

HIGH YIELD MUNICIPAL FUND

FUND FACTS

Fund Objective: High Current Tax-Exempt Income

Inception Date: December 31, 1998

Ticker Symbol: NHYM

Cusip: 665162681

Gross Expense Ratio: 0.96%

Net Expense Ratio: 0.85%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: \$799 million

Number of Holdings: 283

30-Day SEC Yield: 4.17%

Tax-Equivalent 30-Day SEC Yield: 6.41%²

Modified Duration: 7.3 years

Average Maturity: 19.2 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 3/31/10

| FUND | ANNUALIZED | | | | | | |
|--|------------|-------|--------|--------|--------|---------|-----------------|
| | QUARTER | YTD | 1-YEAR | 3-YEAR | 5-YEAR | 10-YEAR | SINCE INCEPTION |
| FUND | 1.64% | 1.64% | 16.90% | -1.96% | 1.06% | 3.72% | 2.84% |
| BARCLAYS CAPITAL MUNI BOND 65-35 INV GRADE/HY INDEX ³ | 2.23% | 2.23% | 16.08% | 2.73% | 4.14% | 5.49% | 4.90% |
| MORNINGSTAR CATEGORY AVG HIGH YIELD MUNI | 2.82% | 2.82% | 25.74% | -1.28% | 1.75% | 3.95% | — |

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.

Performance calculations reflect voluntary fee waivers in effect. In the absence of fee waivers, total return, growth since inception and dividends would have been reduced. The 30-Day SEC yield would have been 4.06%. 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 Net Expense Ratio includes voluntary expense reimbursements by Northern Funds' investment advisers that may change or end at any time.

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.

MATURITY DISTRIBUTION

| MATURITY RANGE | FUND |
|----------------|--------|
| 0 - 1 YEAR | 4.9% |
| 2 - 5 YEARS | 6.3% |
| 6 - 10 YEARS | 12.0% |
| 11 - 20 YEARS | 25.0% |
| 21 - 30 YEARS | 43.7% |
| 31+ YEARS | 8.1% |
| TOTAL | 100.0% |

QUALITY DISTRIBUTION

| QUALITY RATING | FUND | BENCHMARK ³ |
|----------------|--------|------------------------|
| AAA | 15.1% | 7.9% |
| AA | 17.1% | 33.6% |
| A | 24.1% | 14.8% |
| BBB | 24.6% | 8.6% |
| BB | 4.2% | 9.4% |
| B | 0.3% | 3.2% |
| CCC | 0.5% | 2.8% |
| CC TO D | 0.0% | 0.1% |
| NOT RATED | 9.5% | 19.6% |
| SHORT-TERM | 4.6% | 0.0% |
| TOTAL | 100.0% | 100.0% |

SECTOR WEIGHTINGS

| ECONOMIC SECTOR | FUND | BENCHMARK ³ |
|--------------------|--------|------------------------|
| HOSPITAL | 20.5% | 15.3% |
| IDR'S | 16.3% | 13.5% |
| OTHER | 14.3% | 18.6% |
| STATE & LOCAL GOVT | 11.4% | 20.8% |
| POWER | 9.1% | 5.3% |
| WATER & SEWER | 7.2% | 6.2% |
| HIGHER EDUCATION | 6.3% | 6.3% |
| TRANSPORTATION | 5.5% | 11.7% |
| SHORT-TERM | 4.5% | 0.0% |
| PRE-REFUNDED | 3.9% | 0.0% |
| HOUSING | 0.9% | 2.0% |
| RESOURCE RECOVERY | 0.1% | 0.3% |
| 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

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|--------|---------|--------|-------|-------|
| FUND | 23.24% | -21.35% | -3.53% | 6.30% | 4.82% |
| BARCLAYS CAPITAL MUNI BOND 65-35 INV GRADE/HY INDEX ³ | 19.70% | -11.66% | 1.37% | 6.87% | 5.27% |
| MORNINGSTAR CATEGORY AVG HIGH YIELD MUNI | 30.89% | -25.27% | -3.31% | 7.14% | 6.35% |

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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 ratings are issued by Standard & Poor's rating services and reflect the agency's assessment of the risk of a bond based on the issuer's capacity to meet its financial commitment on the bond. The ratings range from AAA (extremely strong capacity to meet its financial commitment) to D (in default).

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

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