

JULY 31, 2010

**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.<sup>1</sup>

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.*

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

### HOW TO INVEST IN NORTHERN FUNDS

BY PHONE	Call 800-595-9111
ONLINE	Visit <a href="http://northernfunds.com">northernfunds.com</a>
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

### IT'S ON NORTHERNFUNDS.COM

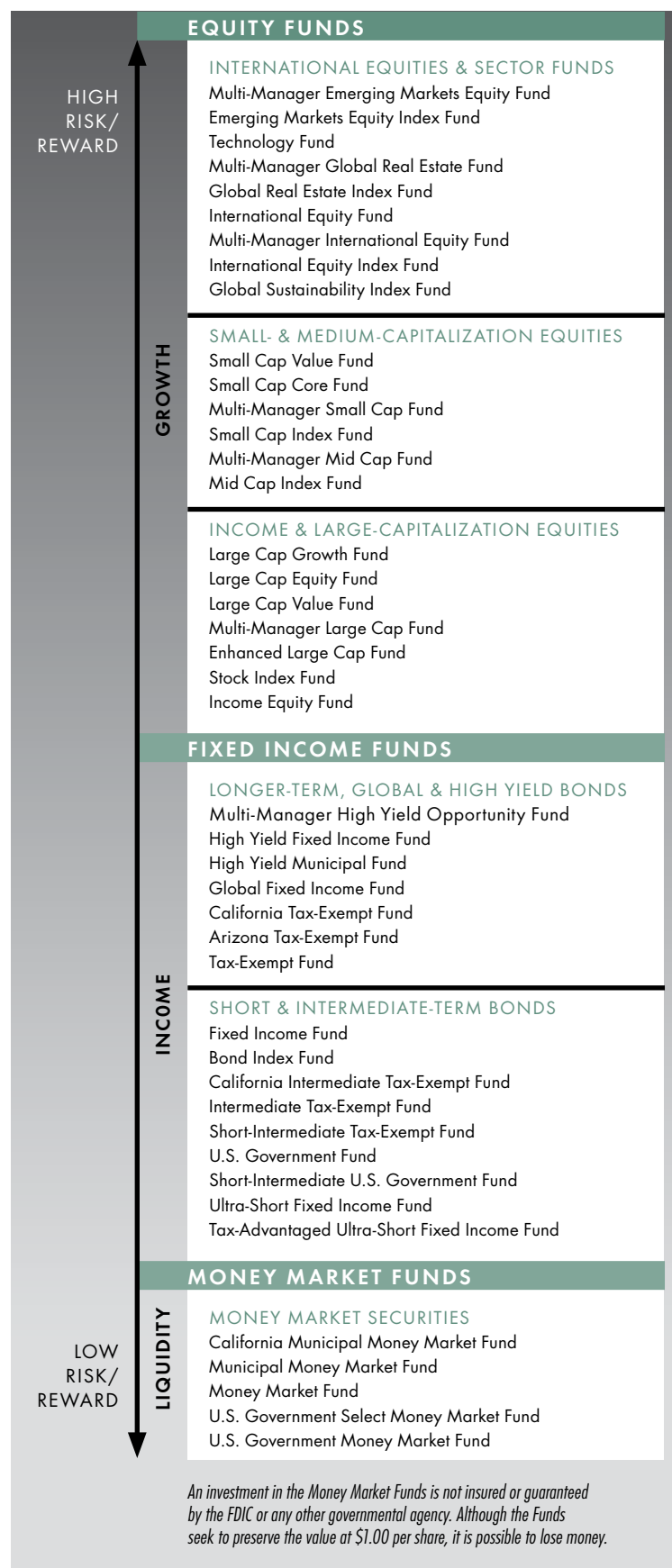
Visit our Web site for the latest Northern Funds information including:

