blend managers into a single fund in an effort to provide an attractive combination of risk and return.

SUB-ADVISER ALLOCATIONS

Sub-Adviser	Target Allocation	Role in Portfolio
DELAWARE MANAGEMENT COMPANY INC	30%	Deeper value approach. Will tend to protect capital in difficult markets.
HUBER CAPITAL MANAGEMENT, LLC	25%	Traditional value manager which will provide a higher beta than its value counterpart (Delaware) within the Fund. Should do well in down markets but also provide good upside capture ratio.
JENNISON ASSOCIATES LLC	25%	Higher beta, more aggressive growth approach. Should provide strong upside during periods of market strength.
WESTEND ADVISORS, LLC	20%	Top-down driven approach which concentrates investments in those sectors deemed attractive on a forward-looking basis. Concentrated by sector and stock.

PERFORMANCE as of 12/31/14

	Quarter	YTD	1-Year	ANNUALIZED			Since Inception
				3-Year	5-Year	10-Year	
FUND	3.43%	9.61%	9.61%	17.90%	13.67%	—	5.95%
RUSSELL 1000 INDEX ²	4.88%	13.24%	13.24%	20.62%	15.64%	—	6.64%
MORNINGSTAR CATEGORY AVG LARGE GROWTH	4.42%	10.00%	10.00%	19.41%	14.09%	—	—

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 Advisor has agreed to reimburse certain expenses of the Fund (excluding acquired fund fees and expenses; a portion of the compensation paid to each Trustee who is not an officer, director or employee of Northern Trust Corporation or its subsidiaries; expenses related to third-party consultants engaged by the Board of Trustees of the Trust; membership dues paid to the Investment Company Institute and Mutual Fund Directors Forum; extraordinary expenses; and interest, if any) to the extent the "Total Annual Fund Operating Expenses" exceed 0.90%. The contractual limitation may not be terminated before July 31, 2015 without the approval of the Board of Trustees. In the absence of fee waivers, yield, total return, growth since inception and dividends would have been reduced. Total return is based on net change in NAV assuming reinvestment of distributions.

Equity Risk: Equity securities (stocks) are more volatile and carry more risk than other forms of investments, including investments in high-grade fixed-income securities. The net asset value per share of this Fund will fluctuate as the value of the securities in the portfolio changes.

¹ 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, 2015.

Please see back page for calendar year returns, index definitions and investment terms.

NOT FDIC INSURED

May lose value/No bank guarantee

TOP 10 HOLDINGS

Company	Fund % of Net Assets
Apple Inc	2.5%
Merck & Co Inc	2.2%
Pfizer Inc	2.1%
CVS Health Corp	1.9%
Biogen Idec Inc	1.7%
CNO Financial Group Inc	1.6%
Northrop Grumman Corp	1.6%
NIKE Inc Class B	1.6%
Costco Wholesale Corp	1.5%
CA Inc	1.5%
TOTAL	18.2%

SECTOR WEIGHTINGS

Economic Sector	Fund	Benchmark ²
Information Technology	21.7%	19.1%
Health Care	19.2%	14.0%
Consumer Discretionary	15.6%	12.7%
Financials	11.3%	17.4%
Consumer Staples	10.4%	9.0%
Energy	8.5%	7.8%
Industrials	6.6%	11.2%
Materials	2.5%	3.5%
Telecommunication Services	2.2%	2.1%
Utilities	2.0%	3.2%
TOTAL	100.0%	100.0%

ASSET ALLOCATION

Stocks	96.2%
Cash	3.8%
TOTAL	100.0%

All data is as of date indicated and subject to change.

PORTFOLIO MANAGERS



JESSICA K. HART | Began career in 1999
With Northern Trust since 2000

Ms. Hart received a B.S. in economics from the University of Wisconsin and an MBA from New York University, Stern School of Business.

CHRISTOPHER E. VELLA, CFA® | Began career in 1993
With Northern Trust since 2004

Mr. Vella graduated Phi Beta Kappa from Lehigh University with a B.S. in finance and a minor in applied mathematics. He is an active CFA charterholder.

CALENDAR YEAR RETURNS

	2014	2013	2012	2011	2010
FUND	9.61%	32.04%	13.23%	0.06%	15.74%
RUSSELL 1000 INDEX ²	13.24%	33.11%	16.42%	1.50%	16.10%
MORNINGSTAR CATEGORY AVG LARGE GROWTH	10.00%	33.92%	15.34%	-2.46%	15.53%

Performance quoted represents past performance and does not guarantee future results.

A Risk-Managed Investment Approach

Northern Trust has built a tradition of strength and stability in investment management. Markets fluctuate over time, but we have remained steadfast in our disciplined, risk-managed investment philosophy.

² **Russell 1000® Index** is an unmanaged index which measures the performance of the 1,000 largest companies in the Russell 3000® Index, based on market capitalization. It is not possible to invest directly in an index.

Trailing 12-month Price-to-Earnings Ratio: The sum of a company's price-to-earnings. Calculated by taking the current stock price and dividing it by the current earnings per share for the past 12 months.

Price-to-Book Ratio: A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current price of the stock by the latest quarter's book value per share.

Beta: Beta represents the systematic risk of a portfolio and measures its sensitivity to a benchmark.

Up Market Capture: A measure of a manager's performance in up markets relative to the market.

Down Market Capture: A measure of a manager's performance in down markets relative to the market.

Information Ratio: A measure of risk-adjusted relative return.

Please carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call 800-595-9111 to obtain a prospectus and summary prospectus, which contain this and other information about the funds.



Managed by
Northern Trust

FUND FACTS

Fund Objective: Capital Appreciation
Inception Date: June 22, 2006
Ticker Symbol: NMMCX
Gross Expense Ratio: 1.05%¹
Net Expense Ratio: 1.01%¹
Dividend Schedule: Annually
Benchmark: Russell Midcap[®] Index
Morningstar Category: Mid-Cap Blend

FUND CHARACTERISTICS

Total Net Assets: \$834 million
Number of Holdings: 250
Annual Portfolio Turnover: 72.72% (as of 3/31/14)
Weighted Average Market Cap (\$mil): \$11,598

	Fund	Benchmark ²
Trailing 12-month Price-to-Earnings Ratio	19.85	22.23
Price-to-Book Ratio	2.34	2.77

RISK CHARACTERISTICS

	Fund	Benchmark ²
Beta	1.05	1.00
Up Market Capture	93.02	100.00
Down Market Capture	112.46	100.00
Information Ratio	-1.23	0.00

Above risk characteristics are based on 3-year time period.

FUND STRATEGY

- Invest in mid-cap stocks through a variety of external mid-cap managers who have distinct investment styles and strategies.
- Select complementary managers from a broad universe of investment managers.
- Blend managers into a single fund in an effort to provide an attractive combination of risk and return.

SUB-ADVISER ALLOCATIONS

Sub-Adviser	Target Allocation	Role in Portfolio
GENEVA CAPITAL MANAGEMENT LTD.	37.5%	Conservative approach. Offers growth characteristics, with a valuation overlay.
SYSTEMATIC FINANCIAL MANAGEMENT LP	37.5%	Relative value approach. Seek companies that are trading at low valuations, but have some signs of positive earnings momentum.
LSV ASSET MANAGEMENT	25%	Deep value style with quantitative approach. Systematically exploits judgmental biases and behavioral weaknesses influencing investors.

PERFORMANCE as of 12/31/14

FUND	ANNUALIZED						
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
FUND	5.39%	6.92%	6.92%	18.32%	14.84%	—	8.33%
RUSSELL MIDCAP INDEX ²	5.94%	13.22%	13.22%	21.40%	17.19%	—	9.53%
MORNINGSTAR CATEGORY AVG MID-CAP BLEND	4.76%	7.80%	7.80%	18.99%	14.77%	—	—

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 Advisor has agreed to reimburse certain expenses of the Fund (excluding acquired fund fees and expenses; a portion of the compensation paid to each Trustee who is not an officer, director or employee of Northern Trust Corporation or its subsidiaries; expenses related to third-party consultants engaged by the Board of Trustees of the Trust; membership dues paid to the Investment Company Institute and Mutual Fund Directors Forum; extraordinary expenses; and interest, if any) to the extent the "Total Annual Fund Operating Expenses" exceed 1.00%. The contractual limitation may not be terminated before July 31, 2015 without the approval of the Board of Trustees. In the absence of fee waivers, yield, total return, growth since inception and dividends would have been reduced. Total return is based on net change in NAV assuming reinvestment of distributions.

Equity Risk: Equity securities (stocks) are more volatile and carry more risk than other forms of investments, including investments in high-grade fixed-income securities. The net asset value per share of this Fund will fluctuate as the value of the securities in the portfolio changes.

Mid Cap Risk: Mid-capitalization stocks typically carry additional risk, since smaller companies generally have higher risk of failure and, historically, their stocks have experienced a greater degree of volatility.

¹ 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, 2015.

Please see back page for calendar year returns, index definitions and investment terms.

TOP 10 HOLDINGS

Company	Fund % of Net Assets
Raymond James Financial Inc	1.3%
O'Reilly Automotive Inc	1.2%
Hartford Financial Services Group Inc	1.1%
Tractor Supply Co	1.0%
Ameren Corp	1.0%
Lincoln National Corp	1.0%
Tyson Foods Inc	0.9%
Amphenol Corp	0.9%
Allison Transmission Holdings Inc	0.9%
Fiserv Inc	0.9%
TOTAL	10.2%

SECTOR WEIGHTINGS

Economic Sector	Fund	Benchmark ²
Financials	22.8%	21.0%
Information Technology	15.8%	14.5%
Consumer Discretionary	14.5%	17.4%
Industrials	14.5%	12.8%
Health Care	12.0%	11.7%
Utilities	5.6%	6.1%
Consumer Staples	5.1%	5.7%
Energy	4.6%	4.4%
Materials	4.3%	5.7%
Telecommunication Services	0.8%	0.7%
TOTAL	100.0%	100.0%

ASSET ALLOCATION

Stocks	96.4%
Cash	3.6%
TOTAL	100.0%

All data is as of date indicated and subject to change.

PORTFOLIO MANAGERS



JESSICA K. HART | Began career in 1999
With Northern Trust since 2000

Ms. Hart received a B.S. in economics from the University of Wisconsin and an MBA from New York University, Stern School of Business.

CHRISTOPHER E. VELLA, CFA® | Began career in 1993
With Northern Trust since 2004

Mr. Vella graduated Phi Beta Kappa from Lehigh University with a B.S. in finance and a minor in applied mathematics. He is an active CFA charterholder.

CALENDAR YEAR RETURNS

	2014	2013	2012	2011	2010
FUND	6.92%	35.40%	14.41%	-2.99%	24.32%
RUSSELL MIDCAP INDEX ²	13.22%	34.76%	17.28%	-1.55%	25.48%
MORNINGSTAR CATEGORY AVG MID-CAP BLEND	7.80%	34.10%	16.15%	-3.81%	22.52%

Performance quoted represents past performance and does not guarantee future results.

A Risk-Managed Investment Approach

Northern Trust has built a tradition of strength and stability in investment management. Markets fluctuate over time, but we have remained steadfast in our disciplined, risk-managed investment philosophy.

² **Russell Midcap® Index** is an unmanaged index measuring the performance of the 800 smallest companies in the Russell 1000® Index. It is not possible to invest directly in an index.

Trailing 12-month Price-to-Earnings Ratio: The sum of a company's price-to-earnings. Calculated by taking the current stock price and dividing it by the current earnings per share for the past 12 months.

Price-to-Book Ratio: A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current price of the stock by the latest quarter's book value per share.

Beta: Beta represents the systematic risk of a portfolio and measures its sensitivity to a benchmark.

Up Market Capture: A measure of a manager's performance in up markets relative to the market.

Down Market Capture: A measure of a manager's performance in down markets relative to the market.

Information Ratio: A measure of risk-adjusted relative return.

Please carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call 800-595-9111 to obtain a prospectus and summary prospectus, which contain this and other information about the funds.



Managed by
Northern Trust

FUND FACTS

Fund Objective: Capital Appreciation
Inception Date: June 22, 2006
Ticker Symbol: NMMSX
Gross Expense Ratio: 1.17%¹
Net Expense Ratio: 1.11%¹
Dividend Schedule: Annually
Benchmark: Russell 2000® Index
Morningstar Category: Small Growth

FUND CHARACTERISTICS

Total Net Assets: \$323 million
Number of Holdings: 251
Annual Portfolio Turnover: 41.64% (as of 3/31/14)
Weighted Average Market Cap (\$mil): \$2,381

	Fund	Benchmark ²
Trailing 12-month Price-to-Earnings Ratio	24.88	22.69
Price-to-Book Ratio	2.50	2.29

RISK CHARACTERISTICS

	Fund	Benchmark ²
Beta	0.89	1.00
Up Market Capture	91.88	100.00
Down Market Capture	91.05	100.00
Information Ratio	-0.30	0.00

Above risk characteristics are based on 3-year time period.

FUND STRATEGY

- Invest in small-cap stocks through a variety of external small-cap managers who have distinct investment styles and strategies.
- Select complementary managers from a broad universe of investment managers.
- Blend managers into a single fund in an effort to provide an attractive combination of risk and return.

SUB-ADVISER ALLOCATIONS

Sub-Adviser	Target Allocation	Role in Portfolio
SUMMIT CREEK ADVISORS LLC	30%	Traditional growth approach. Strategy tends to exhibit a high quality bias and is benchmark agnostic with a bias towards traditional growth sectors.
HOTCHKIS AND WILEY CAPITAL MANAGEMENT, LLC	20%	Traditional value style that seeks to take advantage of short-term mispricing, looking for significant discounts in valuations.
RIVERBRIDGE PARTNERS, LLC	20%	Concentrated strategy focused on high-quality, growth companies.
CARDINAL CAPITAL MANAGEMENT, L.L.C.	15%	Relative value strategy with a focus on future cash flows. The portfolio tends to have material exposure differences versus the benchmark.
DENVER INVESTMENT ADVISORS LLC	15%	Value manager with focus on dividend-paying companies. Should provide attractive downside protection.

PERFORMANCE as of 12/31/14

	ANNUALIZED						
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
FUND	8.70%	3.98%	3.98%	18.38%	14.43%	—	6.78%
RUSSELL 2000 INDEX ²	9.73%	4.89%	4.89%	19.21%	15.55%	—	8.26%
MORNINGSTAR CATEGORY AVG SMALL GROWTH	8.00%	2.44%	2.44%	18.07%	15.53%	—	—

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 Advisor has agreed to reimburse certain expenses of the Fund (excluding acquired fund fees and expenses; a portion of the compensation paid to each Trustee who is not an officer, director or employee of Northern Trust Corporation or its subsidiaries; expenses related to third-party consultants engaged by the Board of Trustees of the Trust; membership dues paid to the Investment Company Institute and Mutual Fund Directors Forum; extraordinary expenses; and interest, if any) to the extent the "Total Annual Fund Operating Expenses" exceed 1.10%. The contractual limitation may not be terminated before July 31, 2015 without the approval of the Board of Trustees. In the absence of fee waivers, yield, total return, growth since inception and dividends would have been reduced. Total return is based on net change in NAV assuming reinvestment of distributions.

Equity Risk: Equity securities (stocks) are more volatile and carry more risk than other forms of investments, including investments in high-grade fixed-income securities. The net asset value per share of this Fund will fluctuate as the value of the securities in the portfolio changes.

Small Cap Risk: Small-capitalization funds typically carry additional risks since smaller companies generally have a higher risk of failure. Their stocks are subject to a greater degree of volatility, trade in lower volume and may be less liquid.

¹ 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, 2015.

Please see back page for calendar year returns, index definitions and investment terms.

TOP 10 HOLDINGS

Company	Fund % of Net Assets
Maximus Inc	2.1%
Dealertrack Technologies Inc	1.7%
CoStar Group Inc	1.5%
Advisory Board Co	1.4%
Proto Labs Inc	1.3%
Dorman Products Inc	1.2%
Roadrunner Transportation Systems Inc	1.2%
Masonite International Corp	1.2%
Con-way Inc	1.1%
MWI Veterinary Supply Inc	1.1%
TOTAL	13.8%

SECTOR WEIGHTINGS

Economic Sector	Fund	Benchmark ²
Information Technology	25.0%	17.9%
Industrials	17.3%	13.8%
Financials	16.8%	24.1%
Consumer Discretionary	15.4%	13.7%
Health Care	12.8%	14.8%
Materials	4.2%	4.5%
Energy	3.0%	3.5%
Consumer Staples	2.9%	3.3%
Utilities	1.6%	3.6%
Telecommunication Services	1.0%	0.8%
TOTAL	100.0%	100.0%

ASSET ALLOCATION

Stocks	96.2%
Cash	3.8%
TOTAL	100.0%

All data is as of date indicated and subject to change.

