

# Northern Funds HIGH YIELD FIXED INCOME FUND

4Q2011

NHFIX/FIXED INCOME

## FUND FACTS

**Fund Objective:** High Current Income

**Inception Date:** December 31, 1998

**Ticker Symbol:** NHFIX

**Gross Expense Ratio:** 0.96%

**Net Expense Ratio:** 0.77%<sup>1</sup>

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

**Dividend Schedule:** Monthly

**Benchmark:** Barclays Capital U.S. Corporate High Yield 2% Issuer Cap Index

**Morningstar Category:** High Yield Bond

## FUND CHARACTERISTICS

**Total Net Assets:** \$4.8 billion

**Number of Holdings:** 194

**30-Day SEC Yield:** 7.81%

**Average Duration:** 4.3 years

**Average Maturity:** 7.2 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 12/31/11

FUND	ANNUALIZED						
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
BARCLAYS CAPITAL U.S. CORP HY 2% ISSUER CAP INDEX <sup>2</sup>	6.48%	4.96%	4.96%	24.19%	7.74%	8.96%	6.97%
MORNINGSTAR CATEGORY AVG HIGH YIELD BOND	5.58%	2.83%	2.83%	19.74%	5.08%	6.94%	—

**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. The contractual reimbursement arrangement is expected to continue until at least December 31, 2012. 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.

**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.

<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 December 31, 2012.

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



Managed by  
Northern Trust

NOT FDIC INSURED

May lose value/No bank guarantee

## MATURITY DISTRIBUTION

Maturity Range	Fund
0 - 1 Year	3.5%
1 - 3 Years	3.4%
3 - 5 Years	16.8%
5 - 10 Years	69.3%
10+ Years	7.0%
TOTAL	100.0%

## QUALITY DISTRIBUTION

Quality Rating	Fund	Benchmark <sup>2</sup>
BBB	3.7%	0.0%
BB	26.3%	40.1%
B	44.3%	43.6%
CCC	21.9%	14.3%
CC to D	0.4%	1.9%
Not rated	0.5%	0.1%
Cash Equivalents	2.9%	0.0%
TOTAL	100.0%	100.0%

## SECTOR WEIGHTINGS

Economic Sector	Fund	Benchmark <sup>2</sup>
Communications	17.3%	15.6%
Consumer Cyclical	16.8%	17.4%
Consumer Non-Cyclical	11.5%	11.4%
Financial Institutions	10.5%	10.9%
Energy	10.2%	9.3%
Utilities	8.7%	8.7%
Capital Goods	6.6%	8.8%
Basic Industry	6.1%	8.5%
Technology	4.9%	6.2%
Transportation	3.0%	1.9%
Short-Term	2.9%	0.0%
Industrial Other	1.5%	1.3%
TOTAL	100.0%	100.0%

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

## PORTFOLIO MANAGER



RICHARD J. INZUNZA | 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 a CFA charterholder and is a member of the CFA Institute, the CFA Society of Chicago and the United Kingdom Society of Investment Professionals.

## CALENDAR YEAR RETURNS

	2011	2010	2009	2008	2007
<b>FUND</b>	<b>3.75%</b>	<b>13.60%</b>	<b>33.48%</b>	<b>-19.29%</b>	<b>1.35%</b>
BARCLAYS CAPITAL U.S. CORP HY 2% ISSUER CAP INDEX <sup>2</sup>	4.96%	14.94%	58.76%	-25.88%	2.26%
MORNINGSTAR CATEGORY AVG HIGH YIELD BOND	2.83%	14.24%	46.70%	-26.41%	1.47%

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. Corporate High Yield 2% Issuer Cap Index is an unmanaged index of the 2% Issuer Cap component of the Barclays Capital High Yield Corporate Bond Index, which is a market value-weighted index of fixed rate, non-investment grade debt. 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). 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.*