- Fund performance, including daily NAVs, at [northernfunds.com/funds](http://northernfunds.com/funds)
- Market commentary from our Northern Trust investment group, at [northernfunds.com/resources](http://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](http://northernfunds.com). Investment performance reflects contractual fee waivers in effect, that if not extended, will end on July 31, 2011. 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.**

## NORTHERN FAMILY OF FUNDS

### RISK/REWARD POTENTIAL



NOT FDIC INSURED

May lose value / No bank guarantee

## EQUITY AND FIXED INCOME FUNDS

EQUITY FUNDS <sup>(1)</sup>	TICKER SYMBOL	INCEPTION DATE	YIELDS*			TOTAL RETURNS AS OF 7/31/10**		
			30-DAY SEC	TAX-EQUIVALENT	30-DAY SEC W/O WAIVER	YEAR-TO-DATE	1-YEAR	SINCE INCEPTION
EMERGING MARKETS EQUITY INDEX <sup>(3)</sup>	NOEMX	4/25/06	—	—	—	1.54%	18.46%	5.04%
ENHANCED LARGE CAP	NOLCX	12/16/05	—	—	—	-1.04%	13.23%	-2.17%
GLOBAL REAL ESTATE INDEX <sup>(3,10)</sup>	NGREX	7/26/06	—	—	—	4.83%	22.67%	-4.39%
GLOBAL SUSTAINABILITY INDEX <sup>(3)</sup>	NSRIX	3/5/08	—	—	—	-2.29%	9.52%	-7.31%
INCOME EQUITY <sup>(8)</sup>	NOIEX	4/1/94	2.67%	—	2.44%	2.08%	15.90%	7.57%
INTERNATIONAL EQUITY <sup>(3)</sup>	NOIGX	4/1/94	—	—	—	-3.09%	8.96%	4.33%
INTERNATIONAL EQUITY INDEX <sup>(3)</sup>	NOINX	3/22/05	—	—	—	-4.61%	5.29%	1.73%
LARGE CAP EQUITY	NOGEX	4/1/94	—	—	—	-0.62%	12.24%	6.05%
LARGE CAP GROWTH	NOEQX	4/6/94	—	—	—	-3.44%	10.84%	6.68%
LARGE CAP VALUE	NOLVX	8/3/00	—	—	—	-0.46%	13.57%	3.21%
MID CAP INDEX <sup>(4)</sup>	NOMIX	3/22/05	—	—	—	5.34%	22.56%	3.74%
MULTI-MANAGER EMERGING MARKETS EQUITY <sup>(3)A</sup>	NMMEX	11/19/08	—	—	—	3.88%	23.45%	58.81%
MULTI-MANAGER GLOBAL REAL ESTATE <sup>(3,10)A</sup>	NMMGX	11/19/08	—	—	—	3.76%	22.83%	41.74%
MULTI-MANAGER INTERNATIONAL EQUITY <sup>(3)</sup>	NMIEX	6/22/06	—	—	—	-2.02%	6.52%	-0.99%
MULTI-MANAGER LARGE CAP	NMMLX	10/17/07	—	—	—	-0.38%	12.83%	-7.85%