PORTFOLIO MANAGERS



JESSICA K. HART | Began career in 1999
With Northern Trust since 2000

Ms. Hart received a B.S. in economics from the University of Wisconsin and an MBA from New York University, Stern School of Business.

CHRISTOPHER E. VELLA, CFA® | Began career in 1993
With Northern Trust since 2004

Mr. Vella graduated Phi Beta Kappa from Lehigh University with a B.S. in finance and a minor in applied mathematics. He is an active CFA charterholder.

CALENDAR YEAR RETURNS

	2014	2013	2012	2011	2010
FUND	3.98%	39.59%	14.31%	-5.07%	24.58%
RUSSELL 2000 INDEX ²	4.89%	38.82%	16.35%	-4.18%	26.85%
MORNINGSTAR CATEGORY AVG SMALL GROWTH	2.44%	40.91%	13.15%	-3.55%	26.98%

Performance quoted represents past performance and does not guarantee future results.

A Risk-Managed Investment Approach

Northern Trust has built a tradition of strength and stability in investment management. Markets fluctuate over time, but we have remained steadfast in our disciplined, risk-managed investment philosophy.

² **Russell 2000® Index** is an unmanaged index which measures the performance of the 2,000 smallest of the 3,000 largest U.S. companies, based on market capitalization. It is not possible to invest directly in an index.

Trailing 12-month Price-to-Earnings Ratio: The sum of a company's price-to-earnings. Calculated by taking the current stock price and dividing it by the current earnings per share for the past 12 months.

Price-to-Book Ratio: A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current price of the stock by the latest quarter's book value per share.

Beta: Beta represents the systematic risk of a portfolio and measures its sensitivity to a benchmark.

Up Market Capture: A measure of a manager's performance in up markets relative to the market.

Down Market Capture: A measure of a manager's performance in down markets relative to the market.

Information Ratio: A measure of risk-adjusted relative return.

Please carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call 800-595-9111 to obtain a prospectus and summary prospectus, which contain this and other information about the funds.

OVERALL MORNINGSTAR RATING™



among 624 small blend funds derived from a weighted average of the fund's 3-, 5- and 10-year risk-adjusted returns as of 12/31/14*

FUND FACTS

Fund Objective: Capital Appreciation
Inception Date: September 30, 1999
Ticker Symbol: NSGRX
Gross Expense Ratio: 0.86%¹
Net Expense Ratio: 0.75%¹
Dividend Schedule: Annually
Benchmark: Russell 2000® Index
Morningstar Category: Small Blend

FUND CHARACTERISTICS

Total Net Assets: \$224 million
Number of Holdings: 1,517
Annual Portfolio Turnover: 6.24% (as of 3/31/14)
Weighted Average Market Cap (\$mil): \$2,138

	Fund	Benchmark ²
Trailing 12-month Price-to-Earnings Ratio	22.36	22.69
Price-to-Book Ratio	2.29	2.29

RISK CHARACTERISTICS

	Fund	Benchmark ²
Beta	0.94	1.00
Up Market Capture	97.21	100.00
Down Market Capture	90.14	100.00
Information Ratio	0.70	0.00

Above risk characteristics are based on 3-year time period.

FUND STRATEGY

- Follow an active quantitative, core equity strategy to select stocks based on a statistical analysis of historical relationships among small-cap characteristics, stock prices and market capitalization ranges.
- Use a screening process designed to reduce exposure to stocks with negative fundamental indicators.
- Maintain a highly diversified portfolio consistent with small-cap core benchmarks, in an effort to reduce the risks associated with any specific stock or industry.

PERFORMANCE as of 12/31/14

FUND	ANNUALIZED						
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
FUND	9.78%	6.54%	6.54%	20.08%	16.22%	8.98%	7.43%
RUSSELL 2000 INDEX ²	9.73%	4.89%	4.89%	19.21%	15.55%	7.77%	8.45%
MORNINGSTAR CATEGORY AVG SMALL BLEND	7.20%	3.79%	3.79%	17.85%	14.61%	7.55%	—

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 Advisor has agreed to reimburse certain expenses of the Fund (excluding acquired fund fees and expenses; a portion of the compensation paid to each Trustee who is not an officer, director or employee of Northern Trust Corporation or its subsidiaries; expenses related to third-party consultants engaged by the Board of Trustees of the Trust; membership dues paid to the Investment Company Institute and Mutual Fund Directors Forum; extraordinary expenses; and interest, if any) to the extent the "Total Annual Fund Operating Expenses" exceed 0.75%. The contractual limitation may not be terminated before July 31, 2015 without the approval of the Board of Trustees. In the absence of fee waivers, yield, total return, growth since inception and dividends would have been reduced. Total return is based on net change in NAV assuming reinvestment of distributions.

Equity Risk: Equity securities (stocks) are more volatile and carry more risk than other forms of investments, including investments in high-grade fixed-income securities. The net asset value per share of this Fund will fluctuate as the value of the securities in the portfolio changes.

Small Cap Risk: Small-capitalization funds typically carry additional risks since smaller companies generally have a higher risk of failure. Their stocks are subject to a greater degree of volatility, trade in lower volume and may be less liquid.

¹ 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, 2015.

Please see back page for calendar year returns, index definitions and investment terms.

*Past performance is no guarantee of future results. Ratings reflect fee waivers in effect; in their absence, ratings may have been lower.

Star ratings are based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The overall rating is a weighted average of the 3-, 5- and 10-year (if applicable) returns. 5 stars = top 10% of funds in an asset category; 4 stars = next 22.5% of funds; 3 stars = next 35%; 2 stars = next 22.5% and 1 star = next 10%. A fund must be in existence three years to be rated. Ratings are subject to change monthly. The Small Cap Core Fund received 4 stars for the 3-year rating among 624 small blend funds, 4 stars for the 5-year rating among 567 funds and 4 stars for the 10-year rating among 362 funds.

©2015 Morningstar, Inc. All Rights Reserved. Morningstar and/or its content providers are the proprietors of this information; do not permit its unauthorized copying or distribution; do not warrant it to be accurate, complete or timely; and are not responsible for damages or losses arising from its use.

TOP 10 HOLDINGS

Company	Fund % of Net Assets
Isis Pharmaceuticals Inc	0.4%
Acuity Brands Inc	0.4%
Maximus Inc	0.3%
Middleby Corp	0.3%
CoStar Group Inc	0.3%
Brunswick Corp	0.3%
Hain Celestial Group Inc	0.3%
WEX Inc	0.3%
Manhattan Associates Inc	0.3%
Centene Corp	0.3%
TOTAL	3.2%

SECTOR WEIGHTINGS

Economic Sector	Fund	Benchmark ²
Financials	23.8%	24.1%
Information Technology	18.0%	17.9%
Health Care	14.5%	14.8%
Industrials	14.4%	13.8%
Consumer Discretionary	13.5%	13.7%
Materials	4.4%	4.5%
Consumer Staples	3.9%	3.3%
Utilities	3.6%	3.6%
Energy	3.3%	3.5%
Telecommunication Services	0.6%	0.8%
TOTAL	100.0%	100.0%

ASSET ALLOCATION

Stocks	95.0%
Cash	5.0%
TOTAL	100.0%

All data is as of date indicated and subject to change.

PORTFOLIO MANAGER



ROBERT H. BERGSON, CFA® | Began career in 1995
With Northern Trust since 1997

Mr. Bergson received a Bachelor of Architecture degree from Carnegie Mellon University and an M.S. in real estate development from the Massachusetts Institute of Technology. He is an active CFA charterholder and a member of the CFA Institute, the Society of Quantitative Analysts, the CFA Society Chicago and the Chicago Quantitative Alliance.

CALENDAR YEAR RETURNS

	2014	2013	2012	2011	2010
FUND	6.54%	38.78%	17.12%	-2.49%	25.58%
RUSSELL 2000 INDEX ²	4.89%	38.82%	16.35%	-4.18%	26.85%
MORNINGSTAR CATEGORY AVG SMALL BLEND	3.79%	37.39%	15.46%	-4.07%	25.61%

Performance quoted represents past performance and does not guarantee future results.

A Conservative Investment Approach

Northern Trust has built a tradition of strength and stability in investment management. Markets fluctuate over time, but we have remained steadfast in our disciplined, risk-managed investment philosophy.

² Russell 2000® Index is an unmanaged index which measures the performance of the 2,000 smallest of the 3,000 largest U.S. companies, based on market capitalization. It is not possible to invest directly in an index.

Trailing 12-month Price-to-Earnings Ratio: The sum of a company's price-to-earnings. Calculated by taking the current stock price and dividing it by the current earnings per share for the past 12 months.

Price-to-Book Ratio: A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current price of the stock by the latest quarter's book value per share.

Beta: Beta represents the systematic risk of a portfolio and measures its sensitivity to a benchmark.

Up Market Capture: A measure of a manager's performance in up markets relative to the market.

Down Market Capture: A measure of a manager's performance in down markets relative to the market.

Information Ratio: A measure of risk-adjusted relative return.

Please carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call 800-595-9111 to obtain a prospectus and summary prospectus, which contain this and other information about the funds.



Managed by Northern Trust

OVERALL MORNINGSTAR RATING™



among 352 small value funds derived from a weighted average of the fund's 3-, 5- and 10-year risk-adjusted returns as of 12/31/14*

FUND FACTS

Fund Objective: Capital Appreciation
Inception Date: April 1, 1994
Ticker Symbol: NOSGX
Gross Expense Ratio: 1.26%¹
Net Expense Ratio: 1.01%¹
Dividend Schedule: Annually
Benchmark: Russell 2000® Value Index
Morningstar Category: Small Value

FUND CHARACTERISTICS

Total Net Assets: \$2.8 billion
Number of Holdings: 507
Annual Portfolio Turnover: 20.70% (as of 3/31/14)
Weighted Average Market Cap (\$mil): \$2,096

	Fund	Benchmark ²
Trailing 12-month Price-to-Earnings Ratio	18.70	19.97
Price-to-Book Ratio	1.60	1.57

RISK CHARACTERISTICS

	Fund	Benchmark ²
Beta	1.00	1.00
Up Market Capture	100.21	100.00
Down Market Capture	99.33	100.00
Information Ratio	0.13	0.00

Above risk characteristics are based on 3-year time period.

FUND STRATEGY

- Follow a quantitative, active equity strategy to select stocks based on a statistical analysis of historical relationships among value characteristics, stock prices and market capitalization ranges.
- Use a screening process designed to reduce exposure to stocks with negative fundamental indicators.
- Maintain a highly diversified portfolio, consistent with small-cap value benchmarks, in an effort to reduce the risks associated with any specific stock or industry.

PERFORMANCE as of 12/31/14

FUND	ANNUALIZED						
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
FUND	10.80%	7.07%	7.07%	18.46%	15.54%	8.22%	10.48%
RUSSELL 2000 VALUE INDEX ²	9.40%	4.22%	4.22%	18.29%	14.26%	6.89%	10.52%
MORNINGSTAR CATEGORY AVG SMALL VALUE	6.35%	3.34%	3.34%	17.72%	13.97%	7.40%	—

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 Advisor has agreed to reimburse certain expenses of the Fund (excluding acquired fund fees and expenses; a portion of the compensation paid to each Trustee who is not an officer, director or employee of Northern Trust Corporation or its subsidiaries; expenses related to third-party consultants engaged by the Board of Trustees of the Trust; membership dues paid to the Investment Company Institute and Mutual Fund Directors Forum; extraordinary expenses; and interest, if any) to the extent the "Total Annual Fund Operating Expenses" exceed 1.00%. The contractual limitation may not be terminated before July 31, 2015 without the approval of the Board of Trustees. In the absence of fee waivers, yield, total return, growth since inception and dividends would have been reduced. Total return is based on net change in NAV assuming reinvestment of distributions.

Equity Risk: Equity securities (stocks) are more volatile and carry more risk than other forms of investments, including investments in high-grade fixed-income securities. The net asset value per share of this Fund will fluctuate as the value of the securities in the portfolio changes.

Small Cap Risk: Small-capitalization funds typically carry additional risks since smaller companies generally have a higher risk of failure. Their stocks are subject to a greater degree of volatility, trade in lower volume and may be less liquid.

Value Risk: Value-based investments are subject to the risk that the broad market may not recognize their intrinsic value.

¹ 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, 2015.

Please see back page for calendar year returns, index definitions and investment terms.

*Past performance is no guarantee of future results. Ratings reflect fee waivers in effect; in their absence, ratings may have been lower.

Star ratings are based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The overall rating is a weighted average of the 3-, 5- and 10-year (if applicable) returns. 5 stars = top 10% of funds in an asset category; 4 stars = next 22.5% of funds; 3 stars = next 35%; 2 stars = next 22.5% and 1 star = next 10%. A fund must be in existence three years to be rated. Ratings are subject to change monthly. The Small Cap Value Fund received 3 stars for the 3-year rating among 352 small value funds, 4 stars for the 5-year rating among 281 funds and 4 stars for the 10-year rating among 194 funds.

©2015 Morningstar, Inc. All Rights Reserved. Morningstar and/or its content providers are the proprietors of this information; do not permit its unauthorized copying or distribution; do not warrant it to be accurate, complete or timely; and are not responsible for damages or losses arising from its use.

TOP 10 HOLDINGS

Company	Fund % of Net Assets
JetBlue Airways Corp	1.0%
LaSalle Hotel Properties	0.9%
Idacorp Inc	0.8%
EPR Properties	0.8%
Southwest Gas Corp	0.7%
RLJ Lodging Trust	0.7%
Esterline Technologies Corp	0.7%
SYNNEX Corp	0.7%
MKS Instruments Inc	0.7%
Medical Properties Trust Inc	0.7%
TOTAL	7.7%

SECTOR WEIGHTINGS

Economic Sector	Fund	Benchmark ²
Financials	39.0%	40.9%
Industrials	14.7%	13.0%
Information Technology	11.8%	10.0%
Consumer Discretionary	11.0%	11.7%
Utilities	6.3%	6.9%
Materials	5.3%	4.4%
Health Care	5.1%	5.4%
Energy	4.0%	4.1%
Consumer Staples	2.2%	2.8%
Telecommunication Services	0.6%	0.8%
TOTAL	100.0%	100.0%

ASSET ALLOCATION

Stocks	95.6%
Cash	4.4%
TOTAL	100.0%

All data is as of date indicated and subject to change.

PORTFOLIO MANAGER



ROBERT H. BERGSON, CFA® | Began career in 1995
With Northern Trust since 1997

Mr. Bergson received a Bachelor of Architecture degree from Carnegie Mellon University and an M.S. in real estate development from the Massachusetts Institute of Technology. He is an active CFA charterholder and a member of the CFA Institute, the Society of Quantitative Analysts, the CFA Society Chicago and the Chicago Quantitative Alliance.

CALENDAR YEAR RETURNS

	2014	2013	2012	2011	2010
FUND	7.07%	36.44%	13.78%	-0.60%	24.61%
RUSSELL 2000 VALUE INDEX ²	4.22%	34.52%	18.05%	-5.50%	24.50%
MORNINGSTAR CATEGORY AVG SMALL VALUE	3.34%	36.22%	16.00%	-4.45%	26.17%

Performance quoted represents past performance and does not guarantee future results.

A Conservative Investment Approach

Northern Trust has built a tradition of strength and stability in investment management. Markets fluctuate over time, but we have remained steadfast in our disciplined, risk-managed investment philosophy.

² **Russell 2000® Value Index** is an unmanaged index measuring the performance of those companies included in the Russell 2000® Index having lower price-to-book ratios and lower forecasted growth values. It is not possible to invest directly in an index.

Trailing 12-month Price-to-Earnings Ratio: The sum of a company's price-to-earnings. Calculated by taking the current stock price and dividing it by the current earnings per share for the past 12 months.

Price-to-Book Ratio: A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current price of the stock by the latest quarter's book value per share.

