

NORTHERN FUNDS

TAX FACTS

2013

Northern Funds Tax Facts provides specific information about your Northern Funds investment income and capital gain distributions for 2013. Please refer to the Northern Funds Tax Guide for explanations about your Northern Funds tax forms and other important instructions related to your tax filings. If you have any questions about how to apply this information to your income tax returns, please consult a tax advisor. For questions about the data provided or about your Northern Funds accounts, please call **800-595-9111**.

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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 2013 Northern Funds Tax Guide or visit northernfunds.com/tax-center.

NORTHERN FUNDS	Capital Gains
Arizona Tax-Exempt	0.016617
Bond Index	0.009040
California Intermediate Tax-Exempt	0.006748
California Tax-Exempt	0.030513
Core Bond	0.013666
Fixed Income	0.053121
Global Fixed Income	0.420902
High Yield Fixed Income	0.133511
Income Equity	0.446257
Intermediate Tax-Exempt	0.015574
International Equity	0.026968
Large Cap Equity	0.003697
Mid Cap Index	0.413269
Multi-Manager Global Listed Infrastructure	0.206758
Multi-Manager High Yield Opportunity	0.206299
Multi-Manager Large Cap	1.315571
Multi-Manager Mid Cap	1.977879
Multi-Manager Small Cap	1.783609
Small Cap Core	1.537780
Small Cap Index	0.433579
Small Cap Value	1.283800
Stock Index	0.073278
Tax-Advantaged Ultra-Short Fixed Income	0.002191
Tax-Exempt	0.030493
Ultra-Short Fixed Income	0.003319
U.S. Treasury Index	0.226687

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	52%	48%
California Intermediate Tax-Exempt	73%	27%
California Tax-Exempt	100%	—
Core Bond	98%	2%
Fixed Income	100%	—
Global Fixed Income	81%	19%
High Yield Fixed Income	100%	—
Income Equity	63%	37%
Intermediate Tax-Exempt	100%	—
International Equity	100%	—
Large Cap Equity	94%	6%
Mid Cap Index	79%	21%
Multi-Manager Global Listed Infrastructure	100%	—
Multi-Manager High Yield Opportunity	100%	—
Multi-Manager Large Cap	99%	1%
Multi-Manager Mid Cap	96%	4%
Multi-Manager Small Cap	98%	2%
Small Cap Core	100%	—
Small Cap Index	76%	24%
Small Cap Value	68%	32%
Stock Index	100%	—
Tax-Advantaged Ultra-Short Fixed Income	100%	—
Tax-Exempt	99%	1%
Ultra-Short Fixed Income	100%	—
U.S. Treasury Index	94%	6%

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 2013 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 2013.

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	4.06%	1.70%	6.91%	—	—
Municipal Money Market	—	—	—	—	—
U.S. Government Money Market	10.30%	10.76%	31.39%	—	—
U.S. Government Select Money Market	9.25%	25.88%	51.79%	—	0.71%
FIXED INCOME FUNDS					
Arizona Tax-Exempt	—	—	—	—	—
Bond Index	23.70%	—	0.33%	—	0.17%
California Intermediate Tax-Exempt	—	—	—	—	—
California Tax-Exempt	—	—	—	—	—
Core Bond	8.42%	—	—	—	—
Fixed Income	6.41%	—	—	—	—
Global Fixed Income	8.46%	—	—	—	—
High Yield Fixed Income	—	—	—	—	—
High Yield Municipal	—	—	—	—	—
Intermediate Tax-Exempt	—	—	—	—	—
Multi-Manager Emerging Markets Debt Opportunity	—	—	—	—	—
Multi-Manager High Yield Opportunity	—	—	—	—	—
Short Bond	3.62%	—	—	—	—
Short-Intermediate Tax-Exempt	—	—	—	—	—
Short-Intermediate U.S. Government	40.35%	—	0.06%	—	—
Tax-Advantaged Ultra-Short Fixed Income	0.02%	—	—	—	—
Tax-Exempt	—	—	—	—	—
Ultra-Short Fixed Income	0.79%	0.16%	0.10%	—	—
U.S. Government	57.88%	—	0.10%	—	—
U.S. Treasury Index	99.46%	—	—	—	—
EQUITY FUNDS					
Emerging Markets Equity Index	—	—	—	—	—
Enhanced Large Cap	—	—	—	—	—
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	0.01%	—	—	—	—
Multi-Manager Emerging Markets Equity	—	—	—	—	—
Multi-Manager Global Listed Infrastructure	—	—	—	—	—
Multi-Manager International Equity	—	—	—	—	—
Multi-Manager Large Cap	—	—	—	—	—
Multi-Manager Mid Cap	—	—	—	—	—
Multi-Manager Small Cap	—	—	—	—	—
Small Cap Core	0.01%	—	—	—	—
Small Cap Index	0.02%	—	—	—	—
Small Cap Value	0.01%	—	—	—	—
Stock Index	0.01%	—	—	—	—
Technology	—	—	—	—	—

PERCENTAGE OF EXEMPT-INTEREST DIVIDENDS

The amount of dividends paid that may be excluded from gross income for federal income tax purposes is 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 2013 calendar year, 100% of the dividends paid by the fixed income funds are taxable as ordinary income for federal income tax purposes. Listed in this table are the annualized 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). For monthly, quarterly or annual information, as applicable, please see the 2013 Qualified Dividend Income information on northernfunds.com/tax-center.

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 2013 by the Funds listed below may qualify for this deduction. The table below shows the portion of annualized ordinary income distribution (dividend income plus short-term gain) attributable to such domestic corporations for each of the Funds for 2013. For monthly, quarterly or annual information, as applicable, please see the 2013 Corporate Dividends Received Deduction information on northernfunds.com/tax-center.

NORTHERN FUNDS	% QDI	% DRD
Emerging Markets Equity Index	72.99%	—
Enhanced Large Cap	100.00%	100.00%
Global Sustainability Index	100.00%	42.56%
Global Tactical Asset Allocation	36.93%	19.57%
Income Equity	47.64%	44.72%
International Equity	100.00%	4.68%
International Equity Index	100.00%	—
Large Cap Equity	55.46%	53.67%
Large Cap Growth	100.00%	100.00%
Large Cap Value	100.00%	100.00%
Mid Cap Index	34.20%	34.44%
Multi-Manager Emerging Markets Equity	100.00%	0.21%
Multi-Manager Global Listed Infrastructure	31.11%	7.78%
Multi-Manager International Equity	100.00%	5.25%
Multi-Manager Large Cap	47.29%	47.23%
Multi-Manager Mid Cap	10.91%	10.93%
Multi-Manager Small Cap	—	—
Small Cap Core	29.24%	27.96%
Small Cap Index	35.37%	32.96%
Small Cap Value	44.64%	43.63%
Stock Index	100.00%	100.00%
Technology	—	—

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	3.19%
California Intermediate Tax-Exempt	1.27%
California Municipal Money Market	2.54%
California Tax-Exempt	2.17%
High Yield Municipal	2.65%
Intermediate Tax-Exempt	2.09%
Municipal Money Market	5.27%
Short-Intermediate Tax-Exempt	—
Tax-Advantaged Ultra-Short Fixed Income	11.75%
Tax-Exempt	2.36%

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 2013. 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	0.979200
Global Sustainability Index	0.614100
International Equity	0.981300
International Equity Index	0.981100
Multi-Manager Emerging Markets Equity	0.995200
Multi-Manager Global Listed Infrastructure	0.824303
Multi-Manager International Equity	0.954700

*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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