

# Northern Funds SMALL CAP INDEX FUND

4Q2011

NSIDX/EQUITY

## FUND FACTS

**Fund Objective:** Seeks to Replicate Index  
**Inception Date:** September 3, 1999  
**Ticker Symbol:** NSIDX  
**Gross Expense Ratio:** 0.55%  
**Net Expense Ratio:** 0.15%<sup>1</sup>  
**Dividend Schedule:** Annually  
**Benchmark:** Russell 2000® Index  
**Morningstar Category:** Small Blend

## FUND CHARACTERISTICS

**Total Net Assets:** \$424 million  
**Number of Holdings:** 1,960  
**Annual Portfolio Turnover:** 13.55% (as of 3/31/11)  
**Weighted Average Market Cap (\$mil):** \$1,285

	Fund	Benchmark <sup>2</sup>
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Trailing 12-month Price to Earnings Ratio	13.97	13.92
Price to Book Ratio	1.37	1.43

## RISK CHARACTERISTICS

	Fund	Benchmark <sup>2</sup>
Beta	1.00	1.00
Up Market Capture	99.56	100.00
Down Market Capture	100.17	100.00
Information Ratio	-0.96	0.00

Above risk characteristics are based on 3-year time period.

## FUND STRATEGY

- Passively managed, the Fund seeks to duplicate the investment composition and overall performance of the stocks included in the Russell 2000® Index.
- Invest at least 80% of its net assets in equity securities in the Index, in weightings that approximate the relative composition of the Index.
- Use proprietary quantitative techniques designed to minimize trading costs.

## PERFORMANCE as of 12/31/11

FUND	ANNUALIZED						
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
FUND	15.33%	-4.49%	-4.49%	15.38%	-0.13%	5.16%	5.27%
RUSSELL 2000® INDEX <sup>2</sup>	15.47%	-4.18%	-4.18%	15.63%	0.15%	5.62%	5.92%
MORNINGSTAR CATEGORY AVG SMALL BLEND	15.25%	-4.07%	-4.07%	16.77%	0.16%	5.96%	—

**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.

**Index Fund Risk:** The performance of the Fund is expected to be lower than that of the Index because of Fund fees and expenses. It is important to remember that there are risks associated with index investing, including the potential risk of market decline, as well as the risks associated with investing in specific companies.

**Small Cap Risk:** Small-capitalization funds typically carry additional risks since smaller companies generally have a higher risk of failure. Their stocks are subject to a greater degree of volatility, trade in lower volume and may be less liquid.

<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.



Managed by  
Northern Trust

NOT FDIC INSURED

May lose value/No bank guarantee

**TOP 10 HOLDINGS**

Company	Fund % of Net Assets
HealthSpring Inc	0.3%
NetLogic Microsystems Inc	0.3%
SuccessFactors Inc	0.3%
Clean Harbors Inc	0.3%
World Fuel Services Corp	0.3%
Jack Henry & Associates Inc	0.3%
American Campus Communities Inc	0.3%
BioMed Realty Trust Inc	0.3%
Salix Pharmaceuticals Ltd	0.3%
Onyx Pharmaceuticals Inc	0.3%
<b>TOTAL</b>	<b>3.0%</b>

**SECTOR WEIGHTINGS**

Economic Sector	Fund	Benchmark <sup>2</sup>
Financials	22.0%	22.2%
Information Technology	17.2%	17.1%
Industrials	15.7%	15.7%
Consumer Discretionary	13.0%	13.0%
Health Care	12.7%	12.6%
Energy	6.7%	6.7%
Materials	4.5%	4.5%
Consumer Staples	3.7%	3.7%
Utilities	3.7%	3.7%
Telecommunication Services	0.8%	0.8%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

**ASSET ALLOCATION**

Stocks	96.1%
Cash	3.9%
<b>TOTAL</b>	<b>100.0%</b>

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

**PORTFOLIO MANAGERS**



**CHAD M. RAKVIN** | Began career in 1996  
With Northern Trust since 2004

Mr. Rakvin received a B.S. degree in finance from the Indiana University of PA. He is a CFA charterholder and a member of the CFA Institute.

**BRENT REEDER** | Began career in 1993  
With Northern Trust since 1993

Mr. Reeder received a B.A. degree in economics from DePauw University and an MBA in finance from DePaul University. He is an Associated Person with the National Futures Association.

**CALENDAR YEAR RETURNS**

	2011	2010	2009	2008	2007
<b>FUND</b>	<b>-4.49%</b>	<b>26.42%</b>	<b>27.22%</b>	<b>-34.05%</b>	<b>-1.91%</b>
RUSSELL 2000® INDEX <sup>2</sup>	-4.18%	26.85%	27.16%	-33.79%	-1.56%
MORNINGSTAR CATEGORY AVG SMALL BLEND	-4.07%	25.61%	31.80%	-36.56%	-1.10%

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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.

<sup>2</sup> **Russell 2000® Index** is an unmanaged index which measures the performance of the 2,000 smallest companies in the Russell 3000® Index based on market capitalization. It is not possible to invest directly in an index.

**Trailing 12-month Price to Earnings Ratio:** The sum of a company's price-to-earnings. Calculated by taking the current stock price and dividing it by the current earnings per share for the past 12 months.

**Price to Book Ratio:** A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current price of the stock by the latest quarter's book value per share.

**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.*



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