Beta: Beta represents the systematic risk of a portfolio and measures its sensitivity to a benchmark.

Up Market Capture: A measure of a manager's performance in up markets relative to the market.

Down Market Capture: A measure of a manager's performance in down markets relative to the market.

Information Ratio: A measure of risk-adjusted relative return.

Please carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call 800-595-9111 to obtain a prospectus and summary prospectus, which contain this and other information about the funds.



Managed by
Northern Trust

OVERALL MORNINGSTAR RATING™



among 132 municipal California long funds derived from a weighted average of the fund's 3-, 5- and 10-year risk-adjusted returns as of 12/31/14*

FUND FACTS

Fund Objective: Current Tax-Exempt Income
Inception Date: April 8, 1997
Ticker Symbol: NCATX
Gross Expense Ratio: 0.62%¹
Net Expense Ratio: 0.46%¹
Dividend Schedule: Monthly
Benchmark: Barclays California Municipal Bond Index
Morningstar Category: Municipal California Long

FUND CHARACTERISTICS

Total Net Assets: \$134 million
Number of Holdings: 56
30-Day SEC Yield w/Waivers: 2.61%
30-Day SEC Yield w/o Waivers: 2.27%
Tax-Equivalent 30-Day SEC Yield: 5.88%²
Modified Duration: 5.5 years
Average Maturity: 16.4 years



Institutional investor award winners are chosen by the editorial staff of *Institutional Investor* magazine based on their market intelligence, performance data and additional information received from the industry following a public call for nominations. Manager winners are also selected by the editors of the magazine based on the results of a survey conducted of U.S. institutional investors. Award noted above is not indicative of future performance.

FUND STRATEGY

- Concentrate our investments in California state-specific, investment-grade municipal instruments which are exempt from federal income tax and California state personal income tax while maintaining an average maturity, under normal circumstances, between 10 and 30 years.
- Invest in high-quality securities, primarily investment-grade debt.
- Select investments on the basis of their relative value with a focus on total return.

PERFORMANCE as of 12/31/14

FUND	ANNUALIZED						
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
BARCLAYS CA MUNI BOND INDEX ³	1.40%	9.97%	9.97%	5.32%	6.20%	5.05%	5.67%
MORNINGSTAR CATEGORY AVG MUNI CA LONG	1.67%	12.07%	12.07%	6.03%	6.28%	4.46%	—

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 Advisor has agreed to reimburse certain expenses of the Fund (excluding acquired fund fees and expenses; a portion of the compensation paid to each Trustee who is not an officer, director or employee of Northern Trust Corporation or its subsidiaries; expenses related to third-party consultants engaged by the Board of Trustees of the Trust; membership dues paid to the Investment Company Institute and Mutual Fund Directors Forum; extraordinary expenses; and interest, if any) to the extent the "Total Annual Fund Operating Expenses" exceed 0.45%. The contractual limitation may not be terminated before July 31, 2015 without the approval of the Board of Trustees. In the absence of fee waivers, yield, total return, growth since inception and dividends would have been reduced. Total return is based on net change in NAV assuming reinvestment of distributions.

Bond Risk: Bond funds will tend to experience smaller fluctuations in value than stock funds. However, investors in any bond fund should anticipate fluctuations in price, especially for longer-term issues and in environments of rising interest rates.

Non-Diversified Risk: The Fund invests in a smaller number of securities than the average mutual fund. The change in value of a single holding may have a more pronounced effect on the Fund's net asset value and performance than for other funds.

Regional Investment Risk: The geographical concentration of portfolio holdings in this Fund may involve increased risk.

Tax-Free/AMT Risk: Tax-exempt funds' income may be subject to certain state and local taxes and, depending on your tax status, the federal alternative minimum tax.

¹ 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, 2015.

² Tax-equivalent yields are based on an assumed tax rate of 55.7% for California.

Please see back page for calendar year returns and index definitions.

*Past performance is no guarantee of future results. Ratings reflect fee waivers in effect; in their absence, ratings may have been lower.

Star ratings are based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The overall rating is a weighted average of the 3-, 5- and 10-year (if applicable) returns. 5 stars = top 10% of funds in an asset category; 4 stars = next 22.5% of funds; 3 stars = next 35%; 2 stars = next 22.5% and 1 star = next 10%. A fund must be in existence three years to be rated. Ratings are subject to change monthly. The California Tax-Exempt Fund received 3 stars for the 3-year rating among 132 municipal California long funds, 3 stars for the 5-year rating among 127 funds and 4 stars for the 10-year rating among 107 funds.

©2015 Morningstar, Inc. All Rights Reserved. Morningstar and/or its content providers are the proprietors of this information; do not permit its unauthorized copying or distribution; do not warrant it to be accurate, complete or timely; and are not responsible for damages or losses arising from its use.

MATURITY DISTRIBUTION

Maturity Range	Fund
0 - 1 Year	6.1%
2 - 5 Years	3.1%
6 - 10 Years	12.6%
11 - 20 Years	42.8%
21 - 30 Years	28.5%
31+ Years	6.9%
TOTAL	100.0%

QUALITY DISTRIBUTION

Quality Rating	Fund	Benchmark ³
AAA	5.9%	4.0%
AA	76.0%	46.7%
A	12.0%	45.1%
BBB	0.0%	4.2%
Committed Cash	6.1%	0.0%
TOTAL	100.0%	100.0%

SECTOR WEIGHTINGS

Economic Sector	Fund	Benchmark ³
General Obligation	51.2%	39.5%
Revenue	33.1%	54.4%
Insured	7.5%	0.2%
Committed Cash	6.1%	0.0%
Government-Backed	2.1%	5.9%
TOTAL	100.0%	100.0%

All data is as of date indicated and subject to change.

PORTFOLIO MANAGER



ERIC V. BOECKMANN | Began career in 1985
 With Northern Trust since 1985
 Mr. Boeckmann received a B.S. in finance from the University of Illinois.

CALENDAR YEAR RETURNS

	2014	2013	2012	2011	2010
FUND	12.36%	-2.96%	9.58%	15.15%	1.74%
BARCLAYS CA MUNI BOND INDEX ³	9.97%	-1.77%	8.14%	12.29%	2.98%
MORNINGSTAR CATEGORY AVG MUNI CA LONG	12.07%	-3.71%	10.42%	11.74%	1.77%

Performance quoted represents past performance and does not guarantee future results.

A Conservative Investment Approach
 Northern Trust has built a tradition of strength and stability in investment management. Markets fluctuate over time, but we have remained steadfast in our disciplined, risk-managed investment philosophy.

³ **Barclays California Municipal Bond Index** is an unmanaged index of investment grade (Baa3 or better) tax-exempt California bonds with a remaining maturity of at least one year. It is not possible to invest directly in an index.

Modified Duration: Duration is a measure of a bond fund's sensitivity to changes in interest rates. The Fund's duration is calculated using the modified duration formula.

Quality Distribution: Credit quality ratings are based on converting the available Moody's, Standard & Poor's and/or Fitch ratings to a common numerical basis and averaging that result. If none of these three rating agencies has assigned a rating, the Fund will assign a rating of not rated. The ratings, expressed in Standard & Poor's nomenclature, range from AAA (extremely strong capacity to meet its financial commitment) to D (in default). Short-term ratings, expressed in Standard & Poor's nomenclature, range from A-1 (obligor's capacity to meet its financial commitment on the obligation is strong) to A-3 (exhibits adequate protection parameters). The Standard & Poor's short-term municipal rating of SP1 reflects a strong capacity to pay principal and interest (an issue determined to possess a very strong capacity to pay debt service is given a plus (+) designation). The Moody's short-term municipal rating of MIG1 denotes superior credit quality (excellent protection is afforded by established cash flows, highly reliable liquidity support or demonstrated broad-based access to the market for refinancing). Committed Cash includes any traded cash (forward settling trades), the sweep vehicle and commercial paper. The ratings represent the rating agencies' opinions of the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality.

Distribution Calculations: All distribution calculations (Maturity Distribution, Sector Weightings and Quality Distribution) are measured on a trade date basis and are adjusted for uninvested cash from the market value used to compute the percentage calculations.

Please carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call 800-595-9111 to obtain a prospectus and summary prospectus, which contain this and other information about the funds.



Managed by
Northern Trust

OVERALL MORNINGSTAR RATING™



among 913 intermediate-term bond funds derived from a weighted average of the fund's 3-, 5- and 10-year risk-adjusted returns as of 12/31/14*

FUND FACTS

Fund Objective: Total Return
Inception Date: March 29, 2001
Ticker Symbol: NOCBX
Gross Expense Ratio: 0.57%¹
Net Expense Ratio: 0.42%¹
Dividend Schedule: Monthly
Benchmark: Barclays U.S. Aggregate Bond Index
Morningstar Category: Intermediate-Term Bond

FUND CHARACTERISTICS

Total Net Assets: \$237 million
Number of Holdings: 341
30-Day SEC Yield w/Waivers: 2.07%
30-Day SEC Yield w/o Waivers: 1.85%
Average Duration: 5.2 years
Average Maturity: 7.7 years

FUND STRATEGY

- Invest primarily in domestic investment-grade debt obligations with an average maturity, under normal circumstances, between three and 15 years.
- Buy and sell securities using a relative value approach that employs models that analyze and compare expected returns and assumed risks.
- Emphasize securities and types of securities (such as Treasury, agency, asset-backed, mortgage-related and corporate securities) that we believe have the potential to provide a favorable return.

PERFORMANCE as of 12/31/14

FUND	ANNUALIZED						
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
BARCLAYS U.S. AGG BOND INDEX ²	1.79%	5.97%	5.97%	2.66%	4.45%	4.71%	5.16%
MORNINGSTAR CATEGORY AVG INT-TERM BOND	1.11%	5.18%	5.18%	3.38%	4.78%	4.41%	—

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 Advisor has agreed to reimburse certain expenses of the Fund (excluding acquired fund fees and expenses; a portion of the compensation paid to each Trustee who is not an officer, director or employee of Northern Trust Corporation or its subsidiaries; expenses related to third-party consultants engaged by the Board of Trustees of the Trust; membership dues paid to the Investment Company Institute and Mutual Fund Directors Forum; extraordinary expenses; and interest, if any) to the extent the "Total Annual Fund Operating Expenses" exceed 0.40%. The contractual limitation may not be terminated before July 31, 2015 without the approval of the Board of Trustees. In the absence of fee waivers, yield, total return, growth since inception and dividends would have been reduced. Total return is based on net change in NAV assuming reinvestment of distributions.

Bond Risk: Bond funds will tend to experience smaller fluctuations in value than stock funds. However, investors in any bond fund should anticipate fluctuations in price, especially for longer-term issues and in environments of rising interest rates.

Mortgage-Backed Securities Risk: Mortgage-backed investments involve risk of loss due to prepayments and, like any bond, due to default. Because of the sensitivity of mortgage-related securities to changes in interest rates, the Fund's performance may be more volatile than if it did not hold these securities.

¹ 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, 2015.

Please see back page for calendar year returns, investment terms and index definitions.

*Past performance is no guarantee of future results. Ratings reflect fee waivers in effect; in their absence, ratings may have been lower.

Star ratings are based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The overall rating is a weighted average of the 3-, 5- and 10-year (if applicable) returns. 5 stars = top 10% of funds in an asset category; 4 stars = next 22.5% of funds; 3 stars = next 35%; 2 stars = next 22.5% and 1 star = next 10%. A fund must be in existence three years to be rated. Ratings are subject to change monthly. The Core Bond Fund received 3 stars for the 3-year rating among 913 intermediate-term bond funds, 3 stars for the 5-year rating among 807 funds and 4 stars for the 10-year rating among 588 funds.

©2015 Morningstar, Inc. All Rights Reserved. Morningstar and/or its content providers are the proprietors of this information; do not permit its unauthorized copying or distribution; do not warrant it to be accurate, complete or timely; and are not responsible for damages or losses arising from its use.

MATURITY DISTRIBUTION

Maturity Range	Fund
0 - 1yr	8.9%
1yr - 2yrs	5.3%
2yrs - 3yrs	19.9%
3yrs - 5yrs	20.7%
5yrs - 7yrs	12.4%
7yrs - 10yrs	15.3%
10yrs - 15yrs	1.7%
15yrs - 20yrs	3.6%
20yrs - 25yrs	3.2%
25yrs - 30yrs	7.2%
30yrs - 35yrs	0.4%
35yrs+	1.4%
TOTAL	100.0%

QUALITY DISTRIBUTION

Quality Rating	Fund	Benchmark ²
US Tsy (incl GNMA MBS)	33.9%	43.7%
US Agcy (incl FN/FH MBS)	18.2%	24.8%
AAA	7.3%	4.2%
AA	2.0%	3.6%
A	10.1%	11.8%
BBB	24.2%	11.9%
BB	0.1%	0.0%
Committed Cash	4.2%	0.0%
TOTAL	100.0%	100.0%

SECTOR WEIGHTINGS

Economic Sector	Fund	Benchmark ²
Treasury	33.7%	35.9%
Industrial	18.6%	13.9%
Mortgage-Backed	18.4%	28.8%
Financial	14.2%	7.5%
Commercial MBS	8.3%	2.0%
Committed Cash	4.2%	0.0%
Utilities	1.8%	1.8%
Asset-Backed	0.5%	0.5%
Foreign Agencies	0.3%	1.7%
Agency	0.0%	3.3%
Covered	0.0%	0.1%
Foreign Local Govt	0.0%	0.4%
Municipals	0.0%	1.0%
Sovereign	0.0%	1.5%
Supranational	0.0%	1.6%
TOTAL	100.0%	100.0%

All data is as of date indicated and subject to change.

PORTFOLIO MANAGERS



BRADLEY CAMDEN, CFA® | Began career in 2002
With Northern Trust since 2005

Mr. Camden holds a B.A. in economics from DePauw University. He is an active CFA charterholder and a member of the CFA Institute and the CFA Society Chicago.

DANIEL J. PERSONETTE, CFA® | Began career in 1995
With Northern Trust since 1996

Mr. Personette received a B.A. in finance from Ball State University and an MBA from the University of Chicago. He is an active CFA charterholder and a member of the CFA Society Chicago.

CALENDAR YEAR RETURNS

	2014	2013	2012	2011	2010
FUND	6.10%	-2.08%	6.69%	7.91%	6.58%
BARCLAYS U.S. AGG BOND INDEX ²	5.97%	-2.02%	4.21%	7.84%	6.54%
MORNINGSTAR CATEGORY AVG INT-TERM BOND	5.18%	-1.42%	7.01%	5.86%	7.72%

Performance quoted represents past performance and does not guarantee future results.

A Conservative Investment Approach
Northern Trust has built a tradition of strength and stability in investment management. Markets fluctuate over time, but we have remained steadfast in our disciplined, risk-managed investment philosophy.

² **Barclays U.S. Aggregate Bond Index** is an unmanaged index of prices of U.S. dollar-denominated, fixed rate, taxable, investment-grade fixed income securities with remaining maturities of one year and longer. It is not possible to invest directly in an index.

Average Duration: Duration is a measure of a bond fund's sensitivity to changes in interest rates. The Fund's duration is calculated using the option-adjusted formula.

Quality Distribution: Credit quality ratings are based on the conservative average of Moody's, Standard & Poor's and Fitch ratings. If ratings from all three rating agencies disagree, the model assigns the middle rating to the security. If two of the three agree, the model assigns the rating from those two to the security. If none of these three rating agencies has assigned a rating, the Fund will assign a rating of not rated. The ratings, expressed in Standard & Poor's nomenclature, range from AAA (extremely strong capacity to meet its financial commitment) to D (in default). Short-term ratings, expressed in Standard & Poor's nomenclature, range from A-1 (obligor's capacity to meet its financial commitment on the obligation is strong) to A-3 (exhibits adequate protection parameters). Committed Cash includes any traded cash (forward settling trades), the sweep vehicle and commercial paper. The ratings represent the rating agencies' opinions of the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality.

Distribution Calculations: All distribution calculations (Maturity Distribution, Sector Weightings and Quality Distribution) are measured on a trade date basis and are adjusted for uninvested cash from the market value used to compute the percentage calculations.

Characteristics: Benchmark and Fund analytics have been calculated using a third party vended model. All material has been obtained from sources believed to be reliable, but the accuracy, completeness and interpretation cannot be guaranteed. Information contained herein is current as of the date appearing in this material only and is subject to change without notice. Certain benchmark calculations may not match the published benchmark characteristics.

