

DECEMBER 31, 2011

NORTHERN FUNDS

MONTHLY PERFORMANCE

UPDATE

TRUST NORTHERN FOR WHAT REALLY MATTERS



Managed by
Northern Trust

DISCOVER

the Full Spectrum of Financial Opportunity

The entire Northern Funds family of no-load mutual funds is managed by Northern Trust's own team of investment professionals.¹

To assist you in implementing your asset allocation strategy, Northern Funds offers a broad range of domestic and international equity funds, as well as taxable and tax-exempt fixed income funds and money market funds.

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.

HOW TO INVEST IN NORTHERN FUNDS

BY PHONE	Call 800-595-9111
ONLINE	Visit northernfunds.com
BY MAIL	Send your completed application & check to: Northern Funds P.O. Box 75986 Chicago, IL 60675-5986
IN PERSON	Visit any Northern Trust location
MINIMUM INVESTMENT	\$2,500
INITIAL INVESTMENT	\$500 for IRAs
INVESTMENT	\$250,000 ²

IT'S ON NORTHERNFUNDS.COM

Visit our Web site for the latest Northern Funds information including:

- Fund performance, including daily NAVs, at northernfunds.com/funds
- Market commentary from our Northern Trust investment group, at northernfunds.com/resources

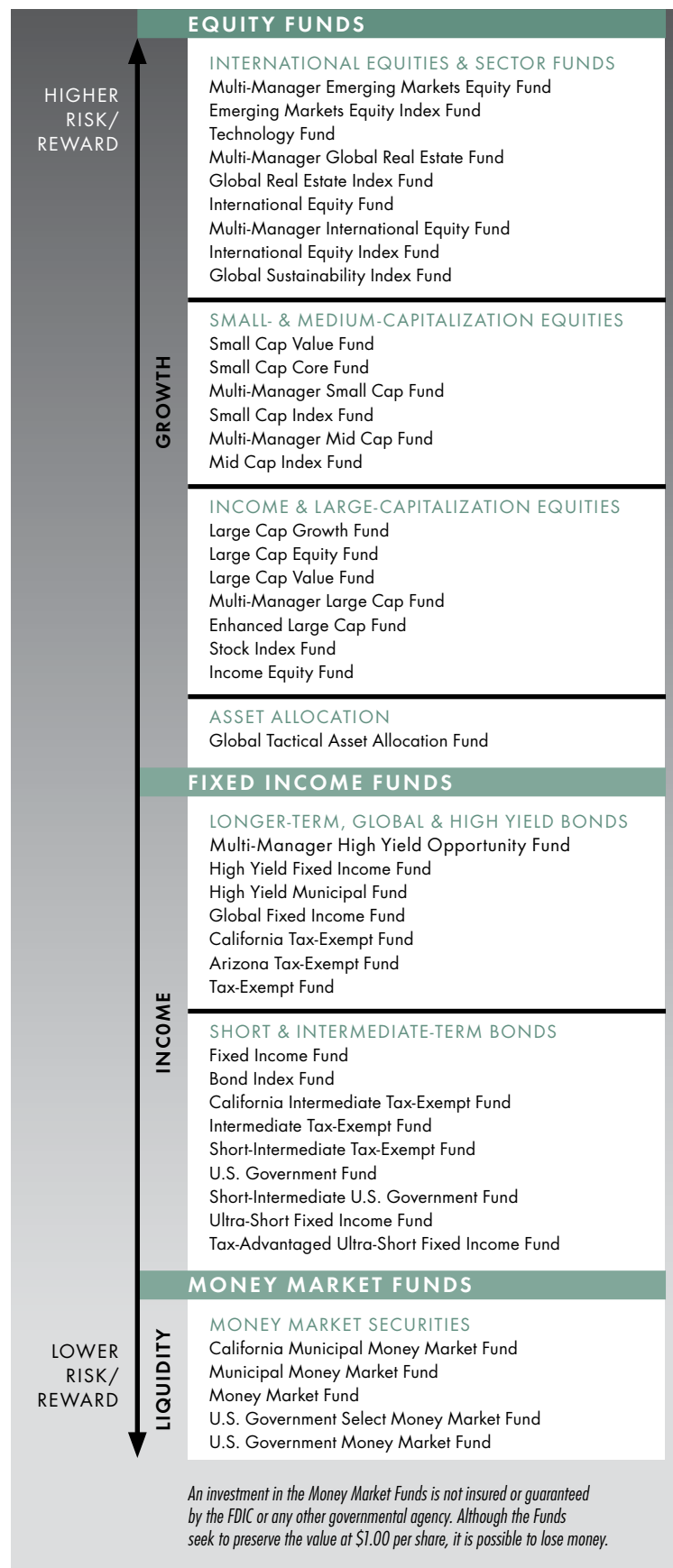
Performance quoted represents past performance and does not guarantee future results. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than that shown here. Performance data current to the most recent month-end is available at northernfunds.com. Investment performance reflects contractual fee waivers in effect, that if not extended, will end on December 31, 2012. All Northern Funds' money market funds also include a voluntary fee waiver that may change or end at anytime. In the absence of fee waivers, total return and yield would be lower.

