

Northern Funds TAX-ADVANTAGED ULTRA-SHORT FIXED INCOME FUND

4Q2011

NTAUX/FIXED INCOME

FUND FACTS

Fund Objective: Total Return
Inception Date: June 18, 2009
Ticker Symbol: NTAUX
Gross Expense Ratio: 0.44%
Net Expense Ratio: 0.25%¹
Initial Investment Minimum: \$250,000
Redemption Fee: 1% on shares sold or exchanged within 90 days of purchase
Dividend Schedule: Monthly
Benchmark: 75% Merrill Lynch 6-12 Month U.S. Municipal Securities Index and 25% Merrill Lynch 1-3 Year U.S. Municipal Securities General Obligations Index

FUND CHARACTERISTICS

Total Net Assets: \$1.3 billion
Number of Holdings: 389
30-Day SEC Yield: 0.89%
Average Duration: 1.2 years
Average Maturity: 394 days

FUND STRATEGY

- Seek to provide investors in higher tax brackets more after-tax yield than a money market fund with potential for capital appreciation.
- Strive to maximize after-tax return by pursuing best net after-tax yield and total return opportunities in both taxable and tax-exempt securities.
- Strive to maintain a 6-18 month average maturity, under normal circumstances, with a maximum security maturity of three years. Also manage Fund in an effort to have an average portfolio quality of A or better, with all securities to be investment grade.

This Fund is not a money market fund, which maintains a \$1.00 NAV, and the Fund's share price will fluctuate with its returns. An investment in the Fund can result in the loss of principal.

PERFORMANCE as of 12/31/11

FUND	ANNUALIZED						
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
FUND	0.22%	0.94%	0.94%	—	—	—	1.39%
75% MERRILL LYNCH 6-12 MO U.S. MUNI SEC INDEX AND 25% MERRILL LYNCH 1-3 YR U.S. MUNI SEC G.O. INDEX ²	0.17%	1.13%	1.13%	—	—	—	1.13%

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.

Risk/Reward Positioning

The Fund seeks to yield more than a money market fund with less volatility than a short duration bond fund.



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.



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NOT FDIC INSURED May lose value/No bank guarantee

MATURITY DISTRIBUTION

Maturity Range	Fund
1 Day	2.8%
2 - 15 Days	10.9%
16 - 30 Days	2.4%
31 - 60 Days	2.8%
61 - 97 Days	6.3%
98 - 180 Days	7.2%
181 - 270 Days	10.2%
271 Days - 1 Year	6.7%
1 - 2 Years	35.9%
2 - 3 Years	14.8%
TOTAL	100.0%

QUALITY DISTRIBUTION

Quality Rating	Fund	Benchmark ²
AAA(Long Term)	15.5%	—
AA+(Long Term)	11.6%	—
AA(Long Term)	13.3%	—
AA-(Long Term)	12.4%	—
A+(Long Term)	8.3%	—
A(Long Term)	7.6%	—
A-(Long Term)	7.4%	—
BBB+(Long Term)	3.2%	—
BBB(Long Term)	4.7%	—
BBB-(Long Term)	1.4%	—
A1+(Short Term)	8.1%	—
A2(Short Term)	1.2%	—
Treasury	4.8%	—
Not Rated	0.5%	—
TOTAL	100.0%	—

SECTOR WEIGHTINGS

Economic Sector	Fund	Benchmark ²
Fixed Rate Note/Bond	70.0%	—
Variable Rate Note/Bond	20.9%	—
Commercial Paper	7.2%	—
Other (including MMFs)	1.9%	—
TOTAL	100.0%	—

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

PORTFOLIO MANAGERS



CAROL H. SULLIVAN | Began career in 1980, *With Northern Trust since 1996*
 Ms. Sullivan received a B.A. degree in English from St. Xavier College and an MBA in finance from DePaul University. She is also a member of the CFA Society of Chicago and the CFA Institute.

PATRICK D. QUINN | Began career in 1985, *With Northern Trust since 1985*
 Mr. Quinn received a B.S. degree in management and finance from DePaul University and an MBA in finance from the Kellstadt Graduate School of Business at DePaul University.

CALENDAR YEAR RETURNS

	2011	2010	2009	2008	2007
FUND	0.94%	1.29%	—	—	—
75% MERRILL LYNCH 6-12 MO U.S. MUNI SEC INDEX AND 25% MERRILL LYNCH 1-3 YR U.S. MUNI SEC G.O. INDEX ²	1.13%	0.81%	—	—	—

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.

² **Merrill Lynch 6-12 Month U.S. Municipal Securities Index** tracks the performance of U.S. dollar denominated, investment grade, tax-exempt debt, publicly issued by U.S. states and territories, and their political subdivisions, in the U.S. domestic market. Qualifying securities must have between six months to one year remaining term to final maturity, a fixed coupon schedule and an investment grade rating (based on an average of Moody's, S&P and Fitch). It is not possible to invest directly in an index.

² **Merrill Lynch 1-3 Year U.S. Municipal Securities General Obligations Index** tracks the performance of U.S. dollar denominated, investment grade, tax-exempt, general obligations publicly issued by U.S. states and territories, and their political subdivisions, in the U.S. domestic market. Qualifying securities must have between one to three years remaining term to maturity, a fixed coupon schedule and an investment grade rating (based on an average of Moody's, S&P and Fitch). 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 based on the available Moody's, Standard & Poor's and/or Fitch ratings. When ratings from all three agencies are available, the median rating is used. When ratings are available from two of the agencies, the lower rating is used. 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). Treasury securities are 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.



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