Please carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call 800-595-9111 to obtain a prospectus and summary prospectus, which contain this and other information about the funds.



Managed by
Northern Trust

FUND FACTS

Fund Objective: Current Income
Inception Date: April 1, 1994
Ticker Symbol: NOFIX
Gross Expense Ratio: 0.48%¹
Net Expense Ratio: 0.46%¹
Dividend Schedule: Monthly
Benchmark: Barclays U.S. Aggregate Bond Index
Morningstar Category: Intermediate-Term Bond

FUND CHARACTERISTICS

Total Net Assets: \$1.9 billion
Number of Holdings: 363
30-Day SEC Yield w/Waivers: 2.62%
30-Day SEC Yield w/o Waivers: 2.49%
Average Duration: 5.2 years
Average Maturity: 8.2 years

FUND STRATEGY

- Invest primarily in investment-grade domestic debt obligations with an average maturity, under normal circumstances, between three and 15 years, but may own, to a limited extent, securities of foreign issuers and non-investment-grade debt.
- Buy and sell securities using a relative value approach that employs models that analyze and compare expected returns and assumed risks.
- Emphasize securities and types of securities (such as Treasury, agency, mortgage-related and corporate securities) that we believe have the potential to provide a favorable return.

PERFORMANCE as of 12/31/14

FUND	ANNUALIZED						
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
FUND	1.56%	6.19%	6.19%	3.88%	4.98%	4.58%	5.50%
BARCLAYS U.S. AGG BOND INDEX ²	1.79%	5.97%	5.97%	2.66%	4.45%	4.71%	5.97%
MORNINGSTAR CATEGORY AVG INT-TERM BOND	1.11%	5.18%	5.18%	3.38%	4.78%	4.41%	—

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 Advisor has agreed to reimburse certain expenses of the Fund (excluding acquired fund fees and expenses; a portion of the compensation paid to each Trustee who is not an officer, director or employee of Northern Trust Corporation or its subsidiaries; expenses related to third-party consultants engaged by the Board of Trustees of the Trust; membership dues paid to the Investment Company Institute and Mutual Fund Directors Forum; extraordinary expenses; and interest, if any) to the extent the "Total Annual Fund Operating Expenses" exceed 0.45%. The contractual limitation may not be terminated before July 31, 2015 without the approval of the Board of Trustees. In the absence of fee waivers, yield, total return, growth since inception and dividends would have been reduced. Total return is based on net change in NAV assuming reinvestment of distributions.

Bond Risk: Bond funds will tend to experience smaller fluctuations in value than stock funds. However, investors in any bond fund should anticipate fluctuations in price, especially for longer-term issues and in environments of rising interest rates.

Mortgage-Backed Securities Risk: Mortgage-backed investments involve risk of loss due to prepayments and, like any bond, due to default. Because of the sensitivity of mortgage-related securities to changes in interest rates, the Fund's performance may be more volatile than if it did not hold these securities.

¹ 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, 2015.

Please see back page for calendar year returns and index definitions.

MATURITY DISTRIBUTION

Maturity Range	Fund
0 - 1yr	6.9%
1yr - 2yrs	5.6%
2yrs - 3yrs	18.2%
3yrs - 5yrs	21.0%
5yrs - 7yrs	14.5%
7yrs - 10yrs	16.2%
10yrs - 15yrs	1.0%
15yrs - 20yrs	2.5%
20yrs - 25yrs	3.4%
25yrs - 30yrs	8.2%
30yrs - 35yrs	0.7%
35yrs+	1.8%
TOTAL	100.0%

QUALITY DISTRIBUTION

Quality Rating	Fund	Benchmark ²
US Tsy (incl GNMA MBS)	29.5%	43.7%
US Agcy (incl FN/FH MBS)	19.4%	24.8%
AAA	6.7%	4.2%
AA	1.9%	3.6%
A	5.9%	11.8%
BBB	18.8%	11.9%
BB	7.2%	0.0%
B	4.5%	0.0%
CCC	0.4%	0.0%
Committed Cash	5.7%	0.0%
TOTAL	100.0%	100.0%

SECTOR WEIGHTINGS

Economic Sector	Fund	Benchmark ²
Treasury	29.3%	35.9%
Industrial	20.6%	13.9%
Mortgage-Backed	19.6%	28.8%
Financial	14.0%	7.5%
Commercial MBS	8.5%	2.0%
Committed Cash	5.7%	0.0%
Utilities	2.0%	1.8%
Foreign Agencies	0.3%	1.7%
Agency	0.0%	3.3%
Asset-Backed	0.0%	0.5%
Covered	0.0%	0.1%
Foreign Local Govt	0.0%	0.4%
Municipals	0.0%	1.0%
Sovereign	0.0%	1.5%
Supranational	0.0%	1.6%
TOTAL	100.0%	100.0%

All data is as of date indicated and subject to change.

PORTFOLIO MANAGERS



BRADLEY CAMDEN, CFA® | Began career in 2002
With Northern Trust since 2005

Mr. Camden holds a B.A. in economics from DePauw University. He is an active CFA charterholder and a member of the CFA Institute and the CFA Society Chicago.

DANIEL J. PERSONETTE, CFA® | Began career in 1995
With Northern Trust since 1996

Mr. Personette received a B.A. in finance from Ball State University and an MBA from the University of Chicago. He is an active CFA charterholder and a member of the CFA Society Chicago.

CALENDAR YEAR RETURNS

	2014	2013	2012	2011	2010
FUND	6.19%	-1.49%	7.16%	7.22%	6.10%
BARCLAYS U.S. AGG BOND INDEX ²	5.97%	-2.02%	4.21%	7.84%	6.54%
MORNINGSTAR CATEGORY AVG INT-TERM BOND	5.18%	-1.42%	7.01%	5.86%	7.72%

Performance quoted represents past performance and does not guarantee future results.

A Conservative Investment Approach
Northern Trust has built a tradition of strength and stability in investment management. Markets fluctuate over time, but we have remained steadfast in our disciplined, risk-managed investment philosophy.

² **Barclays U.S. Aggregate Bond Index** is an unmanaged index of prices of U.S. dollar-denominated, fixed rate, taxable, investment-grade fixed income securities with remaining maturities of one year and longer. It is not possible to invest directly in an index.

Average Duration: Duration is a measure of a bond fund's sensitivity to changes in interest rates. The Fund's duration is calculated using the option-adjusted formula.

Quality Distribution: Credit quality ratings are based on the conservative average of Moody's, Standard & Poor's and Fitch ratings. If ratings from all three rating agencies disagree, the model assigns the middle rating to the security. If two of the three agree, the model assigns the rating from those two to the security. If none of these three rating agencies has assigned a rating, the Fund will assign a rating of not rated. The ratings, expressed in Standard & Poor's nomenclature, range from AAA (extremely strong capacity to meet its financial commitment) to D (in default). Short-term ratings, expressed in Standard & Poor's nomenclature, range from A-1 (obligor's capacity to meet its financial commitment on the obligation is strong) to A-3 (exhibits adequate protection parameters). Committed Cash includes any traded cash (forward settling trades), the sweep vehicle and commercial paper. The ratings represent the rating agencies' opinions of the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality.

Distribution Calculations: All distribution calculations (Maturity Distribution, Sector Weightings and Quality Distribution) are measured on a trade date basis and are adjusted for uninvested cash from the market value used to compute the percentage calculations.

Characteristics: Benchmark and Fund analytics have been calculated using a third party vended model. All material has been obtained from sources believed to be reliable, but the accuracy, completeness and interpretation cannot be guaranteed. Information contained herein is current as of the date appearing in this material only and is subject to change without notice. Certain benchmark calculations may not match the published benchmark characteristics.

Please carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call 800-595-9111 to obtain a prospectus and summary prospectus, which contain this and other information about the funds.



FUND FACTS

Fund Objective: High Current Income
Inception Date: December 31, 1998
Ticker Symbol: NHFIX
Gross Expense Ratio: 0.82%¹
Net Expense Ratio: 0.81%¹
Redemption Fee: 2% on shares sold or exchanged within 30 days of purchase
Dividend Schedule: Monthly
Benchmark: Barclays U.S. Corporate High Yield 2% Issuer Capped Index
Morningstar Category: High Yield Bond

FUND CHARACTERISTICS

Total Net Assets: \$4.8 billion
Number of Holdings: 183
30-Day SEC Yield w/Waivers: 6.39%
30-Day SEC Yield w/o Waivers: 6.30%
Modified Duration: 4.7 years
Average Maturity: 6.7 years

FUND STRATEGY

- Invest primarily in high-yielding, lower-rated corporate debt. Lower-rated debt is commonly referred to as “junk bonds.”
- Take steps to properly manage downside risk by maintaining a broadly diversified portfolio.
- Rely on our extensive credit research capabilities in an effort to manage risk and minimize defaults.

PERFORMANCE as of 12/31/14

FUND	ANNUALIZED						
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
FUND	-1.44%	2.11%	2.11%	8.16%	8.32%	6.19%	6.15%
BARCLAYS U.S. CORP HY 2% ISSUER CAPPED INDEX ²	-1.00%	2.46%	2.46%	8.42%	8.98%	7.73%	7.24%
MORNINGSTAR CATEGORY AVG HIGH YIELD BOND	-1.56%	1.11%	1.11%	7.41%	7.86%	6.31%	—

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 Advisor has agreed to reimburse certain expenses of the Fund (excluding acquired fund fees and expenses; a portion of the compensation paid to each Trustee who is not an officer, director or employee of Northern Trust Corporation or its subsidiaries; expenses related to third-party consultants engaged by the Board of Trustees of the Trust; membership dues paid to the Investment Company Institute and Mutual Fund Directors Forum; extraordinary expenses; and interest, if any) to the extent the “Total Annual Fund Operating Expenses” exceed 0.80%. The contractual limitation may not be terminated before July 31, 2015 without the approval of the Board of Trustees. In the absence of fee waivers, yield, total return, growth since inception and dividends would have been reduced. Total return is based on net change in NAV assuming reinvestment of distributions.

Bond Risk: Bond funds will tend to experience smaller fluctuations in value than stock funds. However, investors in any bond fund should anticipate fluctuations in price, especially for longer-term issues and in environments of rising interest rates.

High-Yield Risk: Although a high-yield fund’s yield may be higher than that of fixed-income funds that purchase higher-rated securities, the potentially higher yield is a function of the greater risk that a high-yield fund’s share price will decline.

¹ 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, 2015.

Please see back page for calendar year returns and index definitions.

MATURITY DISTRIBUTION

Maturity Range	Fund
0 - 1 Year	1.3%
1 - 3 Years	2.4%
3 - 5 Years	19.4%
5 - 10 Years	66.3%
10+ Years	10.6%
TOTAL	100.0%

QUALITY DISTRIBUTION

Quality Rating	Fund	Benchmark ²
BBB	3.1%	0.0%
BB	26.0%	43.0%
B	47.1%	40.6%
CCC	19.1%	15.9%
CC to D	0.5%	0.3%
Not rated	2.9%	0.2%
Cash Equivalents	1.3%	0.0%
TOTAL	100.0%	100.0%

SECTOR WEIGHTINGS

Economic Sector	Fund	Benchmark ²
Financial Institutions	18.7%	11.0%
Consumer Cyclical	17.8%	14.8%
Communications	17.0%	18.3%
Energy	9.7%	13.4%
Capital Goods	8.8%	8.7%
Consumer Non-Cyclical	7.8%	12.4%
Basic Industry	6.6%	8.5%
Technology	5.6%	6.2%
Transportation	2.9%	1.8%
Industrial Other	2.6%	1.4%
Short-Term	1.3%	0.0%
Utilities	1.2%	3.5%
TOTAL	100.0%	100.0%

All data is as of date indicated and subject to change.

PORTFOLIO MANAGER



RICHARD J. INZUNZA, CFA® | Began career in 1991
With Northern Trust since 2007

Mr. Inzunza received a B.S. in business administration — accounting from the California State University at Los Angeles and an MBA in finance from the William E. Simon Graduate School of Business Administration at the University of Rochester. He is an active CFA charterholder and a member of the CFA Institute, CFA Society Chicago and CFA Society United Kingdom.

CALENDAR YEAR RETURNS

	2014	2013	2012	2011	2010
FUND	2.11%	7.68%	15.08%	3.75%	13.60%
BARCLAYS U.S. CORP HY 2% ISSUER CAPPED INDEX ²	2.46%	7.44%	15.78%	4.96%	14.94%
MORNINGSTAR CATEGORY AVG HIGH YIELD BOND	1.11%	6.90%	14.67%	2.83%	14.24%

Performance quoted represents past performance and does not guarantee future results.

A Conservative Investment Approach

Northern Trust has built a tradition of strength and stability in investment management. Markets fluctuate over time, but we have remained steadfast in our disciplined, risk-managed investment philosophy.

² **Barclays U.S. Corporate High Yield 2% Issuer Capped Index** is an unmanaged index that measures the market of U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bonds. It is a version of the Barclays High Yield Corporate Bond Index except it limits its exposure of each issuer to 2% of the total market value and redistributes any excess market value Index-wide on a pro-rata basis. It is not possible to invest directly in an index.

Modified Duration: Duration is a measure of a bond fund's sensitivity to changes in interest rates. The Fund's duration is calculated using the modified duration formula.

Quality Distribution: Credit quality ratings are based on the conservative average of Moody's, Standard & Poor's and Fitch ratings. If ratings from all three rating agencies disagree, the model assigns the middle rating to the security. If two of the three agree, the model assigns the rating from those two to the security. If none of these three rating agencies has assigned a rating, the Fund will assign a rating of not rated. The ratings, expressed in Standard & Poor's nomenclature, range from AAA (extremely strong capacity to meet its financial commitment) to D (in default). Short-term ratings, expressed in Standard & Poor's nomenclature, range from A-1 (obligor's capacity to meet its financial commitment on the obligation is strong) to A-3 (exhibits adequate protection parameters). The ratings represent the rating agencies' opinions of the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality.

Please carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call 800-595-9111 to obtain a prospectus and summary prospectus, which contain this and other information about the funds.

FUND FACTS

Fund Objective: High Current Tax-Exempt Income
Inception Date: December 31, 1998
Ticker Symbol: NHYMX
Gross Expense Ratio: 0.85%¹
Net Expense Ratio: 0.80%¹
Dividend Schedule: Monthly
Benchmark: Barclays Municipal Bond 65-35 Investment Grade/High Yield Index
Morningstar Category: High Yield Municipal

FUND CHARACTERISTICS

Total Net Assets: \$298 million
Number of Holdings: 97
30-Day SEC Yield w/Waivers: 3.81%
30-Day SEC Yield w/o Waivers: 3.69%
Tax-Equivalent 30-Day SEC Yield: 6.73%²
Modified Duration: 4.9 years
Average Maturity: 20.2 years



Institutional investor award winners are chosen by the editorial staff of *Institutional Investor* magazine based on their market intelligence, performance data and additional information received from the industry following a public call for nominations. Manager winners are also selected by the editors of the magazine based on the results of a survey conducted of U.S. institutional investors. Award noted above is not indicative of future performance.

FUND STRATEGY

- Concentrate primarily on municipalities that issue medium (rated A and BBB) and lower-quality debt (rated BBB and below). Lower-quality debt or high-yield securities are also commonly referred to as “non-investment grade” or “junk bonds.”
- Manage to a benchmark index of 65% investment grade and 35% non-investment grade bonds.
- Select investments on the basis of their relative value with a focus on total return.

PERFORMANCE as of 12/31/14

FUND	ANNUALIZED						
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
FUND	1.88%	12.42%	12.42%	6.51%	6.62%	3.68%	3.94%
BARCLAYS MUNI BOND 65-35 INV GRADE/HY INDEX ³	1.32%	10.72%	10.72%	5.71%	6.29%	5.05%	5.27%
MORNINGSTAR CATEGORY AVG HIGH YIELD MUNI	1.99%	13.86%	13.86%	6.62%	6.63%	4.09%	—

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 Advisor has agreed to reimburse certain expenses of the Fund (excluding acquired fund fees and expenses; a portion of the compensation paid to each Trustee who is not an officer, director or employee of Northern Trust Corporation or its subsidiaries; expenses related to third-party consultants engaged by the Board of Trustees of the Trust; membership dues paid to the Investment Company Institute and Mutual Fund Directors Forum; extraordinary expenses; and interest, if any) to the extent the “Total Annual Fund Operating Expenses” exceed 0.80%. The contractual limitation may not be terminated before July 31, 2015 without the approval of the Board of Trustees. In the absence of fee waivers, yield, total return, growth since inception and dividends would have been reduced. Total return is based on net change in NAV assuming reinvestment of distributions.

