

NORTHERN FUNDS

TAX FACTS

2014

Northern Funds Tax Facts provides specific information about your Northern Funds investment income and capital gain distributions for 2014. 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**.

TRUST NORTHERN FOR WHAT REALLY MATTERS



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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, fixed income and money market fund, as applicable. For more information about capital gain distributions, see the 2014 Northern Funds Tax Guide or visit northernfunds.com/tax-center.

NORTHERN FUNDS	Capital Gains
Arizona Tax-Exempt	0.007360
Bond Index	0.007987
Core Bond	0.008464
Global Tactical Asset Allocation	0.089898
High Yield Fixed Income	0.105250
Income Equity	3.836788
Intermediate Tax-Exempt	0.014746
Large Cap Growth	18.608025
Mid Cap Index	0.727003
Multi-Manager Large Cap	1.435400
Multi-Manager Mid Cap	1.837738
Multi-Manager Small Cap	1.823423
Multi-Manager Global Listed Infrastructure	0.333481
Multi-Manager High Yield Opportunity	0.136404
Municipal Money Market	0.000067
Small Cap Core	0.842583
Small Cap Index	0.497381
Small Cap Value	0.882535
Stock Index	0.132624
Tax-Advantaged Ultra-Short Fixed Income	0.001970
Ultra-Short Fixed Income	0.008628
U.S. Treasury Index	0.073324

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	100.00%	—
Bond Index	29.05%	70.95%
Core Bond	86.30%	13.70%
Global Tactical Asset Allocation	100.00%	—
High Yield Fixed Income	96.60%	3.40%
Income Equity	44.60%	55.40%
Intermediate Tax-Exempt	81.38%	18.62%
Large Cap Growth	92.41%	7.59%
Mid Cap Index	72.79%	27.21%
Multi-Manager Global Listed Infrastructure	100.00%	—
Multi-Manager High Yield Opportunity	100.00%	—
Multi-Manager Large Cap	88.64%	11.36%
Multi-Manager Mid Cap	87.70%	12.30%
Multi-Manager Small Cap	98.53%	1.47%
Municipal Money Market	94.50%	5.50%
Small Cap Core	98.61%	1.39%
Small Cap Index	73.99%	26.01%
Small Cap Value	62.23%	37.77%
Stock Index	100.00%	—
Tax-Advantaged Ultra-Short Fixed Income	100.00%	—
Ultra-Short Fixed Income	100.00%	—
U.S. Treasury Index	67.33%	32.67%

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 2014 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 2014.

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	2.65%	1.28%	6.41%	—	0.05%
Municipal Money Market	—	—	—	—	—
U.S. Government Money Market	2.30%	13.37%	36.82%	—	—
U.S. Government Select Money Market	2.94%	30.03%	53.49%	—	0.25%
FIXED INCOME FUNDS					
Arizona Tax-Exempt	—	—	—	—	—
Bond Index	22.58%	—	0.31%	—	—
California Intermediate Tax-Exempt	—	—	—	—	—
California Tax-Exempt	—	—	—	—	—
Core Bond	12.99%	—	—	—	—
Fixed Income	9.25%	—	—	—	—
High Yield Fixed Income	—	—	—	—	—
High Yield Municipal	—	—	—	—	—
Intermediate Tax-Exempt	—	—	—	—	—
Multi-Manager Emerging Markets Debt Opportunity	—	—	—	—	—
Multi-Manager High Yield Opportunity	0.02%	—	—	—	—
Short Bond	9.15%	—	—	—	—
Short-Intermediate Tax-Exempt	—	—	—	—	—
Short-Intermediate U.S. Government	26.39%	0.01%	0.23%	—	—
Tax-Advantaged Ultra-Short Fixed Income	0.40%	—	—	—	—
Tax-Exempt	—	—	—	—	—
Ultra-Short Fixed Income	—	—	—	—	—
U.S. Government	66.13%	0.39%	0.02%	0.01%	—
U.S. Treasury Index	99.99%	0.01%	—	—	—
EQUITY FUNDS					
Emerging Markets Equity Index	—	—	—	—	—
Global Sustainability Index	—	—	—	—	—
Global Tactical Asset Allocation	—	—	—	—	—
Income Equity	—	—	—	—	—
International Equity	—	—	—	—	—
International Equity Index	—	—	—	—	—
Large Cap Core	—	—	—	—	—
Large Cap Equity	—	—	—	—	—
Large Cap Growth	—	—	—	—	—
Large Cap Value	—	—	—	—	—
Mid Cap Index	—	—	—	—	—
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	—	—	—	—	—
Small Cap Index	—	—	—	—	—
Small Cap Value	—	—	—	—	—
Stock Index	—	—	—	—	—
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 2014 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 2014 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 2014 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 2014. For monthly, quarterly or annual information, as applicable, please see the 2014 Corporate Dividends Received Deduction information on northernfunds.com/tax-center.

NORTHERN FUNDS	% QDI	% DRD
Emerging Markets Equity Index	66.87%	—
Global Sustainability Index	100.00%	41.08%
Global Tactical Asset Allocation	39.20%	21.18%
Income Equity	43.54%	67.64%
International Equity	100.00%	2.36%
International Equity Index	100.00%	—
Large Cap Core	100.00%	100.00%
Large Cap Equity	52.55%	48.61%
Large Cap Growth	—	—
Large Cap Value	100.00%	91.72%
Mid Cap Index	57.93%	55.66%
Multi-Manager Emerging Markets Equity	100.00%	0.11%
Multi-Manager Global Listed Infrastructure	53.82%	10.87%
Multi-Manager International Equity	100.00%	3.65%
Multi-Manager Large Cap	36.82%	36.49%
Multi-Manager Mid Cap	12.56%	12.52%
Multi-Manager Small Cap	2.76%	2.61%
Small Cap Core	48.97%	48.53%
Small Cap Index	43.76%	38.39%
Small Cap Value	77.08%	76.30%
Stock Index	75.11%	73.77%
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	3.28%
California Intermediate Tax-Exempt	2.70%
California Municipal Money Market	6.60%
California Tax-Exempt	0.61%
High Yield Municipal	4.39%
Intermediate Tax-Exempt	3.12%
Municipal Money Market	6.11%
Short-Intermediate Tax-Exempt	—
Tax-Advantaged Ultra-Short Fixed Income	11.48%
Tax-Exempt	1.62%

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 2014. 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	0.983600
Global Sustainability Index	0.657900
International Equity	0.996400
International Equity Index	0.989600
Multi-Manager Emerging Markets Equity	0.984600
Multi-Manager Global Listed Infrastructure	0.736205
Multi-Manager International Equity	0.939400

*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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