MULTI-MANAGER MID CAP <sup>(4)</sup>	NMMCX	6/22/06	—	—	—	5.12%	23.07%	0.98%
MULTI-MANAGER SMALL CAP <sup>(4)</sup>	NMMSX	6/22/06	—	—	—	1.94%	14.56%	-2.30%
SMALL CAP CORE <sup>(4)</sup>	NSGRX	9/30/99	—	—	—	4.22%	22.22%	3.59%
SMALL CAP INDEX <sup>(4)</sup>	NSIDX	9/3/99	—	—	—	4.52%	18.20%	4.58%
SMALL CAP VALUE <sup>(4)</sup>	NOSGX	4/1/94	—	—	—	5.05%	18.09%	8.92%
STOCK INDEX	NOSIX	10/7/96	—	—	—	-0.20%	13.69%	4.67%
TECHNOLOGY <sup>(5)</sup>	NTCHX	4/1/96	—	—	—	1.43%	14.67%	6.85%
FIXED INCOME FUNDS <sup>(2)</sup>								
ARIZONA TAX-EXEMPT <sup>(6,7)</sup>	NOAZX	10/1/99	3.27%	5.27%	3.09%	4.35%	8.11%	5.16%
BOND INDEX	NOBOX	2/27/07	2.60%	—	2.42%	6.35%	8.27%	6.43%
CALIFORNIA INTERMEDIATE TAX-EXEMPT <sup>(6,7)</sup>	NCITX	10/1/99	3.06%	5.19%	2.95%	4.68%	8.40%	4.51%
CALIFORNIA TAX-EXEMPT <sup>(6,7)</sup>	NCATX	4/8/97	3.94%	6.69%	3.76%	5.03%	9.77%	5.50%
FIXED INCOME	NOFIX	4/1/94	2.67%	—	2.58%	5.94%	8.56%	5.83%
GLOBAL FIXED INCOME <sup>(3)</sup>	NOIFX	4/1/94	0.53%	—	0.27%	2.87%	4.42%	5.27%
HIGH YIELD FIXED INCOME <sup>(8)</sup>	NHFIX	12/31/98	8.14%	—	8.04%	6.69%	17.45%	5.50%
HIGH YIELD MUNICIPAL <sup>(6,8)</sup>	NHYMX	12/31/98	4.17%	6.42%	4.07%	5.10%	13.27%	3.05%
INTERMEDIATE TAX-EXEMPT <sup>(6)</sup>	NOITX	4/1/94	2.63%	4.04%	2.52%	3.55%	6.76%	4.68%
MULTI-MANAGER HIGH YIELD OPPORTUNITY <sup>(8)</sup>	NMHYX	9/23/09	6.72%	—	6.61%	6.67%	—	10.61%
SHORT-INTERMEDIATE TAX-EXEMPT <sup>(6)</sup>	NSITX	8/22/07	0.89%	1.36%	0.80%	1.86%	3.13%	4.39%
SHORT-INTERMEDIATE U.S. GOVERNMENT <sup>(9)</sup>	NSIUX	10/1/99	0.35%	—	0.26%	3.37%	4.24%	4.41%
TAX-ADVANTAGED ULTRA-SHORT FIXED INCOME TAX-EXEMPT <sup>(6)</sup>	NTAUX	6/18/09	0.76%	—	0.51%	1.01%	1.80%	1.46%
ULTRA-SHORT FIXED INCOME	NOTEX	4/1/94	3.34%	5.14%	3.24%	3.57%	8.04%	5.42%
ULTRA-SHORT FIXED INCOME	NUSFX	6/18/09	0.76%	—	0.46%	1.16%	2.14%	1.64%
U.S. GOVERNMENT <sup>(9)</sup>	NOUGX	4/1/94	1.02%	—	0.83%	4.90%	5.81%	5.21%