Bond Risk: Bond funds will tend to experience smaller fluctuations in value than stock funds. However, investors in any bond fund should anticipate fluctuations in price, especially for longer-term issues and in environments of rising interest rates.

High-Yield Risk: Although a high-yield fund’s yield may be higher than that of fixed-income funds that purchase higher-rated securities, the potentially higher yield is a function of the greater risk that a high-yield fund’s share price will decline.

Tax-Free/AMT Risk: Tax-exempt funds’ income may be subject to certain state and local taxes and, depending on your tax status, the federal alternative minimum tax.

¹ 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, 2015.

² Tax-equivalent yields are based on an assumed tax rate of 43.4% for national municipal funds.

Please see back page for calendar year returns and index definitions.

MATURITY DISTRIBUTION

Maturity Range	Fund
0 - 1 Year	5.1%
2 - 5 Years	1.3%
6 - 10 Years	8.8%
11 - 20 Years	19.6%
21 - 30 Years	57.5%
31+ Years	7.7%
TOTAL	100.0%

QUALITY DISTRIBUTION

Quality Rating	Fund	Benchmark ³
AAA	8.3%	6.7%
AA	11.5%	32.2%
A	14.7%	21.3%
BBB	41.7%	4.4%
BB	5.7%	8.2%
B	2.1%	13.8%
CCC	0.0%	2.2%
CC to D	0.0%	1.2%
Not rated	10.8%	10.0%
Committed Cash	5.2%	0.0%
TOTAL	100.0%	100.0%

SECTOR WEIGHTINGS

Economic Sector	Fund	Benchmark ³
Hospital	24.2%	9.7%
Other	20.5%	31.4%
Higher Education	14.4%	3.1%
IDR's	12.7%	4.1%
Transportation	9.4%	13.1%
Power	5.9%	7.5%
Committed Cash	5.1%	0.0%
Water & Sewer	5.0%	6.4%
Housing	2.8%	0.7%
Resource Recovery	0.0%	0.7%
State & Local GO	0.0%	23.3%
TOTAL	100.0%	100.0%

All data is as of date indicated and subject to change.

PORTFOLIO MANAGER



M. JANE MCCART | Began career in 1980
With Northern Trust since 1998

Ms. McCart received a B.S.B.A., cum laude, in finance from Lawrence Technology University. She is a board member of the Chicago Municipal Analysts Society and a member of the National Federation of Municipal Analysts.

CALENDAR YEAR RETURNS

	2014	2013	2012	2011	2010
FUND	12.42%	-4.45%	12.49%	11.47%	2.28%
BARCLAYS MUNI BOND 65-35 INV GRADE/HY INDEX ³	10.72%	-3.58%	10.64%	10.19%	4.25%
MORNINGSTAR CATEGORY AVG HIGH YIELD MUNI	13.86%	-5.99%	13.82%	10.18%	3.77%

Performance quoted represents past performance and does not guarantee future results.

A Conservative Investment Approach

Northern Trust has built a tradition of strength and stability in investment management. Markets fluctuate over time, but we have remained steadfast in our disciplined, risk-managed investment philosophy.

³ **Barclays Municipal Bond 65-35 Investment Grade/High Yield Index** is an unmanaged index of investment and non-investment grade bonds, with a 65% weighting in the Barclays U.S. Municipal Index and a 35% weighting to the Barclays Municipal High Yield Index. It is not possible to invest directly in an index.

Modified Duration: Duration is a measure of a bond fund's sensitivity to changes in interest rates. The Fund's duration is calculated using the modified duration formula.

Quality Distribution: Credit quality ratings are based on converting the available Moody's, Standard & Poor's and/or Fitch ratings to a common numerical basis and averaging that result. If none of these three rating agencies has assigned a rating, the Fund will assign a rating of not rated. The ratings, expressed in Standard & Poor's nomenclature, range from AAA (extremely strong capacity to meet its financial commitment) to D (in default). Short-term ratings, expressed in Standard & Poor's nomenclature, range from A-1 (obligor's capacity to meet its financial commitment on the obligation is strong) to A-3 (exhibits adequate protection parameters). The Standard & Poor's short-term municipal rating of SP1 reflects a strong capacity to pay principal and interest (an issue determined to possess a very strong capacity to pay debt service is given a plus (+) designation). The Moody's short-term municipal rating of MIG1 denotes superior credit quality (excellent protection is afforded by established cash flows, highly reliable liquidity support or demonstrated broad-based access to the market for refinancing). Committed Cash includes any traded cash (forward settling trades), the sweep vehicle and commercial paper. The ratings represent the rating agencies' opinions of the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality.

Distribution Calculations: All distribution calculations (Maturity Distribution, Sector Weightings and Quality Distribution) are measured on a trade date basis and are adjusted for uninvested cash from the market value used to compute the percentage calculations.

Please carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call 800-595-9111 to obtain a prospectus and summary prospectus, which contain this and other information about the funds.



Managed by
Northern Trust

Northern Funds INTERMEDIATE TAX-EXEMPT FUND

4Q2014

NOITX/FIXED INCOME

FUND FACTS

Fund Objective: Current Tax-Exempt Income
Inception Date: April 1, 1994
Ticker Symbol: NOITX
Gross Expense Ratio: 0.50%¹
Net Expense Ratio: 0.46%¹
Dividend Schedule: Monthly
Benchmark: Barclays Intermediate Municipal Bond Index
Morningstar Category: Municipal National Intermediate

FUND CHARACTERISTICS

Total Net Assets: \$3.0 billion
Number of Holdings: 453
30-Day SEC Yield w/Waivers: 1.67%
30-Day SEC Yield w/o Waivers: 1.45%
Tax-Equivalent 30-Day SEC Yield: 2.94%²
Modified Duration: 4.8 years
Average Maturity: 9.5 years



Institutional investor award winners are chosen by the editorial staff of *Institutional Investor* magazine based on their market intelligence, performance data and additional information received from the industry following a public call for nominations. Manager winners are also selected by the editors of the magazine based on the results of a survey conducted of U.S. institutional investors. Award noted above is not indicative of future performance.

FUND STRATEGY

- Maintain a dollar-weighted average maturity range, under normal circumstances, between three and 10 years.
- Invest in high-quality securities, primarily investment-grade debt.
- Select investments on the basis of their relative value with a focus on total return.

PERFORMANCE as of 12/31/14

FUND	ANNUALIZED						
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
FUND	1.13%	6.85%	6.85%	3.14%	4.06%	3.88%	4.49%
BARCLAYS INT MUNI BOND INDEX ³	0.89%	6.39%	6.39%	3.18%	4.82%	4.68%	5.44%
MORNINGSTAR CATEGORY AVG MUNI NAT'L INT	0.76%	6.77%	6.77%	3.30%	4.25%	3.79%	—

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 Advisor has agreed to reimburse certain expenses of the Fund (excluding acquired fund fees and expenses; a portion of the compensation paid to each Trustee who is not an officer, director or employee of Northern Trust Corporation or its subsidiaries; expenses related to third-party consultants engaged by the Board of Trustees of the Trust; membership dues paid to the Investment Company Institute and Mutual Fund Directors Forum; extraordinary expenses; and interest, if any) to the extent the "Total Annual Fund Operating Expenses" exceed 0.45%. The contractual limitation may not be terminated before July 31, 2015 without the approval of the Board of Trustees. In the absence of fee waivers, yield, total return, growth since inception and dividends would have been reduced. Total return is based on net change in NAV assuming reinvestment of distributions.

Bond Risk: Bond funds will tend to experience smaller fluctuations in value than stock funds. However, investors in any bond fund should anticipate fluctuations in price, especially for longer-term issues and in environments of rising interest rates.

Tax-Free/AMT Risk: Tax-exempt funds' income may be subject to certain state and local taxes and, depending on your tax status, the federal alternative minimum tax.

¹ 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, 2015.

² Tax-equivalent yields are based on an assumed tax rate of 43.4% for national municipal funds.

Please see back page for calendar year returns and index definitions.

NOT FDIC INSURED

May lose value/No bank guarantee

MATURITY DISTRIBUTION

Maturity Range	Fund
0 - 1 Year	8.3%
2 - 5 Years	15.7%
6 - 10 Years	29.9%
11 - 20 Years	34.1%
21 - 30 Years	10.6%
31+ Years	1.4%
TOTAL	100.0%

QUALITY DISTRIBUTION

Quality Rating	Fund	Benchmark ³
AAA	32.4%	15.5%
AA	44.4%	52.4%
A	8.7%	29.5%
BBB	0.0%	2.6%
SP1+/MIG1	5.5%	0.0%
Not rated	0.7%	0.0%
Committed Cash	8.3%	0.0%
TOTAL	100.0%	100.0%

SECTOR WEIGHTINGS

Economic Sector	Fund	Benchmark ³
Revenue	47.1%	62.0%
General Obligation	34.1%	36.2%
Committed Cash	9.6%	0.0%
Government-Backed	6.0%	1.5%
Insured	3.2%	0.3%
TOTAL	100.0%	100.0%

All data is as of date indicated and subject to change.

PORTFOLIO MANAGER



TIMOTHY T.A. MCGREGOR, CFA® | Began career in 1985
With Northern Trust since 1989

Mr. McGregor received a B.S. in economics with a minor in East Asian studies from Indiana University. He is an active CFA charterholder.

CALENDAR YEAR RETURNS

	2014	2013	2012	2011	2010
FUND	6.85%	-2.22%	5.02%	10.09%	1.04%
BARCLAYS INT MUNI BOND INDEX ³	6.39%	-1.10%	4.41%	10.34%	4.40%
MORNINGSTAR CATEGORY AVG MUNI NAT'L INT	6.77%	-2.27%	5.62%	9.00%	2.22%

Performance quoted represents past performance and does not guarantee future results.

A Conservative Investment Approach
Northern Trust has built a tradition of strength and stability in investment management. Markets fluctuate over time, but we have remained steadfast in our disciplined, risk-managed investment philosophy.

³ **Barclays Intermediate Municipal Bond Index** is an unmanaged index of investment grade (Baa3 or better) tax-exempt bonds with maturities of five to 10 years. It is not possible to invest directly in an index.

Modified Duration: Duration is a measure of a bond fund's sensitivity to changes in interest rates. The Fund's duration is calculated using the modified duration formula.

Quality Distribution: Credit quality ratings are based on converting the available Moody's, Standard & Poor's and/or Fitch ratings to a common numerical basis and averaging that result. If none of these three rating agencies has assigned a rating, the Fund will assign a rating of not rated. The ratings, expressed in Standard & Poor's nomenclature, range from AAA (extremely strong capacity to meet its financial commitment) to D (in default). Short-term ratings, expressed in Standard & Poor's nomenclature, range from A-1 (obligor's capacity to meet its financial commitment on the obligation is strong) to A-3 (exhibits adequate protection parameters). The Standard & Poor's short-term municipal rating of SP1 reflects a strong capacity to pay principal and interest (an issue determined to possess a very strong capacity to pay debt service is given a plus (+) designation). The Moody's short-term municipal rating of MIG1 denotes superior credit quality (excellent protection is afforded by established cash flows, highly reliable liquidity support or demonstrated broad-based access to the market for refinancing). Committed Cash includes any traded cash (forward settling trades), the sweep vehicle and commercial paper. The ratings represent the rating agencies' opinions of the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality.

Distribution Calculations: All distribution calculations (Maturity Distribution, Sector Weightings and Quality Distribution) are measured on a trade date basis and are adjusted for uninvested cash from the market value used to compute the percentage calculations.

Please carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call 800-595-9111 to obtain a prospectus and summary prospectus, which contain this and other information about the funds.



Managed by
Northern Trust

FUND FACTS

Fund Objective: Total Return
Inception Date: September 23, 2009
Ticker Symbol: NMHYX
Gross Expense Ratio: 1.00%¹
Net Expense Ratio: 0.91%¹
Redemption Fee: 2% on shares sold or exchanged within 30 days of purchase
Dividend Schedule: Monthly
Benchmark: BofA Merrill Lynch U.S. High Yield Master II Constrained Index
Morningstar Category: High Yield Bond

FUND CHARACTERISTICS

Total Net Assets: \$578 million
Number of Holdings: 616
30-Day SEC Yield w/Waivers: 5.92%
30-Day SEC Yield w/o Waivers: 5.73%
Average Duration: 4.3 years
Average Maturity: 5.7 years

FUND STRATEGY

- Strive to maintain a highly diversified, opportunistic investment strategy that can invest in high yield corporate securities as well as foreign bonds, emerging markets, bank loans, convertibles, preferreds, mortgages, REITs, equities, municipals and closed-end high yield funds.
- Select complementary managers from a broad universe of investment managers.
- Blend managers into a single fund in an effort to provide an attractive combination of risk and return.

SUB-ADVISER ALLOCATIONS

Sub-Adviser	Target Allocation	Role in Portfolio
NEUBERGER BERMAN FIXED INCOME LLC	40%	Traditional high-yield strategy focusing on credit selection within the benchmark sectors.
LOOMIS, SAYLES & COMPANY, L.P.	30%	Opportunistic high-yield strategy employing a bottom-up investment approach focused on attractively priced credits. The portfolio will provide exposure to out-of-benchmark sectors. The portfolio is designed to provide competitive performance in a broad range of market environments.
DDJ CAPITAL MANAGEMENT, LLC	30%	A concentrated, bottom-up oriented strategy that specifically focuses on the middle market segment of the high yield universe in addition to leveraged loans.

PERFORMANCE as of 12/31/14

	ANNUALIZED						
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
FUND	-1.12%	1.94%	1.94%	8.25%	7.73%	—	8.06%
BOFA MERRILL LYNCH U.S. HIGH YIELD MASTER II CONSTRAINED INDEX ²	-1.06%	2.51%	2.51%	8.36%	8.85%	—	9.64%
MORNINGSTAR CATEGORY AVG HIGH YIELD BOND	-1.56%	1.11%	1.11%	7.41%	7.86%	—	—

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 Advisor has agreed to reimburse certain expenses of the Fund (excluding acquired fund fees and expenses; a portion of the compensation paid to each Trustee who is not an officer, director or employee of Northern Trust Corporation or its subsidiaries; expenses related to third-party consultants engaged by the Board of Trustees of the Trust; membership dues paid to the Investment Company Institute and Mutual Fund Directors Forum; extraordinary expenses; and interest, if any) to the extent the "Total Annual Fund Operating Expenses" exceed 0.90%. The contractual limitation may not be terminated before July 31, 2015 without the approval of the Board of Trustees. In the absence of fee waivers, yield, total return, growth since inception and dividends would have been reduced. Total return is based on net change in NAV assuming reinvestment of distributions.

Bond Risk: Bond funds will tend to experience smaller fluctuations in value than stock funds. However, investors in any bond fund should anticipate fluctuations in price, especially for longer-term issues and in environments of rising interest rates.

High-Yield Risk: Although a high-yield fund's yield may be higher than that of fixed-income funds that purchase higher-rated securities, the potentially higher yield is a function of the greater risk that a high-yield fund's share price will decline.

¹ 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, 2015.

Please see back page for calendar year returns and index definitions.

MATURITY DISTRIBUTION

Maturity Range	Fund
0 - 3 Years	8.4%
3 - 5 Years	15.8%
5 - 7 Years	37.5%
7 - 10 Years	27.0%
10+ Years	11.3%
TOTAL	100.0%

QUALITY DISTRIBUTION

Quality Rating	Fund	Benchmark ²
AAA	0.1%	0.0%
AA	0.3%	0.0%
A	2.0%	0.0%
BBB	1.6%	0.2%
BB	25.9%	39.5%
B	40.3%	42.8%
CCC or below	25.0%	17.4%
Not Rated	4.0%	0.1%
Committed Cash	0.8%	0.0%
TOTAL	100.0%	100.0%

SECTOR WEIGHTINGS

Economic Sector	Fund	Benchmark ²
Industrials	72.1%	84.2%
Financials	8.1%	11.7%
Bank Loans	3.6%	0.0%
Convertibles	3.6%	0.0%
Short-Term	2.6%	0.0%
Emerging Markets Debt	2.2%	0.0%
Residential MBS	1.7%	0.0%
Utilities	1.6%	3.5%
Foreign	1.6%	0.0%
Other	1.1%	0.6%
Preferreds	0.9%	0.0%
Commercial MBS	0.5%	0.0%
Treasuries	0.2%	0.0%
Asset-Backed	0.2%	0.0%
TOTAL	100.0%	100.0%

All data is as of date indicated and subject to change.

