

Northern Funds ULTRA-SHORT FIXED INCOME FUND

4Q2011

NUSFX/FIXED INCOME

FUND FACTS

Fund Objective: Total Return
Inception Date: June 18, 2009
Ticker Symbol: NUSFX
Gross Expense Ratio: 0.46%
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: Merrill Lynch 1-Year U.S. Treasury Note Index

FUND CHARACTERISTICS

Total Net Assets: \$450 million
Number of Holdings: 194
30-Day SEC Yield: 1.23%
Average Duration: 1.1 years
Average Maturity: 422 days

FUND STRATEGY

- Seek to yield more than a money market fund with potential for capital appreciation.
- Strive to maintain a 6-18 month average maturity, under normal circumstances, with a maximum security maturity of three years.
- 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

	ANNUALIZED						
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
FUND	0.23%	0.87%	0.87%	—	—	—	1.51%
MERRILL LYNCH 1-YEAR U.S. TREASURY NOTE INDEX ²	0.09%	0.56%	0.56%	—	—	—	0.76%

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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Northern Trust

NOT FDIC INSURED May lose value/No bank guarantee

MATURITY DISTRIBUTION

Maturity Range	Fund
1 Day	5.9%
2 - 15 Days	5.1%
16 - 30 Days	8.4%
31 - 60 Days	9.0%
61 - 97 Days	8.8%
98 - 180 Days	2.8%
181 - 270 Days	4.3%
271 Days - 1 Year	5.4%
1 - 2 Years	25.4%
2 - 3 Years	24.9%
TOTAL	100.0%

QUALITY DISTRIBUTION

Quality Rating	Fund	Benchmark ²
AAA(Long Term)	14.8%	—
AA+(Long Term)	0.7%	—
AA(Long Term)	6.8%	—
AA-(Long Term)	8.8%	—
A+(Long Term)	8.2%	—
A(Long Term)	14.3%	—
A-(Long Term)	12.7%	—
BBB+(Long Term)	12.0%	—
BBB(Long Term)	12.6%	—
BBB-(Long Term)	2.2%	—
A2(Short Term)	0.7%	—
Treasury	0.9%	—
Agency	3.3%	—
TOTAL	100.0%	—

SECTOR WEIGHTINGS

Economic Sector	Fund	Benchmark ²
Fixed Rate Note/Bond	66.2%	—
Variable Rate Note/Bond	29.5%	—
Other (including MMFs)	4.3%	—
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.

SCOTT B. WARNER | Began career in 1997
With Northern Trust since 2000

Mr. Warner received a B.S. degree in finance with honors from Arizona State University and an MBA from the University of Chicago Graduate School of Business with concentrations in accounting, economics, finance and international business. He is member of the CFA Society of Chicago and the CFA Institute.

CALENDAR YEAR RETURNS

	2011	2010	2009	2008	2007
FUND	0.87%	1.53%	—	—	—
MERRILL LYNCH 1-YEAR U.S. TREASURY NOTE INDEX ²	0.56%	0.83%	—	—	—

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 1-Year U.S. Treasury Note Index** is composed of a single issue: the outstanding Treasury note that matures closest to, but not beyond, one year from each monthly rebalancing date. 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). Agency securities are obligations issued or guaranteed by U.S. government agencies and sponsored enterprises. 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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