## MONEY MARKET FUNDS

	TICKER SYMBOL	INCEPTION DATE	TOTAL RETURNS AS OF 7/31/10**			
			YEAR-TO-DATE	1-YEAR	10-YEAR	SINCE INCEPTION
CALIFORNIA MUNICIPAL MONEY MARKET <sup>(6,7)</sup>	NOCXX	11/29/94	0.02%	0.03%	1.53%	2.11%
MONEY MARKET	NORXX	4/11/94	0.01%	0.01%	2.38%	3.45%
MUNICIPAL MONEY MARKET <sup>(6)</sup>	NOMXX	4/11/94	0.01%	0.02%	1.64%	2.24%
U.S. GOVERNMENT MONEY MARKET <sup>(9)</sup>	NOGXX	4/11/94	0.01%	0.01%	2.30%	3.36%
U.S. GOVERNMENT SELECT MONEY MARKET <sup>(9)</sup>	NOSXX	12/12/94	0.01%	0.01%	2.24%	3.30%

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

## EQUITY AND FIXED INCOME FUNDS

EQUITY FUNDS <sup>(1)</sup>	TOTAL RETURNS AS OF THE LAST QUARTER 6/30/10**				GROSS EXPENSE RATIO	NET EXPENSE RATIO***
	1-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION		
EMERGING MARKETS EQUITY INDEX <sup>(3)</sup>	20.77%	—	—	2.97%	0.72%	0.72%
ENHANCED LARGE CAP	13.91%	—	—	-3.56%	1.21%	0.60%
GLOBAL REAL ESTATE INDEX <sup>(3,10)</sup>	22.59%	—	—	-6.91%	0.75%	0.65%
GLOBAL SUSTAINABILITY INDEX <sup>(3)</sup>	10.31%	—	—	-10.94%	1.01%	0.65%
INCOME EQUITY <sup>(8)</sup>	18.35%	2.74%	3.75%	7.24%	1.23%	1.00%
INTERNATIONAL EQUITY <sup>(3)</sup>	6.36%	2.20%	-0.59%	3.72%	1.40%	1.25%
INTERNATIONAL EQUITY INDEX <sup>(3)</sup>	4.28%	0.46%	—	-0.20%	0.61%	0.45%
LARGE CAP EQUITY	14.13%	-1.13%	-3.35%	5.66%	1.23%	1.00%
LARGE CAP GROWTH	10.90%	-1.70%	-4.81%	6.25%	1.34%	1.00%
LARGE CAP VALUE	14.18%	-1.83%	—	2.53%	1.21%	1.10%
MID CAP INDEX <sup>(4)</sup>	24.70%	1.89%	—	2.49%	0.52%	0.30%
MULTI-MANAGER EMERGING MARKETS EQUITY <sup>(3)^</sup>	24.33%	—	—	53.49%	1.55%	1.48%
MULTI-MANAGER GLOBAL REAL ESTATE <sup>(3,10)^</sup>	22.22%	—	—	35.96%	1.48%	1.30%
MULTI-MANAGER INTERNATIONAL EQUITY <sup>(3)</sup>	6.33%	—	—	-2.87%	1.42%	1.41%
MULTI-MANAGER LARGE CAP	13.42%	—	—	-10.31%	1.20%	1.20%
MULTI-MANAGER MID CAP <sup>(4)</sup>	24.81%	—	—	-0.75%	1.20%	1.20%
MULTI-MANAGER SMALL CAP <sup>(4)</sup>	19.41%	—	—	-3.41%	1.41%	1.40%
SMALL CAP CORE <sup>(4)</sup>	21.98%	1.36%	-2.98%	2.98%	1.82%	1.00%
SMALL CAP INDEX <sup>(4)</sup>	21.10%	0.05%	2.59%	3.98%	0.54%	0.35%
SMALL CAP VALUE <sup>(4)</sup>	22.79%	0.56%	6.33%	8.49%	1.38%	1.00%
STOCK INDEX	14.23%	-1.02%	-1.94%	4.19%	0.39%	0.25%
TECHNOLOGY <sup>(5)</sup>	15.56%	0.71%	-10.34%	6.41%	1.49%	1.25%
<b>FIXED INCOME FUNDS<sup>(2)</sup></b>						
ARIZONA TAX-EXEMPT <sup>(6,7)</sup>	8.29%	3.87%	5.05%	5.06%	0.93%	0.75%
BOND INDEX	8.87%	—	—	6.27%	0.43%	0.25%
CALIFORNIA INTERMEDIATE TAX-EXEMPT <sup>(6,7)</sup>	8.14%	3.31%	4.34%	4.40%	0.86%	0.75%
CALIFORNIA TAX-EXEMPT <sup>(6,7)</sup>	9.65%	3.93%	5.34%	5.43%	0.93%	0.75%
FIXED INCOME	8.83%	4.71%	5.54%	5.78%	0.99%	0.90%
GLOBAL FIXED INCOME <sup>(3)</sup>	2.83%	3.99%	5.38%	5.07%	1.41%	1.15%
HIGH YIELD FIXED INCOME <sup>(8)</sup>	18.42%	4.71%	5.62%	5.21%	0.99%	0.89%
HIGH YIELD MUNICIPAL <sup>(6,8)</sup>	13.84%	0.88%	3.91%	2.98%	0.95%	0.85%
INTERMEDIATE TAX-EXEMPT <sup>(6)</sup>	7.17%	3.79%	4.77%	4.63%	0.86%	0.75%
MULTI-MANAGER HIGH YIELD OPPORTUNITY <sup>(8)</sup>	—	—	—	6.72%	1.21%	1.10%
SHORT-INTERMEDIATE TAX-EXEMPT <sup>(6)</sup>	3.47%	—	—	4.23%	0.79%	0.70%
SHORT-INTERMEDIATE U.S. GOVERNMENT <sup>(9)</sup>	4.10%	4.12%	4.38%	4.40%	0.99%	0.90%
TAX-ADVANTAGED ULTRA-SHORT FIXED INCOME TAX-EXEMPT <sup>(6)</sup>	2.02%	—	—	1.43%	0.50%	0.25%
ULTRA-SHORT FIXED INCOME	8.25%	4.04%	5.39%	5.38%	0.85%	0.75%
U.S. GOVERNMENT <sup>(9)</sup>	2.30%	—	—	1.55%	0.55%	0.25%
U.S. GOVERNMENT <sup>(9)</sup>	5.76%	4.61%	5.14%	5.20%	1.09%	0.90%