PORTFOLIO MANAGERS



JESSICA K. HART | Began career in 1999
With Northern Trust since 2000

Ms. Hart received a B.S. in economics from the University of Wisconsin and an MBA from New York University, Stern School of Business.

CHRISTOPHER E. VELLA, CFA® | Began career in 1993
With Northern Trust since 2004

Mr. Vella graduated Phi Beta Kappa from Lehigh University with a B.S. in finance and a minor in applied mathematics. He is an active CFA charterholder.

CALENDAR YEAR RETURNS

	2014	2013	2012	2011	2010
FUND	1.94%	6.67%	16.65%	1.41%	12.81%
BOFA MERRILL LYNCH U.S. HIGH YIELD MASTER II CONSTRAINED INDEX ²	2.51%	7.41%	15.55%	4.37%	15.05%
MORNINGSTAR CATEGORY AVG HIGH YIELD BOND	1.11%	6.90%	14.67%	2.83%	14.24%

Performance quoted represents past performance and does not guarantee future results.

A Risk-Managed Investment Approach

Northern Trust has built a tradition of strength and stability in investment management. Markets fluctuate over time, but we have remained steadfast in our disciplined, risk-managed investment philosophy.

² **BofA Merrill Lynch U.S. High Yield Master II Constrained Index** contains all securities in the BofA Merrill Lynch U.S. High Yield Master II Index, but caps issuer based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%. The Index tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market. It is not possible to invest directly in an index.

Average Duration: Duration is a measure of a bond fund's sensitivity to changes in interest rates. The Fund's duration is calculated using the option-adjusted formula.

Quality Distribution: Credit quality ratings are compiled from two external rating agencies: Moody's and Standard & Poor's. We report the lowest rating of the two in the event there are any differences between them. If neither of these rating agencies has assigned a rating, the Fund will assign a rating of not rated. The ratings, expressed in Standard & Poor's nomenclature, range from AAA (extremely strong capacity to meet its financial commitment) to D (in default). Short-term ratings, expressed in Standard & Poor's nomenclature, range from A-1 (obligor's capacity to meet its financial commitment on the obligation is strong) to A-3 (exhibits adequate protection parameters). Government securities consist of obligations issued or guaranteed by the U.S. Treasury. The ratings represent the rating agencies' opinions of the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality.

Please carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call 800-595-9111 to obtain a prospectus and summary prospectus, which contain this and other information about the funds.

FUND FACTS

Fund Objective: Total Return
Inception Date: January 11, 1993
Ticker Symbol: BSBAX
Gross Expense Ratio: 0.45%¹
Net Expense Ratio: 0.41%¹
Dividend Schedule: Monthly
Benchmark: Barclays 1-3 Year U.S. Government/
 Credit Index
Morningstar Category: Short-Term Bond

FUND CHARACTERISTICS

Total Net Assets: \$627 million
Number of Holdings: 354
30-Day SEC Yield w/Waivers: 1.48%
30-Day SEC Yield w/o Waivers: 1.32%
Average Duration: 1.9 years
Average Maturity: 2.7 years

FUND STRATEGY

- Invest primarily in domestic investment-grade debt obligations with an average maturity, under normal circumstances, between one and three years.
- Buy and sell securities using a relative value approach that employs models that analyze and compare expected returns and assumed risks.
- Emphasize securities and types of securities (such as Treasury, agency, asset-backed, mortgage-related and corporate securities) that we believe have the potential to provide a favorable return.

PERFORMANCE as of 12/31/14

FUND	ANNUALIZED						
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
FUND	-0.05%	0.59%	0.59%	1.41%	2.03%	2.92%	4.30%
BARCLAYS 1-3 YR U.S. GOVT/CREDIT INDEX ²	0.17%	0.77%	0.77%	0.89%	1.41%	2.85%	4.28%
MORNINGSTAR CATEGORY AVG SHORT-TERM BOND	-0.05%	1.07%	1.07%	1.70%	2.31%	2.94%	—

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 Advisor has agreed to reimburse certain expenses of the Fund (excluding acquired fund fees and expenses; a portion of the compensation paid to each Trustee who is not an officer, director or employee of Northern Trust Corporation or its subsidiaries; expenses related to third-party consultants engaged by the Board of Trustees of the Trust; membership dues paid to the Investment Company Institute and Mutual Fund Directors Forum; extraordinary expenses; and interest, if any) to the extent the "Total Annual Fund Operating Expenses" exceed 0.40%. The contractual limitation may not be terminated before July 31, 2015 without the approval of the Board of Trustees. In the absence of fee waivers, yield, total return, growth since inception and dividends would have been reduced. Total return is based on net change in NAV assuming reinvestment of distributions.

Bond Risk: Bond funds will tend to experience smaller fluctuations in value than stock funds. However, investors in any bond fund should anticipate fluctuations in price, especially for longer-term issues and in environments of rising interest rates.

¹ 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, 2015.

Please see back page for calendar year returns and index definitions.

MATURITY DISTRIBUTION

Maturity Range	Fund
0 - 1yr	13.2%
1yr - 2yrs	27.2%
2yrs - 3yrs	43.0%
3yrs - 5yrs	7.7%
5yrs - 7yrs	5.8%
7yrs - 10yrs	1.7%
30yrs - 35yrs	0.5%
35yrs+	0.9%
TOTAL	100.0%

QUALITY DISTRIBUTION

Quality Rating	Fund	Benchmark ²
US Tsy (incl GNMA MBS)	33.9%	63.6%
US Agcy (incl FN/FH MBS)	1.1%	8.2%
AAA	19.8%	5.8%
AA	2.7%	3.9%
A	12.4%	10.9%
BBB	12.8%	7.6%
BB	6.3%	0.0%
B	3.4%	0.0%
CCC	0.4%	0.0%
Committed Cash	7.2%	0.0%
TOTAL	100.0%	100.0%

SECTOR WEIGHTINGS

Economic Sector	Fund	Benchmark ²
Treasury	32.2%	63.6%
Industrial	23.3%	9.9%
Financial	12.6%	9.3%
Asset-Backed	11.3%	0.0%
Commercial MBS	10.1%	0.0%
Committed Cash	7.2%	0.0%
Mortgage-Backed	1.8%	0.0%
Foreign Agencies	0.8%	2.8%
Utilities	0.6%	0.8%
Covered	0.1%	0.0%
Agency	0.0%	8.2%
Foreign Local Govt	0.0%	0.6%
Municipals	0.0%	0.1%
Sovereign	0.0%	0.7%
Supranational	0.0%	4.0%
TOTAL	100.0%	100.0%

All data is as of date indicated and subject to change.

PORTFOLIO MANAGERS



BRADLEY CAMDEN, CFA® | Began career in 2002
With Northern Trust since 2005

Mr. Camden holds a B.A. in economics from DePauw University. He is an active CFA charterholder and a member of the CFA Institute and the CFA Society Chicago.

MICHAEL T. DOYLE | Began career in 1999
With Northern Trust since 1999

Mr. Doyle received a B.S. from Ferris State University and a M.S. in finance from the Illinois Institute of Technology Stuart School of Business.

CALENDAR YEAR RETURNS

	2014	2013	2012	2011	2010
FUND	0.59%	0.59%	3.07%	2.27%	3.69%
BARCLAYS 1-3 YR U.S. GOVT/CREDIT INDEX ²	0.77%	0.64%	1.26%	1.59%	2.80%
MORNINGSTAR CATEGORY AVG SHORT-TERM BOND	1.07%	0.45%	3.67%	1.66%	4.11%

Performance quoted represents past performance and does not guarantee future results.

A Conservative Investment Approach

Northern Trust has built a tradition of strength and stability in investment management. Markets fluctuate over time, but we have remained steadfast in our disciplined, risk-managed investment philosophy.

² **Barclays 1-3 Year U.S. Government/Credit Index** is an unmanaged index of securities issued by the U.S. government and corporate bonds with maturities of one to three years. It is not possible to invest directly in an index.

Average Duration: Duration is a measure of a bond fund's sensitivity to changes in interest rates. The Fund's duration is calculated using the option-adjusted formula.

Quality Distribution: Credit quality ratings are based on the conservative average of Moody's, Standard & Poor's and Fitch ratings. If ratings from all three rating agencies disagree, the model assigns the middle rating to the security. If two of the three agree, the model assigns the rating from those two to the security. If none of these three rating agencies has assigned a rating, the Fund will assign a rating of not rated. The ratings, expressed in Standard & Poor's nomenclature, range from AAA (extremely strong capacity to meet its financial commitment) to D (in default). Short-term ratings, expressed in Standard & Poor's nomenclature, range from A-1 (obligor's capacity to meet its financial commitment on the obligation is strong) to A-3 (exhibits adequate protection parameters). Committed Cash includes any traded cash (forward settling trades), the sweep vehicle and commercial paper. The ratings represent the rating agencies' opinions of the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality.

Distribution Calculations: All distribution calculations (Maturity Distribution, Sector Weightings and Quality Distribution) are measured on a trade date basis and are adjusted for uninvested cash from the market value used to compute the percentage calculations.

Characteristics: Benchmark and Fund analytics have been calculated using a third party vended model. All material has been obtained from sources believed to be reliable, but the accuracy, completeness and interpretation cannot be guaranteed. Information contained herein is current as of the date appearing in this material only and is subject to change without notice. Certain benchmark calculations may not match the published benchmark characteristics.

Please carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call 800-595-9111 to obtain a prospectus and summary prospectus, which contain this and other information about the funds.



Managed by
Northern Trust

Northern Funds SHORT-INTERMEDIATE TAX-EXEMPT FUND

4Q2014

NSITX/FIXED INCOME

FUND FACTS

Fund Objective: Current Tax-Exempt Income
Inception Date: August 22, 2007
Ticker Symbol: NSITX
Gross Expense Ratio: 0.49%¹
Net Expense Ratio: 0.46%¹
Dividend Schedule: Monthly
Benchmark: Barclays 1-5 Year Blend Municipal Bond Index
Morningstar Category: Municipal National Short

FUND CHARACTERISTICS

Total Net Assets: \$1.4 billion
Number of Holdings: 659
30-Day SEC Yield w/Waivers: 0.48%
30-Day SEC Yield w/o Waivers: 0.30%
Tax-Equivalent 30-Day SEC Yield: 0.85%²
Modified Duration: 2.6 years
Average Maturity: 3.0 years



Institutional investor award winners are chosen by the editorial staff of *Institutional Investor* magazine based on their market intelligence, performance data and additional information received from the industry following a public call for nominations. Manager winners are also selected by the editors of the magazine based on the results of a survey conducted of U.S. institutional investors. Award noted above is not indicative of future performance.

FUND STRATEGY

- Maintain a dollar-weighted average maturity range, under normal circumstances, between one and six years.
- Invest in high-quality securities, primarily investment-grade debt.
- Select investments on the basis of their relative value with a focus on total return.

PERFORMANCE as of 12/31/14

FUND	Quarter	YTD	1-Year	ANNUALIZED			Since Inception
				3-Year	5-Year	10-Year	
FUND	-0.06%	1.38%	1.38%	0.91%	1.43%	—	2.46%
BARCLAYS 1-5 YR BLEND MUNI BOND INDEX ³	-0.01%	1.78%	1.78%	1.60%	2.23%	—	3.47%
MORNINGSTAR CATEGORY AVG MUNI NAT'L SHORT	-0.10%	1.44%	1.44%	1.10%	1.68%	—	—

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 Advisor has agreed to reimburse certain expenses of the Fund (excluding acquired fund fees and expenses; a portion of the compensation paid to each Trustee who is not an officer, director or employee of Northern Trust Corporation or its subsidiaries; expenses related to third-party consultants engaged by the Board of Trustees of the Trust; membership dues paid to the Investment Company Institute and Mutual Fund Directors Forum; extraordinary expenses; and interest, if any) to the extent the "Total Annual Fund Operating Expenses" exceed 0.45%. The contractual limitation may not be terminated before July 31, 2015 without the approval of the Board of Trustees. In the absence of fee waivers, yield, total return, growth since inception and dividends would have been reduced. Total return is based on net change in NAV assuming reinvestment of distributions.

Bond Risk: Bond funds will tend to experience smaller fluctuations in value than stock funds. However, investors in any bond fund should anticipate fluctuations in price, especially for longer-term issues and in environments of rising interest rates.

Tax-Free/AMT Risk: Tax-exempt funds' income may be subject to certain state and local taxes and, depending on your tax status, the federal alternative minimum tax.

¹ 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, 2015.

² Tax-equivalent yields are based on an assumed tax rate of 43.4% for national municipal funds.

Please see back page for calendar year returns and index definitions.

MATURITY DISTRIBUTION

Maturity Range	Fund
0 - 1 Year	3.3%
2 - 5 Years	58.6%
6 - 10 Years	38.1%
TOTAL	100.0%

QUALITY DISTRIBUTION

Quality Rating	Fund	Benchmark ³
AAA	35.3%	19.0%
AA	54.0%	52.6%
A	6.1%	26.0%
BBB	0.0%	2.4%
SP1+/MIG1	0.7%	0.0%
SP1/MIG1	0.1%	0.0%
Not rated	0.5%	0.0%
Committed Cash	3.3%	0.0%
TOTAL	100.0%	100.0%

SECTOR WEIGHTINGS

Economic Sector	Fund	Benchmark ³
General Obligation	53.2%	30.7%
Revenue	36.3%	51.1%
Government-Backed	5.3%	18.1%
Committed Cash	3.3%	0.0%
Insured	1.9%	0.1%
TOTAL	100.0%	100.0%

All data is as of date indicated and subject to change.

PORTFOLIO MANAGER



TIMOTHY P. BLAIR, CFA® | Began career in 1992
With Northern Trust since 1992

Mr. Blair received his B.S. in business management from Northern Illinois University. He is an active CFA charterholder and a member of the CFA Institute and the CFA Society Chicago.

CALENDAR YEAR RETURNS

	2014	2013	2012	2011	2010
FUND	1.38%	0.08%	1.25%	3.30%	1.16%
BARCLAYS 1-5 YR BLEND MUNI BOND INDEX ³	1.78%	1.02%	2.00%	4.18%	2.20%
MORNINGSTAR CATEGORY AVG MUNI NAT'L SHORT	1.44%	-0.07%	1.92%	3.60%	1.61%

Performance quoted represents past performance and does not guarantee future results.

A Conservative Investment Approach
Northern Trust has built a tradition of strength and stability in investment management. Markets fluctuate over time, but we have remained steadfast in our disciplined, risk-managed investment philosophy.

³ **Barclays 1-5 Year Blend Municipal Bond Index** is an unmanaged index of investment grade (Baa3 or better) tax-exempt bonds with maturities of at least one year and less than six years. It is not possible to invest directly in an index.

Modified Duration: Duration is a measure of a bond fund's sensitivity to changes in interest rates. The Fund's duration is calculated using the modified duration formula.

Quality Distribution: Credit quality ratings are based on converting the available Moody's, Standard & Poor's and/or Fitch ratings to a common numerical basis and averaging that result. If none of these three rating agencies has assigned a rating, the Fund will assign a rating of not rated. The ratings, expressed in Standard & Poor's nomenclature, range from AAA (extremely strong capacity to meet its financial commitment) to D (in default). Short-term ratings, expressed in Standard & Poor's nomenclature, range from A-1 (obligor's capacity to meet its financial commitment on the obligation is strong) to A-3 (exhibits adequate protection parameters). The Standard & Poor's short-term municipal rating of SP1 reflects a strong capacity to pay principal and interest (an issue determined to possess a very strong capacity to pay debt service is given a plus (+) designation). The Moody's short-term municipal rating of MIG1 denotes superior credit quality (excellent protection is afforded by established cash flows, highly reliable liquidity support or demonstrated broad-based access to the market for refinancing). Committed Cash includes any traded cash (forward settling trades), the sweep vehicle and commercial paper. The ratings represent the rating agencies' opinions of the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality.

