

Northern Funds MULTI-MANAGER HIGH YIELD OPPORTUNITY FUND

4Q2011

NMHYX/FIXED INCOME

FUND FACTS

Fund Objective: Total Return
Inception Date: September 23, 2009
Ticker Symbol: NMHYX
Gross Expense Ratio: 1.18%
Net Expense Ratio: 1.00%¹
Redemption Fee: 2% on shares sold or exchanged within 30 days of purchase
Dividend Schedule: Monthly
Benchmark: Merrill Lynch High Yield Master II Constrained Index
Morningstar Category: High Yield Bond

FUND CHARACTERISTICS

Total Net Assets: \$644 million
Number of Holdings: 786
30-Day SEC Yield: 7.29%
Average Duration: 4.5 years
Average Maturity: 6.9 years

FUND STRATEGY

- Strive to maintain a highly diversified, opportunistic investment strategy that can invest in high yield corporate securities as well as foreign bonds, emerging markets, bank loans, convertibles, preferreds, mortgages, REITs, equities, municipals and closed-end high yield funds.
- Select complementary managers from a broad universe of investment managers.
- Blend managers into a single fund in an effort to provide an attractive combination of risk and return.

SUB-ADVISER ALLOCATION

Sub-Adviser	Target Allocation	Role in Portfolio
LOOMIS, SAYLES & COMPANY, L.P.	40%	Opportunistic high-yield strategy employing a bottom-up investment approach focused on attractively priced credits. The portfolio will provide exposure to out-of-benchmark sectors. The portfolio is designed to provide competitive performance in a broad range of market environments.
STONE HARBOR INVESTMENT PARTNERS LP	30%	High-yield strategy focused on identifying attractive industries and sectors through relative value and in-depth qualitative and quantitative analyses while managing risk through issuer diversification. The portfolio will provide more consistent characteristics to the traditional high-yield sectors.
NEUBERGER BERMAN FIXED INCOME LLC	30%	Traditional high-yield strategy focusing on credit selection within the benchmark sectors.

PERFORMANCE as of 12/31/11

	Quarter	YTD	1-Year	ANNUALIZED			Since Inception
				3-Year	5-Year	10-Year	
FUND	4.98%	1.41%	1.41%	—	—	—	7.81%
MERRILL LYNCH HIGH YIELD MASTER II CONSTRAINED INDEX ²	6.19%	4.37%	4.37%	—	—	—	11.37%
MORNINGSTAR CATEGORY AVG HIGH YIELD BOND	5.58%	2.83%	2.83%	—	—	—	—

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.

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.

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 - 3 Years	22.9%
3 - 5 Years	21.0%
5 - 7 Years	24.3%
7 - 10 Years	18.0%
10+ Years	13.8%
TOTAL	100.0%

QUALITY DISTRIBUTION

Quality Rating	Fund	Benchmark ²
AAA	0.8%	0.0%
A	4.1%	0.0%
BBB	2.6%	0.3%
BB	22.4%	33.6%
B	41.6%	46.4%
CCC or below	24.2%	19.7%
Not Rated	1.7%	0.0%
Cash Equivalents	2.6%	0.0%
TOTAL	100.0%	100.0%

SECTOR WEIGHTINGS

Economic Sector	Fund	Benchmark ²
Industrials	64.3%	79.0%
Financials	7.8%	11.4%
Convertibles	6.7%	0.0%
Utilities	6.5%	9.0%
Emerging Markets Debt	4.0%	0.0%
Foreign	3.1%	0.2%
Short-Term	2.7%	0.0%
Residential MBS	1.8%	0.0%
Bank Loans	1.4%	0.0%
Asset-Backed	0.8%	0.0%
Commercial MBS	0.4%	0.0%
Other	0.3%	0.4%
Preferreds	0.2%	0.0%
TOTAL	100.0%	100.0%

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

PORTFOLIO MANAGERS



JESSICA K. HART | Began career in 1999
With Northern Trust since 2000

Ms. Hart received a B.S. degree in economics from the University of Wisconsin and an MBA from New York University, Stern School of Business.

ANDREW SMITH | Began career in 1986
With Northern Trust since 2000

Mr. Smith holds a B.A. from the University of Western Ontario. He is a CFA charterholder, registered Investment Counsel and Portfolio Manager.

CALENDAR YEAR RETURNS

	2011	2010	2009	2008	2007
FUND	1.41%	12.81%	—	—	—
MERRILL LYNCH HIGH YIELD MASTER II CONstrained INDEX ²	4.37%	15.05%	—	—	—
MORNINGSTAR CATEGORY AVG HIGH YIELD BOND	2.83%	14.24%	—	—	—

Performance quoted represents past performance and does not guarantee future results.

A Risk-Managed 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.

² **Merrill Lynch High Yield Master II Constrained Index** is an unmanaged, market value-weighted index that limits exposure to any given issuer and tracks the public high yield debt market. 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 compiled from two external rating agencies: Moody's and Standard & Poor's. We report the lowest rating of the two in the event there are any differences between them. If neither of these 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). Government securities consist of obligations issued or guaranteed by the U.S. Treasury. 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.