¹ Although the funds are no-load, other annual fees and expenses do apply as described in the prospectus.

² Applies to the Ultra-Short Fixed Income Fund and the Tax-Advantaged Ultra-Short Fixed Income Fund. A 1% redemption fee on shares sold or exchanged within 90 days of purchase also applies.

NORTHERN FAMILY OF FUNDS

RISK/REWARD POTENTIAL



NOT FDIC INSURED

May lose value / No bank guarantee

EQUITY AND FIXED INCOME FUNDS

EQUITY FUNDS ⁽¹⁾	TICKER SYMBOL	INCEPTION DATE	YIELDS*		TOTAL RETURNS AS OF 12/31/11**			
			30-DAY SEC	TAX-EQUIVALENT	YEAR-TO-DATE	1-YEAR	3-YEAR	SINCE INCEPTION
Emerging Markets Equity Index ^(3,11)	NOEMX	4/25/06	—	—	-19.17%	-19.17%	18.18%	2.67%
Enhanced Large Cap	NOLCX	12/16/05	—	—	4.13%	4.13%	14.28%	1.20%
Global Real Estate Index ^(3,10,11)	NGREX	7/26/06	—	—	-8.93%	-8.93%	14.20%	-2.61%
Global Sustainability Index ^(3,11)	NSRIX	3/5/08	—	—	-5.68%	-5.68%	10.67%	-3.06%
Global Tactical Asset Allocation ^(3,15,16)	BBALX	7/1/93	—	—	-0.01%	-0.01%	10.00%	5.91%
Income Equity ^(8,15)	NOIEX	4/1/94	2.43%	—	2.18%	2.18%	16.15%	7.85%
International Equity ⁽³⁾	NOIGX	4/1/94	—	—	-13.10%	-13.10%	7.42%	3.82%
International Equity Index ^(3,11)	NOINX	3/22/05	—	—	-12.62%	-12.62%	6.64%	1.15%
Large Cap Equity	NOGEX	4/1/94	—	—	-2.23%	-2.23%	14.03%	6.29%
Large Cap Growth	NOEQX	4/6/94	—	—	-0.51%	-0.51%	13.80%	7.16%
Large Cap Value ⁽¹²⁾	NOLVX	8/3/00	—	—	-8.91%	-8.91%	9.02%	3.14%
Mid Cap Index ^(4,11)	NOMIX	3/22/05	—	—	-2.05%	-2.05%	19.26%	5.41%
Multi-Manager Emerging Markets Equity ⁽³⁾	NMMEX	11/19/08	—	—	-17.73%	-17.73%	20.98%	27.57%
Multi-Manager Global Real Estate ^(3,10)	NMMGX	11/19/08	—	—	-7.02%	-7.02%	14.18%	22.93%
Multi-Manager International Equity ⁽³⁾	NMIEX	6/22/06	—	—	-15.14%	-15.14%	6.72%	-1.27%
Multi-Manager Large Cap	NMMLX	10/17/07	—	—	0.06%	0.06%	14.24%	-1.83%
Multi-Manager Mid Cap ⁽⁴⁾	NMMCX	6/22/06	—	—	-2.99%	-2.99%	18.99%	3.27%
Multi-Manager Small Cap ⁽⁴⁾	NMMSX	6/22/06	—	—	-5.07%	-5.07%	15.56%	0.96%
Small Cap Core ⁽⁴⁾	NSGRX	9/30/99	—	—	-2.49%	-2.49%	17.70%	4.54%
