

NORTHERN FUNDS

TAX
FACTS

2012

TRUST NORTHERN FOR WHAT REALLY MATTERS



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Northern Trust

LONG-TERM CAPITAL GAIN DISTRIBUTIONS

Listed in the table below are the long-term capital gain distributions per share made by each equity and fixed income fund, as applicable. For more information about capital gain distributions, see the 2012 Northern Funds Tax Guide or visit northernfunds.com/tax-center.

NORTHERN FUNDS	CAPITAL GAINS
ARIZONA TAX-EXEMPT	0.078452
BOND INDEX	0.052414
CALIFORNIA INTERMEDIATE TAX-EXEMPT	0.043752
CALIFORNIA TAX-EXEMPT	0.026449
CORE BOND	0.097573
FIXED INCOME	0.043101
GLOBAL FIXED INCOME	0.942643
INTERMEDIATE TAX-EXEMPT	0.080423
MID CAP INDEX	0.276672
MULTI-MANAGER HIGH YIELD OPPORTUNITY	0.088200
MULTI-MANAGER LARGE CAP	1.070262
MULTI-MANAGER MID CAP	0.508350
MULTI-MANAGER SMALL CAP	0.191943
SHORT-INTERMEDIATE TAX-EXEMPT	0.028221
SHORT-INTERMEDIATE U.S. GOVERNMENT	0.032747
SMALL CAP CORE	0.030257
SMALL CAP INDEX	0.064320
SMALL CAP VALUE	0.410154
TAX-ADVANTAGED ULTRA-SHORT FIXED INCOME	0.000272
TAX-EXEMPT	0.086048
ULTRA-SHORT FIXED INCOME	0.008580
U.S. GOVERNMENT	0.005844
U.S. TREASURY INDEX	0.720526

CAPITAL GAIN INFORMATION FOR RESIDENTS OF RHODE ISLAND

For Rhode Island residents, the following chart shows the percentage of capital gain distributions for assets held one to five years and five years or more. This information may be necessary to prepare your Rhode Island state tax filings.

NORTHERN FUNDS	ASSETS HELD MORE THAN 1 YEAR AND UP TO 5 YEARS	ASSETS HELD MORE THAN 5 YEARS
ARIZONA TAX-EXEMPT	100%	—
BOND INDEX	94%	6%
CALIFORNIA INTERMEDIATE TAX-EXEMPT	96%	4%
CALIFORNIA TAX-EXEMPT	100%	—
CORE BOND	100%	—
FIXED INCOME	92%	8%
GLOBAL FIXED INCOME	78%	22%
INTERMEDIATE TAX-EXEMPT	100%	—
MID CAP INDEX	66%	34%
MULTI-MANAGER HIGH YIELD OPPORTUNITY	100%	—
MULTI-MANAGER LARGE CAP	100%	—
MULTI-MANAGER MID CAP	100%	—
MULTI-MANAGER SMALL CAP	99%	1%
SHORT-INTERMEDIATE TAX-EXEMPT	100%	—
SHORT-INTERMEDIATE U.S. GOVERNMENT	100%	—
SMALL CAP CORE	100%	—
SMALL CAP INDEX	49%	51%
SMALL CAP VALUE	100%	—
TAX-EXEMPT	100%	—
ULTRA-SHORT FIXED INCOME	100%	—
U.S. GOVERNMENT	100%	—
U.S. TREASURY INDEX	93%	7%

DIRECT U.S. GOVERNMENT & AGENCY OBLIGATIONS

Percentage of Dividends from Direct U.S. Government and Agency Obligations

In some states, mutual fund dividends derived from certain direct U.S. government and agency obligations may be exempt from state income taxes. A portion of the dividend income paid by Northern Funds during 2012 may qualify for this exemption. The table below shows the percentage of dividends (the amount reported in box 1a of Form 1099-DIV) attributable to direct U.S. government and agency obligations for each of the Northern Funds during 2012.

