

# Northern Funds INCOME EQUITY FUND

4Q2011

NOIEX/EQUITY

## OVERALL MORNINGSTAR RATING™



among 843 moderate allocation funds, funds derived from a weighted average of the fund's 3-, 5- and 10-year risk-adjusted returns as of 12/31/11\*

## FUND FACTS

**Fund Objective:** Current Income and Capital Appreciation  
**Inception Date:** April 1, 1994  
**Ticker Symbol:** NOIEX  
**Gross Expense Ratio:** 1.23%  
**Net Expense Ratio:** 1.00%<sup>1</sup>  
**Dividend Schedule:** Monthly  
**Benchmark:** S&P 500® Index  
**Morningstar Category:** Moderate Allocation

## FUND CHARACTERISTICS

**Total Net Assets:** \$366 million  
**Number of Holdings:** 83  
**Annual Portfolio Turnover:** 18.67% (as of 3/31/11)  
**30-Day SEC Yield:** 2.43%  
**30-Day SEC Yield w/o Waivers:** 2.19%

## RISK CHARACTERISTICS

	Fund	Benchmark <sup>2</sup>
Beta	0.81	1.00
Up Market Capture	87.33	100.00
Down Market Capture	79.96	100.00
Information Ratio	0.46	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.
- Analyze the upside/downside ratio of individual securities in relation to the underlying stocks in an effort to identify those issues that are priced to have more exposure to the upside.

## PERFORMANCE as of 12/31/11

FUND	ANNUALIZED						
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
FUND	9.98%	2.18%	2.18%	16.15%	2.71%	6.12%	7.85%
S&P 500® INDEX <sup>2</sup>	11.82%	2.11%	2.11%	14.11%	-0.25%	2.92%	8.04%
MORNINGSTAR CATEGORY AVG MODERATE ALLOCATION	6.69%	-0.11%	-0.11%	11.54%	1.33%	3.93%	-

**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. 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.**

**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.

<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, 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 Income Equity Fund received 5 stars for the 3-year rating among 843 moderate allocation funds, 3 stars for the 5-year rating among 736 funds and 4 stars for the 10-year rating among 393 funds.

©2012 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.



Managed by  
Northern Trust

NOT FDIC INSURED

May lose value/No bank guarantee

TOP 10 HOLDINGS

Company	Fund % of Net Assets
United Rentals Inc	2.2%
Tyson Foods Inc	2.2%
Regis Corp	2.2%
CACI Intl	2.1%
Newmont Mining Corp	2.1%
Chubb Corp	1.8%
Rayonier Inc	1.8%
Home Depot Inc	1.8%
Great Plains Energy Inc	1.8%
Intel Corp	1.8%
<b>TOTAL</b>	<b>19.8%</b>

SECTOR WEIGHTINGS

Economic Sector	Fund	Benchmark <sup>2</sup>
Financials	14.7%	13.6%
Information Technology	14.6%	19.0%
Health Care	14.5%	11.8%
Consumer Discretionary	12.0%	10.7%
Consumer Staples	11.3%	11.5%
Industrials	10.9%	10.7%
Energy	9.1%	12.3%
Materials	6.4%	3.5%
Telecommunication Services	3.8%	3.0%
Utilities	2.7%	3.9%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

ASSET ALLOCATION

Stocks	62.8%
Bonds	30.9%
Cash	6.3%
<b>TOTAL</b>	<b>100.0%</b>

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

PORTFOLIO MANAGER



JACKIE M. BENSON | Began career in 1992  
With Northern Trust since 2004

Ms. Benson received a B.S. degree in finance with honors from the University of Illinois and is a CFA charterholder.

CALENDAR YEAR RETURNS

	2011	2010	2009	2008	2007
<b>FUND</b>	<b>2.18%</b>	<b>15.99%</b>	<b>32.22%</b>	<b>-30.82%</b>	<b>5.43%</b>
S&P 500 <sup>®</sup> INDEX <sup>2</sup>	2.11%	15.06%	26.46%	-37.00%	5.49%
MORNINGSTAR CATEGORY AVG MODERATE ALLOCATION	-0.11%	11.83%	24.13%	-28.00%	5.99%

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> **S&P 500<sup>®</sup> 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.

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

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

**Down Market Capture:** 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