Small Cap Index ^(4,11)	NSIDX	9/3/99	—	—	-4.49%	-4.49%	15.38%	5.27%
Small Cap Value ^(4,12)	NOSGX	4/1/94	—	—	-0.60%	-0.60%	13.41%	9.19%
Stock Index ⁽¹¹⁾	NOSIX	10/7/96	—	—	1.89%	1.89%	13.87%	5.32%
Technology ⁽⁵⁾	NTCHX	4/1/96	—	—	-2.72%	-2.72%	19.87%	7.40%
FIXED INCOME FUNDS⁽²⁾								
Arizona Tax-Exempt ^(6,7,13)	NOAZX	10/1/99	2.84%	4.58%	11.60%	11.60%	8.13%	5.27%
Bond Index ^(11,14)	NOBOX	2/27/07	2.03%	—	7.63%	7.63%	6.14%	6.08%
California Intermediate Tax-Exempt ^(6,7,13)	NCITX	10/1/99	2.48%	4.47%	10.14%	10.14%	7.13%	4.64%
California Tax-Exempt ^(6,7,13)	NCATX	4/8/97	3.02%	5.45%	15.15%	15.15%	9.59%	5.74%
Fixed Income ⁽¹⁴⁾	NOFIX	4/1/94	1.97%	—	7.22%	7.22%	6.73%	5.78%
Global Fixed Income ^(3,13)	NOIFX	4/1/94	0.53%	—	6.04%	6.04%	3.38%	5.27%
High Yield Fixed Income ⁽⁸⁾	NHFIX	12/31/98	7.81%	—	3.75%	3.75%	16.30%	5.69%
High Yield Municipal ^(6,8)	NHYMX	12/31/98	4.42%	6.80%	11.47%	11.47%	12.00%	3.36%
Intermediate Tax-Exempt ⁽⁶⁾	NOITX	4/1/94	2.02%	3.11%	10.09%	10.09%	6.62%	4.72%
Multi-Manager High Yield Opportunity ⁽⁸⁾	NMHYX	9/23/09	7.29%	—	1.41%	1.41%	—	7.81%
Short-Intermediate Tax-Exempt ⁽⁶⁾	NSITX	8/22/07	0.72%	1.10%	3.30%	3.30%	3.07%	3.55%
Short-Intermediate U.S. Government ^(9,14)	NSIUX	10/1/99	0.03%	—	2.75%	2.75%	2.35%	4.12%
Tax-Advantaged Ultra-Short Fixed Income	NTAUX	6/18/09	0.89%	—	0.94%	0.94%	—	1.39%
Tax-Exempt ⁽⁶⁾	NOTEX	4/1/94	3.06%	4.71%	11.85%	11.85%	7.99%	5.45%
Ultra-Short Fixed Income	NUSFX	6/18/09	1.23%	—	0.87%	0.87%	—	1.51%
U.S. Government ^(9,14)	NOUGX	4/1/94	0.14%	—	5.77%	5.77%	3.41%	5.10%

MONEY MARKET FUNDS

	TICKER SYMBOL	INCEPTION DATE	TOTAL RETURNS AS OF 12/31/11**			
			YEAR-TO-DATE	1-YEAR	10-YEAR	SINCE INCEPTION
California Municipal Money Market ^(6,7)	NOCXX	11/29/94	0.01%	0.01%	1.19%	1.94%
Money Market	NORXX	4/11/94	0.02%	0.02%	1.72%	3.17%
Municipal Money Market ⁽⁶⁾	NOMXX	4/11/94	0.02%	0.02%	1.24%	2.06%
U.S. Government Money Market ⁽⁹⁾	NOGXX	4/11/94	0.01%	0.01%	1.66%	3.09%
U.S. Government Select Money Market ⁽⁹⁾	NOSXX	12/12/94	0.01%	0.01%	1.61%	3.02%

