

Northern Funds HIGH YIELD MUNICIPAL FUND

4Q2011

NHYMX/FIXED INCOME

FUND FACTS

Fund Objective: High Current Tax-Exempt Income

Inception Date: December 31, 1998

Ticker Symbol: NHYMX

Gross Expense Ratio: 0.94%

Net Expense Ratio: 0.80%¹

Dividend Schedule: Monthly

Benchmark: Barclays Capital Municipal Bond 65-35 Investment Grade/High Yield Index

Morningstar Category: High Yield Municipal

FUND CHARACTERISTICS

Total Net Assets: \$543 million

Number of Holdings: 170

30-Day SEC Yield: 4.42%

Tax-Equivalent 30-Day SEC Yield: 6.80%²

Modified Duration: 6.6 years

Average Maturity: 20.7 years

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 12/31/11

FUND	ANNUALIZED						
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
FUND	2.36%	11.47%	11.47%	12.00%	1.29%	3.76%	3.36%
BARCLAYS CAPITAL MUNI BOND 65-35 INV GRADE/HY INDEX ³	1.65%	10.19%	10.19%	11.20%	4.25%	5.48%	5.16%
MORNINGSTAR CATEGORY AVG HIGH YIELD MUNI	1.69%	10.18%	10.18%	14.36%	1.50%	4.14%	—

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.

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 Net Expense Ratio, as reported in the most recent prospectus, includes contractual expense reimbursements that, if not extended, will end on December 31, 2012.

² Tax-equivalent yields are based on an assumed tax rate of 35.0% for national municipal funds. Please see back page for calendar year returns and index definitions.



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Northern Trust

NOT FDIC INSURED

May lose value/No bank guarantee

MATURITY DISTRIBUTION

Maturity Range	Fund
0 - 1 Year	1.2%
2 - 5 Years	4.9%
6 - 10 Years	10.7%
11 - 20 Years	21.8%
21 - 30 Years	48.4%
30+ Years	13.0%
TOTAL	100.0%

QUALITY DISTRIBUTION

Quality Rating	Fund	Benchmark ³
AAA	9.3%	8.6%
AA	8.6%	35.2%
A	21.3%	15.7%
BBB	41.9%	5.5%
BB	7.5%	11.4%
B	0.0%	6.6%
CCC	0.0%	0.5%
CC to D	0.0%	0.1%
Not Rated	10.1%	16.4%
Cash Equivalents	1.3%	0.0%
TOTAL	100.0%	100.0%

SECTOR WEIGHTINGS

Economic Sector	Fund	Benchmark ³
Hospital	25.8%	14.5%
IDR's	20.9%	16.6%
Other	18.2%	18.3%
Higher Education	9.1%	6.3%
Power	6.5%	4.9%
State & Local Government	6.4%	20.3%
Water & Sewer	4.7%	6.2%
Transportation	3.2%	10.9%
Housing	2.2%	1.8%
Pre-Refunded	1.8%	0.0%
Short-Term	1.2%	0.0%
Resource Recovery	0.0%	0.2%
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

	2011	2010	2009	2008	2007
FUND	11.47%	2.28%	23.24%	-21.35%	-3.53%
BARCLAYS CAPITAL MUNI BOND 65-35 INV GRADE/HY INDEX ³	10.19%	4.25%	19.70%	-11.66%	1.37%
MORNINGSTAR CATEGORY AVG HIGH YIELD MUNI	10.18%	3.77%	30.89%	-25.27%	-3.31%

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 Capital 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 Capital Municipal Bond Index and a 35% allocation to the Barclays Capital Municipal Non-Investment Grade Bond 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). 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.



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