NORTHERN FUNDS	U.S. GOV'T	FEDERAL FARM CREDIT BANK	FEDERAL HOME LOAN BANK	STUDENT LOAN MARKETING ASSN.	TENNESSEE VALLEY AUTHORITY
MONEY MARKET FUNDS					
CALIFORNIA MUNICIPAL MONEY MARKET	—	—	—	—	—
MONEY MARKET	6.67%	2.12%	9.80%	—	—
MUNICIPAL MONEY MARKET	5.62%	—	—	—	—
U.S. GOVERNMENT MONEY MARKET	11.54%	5.40%	23.74%	—	—
U.S. GOVERNMENT SELECT MONEY MARKET	13.81%	18.51%	48.97%	—	0.90%
FIXED INCOME FUNDS					
ARIZONA TAX-EXEMPT	—	—	—	—	—
BOND INDEX	22.91%	0.01%	0.51%	—	0.15%
CALIFORNIA INTERMEDIATE TAX-EXEMPT	—	—	—	—	—
CALIFORNIA TAX-EXEMPT	—	—	—	—	—
CORE BOND	3.31%	—	—	—	—
FIXED INCOME	4.05%	—	—	—	—
GLOBAL FIXED INCOME	28.88%	—	—	—	—
HIGH YIELD FIXED INCOME	—	—	—	—	—
HIGH YIELD MUNICIPAL	—	—	—	—	—
INTERMEDIATE TAX-EXEMPT	—	—	—	—	—
MULTI-MANAGER HIGH YIELD OPPORTUNITY	0.02%	—	—	—	—
SHORT BOND	1.94%	—	—	—	—
SHORT-INTERMEDIATE TAX-EXEMPT	—	—	—	—	—
SHORT-INTERMEDIATE U.S. GOVERNMENT	7.36%	—	—	—	—
TAX-ADVANTAGED ULTRA-SHORT FIXED INCOME	—	—	—	—	—
TAX-EXEMPT	—	—	—	—	—
ULTRA-SHORT FIXED INCOME	0.26%	0.18%	0.22%	—	—
U.S. GOVERNMENT	12.09%	—	—	—	—
U.S. TREASURY INDEX	99.73%	—	—	—	—
EQUITY FUNDS					
EMERGING MARKETS EQUITY INDEX	—	—	—	—	—
ENHANCED LARGE CAP	0.01%	—	—	—	—
GLOBAL SUSTAINABILITY INDEX	—	—	—	—	—
GLOBAL TACTICAL ASSET ALLOCATION	—	—	—	—	—
INCOME EQUITY	—	—	—	—	—
INTERNATIONAL EQUITY	—	—	—	—	—
INTERNATIONAL EQUITY INDEX	—	—	—	—	—
LARGE CAP EQUITY	—	—	—	—	—
LARGE CAP GROWTH	—	—	—	—	—
LARGE CAP VALUE	—	—	—	—	—
MID CAP INDEX	0.02%	—	—	—	—
MULTI-MANAGER EMERGING MARKETS EQUITY	—	—	—	—	—
MULTI-MANAGER GLOBAL LISTED INFRASTRUCTURE	—	—	—	—	—
MULTI-MANAGER INTERNATIONAL EQUITY	—	—	—	—	—
MULTI-MANAGER LARGE CAP	—	—	—	—	—
MULTI-MANAGER MID CAP	0.01%	—	—	—	—
MULTI-MANAGER SMALL CAP	0.02%	—	—	—	—
SMALL CAP CORE	0.02%	—	—	—	—
SMALL CAP INDEX	0.02%	—	—	—	—
SMALL CAP VALUE	0.02%	—	—	—	—
STOCK INDEX	0.01%	—	—	—	—
TECHNOLOGY	—	—	—	—	—

PERCENTAGE OF EXEMPT INTEREST DIVIDENDS

The amount of dividends paid that are excludable from gross income for federal income tax purposes is now reported on Form 1099-DIV (box 10). Please refer to the Northern Funds Tax Guide for more information about Form 1099-DIV.

PERCENTAGE OF QDI AND DRD

Income & Capital Gain Distributions

For the 2012 calendar year, 100% of the dividends paid by the fixed income funds is taxable as ordinary income for federal income tax purposes. Listed in this table are the percentages of ordinary income distributed (dividend income plus short-term gain) by the equity funds, as applicable, that can be treated as Qualified Dividend Income (QDI).

Percentage of Dividends Eligible for the Corporate Dividends Received Deduction

Mutual fund dividends derived from certain domestic corporations may be eligible for the dividends received deduction (DRD) for corporations. A portion of the ordinary income distribution (dividend income plus short-term gain) paid in 2012 by the Funds listed below may qualify for this deduction. The table below shows the portion of ordinary income distribution (dividend income plus short-term gain) attributable to such domestic corporations for each of the Funds for 2012.