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

EQUITY AND FIXED INCOME FUNDS

EQUITY FUNDS ⁽¹⁾	TOTAL RETURNS AS OF THE LAST QUARTER 12/31/11**				GROSS EXPENSE RATIO	NET EXPENSE RATIO***
	1-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION		
Emerging Markets Equity Index ^(3,11)	-19.17%	1.12%	—	2.67%	0.72%	0.30%
Enhanced Large Cap	4.13%	-1.29%	—	1.20%	1.26%	0.60%
Global Real Estate Index ^(3,10,11)	-8.93%	-6.67%	—	-2.61%	0.74%	0.50%
Global Sustainability Index ^(3,11)	-5.68%	—	—	-3.06%	0.91%	0.30%
Global Tactical Asset Allocation ^(3,15,16)	-0.01%	1.83%	3.18%	5.91%	1.64%	0.68%
Income Equity ^(8,15)	2.18%	2.71%	6.12%	7.85%	1.23%	1.00%
International Equity ⁽³⁾	-13.10%	-3.74%	4.61%	3.82%	1.40%	1.06%
International Equity Index ^(3,11)	-12.62%	-5.07%	—	1.15%	0.62%	0.25%
Large Cap Equity	-2.23%	-0.50%	1.62%	6.29%	1.25%	0.85%
Large Cap Growth	-0.51%	0.70%	1.03%	7.16%	1.33%	0.85%
Large Cap Value ⁽¹²⁾	-8.91%	-3.82%	2.26%	3.14%	1.23%	0.85%
Mid Cap Index ^(4,11)	-2.05%	2.98%	—	5.41%	0.53%	0.15%
Multi-Manager Emerging Markets Equity ⁽³⁾	-17.73%	—	—	27.57%	1.52%	1.36%
Multi-Manager Global Real Estate ^(3,10)	-7.02%	—	—	22.93%	1.47%	1.20%
Multi-Manager International Equity ⁽³⁾	-15.14%	-4.36%	—	-1.27%	1.42%	1.30%
Multi-Manager Large Cap	0.06%	—	—	-1.83%	1.20%	1.10%
Multi-Manager Mid Cap ⁽⁴⁾	-2.99%	1.97%	—	3.27%	1.20%	1.10%
Multi-Manager Small Cap ⁽⁴⁾	-5.07%	-1.03%	—	0.96%	1.41%	1.30%
Small Cap Core ⁽⁴⁾	-2.49%	1.50%	4.02%	4.54%	1.39%	0.75%
Small Cap Index ^(4,11)	-4.49%	-0.13%	5.16%	5.27%	0.55%	0.15%
Small Cap Value ^(4,12)	-0.60%	0.39%	7.99%	9.19%	1.36%	1.00%
Stock Index ⁽¹¹⁾	1.89%	-0.48%	2.58%	5.32%	0.39%	0.10%
Technology ⁽⁵⁾	-2.72%	3.17%	1.40%	7.40%	1.48%	1.25%
FIXED INCOME FUNDS⁽²⁾						
Arizona Tax-Exempt ^(6,7,13)	11.60%	5.19%	4.89%	5.27%	0.94%	0.45%
Bond Index ^(11,14)	7.63%	—	—	6.08%	0.45%	0.16%
California Intermediate Tax-Exempt ^(6,7,13)	10.14%	4.45%	4.32%	4.64%	0.86%	0.45%
California Tax-Exempt ^(6,7,13)	15.15%	5.52%	5.40%	5.74%	0.97%	0.45%
Fixed Income ⁽¹⁴⁾	7.22%	5.64%	5.09%	5.78%	1.00%	0.46%
Global Fixed Income ^(3,13)	6.04%	6.04%	6.11%	5.27%	1.58%	0.80%
High Yield Fixed Income ⁽⁸⁾	3.75%	5.17%	6.95%	5.69%	0.96%	0.77%
High Yield Municipal ^(6,8)	11.47%	1.29%	3.76%	3.36%	0.94%	0.80%
Intermediate Tax-Exempt ⁽⁶⁾	10.09%	4.72%	4.61%	4.72%	0.87%	0.45%
Multi-Manager High Yield Opportunity ⁽⁸⁾	1.41%	—	—	7.81%	1.18%	1.00%
Short-Intermediate Tax-Exempt ⁽⁶⁾	3.30%	—	—	3.55%	0.80%	0.46%
Short-Intermediate U.S. Government ^(9,14)	2.75%	4.00%	3.42%	4.12%	1.02%	0.43%
Tax-Advantaged Ultra-Short Fixed Income Tax-Exempt ⁽⁶⁾	0.94%	—	—	1.39%	0.44%	0.25%
Ultra-Short Fixed Income	0.87%	—	—	1.51%	0.46%	0.25%
U.S. Government ^(9,14)	5.77%	5.21%	4.30%	5.10%	1.14%	0.41%

