

Northern Funds U.S. GOVERNMENT FUND

4Q2011

NOUGX/FIXED INCOME

FUND FACTS

Fund Objective: Current Income

Inception Date: April 1, 1994

Ticker Symbol: NOUGX

Gross Expense Ratio: 1.14%

Net Expense Ratio: 0.41%¹

Dividend Schedule: Monthly

Benchmark: Barclays Capital Intermediate U.S. Government Bond Index

Morningstar Category: Intermediate Government

FUND CHARACTERISTICS

Total Net Assets: \$67 million

Number of Holdings: 31

30-Day SEC Yield: 0.14%

Average Duration: 4.3 years

Average Maturity: 5.0 years

FUND STRATEGY

- Invest primarily in securities issued or guaranteed by the U.S. government or by its agencies.
- Select high-quality securities with maturities, under normal circumstances, between one and 10 years, with risk exposure managed in an effort to achieve reasonable returns.
- Buy and sell securities using a relative value approach that employs models that analyze and compare expected returns and assumed risks.

PERFORMANCE as of 12/31/11

FUND	ANNUALIZED						
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
FUND	0.81%	5.77%	5.77%	3.41%	5.21%	4.30%	5.10%
BARCLAYS CAPITAL INT U.S. GOVT BOND INDEX ²	0.68%	6.08%	6.08%	3.54%	5.86%	4.89%	5.76%
MORNINGSTAR CATEGORY AVG INTERMEDIATE GOVT	0.72%	6.70%	6.70%	5.73%	5.77%	4.82%	—

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.

Mortgage-Backed Securities Risk: Mortgage-backed investments involve risk of loss due to prepayments and, like any bond, due to default. Because of the sensitivity of mortgage-related securities to changes in interest rates, the Fund's performance may be more volatile than if it did not hold these securities.

U.S. Government Guarantee: U.S. government guarantees apply only to the underlying securities of a Fund's portfolio and not the Fund's shares.

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 - 1 Year	11.7%
1 - 3 Years	24.4%
3 - 5 Years	10.2%
5 - 10 Years	51.1%
10+ Years	2.6%
TOTAL	100.0%

QUALITY DISTRIBUTION

Quality Rating	Fund	Benchmark ²
Aaa	100.0%	96.0%
Aa	0.0%	4.0%
TOTAL	100.0%	100.0%

SECTOR WEIGHTINGS

Economic Sector	Fund	Benchmark ²
Treasury	67.3%	85.3%
Mortgage-Backed	17.8%	0.0%
Short-Term	10.2%	0.0%
Commercial MBS	3.2%	0.0%
Agency	1.5%	14.7%
TOTAL	100.0%	100.0%

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

PORTFOLIO MANAGERS



DANIEL J. PERSONETTE | Began career in 1995
With Northern Trust since 1996

Mr. Personette received a B.A. degree in finance from Ball State University, an MBA degree from the University of Chicago. He is a CFA charterholder and a member of the CFA Society of Chicago.

BRIAN W. HART | Began career in 2009
With Northern Trust since 2009

Mr. Hart received a B.S. degree in finance from Miami University,

CALENDAR YEAR RETURNS

	2011	2010	2009	2008	2007
FUND	5.77%	4.50%	0.06%	10.05%	5.92%
BARCLAYS CAPITAL INT U.S. GOVT BOND INDEX ²	6.08%	4.98%	-0.32%	10.43%	8.47%
MORNINGSTAR CATEGORY AVG INTERMEDIATE GOVT	6.70%	5.66%	4.74%	4.76%	6.09%

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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.

² **Barclays Capital Intermediate U.S. Government Bond Index** is an unmanaged index including all public obligations of the U.S. Treasury and all publicly issued debt of U.S. government agencies with maturities of up to 10 years. 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 conservative average of Moody's, Standard & Poor's and Fitch ratings. If ratings from all three rating agencies disagree, the model assigns the middle rating to the security. If two of the three agree, the model assigns the rating from those two to the security. If none of these three rating agencies has assigned a rating, the Fund will assign a rating of not rated. The ratings, expressed in Moody's nomenclature, range from Aaa (judged to be of the highest quality, with minimal credit risk) to C (the lowest rated class of bonds, typically in default, with little prospect for recovery of principal or interest). 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 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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