NORTHERN FUNDS	% QDI	% DRD
EMERGING MARKETS EQUITY INDEX	69.78%	—
ENHANCED LARGE CAP	100.00%	99.43%
GLOBAL SUSTAINABILITY INDEX	100.00%	31.37%
GLOBAL TACTICAL ASSET ALLOCATION	33.16%	24.65%
INCOME EQUITY	100.00%	99.48%
INTERNATIONAL EQUITY	100.00%	1.38%
INTERNATIONAL EQUITY INDEX	100.00%	—
LARGE CAP EQUITY	100.00%	100.00%
LARGE CAP GROWTH	100.00%	100.00%
LARGE CAP VALUE	100.00%	100.00%
MID CAP INDEX	57.75%	57.88%
MULTI-MANAGER EMERGING MARKETS EQUITY	100.00%	2.09%
MULTI-MANAGER GLOBAL LISTED INFRASTRUCTURE	100.00%	31.59%
MULTI-MANAGER INTERNATIONAL EQUITY	100.00%	0.72%
MULTI-MANAGER LARGE CAP	35.48%	33.91%
MULTI-MANAGER MID CAP	100.00%	100.00%
MULTI-MANAGER SMALL CAP	100.00%	100.00%
SMALL CAP CORE	94.57%	94.06%
SMALL CAP INDEX	72.64%	67.63%
SMALL CAP VALUE	93.65%	93.59%
STOCK INDEX	100.00%	99.96%

ALTERNATIVE MINIMUM TAX

The Tax Reform Act of 1986 requires that interest income from certain municipal obligations called “private activity bonds” be included as a tax preference item for the Alternative Minimum Tax (AMT) computation on your federal tax return. Form 1099-DIV (box 11) reports the tax-exempt income that is subject to AMT. The following table reports the percentage of the Fund’s distributions that are subject to the AMT. You may want to consult with a professional tax advisor to determine your exposure to the AMT.

TAX-EXEMPT FUNDS	% AMT
ARIZONA TAX-EXEMPT	2.47%
CALIFORNIA INTERMEDIATE TAX-EXEMPT	0.45%
CALIFORNIA MUNICIPAL MONEY MARKET	4.33%
CALIFORNIA TAX-EXEMPT	—
HIGH YIELD MUNICIPAL	2.88%
INTERMEDIATE TAX-EXEMPT	3.03%
MUNICIPAL MONEY MARKET	2.28%
SHORT-INTERMEDIATE TAX-EXEMPT	—
TAX-ADVANTAGED ULTRA-SHORT FIXED INCOME	12.58%
TAX-EXEMPT	2.83%

FOREIGN TAXES

To avoid double taxation, you are entitled to claim a foreign tax credit or take an itemized deduction, as applicable, on your federal income tax return for the foreign taxes paid by the Emerging Markets Equity Index, Global Real Estate Index*, Global Sustainability Index, International Equity, International Equity Index, Multi-Manager Emerging Markets Equity, Multi-Manager Global Real Estate* and Multi-Manager International Equity Funds during 2012. Generally, you will owe less federal income tax if you claim the foreign tax credit by filing IRS Form 1116. (For corporations, use Form 1118.)

Determining Your Credits & Deductions

Qualifying Foreign Taxes Paid: Form 1099-DIV (box 6) reports the foreign taxes paid. This is your qualifying foreign taxes paid used in Part II of Form 1116.

Gross Income from Sources Outside the U.S.: Multiply the “Foreign Source Income Factor” in the table below by the amount in box 1a of your Form 1099-DIV. This result is your gross income from sources outside the U.S. used in Part I of Form 1116.

For additional information, refer to IRS Publication 514, Foreign Tax Credit for Individuals, or call the Foreign Tax Credit Department of the IRS at 800-829-1040.

NORTHERN FUNDS	FOREIGN SOURCE INCOME
EMERGING MARKETS EQUITY INDEX	0.982900
GLOBAL SUSTAINABILITY INDEX	0.622100
INTERNATIONAL EQUITY	0.982900
INTERNATIONAL EQUITY INDEX	0.984500
MULTI-MANAGER EMERGING MARKETS EQUITY	0.980500
MULTI-MANAGER INTERNATIONAL EQUITY	0.962100

*If you are an investor in the Global Real Estate Index Fund or the Multi-Manager Global Real Estate Fund, your Form 1099-DIV which will be used to report your Foreign Income Tax Credit, will be sent separately.



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