Distribution Calculations: All distribution calculations (Maturity Distribution, Sector Weightings and Quality Distribution) are measured on a trade date basis and are adjusted for uninvested cash from the market value used to compute the percentage calculations.

Please carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call 800-595-9111 to obtain a prospectus and summary prospectus, which contain this and other information about the funds.



Managed by
Northern Trust

FUND FACTS

Fund Objective: Current Income
Inception Date: October 1, 1999
Ticker Symbol: NSIUX
Gross Expense Ratio: 0.49%¹
Net Expense Ratio: 0.43%¹
Dividend Schedule: Monthly
Benchmark: Barclays 1-5 Year U.S. Government Index
Morningstar Category: Short Government

FUND CHARACTERISTICS

Total Net Assets: \$184 million
Number of Holdings: 30
30-Day SEC Yield w/Waivers: 0.40%
30-Day SEC Yield w/o Waivers: 0.19%
Average Duration: 2.7 years
Average Maturity: 2.7 years

FUND STRATEGY

- Invest primarily in securities issued or guaranteed by the U.S. government or by its agencies.
- Select high-quality securities with maturities, under normal circumstances, between two and five years, with risk exposure managed in an effort to achieve reasonable returns.
- Buy and sell securities using a relative value approach that employs models that analyze and compare expected returns and assumed risks.

PERFORMANCE as of 12/31/14

FUND	ANNUALIZED						
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
FUND	0.22%	0.94%	0.94%	0.32%	1.40%	2.54%	3.36%
BARCLAYS 1-5 YR U.S. GOVT INDEX ²	0.45%	1.18%	1.18%	0.68%	1.75%	3.12%	3.95%
MORNINGSTAR CATEGORY AVG SHORT GOVT	0.24%	0.96%	0.96%	0.41%	1.29%	2.58%	—

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 Advisor has agreed to reimburse certain expenses of the Fund (excluding acquired fund fees and expenses; a portion of the compensation paid to each Trustee who is not an officer, director or employee of Northern Trust Corporation or its subsidiaries; expenses related to third-party consultants engaged by the Board of Trustees of the Trust; membership dues paid to the Investment Company Institute and Mutual Fund Directors Forum; extraordinary expenses; and interest, if any) to the extent the "Total Annual Fund Operating Expenses" exceed 0.40%. The contractual limitation may not be terminated before July 31, 2015 without the approval of the Board of Trustees. In the absence of fee waivers, yield, total return, growth since inception and dividends would have been reduced. Total return is based on net change in NAV assuming reinvestment of distributions.

Bond Risk: Bond funds will tend to experience smaller fluctuations in value than stock funds. However, investors in any bond fund should anticipate fluctuations in price, especially for longer-term issues and in environments of rising interest rates.

Mortgage-Backed Securities Risk: Mortgage-backed investments involve risk of loss due to prepayments and, like any bond, due to default. Because of the sensitivity of mortgage-related securities to changes in interest rates, the Fund's performance may be more volatile than if it did not hold these securities.

U.S. Government Guarantee: U.S. government guarantees apply only to the underlying securities of a Fund's portfolio and not the Fund's shares.

¹ 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, 2015. Please see back page for calendar year returns and index definitions.

MATURITY DISTRIBUTION

Maturity Range	Fund
0 - 1yr	16.4%
2yrs - 3yrs	58.0%
3yrs - 5yrs	14.4%
5yrs - 7yrs	11.2%
TOTAL	100.0%

QUALITY DISTRIBUTION

Quality Rating	Fund	Benchmark ²
US Tsy (incl GNMA MBS)	91.9%	89.3%
US Agcy (incl FN/FH MBS)	3.2%	10.7%
Committed Cash	4.9%	0.0%
TOTAL	100.0%	100.0%

SECTOR WEIGHTINGS

Economic Sector	Fund	Benchmark ²
Treasury	82.8%	89.3%
Commercial MBS	7.8%	0.0%
Committed Cash	4.9%	0.0%
Mortgage-Backed	4.5%	0.0%
Agency	0.0%	10.7%
TOTAL	100.0%	100.0%

All data is as of date indicated and subject to change.

PORTFOLIO MANAGERS



MICHAEL R. CHICO, CFA® | Began career in 1995
With Northern Trust since 2005

Mr. Chico received a B.A. in economics from the University of Pennsylvania and an MBA in finance and economics from the University of Chicago Graduate School of Business. He is an active CFA charterholder and a member of the CFA Society Chicago.

BRIAN W. HART | Began career in 2009
With Northern Trust since 2009

Mr. Hart received a B.S. in finance from Miami University.

CALENDAR YEAR RETURNS

	2014	2013	2012	2011	2010
FUND	0.94%	-2.10%	2.16%	2.75%	3.34%
BARCLAYS 1-5 YR U.S. GOVT INDEX ²	1.18%	-0.12%	0.97%	3.21%	3.57%
MORNINGSTAR CATEGORY AVG SHORT GOVT	0.96%	-0.79%	1.06%	2.09%	3.04%

Performance quoted represents past performance and does not guarantee future results.

A Conservative Investment Approach
Northern Trust has built a tradition of strength and stability in investment management. Markets fluctuate over time, but we have remained steadfast in our disciplined, risk-managed investment philosophy.

² **Barclays 1-5 Year U.S. Government Index** is an unmanaged index of debt securities including all public obligations of the U.S. Treasury and all publicly issued debt of U.S. government agencies with maturities of one to five years. It is not possible to invest directly in an index.

Average Duration: Duration is a measure of a bond fund's sensitivity to changes in interest rates. The Fund's duration is calculated using the option-adjusted formula.

Quality Distribution: Credit quality ratings are based on the conservative average of Moody's, Standard & Poor's and Fitch ratings. If ratings from all three rating agencies disagree, the model assigns the middle rating to the security. If two of the three agree, the model assigns the rating from those two to the security. If none of these three rating agencies has assigned a rating, the Fund will assign a rating of not rated. The ratings, expressed in Standard & Poor's nomenclature, range from AAA (extremely strong capacity to meet its financial commitment) to D (in default). Short-term ratings, expressed in Standard & Poor's nomenclature, range from A-1 (obligor's capacity to meet its financial commitment on the obligation is strong) to A-3 (exhibits adequate protection parameters). Committed Cash includes any traded cash (forward settling trades), the sweep vehicle and commercial paper. The ratings represent the rating agencies' opinions of the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality.

Distribution Calculations: All distribution calculations (Maturity Distribution, Sector Weightings and Quality Distribution) are measured on a trade date basis and are adjusted for uninvested cash from the market value used to compute the percentage calculations.

Characteristics: Benchmark and Fund analytics have been calculated using a third party vended model. All material has been obtained from sources believed to be reliable, but the accuracy, completeness and interpretation cannot be guaranteed. Information contained herein is current as of the date appearing in this material only and is subject to change without notice. Certain benchmark calculations may not match the published benchmark characteristics.

Please carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call 800-595-9111 to obtain a prospectus and summary prospectus, which contain this and other information about the funds.



Managed by
Northern Trust

Northern Funds TAX-ADVANTAGED ULTRA-SHORT FIXED INCOME FUND

4Q2014

NTAUX/FIXED INCOME

FUND FACTS

Fund Objective: Total Return
Inception Date: June 18, 2009
Ticker Symbol: NTAUX
Gross Expense Ratio: 0.26%¹
Net Expense Ratio: 0.25%¹
Dividend Schedule: Monthly
Benchmark: 75% BofA Merrill Lynch 6-12 Month Municipal Securities Index and 25% BofA Merrill Lynch 1-3 Year US General Obligation Municipal Securities Index

FUND CHARACTERISTICS

Total Net Assets: \$2.9 billion
Number of Holdings: 447
30-Day SEC Yield w/Waivers: 0.51%
30-Day SEC Yield w/o Waivers: 0.42%
Average Duration: 1.0 year
Average Maturity: 366 days

FUND STRATEGY

- Seek to provide investors in higher tax brackets more after-tax yield than a money market fund with potential for capital appreciation.
- Strive to maximize after-tax return by pursuing best net after-tax yield and total return opportunities in both taxable and tax-exempt securities.
- Strive to maintain a 6-18 month average maturity, under normal circumstances, with a maximum security maturity of three years. Also manage Fund in an effort to have an average portfolio quality of A or better, with all securities to be investment grade.

This Fund is not a money market fund, which maintains a \$1.00 NAV, and the Fund's share price will fluctuate with its returns. An investment in the Fund can result in the loss of principal.

PERFORMANCE as of 12/31/14

FUND	ANNUALIZED						
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
FUND	0.01%	0.52%	0.52%	0.87%	0.97%	—	1.11%
75% BOFA MERRILL LYNCH 6-12 MO MUNI SEC INDEX AND 25% BOFA MERRILL LYNCH 1-3 YR US G.O. MUNI SEC INDEX ²	0.04%	0.42%	0.42%	0.53%	0.70%	—	0.80%

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 Advisor has agreed to reimburse certain expenses of the Fund (excluding acquired fund fees and expenses; a portion of the compensation paid to each Trustee who is not an officer, director or employee of Northern Trust Corporation or its subsidiaries; expenses related to third-party consultants engaged by the Board of Trustees of the Trust; membership dues paid to the Investment Company Institute and Mutual Fund Directors Forum; extraordinary expenses; and interest, if any) to the extent the "Total Annual Fund Operating Expenses" exceed 0.25%. The contractual limitation may not be terminated before July 31, 2015 without the approval of the Board of Trustees. In the absence of fee waivers, yield, total return, growth since inception and dividends would have been reduced. Total return is based on net change in NAV assuming reinvestment of distributions.

Bond Risk: Bond funds will tend to experience smaller fluctuations in value than stock funds. However, investors in any bond fund should anticipate fluctuations in price, especially for longer-term issues and in environments of rising interest rates.

Risk/Reward Positioning

The Fund seeks to yield more than a money market fund with less volatility than a short duration bond fund.



¹ 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, 2015.

Please see back page for calendar year returns and index definitions.

MATURITY DISTRIBUTION

Maturity Range	Fund
Overnight	6.2%
2 - 15 Days	18.7%
16 - 30 Days	1.2%
31 - 60 Days	4.1%
61 - 97 Days	6.6%
98 - 180 Days	4.5%
181 - 270 Days	3.7%
271 Days - 1 Year	4.6%
1 - 2 Years	33.3%
2 - 3 Years	17.1%
TOTAL	100.0%

QUALITY DISTRIBUTION

Quality Rating	Fund	Benchmark ²
AAA (Long Term)	19.6%	—
AA+ (Long Term)	12.6%	—
AA (Long Term)	12.6%	—
AA- (Long Term)	9.5%	—
A+ (Long Term)	8.5%	—
A (Long Term)	15.0%	—
A- (Long Term)	8.3%	—
BBB+ (Long Term)	3.8%	—
BBB (Long Term)	2.9%	—
BBB- (Long Term)	1.6%	—
BB+ (Long Term)	0.3%	—
A1+ (Short Term)	1.2%	—
Treasury	4.0%	—
Not rated	0.1%	—
TOTAL	100.0%	—

SECTOR WEIGHTINGS

Economic Sector	Fund	Benchmark ²
Fixed Rate Note/Bond	63.7%	—
Variable Rate Note/Bond	35.9%	—
Other	0.4%	—
TOTAL	100.0%	—

All data is as of date indicated and subject to change.

PORTFOLIO MANAGERS



PATRICK D. QUINN | Began career in 1985
With Northern Trust since 1985

Mr. Quinn received a B.S. in management and finance from DePaul University and an MBA in finance from the Kellstadt Graduate School of Business at DePaul University.

JASON R. GOOKIN | Began career in 2005
With Northern Trust since 2006

Mr. Gookin received a B.A. in finance with honors from Michigan State University and an MBA from the University of Chicago Booth School of Business with concentrations in finance, economics and international business.

CALENDAR YEAR RETURNS

	2014	2013	2012	2011	2010
FUND	0.52%	0.75%	1.36%	0.94%	1.29%
75% BOFA MERRILL LYNCH 6-12 MO MUNI SEC INDEX AND 25% BOFA MERRILL LYNCH 1-3 YR US G.O. MUNI SEC INDEX ²	0.42%	0.55%	0.61%	1.13%	0.81%

Performance quoted represents past performance and does not guarantee future results.

A Conservative Investment Approach
Northern Trust has built a tradition of strength and stability in investment management. Markets fluctuate over time, but we have remained steadfast in our disciplined, risk-managed investment philosophy.

² **BoFA Merrill Lynch 6-12 Month Municipal Securities Index** tracks the performance of U.S. dollar-denominated, investment grade, tax-exempt debt, publicly issued by U.S. states and territories, and their political subdivisions, in the U.S. domestic market. Qualifying securities must have between six months and less than 12 months remaining term to final maturity, a fixed coupon schedule, and an investment grade rating (based on an average of Moody's, S&P and Fitch). It is not possible to invest directly in an index.

² **BoFA Merrill Lynch 1-3 Year US General Obligation Municipal Securities Index** tracks the performance of U.S. dollar-denominated, investment grade, tax-exempt, general obligations, publicly issued by U.S. states and territories, and their political subdivisions, in the U.S. domestic market. Qualifying securities must have one to three years remaining term to maturity, a fixed coupon schedule, and an investment grade rating (based on an average of Moody's, S&P and Fitch). It is not possible to invest directly in an index.

Average Duration: Duration is a measure of a bond fund's sensitivity to changes in interest rates. The Fund's duration is calculated using the option-adjusted formula.

Quality Distribution: Credit quality ratings are based on the available Moody's, Standard & Poor's and/or Fitch ratings. When ratings from all three agencies are available, the median rating is used. When ratings are available from two of the agencies, the lower rating is used. If none of these three rating agencies has assigned a rating, the Fund will assign a rating of not rated. The ratings, expressed in Standard & Poor's nomenclature, range from AAA (extremely strong capacity to meet its financial commitment) to D (in default). Short-term ratings, expressed in Standard & Poor's nomenclature, range from A-1 (obligor's capacity to meet its financial commitment on the obligation is strong) to A-3 (exhibits adequate protection parameters). The Standard & Poor's short-term municipal rating of SP1 reflects a strong capacity to pay principal and interest (an issue determined to possess a very strong capacity to pay debt service is given a plus (+) designation). The Moody's short-term municipal rating of MIG1 denotes superior credit quality (excellent protection is afforded by established cash flows, highly reliable liquidity support, or demonstrated broad-based access to the market for refinancing). Treasury securities are obligations issued or guaranteed by the U.S. Treasury. The ratings represent the rating agencies' opinions of the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality.

Please carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call 800-595-9111 to obtain a prospectus and summary prospectus, which contain this and other information about the funds.



Managed by Northern Trust

FUND FACTS

Fund Objective: Current Tax-Exempt Income
Inception Date: April 1, 1994
Ticker Symbol: NOTEX
Gross Expense Ratio: 0.50%¹
Net Expense Ratio: 0.46%¹
Dividend Schedule: Monthly
Benchmark: Barclays U.S. Municipal Index
Morningstar Category: Municipal National Long

FUND CHARACTERISTICS

Total Net Assets: \$823 million
Number of Holdings: 181
30-Day SEC Yield w/Waivers: 2.94%
30-Day SEC Yield w/o Waivers: 2.72%
Tax-Equivalent 30-Day SEC Yield: 5.19%²
Modified Duration: 5.0 years
Average Maturity: 17.9 years



Institutional investor award winners are chosen by the editorial staff of *Institutional Investor* magazine based on their market intelligence, performance data and additional information received from the industry following a public call for nominations. Manager winners are also selected by the editors of the magazine based on the results of a survey conducted of U.S. institutional investors. Award noted above is not indicative of future performance.

FUND STRATEGY

- Maintain a dollar-weighted average maturity range, under normal circumstances, between 10 and 30 years. This segment of the municipal market, while potentially more volatile, also may provide higher yields than shorter-term securities.
- Invest in high-quality securities, primarily investment-grade debt.
- Select investments on the basis of their relative value with a focus on total return.

