

## OVERALL MORNINGSTAR RATING™



among 1,011 intermediate-term bond funds derived from a weighted average of the fund's 3-year risk-adjusted returns as of 6/30/10\*

## FUND FACTS

**Fund Objective:** Seeks to Replicate Index

**Inception Date:** February 27, 2007

**Ticker Symbol:** NOBOX

**Cusip:** 665162533

**Gross Expense Ratio:** 0.43%

**Net Expense Ratio:** 0.25%<sup>1</sup>

**Dividend Schedule:** Monthly

**Benchmark:** Barclays Capital U.S. Aggregate Bond Index

**Morningstar Category:** Intermediate-Term Bond

## FUND CHARACTERISTICS

**Total Net Assets:** \$1.9 billion

**Number of Holdings:** 1,731

**30-Day SEC Yield:** 2.75%

**Average Duration:** 4.3 years

**Average Maturity:** 6.5 years

## FUND STRATEGY

- Passively managed in an effort to replicate the performance and composition of the Barclays Capital U.S. Aggregate Bond Index.
- Gain broad exposure to the U.S. Treasury, government agency, investment-grade corporate bond, mortgage- and asset-backed sectors of the fixed income markets.
- Provide investors with a way to gain broad exposure to U.S. bond market.

## PERFORMANCE as of 6/30/10

FUND	ANNUALIZED						
	QUARTER	YTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION
BARCLAYS CAPITAL U.S. AGG BOND INDEX <sup>2</sup>	3.56%	5.26%	8.87%	7.33%	—	—	6.27%
MORNINGSTAR CATEGORY AVG INT TERM BOND	2.71%	5.21%	13.11%	6.03%	—	—	—

**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. The contractual reimbursement arrangement is expected to continue until at least July 31, 2011. After this date, the contractual arrangements may be terminated if it is determined to be in the best interest of the Fund and its shareholders. 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. The 30-day SEC yield more closely reflects the current earnings of the Fund than the total returns.**

**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.

**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.

**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.

<sup>1</sup> The Net Expense Ratio, as reported in the most recent prospectus, includes contractual expense reimbursements that, if not extended, will end on July 31, 2011.

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 Bond Index Fund received 4 stars for the 3-year rating among 1,011 intermediate-term bond funds. The 5- and 10-year Morningstar ratings are not available.

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NOT FDIC INSURED

May lose value/No bank guarantee



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## MATURITY DISTRIBUTION

MATURITY RANGE	FUND
0 - 1 YEAR	4.4 %
1 - 2 YEARS	7.1 %
2 - 3 YEARS	18.3 %
3 - 5 YEARS	29.8 %
5 - 7 YEARS	14.5 %
7 - 10 YEARS	15.5 %
10 - 20 YEARS	2.6 %
20 - 30 YEARS	7.6 %
30+ YEARS	0.2 %
TOTAL	100.0 %

## QUALITY DISTRIBUTION

QUALITY RATING	FUND	BENCHMARK <sup>2</sup>
AAA	79.5%	78.5%
AA	4.1%	4.2%
A	9.6%	9.4%
BAA	6.8%	7.9%
TOTAL	100.0%	100.0 %

## SECTOR WEIGHTINGS

ECONOMIC SECTOR	FUND	BENCHMARK <sup>2</sup>
MORTGAGE-BACKED	33.8%	34.0%
TREASURY	32.3%	32.0%
INDUSTRIALS	9.6%	9.7%
AGENCY	7.9%	7.8%
FINANCIALS	6.0%	6.4%
COMMERCIAL MBS	3.1%	3.1%
UTILITIES	2.2%	2.1%
FOREIGN AGENCIES	1.2%	1.2%
SUPRANATIONAL	1.1%	1.2%
SOVEREIGN	1.0%	1.1%
FOREIGN LOCAL GOVTS	0.9%	1.0%
SHORT-TERM	0.5%	0.0%
ASSET-BACKED	0.4%	0.4%
TOTAL	100.0%	100.0%

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

## PORTFOLIO MANAGER



LOUIS D'ARIENZO | Began career in 1981  
With Northern Trust since 2003

Mr. D'Arienzo received a B.S. degree in finance from the Stern School of Business at New York University.

## CALENDAR YEAR RETURNS

	2009	2008	2007	2006	2005
FUND	4.60%	5.82%	—	—	—
BARCLAYS CAPITAL U.S. AGG BOND INDEX <sup>2</sup>	5.93%	5.24%	—	—	—
MORNINGSTAR CATEGORY AVG INT TERM BOND	13.97%	-4.70%	—	—	—

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.

<sup>2</sup> **Barclays Capital U.S. Aggregate Bond Index** is an unmanaged index of prices of U.S. dollar-denominated 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 primarily originate from data compiled by Barclays Capital within their POINT model. They 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 NR (non-rated security). The ratings represent the rating agencies' opinions of the quality of the securities they rate. The ratings, expressed in Moody's nomenclature, range from Aaa ("judged to be of the highest quality, with minimal credit risk") to C ("the lowest rated class of bonds, typically in default, with little prospect for recovery of principal or interest"). 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.*



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