MONEY MARKET FUNDS

	TOTAL RETURNS AS OF THE LAST QUARTER 12/31/11**				SEVEN-DAY YIELD AS OF 12/31/11*			
	1-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION	CURRENT	EFFECTIVE	CURRENT TAX-EQUIVALENT	CURRENT W/O WAIVER
California Municipal Money Market ^(6,7)	0.01%	0.95%	1.19%	1.94%	0.01%	0.01%	0.02%	-0.36%
Money Market	0.02%	1.36%	1.72%	3.17%	0.01%	0.01%	—	-0.34%
Municipal Money Market ⁽⁶⁾	0.02%	1.01%	1.24%	2.06%	0.01%	0.01%	0.02%	-0.34%
U. S. Government Money Market ⁽⁹⁾	0.01%	1.30%	1.66%	3.09%	0.01%	0.01%	—	-0.39%
U.S. Government Select Money Market ⁽⁹⁾	0.01%	1.26%	1.61%	3.02%	0.01%	0.01%	—	-0.40%

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

BROAD MARKET INDICES

Following are some of the broad market indices that can help you stay in touch with current trends and provide perspective on your funds' performance.

	YEAR-TO-DATE as of 12-31-11	2010	2009	2008	2007	2006
Consumer Price Index	3.22% ⁽¹⁷⁾	1.32%	2.72%	0.09%	4.08%	2.54%
Dow Jones Industrial Average	8.38%	14.06%	22.68%	-31.93%	8.78%	18.95%
NASDAQ Composite Index	-1.10%	16.91%	43.22%	-43.16%	9.81%	9.52%
S&P 500® Index	2.11%	15.06%	26.46%	-37.00%	5.49%	15.80%
Russell Midcap Growth® Index	-1.65%	26.38%	46.29%	-44.32%	11.43%	10.66%
Russell 2000 Growth® Index	-2.91%	29.09%	34.47%	-38.54%	7.05%	13.34%
Russell 2000 Value® Index	-5.50%	24.50%	20.58%	-28.92%	-9.78%	23.48%
MSCI EAFE® Index	-12.14%	7.75%	31.78%	-43.38%	11.17%	26.34%
NYSE Arca Tech 100 SM Index	0.27%	25.39%	44.37%	-34.51%	7.82%	4.79%
Barclays Capital U.S. Aggregate Bond Index	7.84%	6.54%	5.93%	5.24%	6.97%	4.33%
Barclays Capital U.S. Government Bond Index	9.02%	5.52%	-2.20%	12.39%	8.66%	3.48%
Barclays Capital Municipal Bond Index	10.70%	2.38%	12.91%	-2.47%	3.36%	4.84%
Barclays Capital Intermediate Municipal Bond Index	10.34%	4.40%	7.97%	4.05%	4.87%	4.06%
iMoneynet™ Money Fund Average/All Taxable Funds	0.02%	0.04%	0.18%	2.03%	4.59%	4.42%

* 30-Day SEC Yield is based on net income during the 30-day period ending on the last day of the month. Current 7-day yield is based on net income during the 7-day period ending on the last day of the month. Effective 7-day yield is based on compounding the 7-day net income. 7-day yields more closely reflect the current earnings of the Money Market Funds than the total returns. Tax-equivalent yields are based on assumed income tax rates of 44.6%, 38.0% and 35.0%, for California, Arizona and national municipal bond funds, respectively.

** Total return is based on net change in NAV, assuming reinvestment of all distributions. Total return is annualized for periods greater than one year.