PERFORMANCE as of 12/31/14

FUND	ANNUALIZED						
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
FUND	1.43%	10.47%	10.47%	4.74%	5.19%	4.63%	5.34%
BARCLAYS U.S. MUNI INDEX ³	1.37%	9.05%	9.05%	4.30%	5.16%	4.74%	5.69%
MORNINGSTAR CATEGORY AVG MUNI NAT'L LONG	1.49%	10.58%	10.58%	4.92%	5.32%	4.19%	—

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 Advisor has agreed to reimburse certain expenses of the Fund (excluding acquired fund fees and expenses; a portion of the compensation paid to each Trustee who is not an officer, director or employee of Northern Trust Corporation or its subsidiaries; expenses related to third-party consultants engaged by the Board of Trustees of the Trust; membership dues paid to the Investment Company Institute and Mutual Fund Directors Forum; extraordinary expenses; and interest, if any) to the extent the "Total Annual Fund Operating Expenses" exceed 0.45%. The contractual limitation may not be terminated before July 31, 2015 without the approval of the Board of Trustees. In the absence of fee waivers, yield, total return, growth since inception and dividends would have been reduced. Total return is based on net change in NAV assuming reinvestment of distributions.

Bond Risk: Bond funds will tend to experience smaller fluctuations in value than stock funds. However, investors in any bond fund should anticipate fluctuations in price, especially for longer-term issues and in environments of rising interest rates.

Tax-Free/AMT Risk: Tax-exempt funds' income may be subject to certain state and local taxes and, depending on your tax status, the federal alternative minimum tax.

¹ 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, 2015.

² Tax-equivalent yields are based on an assumed tax rate of 43.4% for national municipal funds.

Please see back page for calendar year returns and index definitions.

MATURITY DISTRIBUTION

Maturity Range	Fund
0 - 1 Year	0.9%
2 - 5 Years	10.5%
6 - 10 Years	6.0%
11 - 20 Years	29.0%
21 - 30 Years	47.4%
31+ Years	6.2%
TOTAL	100.0%

QUALITY DISTRIBUTION

Quality Rating	Fund	Benchmark ³
AAA	21.2%	13.4%
AA	60.6%	49.1%
A	16.1%	32.7%
BBB	0.0%	4.8%
SP1+/MIG1	1.2%	0.0%
Committed Cash	0.9%	0.0%
TOTAL	100.0%	100.0%

SECTOR WEIGHTINGS

Economic Sector	Fund	Benchmark ³
Revenue	67.3%	66.9%
General Obligation	16.0%	27.6%
Insured	9.4%	0.3%
Government-Backed	6.4%	5.2%
Committed Cash	0.9%	0.0%
TOTAL	100.0%	100.0%

All data is as of date indicated and subject to change.

PORTFOLIO MANAGER



TIMOTHY T.A. MC GREGOR, CFA® | Began career in 1985
With Northern Trust since 1989

Mr. McGregor received a B.S. in economics with a minor in East Asian studies from Indiana University. He is an active CFA charterholder.

CALENDAR YEAR RETURNS

	2014	2013	2012	2011	2010
FUND	10.47%	-3.64%	7.94%	11.85%	0.21%
BARCLAYS U.S. MUNI INDEX ³	9.05%	-2.55%	6.78%	10.70%	2.38%
MORNINGSTAR CATEGORY AVG MUNI NAT'L LONG	10.58%	-4.59%	8.87%	10.64%	1.65%

Performance quoted represents past performance and does not guarantee future results.

A Conservative Investment Approach

Northern Trust has built a tradition of strength and stability in investment management. Markets fluctuate over time, but we have remained steadfast in our disciplined, risk-managed investment philosophy.

³ **Barclays U.S. Municipal Index** is an unmanaged index of investment grade (Baa3 or better) tax-exempt bonds with a remaining maturity of at least one year. It is not possible to invest directly in an index.

Modified Duration: Duration is a measure of a bond fund's sensitivity to changes in interest rates. The Fund's duration is calculated using the modified duration formula.

Quality Distribution: Credit quality ratings are based on converting the available Moody's, Standard & Poor's and/or Fitch ratings to a common numerical basis and averaging that result. If none of these three rating agencies has assigned a rating, the Fund will assign a rating of not rated. The ratings, expressed in Standard & Poor's nomenclature, range from AAA (extremely strong capacity to meet its financial commitment) to D (in default). Short-term ratings, expressed in Standard & Poor's nomenclature, range from A-1 (obligor's capacity to meet its financial commitment on the obligation is strong) to A-3 (exhibits adequate protection parameters). The Standard & Poor's short-term municipal rating of SP1 reflects a strong capacity to pay principal and interest (an issue determined to possess a very strong capacity to pay debt service is given a plus (+) designation). The Moody's short-term municipal rating of MIG1 denotes superior credit quality (excellent protection is afforded by established cash flows, highly reliable liquidity support or demonstrated broad-based access to the market for refinancing). Committed Cash includes any traded cash (forward settling trades), the sweep vehicle and commercial paper. The ratings represent the rating agencies' opinions of the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality.

Distribution Calculations: All distribution calculations (Maturity Distribution, Sector Weightings and Quality Distribution) are measured on a trade date basis and are adjusted for uninvested cash from the market value used to compute the percentage calculations.

Please carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call 800-595-9111 to obtain a prospectus and summary prospectus, which contain this and other information about the funds.



Managed by
Northern Trust

FUND FACTS

Fund Objective: Total Return
Inception Date: June 18, 2009
Ticker Symbol: NUSFX
Gross Expense Ratio: 0.27%¹
Net Expense Ratio: 0.25%¹
Dividend Schedule: Monthly
Benchmark: BofA Merrill Lynch 1-Year U.S. Treasury Note Index

FUND CHARACTERISTICS

Total Net Assets: \$1.6 billion
Number of Holdings: 337
30-Day SEC Yield w/Waivers: 0.73%
30-Day SEC Yield w/o Waivers: 0.63%
Average Duration: 1.1 years
Average Maturity: 389 days

FUND STRATEGY

- Seek to yield more than a money market fund with potential for capital appreciation.
- Strive to maintain a 6-18 month average maturity, under normal circumstances, with a maximum security maturity of three years.
- Manage Fund in an effort to have an average portfolio quality of A or better, with all securities to be investment grade.

This Fund is not a money market fund, which maintains a \$1.00 NAV, and the Fund's share price will fluctuate with its returns. An investment in the Fund can result in the loss of principal.

PERFORMANCE as of 12/31/14

	ANNUALIZED						
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
FUND	-0.08%	0.55%	0.55%	1.25%	1.23%	—	1.37%
BOFA MERRILL LYNCH 1-YEAR U.S. TREASURY NOTE INDEX ²	-0.07%	0.18%	0.18%	0.23%	0.42%	—	0.47%

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 Advisor has agreed to reimburse certain expenses of the Fund (excluding acquired fund fees and expenses; a portion of the compensation paid to each Trustee who is not an officer, director or employee of Northern Trust Corporation or its subsidiaries; expenses related to third-party consultants engaged by the Board of Trustees of the Trust; membership dues paid to the Investment Company Institute and Mutual Fund Directors Forum; extraordinary expenses; and interest, if any) to the extent the "Total Annual Fund Operating Expenses" exceed 0.25%. The contractual limitation may not be terminated before July 31, 2015 without the approval of the Board of Trustees. In the absence of fee waivers, yield, total return, growth since inception and dividends would have been reduced. Total return is based on net change in NAV assuming reinvestment of distributions.

Bond Risk: Bond funds will tend to experience smaller fluctuations in value than stock funds. However, investors in any bond fund should anticipate fluctuations in price, especially for longer-term issues and in environments of rising interest rates.

Risk/Reward Positioning

The Fund seeks to yield more than a money market fund with less volatility than a short duration bond fund.



¹ 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, 2015.

Please see back page for calendar year returns and index definitions.

MATURITY DISTRIBUTION

Maturity Range	Fund
Overnight	4.9%
2 - 15 Days	7.6%
16 - 30 Days	4.7%
31 - 60 Days	11.2%
61 - 97 Days	10.7%
98 - 180 Days	2.0%
181 - 270 Days	2.5%
271 Days - 1 Year	9.8%
1 - 2 Years	23.5%
2 - 3 Years	23.1%
TOTAL	100.0%

QUALITY DISTRIBUTION

Quality Rating	Fund	Benchmark ²
AAA (Long Term)	9.2%	—
AA+ (Long Term)	2.2%	—
AA (Long Term)	3.4%	—
AA- (Long Term)	12.4%	—
A+ (Long Term)	11.9%	—
A (Long Term)	17.8%	—
A- (Long Term)	11.9%	—
BBB+ (Long Term)	11.0%	—
BBB (Long Term)	6.9%	—
BBB- (Long Term)	2.9%	—
BB+ (Long Term)	0.3%	—
A1+ (Short Term)	3.8%	—
A1 (Short Term)	0.6%	—
Treasury	5.4%	—
Agency	0.3%	—
TOTAL	100.0%	—

SECTOR WEIGHTINGS

Economic Sector	Fund	Benchmark ²
Fixed Rate Note/Bond	62.9%	—
Variable Rate Note/Bond	32.7%	—
Other	3.5%	—
Commercial Paper	0.9%	—
TOTAL	100.0%	—

All data is as of date indicated and subject to change.

PORTFOLIO MANAGERS



CAROL H. SULLIVAN | Began career in 1980
With Northern Trust since 1996

Ms. Sullivan received a B.A. in English from St. Xavier University and an MBA in finance from DePaul University. She is a member of the CFA Society Chicago and the national CFA Institute.

CHRISTI FLETCHER | Began career in 2000
With Northern Trust since 2010

Ms. Fletcher received a B.S. from Southwest Missouri State University in Springfield, MO. She is a member of the CFA Society Kansas City.

CALENDAR YEAR RETURNS

	2014	2013	2012	2011	2010
FUND	0.55%	0.78%	2.43%	0.87%	1.53%
BOFA MERRILL LYNCH 1-YEAR U.S. TREASURY NOTE INDEX ²	0.18%	0.26%	0.24%	0.56%	0.83%

Performance quoted represents past performance and does not guarantee future results.

A Conservative Investment Approach
Northern Trust has built a tradition of strength and stability in investment management. Markets fluctuate over time, but we have remained steadfast in our disciplined, risk-managed investment philosophy.

² **BoFA Merrill Lynch 1-Year U.S. Treasury Note Index** is composed of a single issue: the outstanding Treasury note that matures closest to, but not beyond, one year from each monthly rebalancing date. It is not possible to invest directly in an index.

Average Duration: Duration is a measure of a bond fund's sensitivity to changes in interest rates. The Fund's duration is calculated using the option-adjusted formula.

Quality Distribution: Credit quality ratings are based on the available Moody's, Standard & Poor's, and/or Fitch ratings. When ratings from all three agencies are available, the median rating is used. When ratings are available from two of the agencies, the lower rating is used. If none of these three rating agencies has assigned a rating the Fund will assign a rating of not rated. The ratings, expressed in Standard & Poor's nomenclature, range from AAA (extremely strong capacity to meet its financial commitment) to D (in default). Short-term ratings, expressed in Standard & Poor's nomenclature, range from A-1 (obligor's capacity to meet its financial commitment on the obligation is strong) to A-3 (exhibits adequate protection parameters). Agency securities are obligations issued or guaranteed by U.S. government agencies and sponsored enterprises. Treasury securities are obligations issued or guaranteed by the U.S. Treasury. The ratings represent the rating agencies' opinions of the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality.

Please carefully read the prospectus and summary prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call 800-595-9111 to obtain a prospectus and summary prospectus, which contain this and other information about the funds.



Managed by
Northern Trust

It's on northernfunds.com

Visit our website for the latest Northern Funds information, including:

- Market commentary from Northern Trust's economic and investment experts Jim McDonald, Carl Tannenbaum and more, at northernfunds.com/resources
- Fund performance, including daily NAVs, at northernfunds.com/funds
- Monthly Morningstar Ratings, at northernfunds.com/morningstar
- Northern Funds Prospectuses, at northernfunds.com/prospectus



Visit northernfunds.com today and experience all of the enhancements on our greatly improved new website!

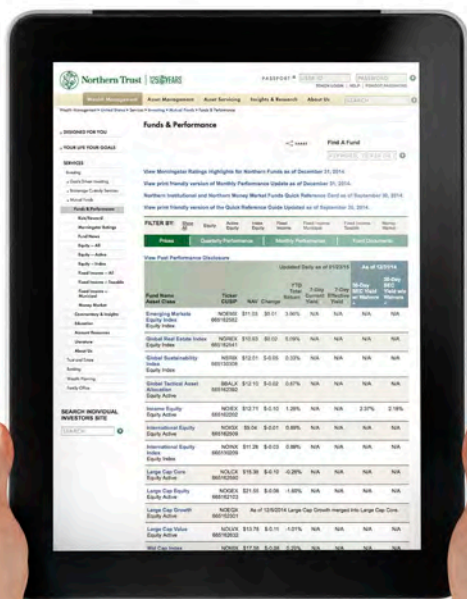
Northernfunds.com has recently been completely redesigned — from improvements in navigation and design to search and data labeling — our new website will make it easier than ever to find what you're looking for.

New features of the website include:

- **Visual & fund data enhancements** — improved page design and fund data presentation makes finding fund information more straightforward
- **Improved navigation** — find Northern Funds commentary, literature and account resources more quickly
- **Enhanced search results** — discover related topics and fund information more easily

Would you like to navigate to northernfunds.com through northerntrust.com? Follow these paths:

northerntrust.com > Asset Management > Individual > Investing > Mutual Funds
or
northerntrust.com > Wealth Management > Investing > Mutual Funds





Managed by
Northern Trust

50 SOUTH LASALLE STREET
P.O. BOX 75986
CHICAGO, ILLINOIS 60675-5986
800-595-9111
NORTHERNFUNDS.COM

PRESORTED
STANDARD
U.S. POSTAGE
PAID
PERMIT #1
CAROL STREAM, IL
60188

FUND PROFILE

Standards Bearer

The Northern Small Cap Core Fund seeks outperformance through quality and diversification

Veteran portfolio manager Robert Bergson takes a common sense approach to picking stocks for his Northern Small Cap Core Fund.

“We try to dampen risk by aggressively screening for quality businesses,” Bergson said. “And lots of them.”

Indeed, the Northern Small Cap Core Fund attains broad diversification by holding well over 1,000 stocks. That mega-sized portfolio of smallish companies is divided into three segments: small-cap value, small-cap growth, and micro-cap.

For the small-value and small-growth portions, Bergson calculates a “quality score” that identifies stocks he wants to stop accumulating or avoid entirely.

Bergson marks down value companies whose earnings seem more one-off than repeatable, as well as those that could have trouble financing future growth from cash flow. Within the growth segment, he screens for businesses with subpar return on assets, declining or stagnant top-line revenue, and those he thinks are unable to invest in their future through research and development or capital spending.

Numbers game

The Fund’s micro-cap allocation is compiled differently.

“We sample within the micro-cap segment to make sure we have a diversified, long-term allocation to the sector,” Bergson said. “We’re trying to capture some of what we consider to be high-growth opportunities in that segment of the market.”

Roughly two out of every three stocks in the Fund fall into the micro-cap category. Because of Bergson’s diversified approach, however, they account for only about one-third of the Fund’s market value.

At the other end of the capitalization spectrum, Bergson won’t necessarily sell a stock just because it grew too large to be included within the investment range of the benchmark. Still, with its average weighted market cap of \$1.9 billion, the Northern Small Cap Core Fund falls comfortably into the small-cap category.

Homebodies

Despite concerns that small-cap stocks have gotten pricey, comparisons with previous market cycles might be misleading.

“Overall, we believe the small-cap sector is in much better financial shape than it was even a decade ago,” Bergson said. Some smaller companies also might have less



exposure to the struggling economies of Europe and Asia, while getting a larger share of sales from the stronger U.S. market.

The bottom line: Bergson thinks the long-term outperformance potential of the small-cap sector argues strongly for its continued inclusion in an equity portfolio.

Especially, he adds, a portfolio that emphasizes diversification and quality. ▣

Past performance is no guarantee of future results.

Equity Risk: Equity securities (stocks) are more volatile and carry more risk than other forms of investments, including investments in high-grade fixed-income securities. The net asset value per share of this Fund will fluctuate as the value of the securities in the portfolio changes.

Small-Cap Risk: Small-capitalization funds typically carry additional risks since smaller companies generally have a higher risk of failure. Their stocks are subject to a greater degree of volatility, trade in lower volume and may be less liquid.