## MONEY MARKET FUNDS

	TOTAL RETURNS AS OF THE LAST QUARTER 6/30/10**				SEVEN-DAY YIELD AS OF 7/31/10*			
	1-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION	CURRENT	EFFECTIVE	CURRENT TAX-EQUIVALENT	CURRENT W/O WAIVER
CALIFORNIA MUNICIPAL MONEY MARKET <sup>(6,7)</sup>	0.03%	1.74%	1.56%	2.12%	0.04%	0.04%	0.07%	-0.45%
MONEY MARKET	0.01%	2.60%	2.44%	3.47%	0.02%	0.02%	—	-0.31%
MUNICIPAL MONEY MARKET <sup>(6)</sup>	0.02%	1.81%	1.67%	2.25%	0.04%	0.04%	0.06%	-0.38%
U. S. GOVERNMENT MONEY MARKET <sup>(9)</sup>	0.01%	2.52%	2.35%	3.38%	0.02%	0.02%	—	-0.41%
U.S. GOVERNMENT SELECT MONEY MARKET <sup>(9)</sup>	0.01%	2.46%	2.29%	3.32%	0.01%	0.01%	—	-0.44%

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 7-31-10	2009	2008	2007	2006	2005
CONSUMER PRICE INDEX	0.93% <sup>(11)</sup>	2.72%	0.09%	4.08%	2.54%	3.42%
DOW JONES INDUSTRIAL AVERAGE	1.87%	22.68%	-31.93%	8.78%	18.95%	1.87%
NASDAQ COMPOSITE INDEX	-0.64%	43.22%	-43.16%	9.81%	9.52%	1.37%
S&P 500 <sup>®</sup> INDEX	-0.11%	26.46%	-37.00%	5.49%	15.80%	4.91%
RUSSELL MIDCAP GROWTH <sup>®</sup> INDEX	3.34%	46.29%	-44.32%	11.43%	10.66%	12.10%
RUSSELL 2000 GROWTH <sup>®</sup> INDEX	4.15%	34.47%	-38.54%	7.05%	13.34%	4.15%
RUSSELL 2000 VALUE <sup>®</sup> INDEX	5.38%	20.58%	-28.92%	-9.78%	23.48%	4.71%
MSCI EAFE <sup>®</sup> INDEX	-5.00%	31.78%	-43.38%	11.17%	26.34%	13.54%
NYSE ARCA TECH 100 <sup>SM</sup> INDEX	3.61%	44.37%	-34.51%	7.82%	4.79%	3.37%
BARCLAYS CAPITAL U.S. AGGREGATE BOND INDEX	6.46%	5.93%	5.24%	6.97%	4.33%	2.43%
BARCLAYS CAPITAL U.S. GOVERNMENT BOND INDEX	6.11%	-2.20%	12.39%	8.66%	3.48%	2.65%
BARCLAYS CAPITAL MUNICIPAL BOND INDEX	4.60%	12.91%	-2.47%	3.36%	4.84%	3.51%
BARCLAYS CAPITAL 5-YEAR MUNICIPAL BOND INDEX	4.00%	7.40%	5.78%	5.15%	3.34%	0.95%
iMONEYNET <sup>TM</sup> MONEY FUND AVERAGE/ALL TAXABLE FUNDS	0.02%	0.18%	2.03%	4.59%	4.42%	2.63%