*** Northern Funds' include contractual expense reimbursements that if not extended, will end on July 31, 2012.

- (1) 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.
- (2) 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.
- (3) Foreign and emerging market securities may involve additional risks, such as social and political instability, reduced market liquidity and currency volatility.
- (4) Small- and mid-sized company stocks are generally riskier than large-company stocks due to greater volatility and less liquidity.
- (5) Technology stocks may be very volatile and mutual funds that concentrate in one market sector are generally riskier than more diversified strategies.
- (6) Tax-exempt funds' income may be subject to certain state and local taxes and, depending on your tax status, the federal alternative minimum tax.
- (7) The geographical concentration of portfolio holdings in this Fund may involve increased risk.
- (8) The Fund invests in below investment grade debt obligations, commonly known as "junk bonds." While offering higher current yields, these securities generally are considered speculative and are subject to greater risks than higher-rated bonds.
- (9) U.S. Government guarantees apply only to the underlying securities of a Fund's portfolio and not the Fund's shares.
- (10) Real estate securities may involve special risks, including sensitivity to changes in the overall economy or interest rate levels.
- (11) 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.
- (12) Value-based investments are subject to the risk that the broad market may not recognize their intrinsic value.
- (13) The Fund invests in a smaller number of securities than the average mutual fund. The change in value of a single holding may have a more pronounced effect on the Fund's net asset value and performance than for other funds.
- (14) 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.
- (15) Increases in prevailing interest rates will cause fixed income securities, including convertible securities, held by the Fund to decline in value.
- (16) An asset allocation strategy does not guarantee any specific result or profit nor protect against a loss.
- (17) Year-to-date data is reported on a one-month lag.

An investment in the Money Market Funds is not insured or guaranteed by the FDIC or any other governmental agency. Although the Funds seek to preserve the value at \$1.00 per share, it is possible to lose money.

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

EQUITY FUNDS

OVERALL MORNINGSTAR RATINGS™ AS OF 12/31/11*
Derived from a weighted average of the fund's 3-, 5-, and 10-year risk-adjusted returns

Northern Income Equity Fund	★★★★	Among 843 moderate allocation funds
Northern Mid Cap Index Fund	★★★★	Among 378 mid-cap blend funds
Northern Multi-Manager Emerging Markets Equity Fund	★★★★	Among 352 diversified emerging markets funds
Northern Multi-Manager Mid Cap Fund	★★★★	Among 378 mid-cap blend funds

FIXED INCOME FUNDS

Northern California Tax-Exempt Fund	★★★★	Among 145 municipal California long funds
Northern Tax-Exempt Fund	★★★★	Among 227 municipal national long funds

Past performance is no guarantee of future results. Ratings reflect fee waivers in effect; in their absence, ratings may have been lower.

*Star ratings are based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The overall rating is a weighted average of the 3-, 5- and 10-year (if applicable) returns. 5 stars = top 10% of funds in an asset category; 4 stars = next 22.5% of funds; 3 stars = next 35%; 2 stars = next 22.5% and 1 star = next 10%. A fund must be in existence three years to be rated. Ratings are subject to change monthly.

Northern Income Equity received 5 stars for the 3-year rating among 843 moderate allocation funds, 3 stars for the 5-year rating among 736 funds and 4 stars for the 10-year rating among 393 funds.

Northern Mid Cap Index received 4 stars for the 3-year rating among 378 mid-cap blend funds and 4 stars for the 5-year rating among 312 funds. The 10-year Morningstar Rating is not available.

Northern Multi-Manager Emerging Markets Equity received 4 stars for the 3-year rating among 352 diversified emerging markets funds. The 5- and 10-year Morningstar Ratings are not available.

Northern Multi-Manager Mid Cap received 4 stars for the 3-year rating among 378 mid-cap blend funds and 4 stars for the 5-year rating among 312 funds. The 10-year Morningstar Rating is not available.

Northern California Tax-Exempt received 3 stars for the 3-year rating among 145 municipal California long funds, 5 stars for the 5-year rating among 134 funds and 4 stars for the 10-year rating among 109 funds.

Northern Tax-Exempt received 2 stars for the 3-year rating among 227 municipal national long funds, 4 stars for the 5-year rating among 211 funds and 4 stars for the 10-year rating among 181 funds.

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