\* 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 41.0%, 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, 2011.

^ The recent growth rate in the stock market has helped to produce short-term returns that are not typical and may not continue in the future. Because of ongoing market volatility fund performance may be subject to substantial short-term changes.

- (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) Income from the Fund may be subject to federal alternative minimum tax, state and local taxes.
- (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) Unlike Treasury bonds and bills, the principal value and investment return of the Fund are not guaranteed or insured by the U.S. government.
- (10) Real estate securities may involve special risks, including sensitivity to changes in the overall economy or interest rate levels.
- (11) 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 7/31/10\*  
Derived from a weighted average of the fund's 3-, 5-, and 10-year risk-adjusted returns

NORTHERN INTERNATIONAL EQUITY FUND	★★★★	Among 651 foreign large blend funds
NORTHERN MID CAP INDEX FUND	★★★★	Among 363 mid-cap blend funds
NORTHERN MULTI-MANAGER INTERNATIONAL EQUITY FUND	★★★★	Among 651 foreign large blend funds
NORTHERN MULTI-MANAGER MID CAP FUND	★★★★	Among 363 mid-cap blend funds
NORTHERN SMALL CAP CORE FUND	★★★★	Among 663 small growth funds

### FIXED INCOME FUNDS

NORTHERN ARIZONA TAX-EXEMPT FUND	★★★★	Among 308 municipal single state long funds
NORTHERN CALIFORNIA TAX-EXEMPT FUND	★★★★	Among 142 municipal California long funds
NORTHERN TAX-EXEMPT FUND	★★★★	Among 253 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 International Equity** received 4 stars for the 3-year rating among 651 foreign large blend funds, 4 stars for the 5-year rating among 473 funds and 3 stars for the 10-year rating among 261 funds.

**Northern Mid Cap Index** received 4 stars for the 3-year rating among 363 mid-cap blend funds and 4 stars for the 5-year rating among 304 funds. The 10-year Morningstar Rating is not available.

**Northern Multi-Manager International Equity** received 4 stars for the 3-year rating among 651 foreign large blend 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 363 mid-cap blend funds. The 5- and 10-year Morningstar Ratings are not available.

**Northern Small Cap Core** received 4 stars for the 3-year rating among 663 small growth funds, 4 stars for the 5-year rating among 548 funds and 3 stars for the 10-year rating among 317 funds.

**Northern Arizona Tax-Exempt** received 5 stars for the 3-year rating among 308 municipal single state long funds, 4 stars for the 5-year rating among 273 funds and 3 stars for the 10-year rating among 268 funds.

**Northern California Tax-Exempt** received 5 stars for the 3-year rating among 142 municipal California long funds, 4 stars for the 5-year rating among 130 funds and 4 stars for the 10-year rating among 115 funds.

**Northern Tax-Exempt** received 4 stars for the 3-year rating among 253 municipal national long funds, 4 stars for the 5-year rating among 232 funds and 4 stars for the 10-year rating among 199 funds.

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