

NORTHERN FUNDS

TAX
FACTS

2017

Northern Funds Tax Facts provides specific information about your Northern Funds investment income and capital gain distributions for 2017. 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**.



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	1.74%
California Intermediate Tax-Exempt	2.21%
California Tax-Exempt	0.60%
High Yield Municipal	3.95%
Intermediate Tax-Exempt	2.53%
Municipal Money Market	3.59%
Short-Intermediate Tax-Exempt	—
Tax-Advantaged Ultra-Short Fixed Income	7.59%
Tax-Exempt	1.80%

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*, International Equity, International Equity Index, Active M Emerging Markets Equity, Multi-Manager Global Real Estate*, Multi-Manager Global Listed Infrastructure and Active M International Equity Funds during 2017. 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
Active M International Equity	100.00%
Emerging Markets Equity Index	100.00%
International Equity	99.73%
International Equity Index	99.79%
Multi-Manager Global Listed Infrastructure	92.54%

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).

PERCENTAGE OF QDI AND DRD

Income & Capital Gain Distributions

For the 2017 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 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 2017 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 2017 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 2017. For monthly, quarterly or annual information (as applicable) please see the 2017 Corporate Dividends Received Deduction information on northernfunds.com/tax-center.

NORTHERN FUNDS	% of QDI ST Gain	% QDI	% DRD
Active M Emerging Markets Equity	—	—	—
Active M International Equity	—	100.00%	—
Active M U.S. Equity	—	100.00%	100.00%
Emerging Markets Equity Index	—	71.00%	0.10%
Global Sustainability Index	46.72%	100.00%	38.08%
Global Tactical Asset Allocation	—	35.81%	5.26%
Income Equity	—	100.00%	100.00%
International Equity	—	100.00%	0.41%
International Equity Index	—	97.08%	—
Large Cap Core	46.22%	100.00%	58.07%
Large Cap Equity	88.54%	100.00%	31.78%
Large Cap Value	—	100.00%	100.00%
Mid Cap Index	—	91.73%	42.91%
Multi-Manager Global Listed Infrastructure	—	99.92%	14.51%
Northern Engage360™	—	—	56.44%
Small Cap Core	100.00%	100.00%	13.67%
Small Cap Index	—	86.56%	30.79%
Small Cap Value	100.00%	100.00%	63.24%
Stock Index	23.10%	100.00%	78.67%
Technology	—	—	—
U.S. Quality ESG	—	100.00%	100.00%

*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.

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 2017 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 2017.

NORTHERN FUNDS	U.S. Government	Federal Farm Credit Bank	Federal Home Loan Bank	Student Loan Marketing Association	Tennessee Valley Authority
MONEY MARKET FUNDS					
Money Market	—	—	—	—	—
Municipal Money Market	—	—	—	—	—
U.S. Government Money Market	23.65%	6.45%	25.10%	—	—
U.S. Government Select Money Market	16.99%	15.86%	33.67%	—	2.70%
FIXED INCOME FUNDS					
Arizona Tax-Exempt	—	—	—	—	—
Bond Index	24.29%	—	0.10%	—	0.12%
California Intermediate Tax-Exempt	—	—	—	—	—
California Tax-Exempt	—	—	—	—	—
Core Bond	11.00%	—	—	—	—
Fixed Income	8.54%	—	—	—	—
High Yield Fixed Income	—	—	—	—	—
High Yield Municipal	—	—	—	—	—
Intermediate Tax-Exempt	—	—	—	—	—
Multi-Manager Emerging Markets Debt Opportunity	—	—	—	—	—
Multi-Manager High Yield Opportunity	—	—	—	—	—
Short Bond	14.16%	0.19%	—	—	—
Short-Intermediate Tax-Exempt	—	—	—	—	—
Short-Intermediate U.S. Government	56.38%	—	2.36%	—	—
Tax-Advantaged Ultra-Short Fixed Income	1.01%	—	—	—	—
Tax-Exempt	—	—	—	—	—
Ultra-Short Fixed Income	6.45%	0.02%	0.07%	—	—
U.S. Government	58.65%	—	2.56%	—	—
U.S. Treasury Index	100.00%	—	—	—	—
EQUITY FUNDS					
Active M Emerging Markets Equity	—	—	—	—	—
Active M International Equity	0.12%	—	—	—	—
Active M U.S. Equity	0.05%	—	—	—	—
Emerging Markets Equity Index	—	—	—	—	—
Global Sustainability Index	—	—	—	—	—
Global Tactical Asset Allocation	—	—	—	—	—
Income Equity	0.02%	—	—	—	—
International Equity	—	—	—	—	—
International Equity Index	—	—	—	—	—
Large Cap Core	0.03%	—	—	—	—
Large Cap Equity	—	—	—	—	—
Large Cap Value	0.05%	—	—	—	—
Mid Cap Index	0.09%	—	—	—	—
Multi-Manager Global Listed Infrastructure	0.02%	—	—	—	—
Northern Engage360™	0.03%	—	—	—	—
Small Cap Core	0.04%	—	—	—	—
Small Cap Index	0.07%	—	—	—	—
Small Cap Value	0.11%	—	—	—	—
Stock Index	0.04%	—	—	—	—
Technology	—	—	—	—	—
U.S. Quality ESG	—	—	—	—	—

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, visit northernfunds.com/tax-center.

NORTHERN FUNDS	Capital Gains
Active M U.S. Equity	0.087511
Global Sustainability Index	0.140306
Global Tactical Asset Allocation	0.114566
Income Equity	0.794592
Large Cap Core	0.081828
Large Cap Equity	5.506159
Mid Cap Index	1.108127
Multi-Manager Global Real Estate	***
Multi-Manager Global Listed Infrastructure	0.485302
Short-Intermediate Tax-Exempt	0.013989
Small Cap Core	0.873493
Small Cap Index	0.665255
Small Cap Value	1.978296
Stock Index	0.40357
Ultra-Short Fixed Income	0.002010

*** will be reported later

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
Active M U.S. Equity	100.00%	—
Global Sustainability Index	47.26%	52.74%
Income Equity	67.16%	32.84%
Large Cap Core	77.53%	22.47%
Mid Cap Index	49.97%	50.03%
Multi-Manager Global Listed Infrastructure	100.00%	—
Short-Intermediate Tax-Exempt	97.39%	2.61%
Small Cap Core	14.16%	85.84%
Small Cap Index	36.42%	63.58%
Small Cap Value	52.81%	47.19%
Stock Index	63.61%	36.39%
Ultra-Short Fixed Income	100.00%	—

Legal, Investment and Tax Notice: This information is not intended to be and should not be treated as legal advice, investment advice or tax advice. Readers, including professionals, should under no circumstances rely upon this information as a substitute for their own research or for obtaining specific legal or tax advice from their own counsel.

You could lose money by investing in the Money Market Funds. Although each of the Money Market Funds seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. The Funds' sponsor has no legal obligation to provide financial support to the Funds, and you should not expect that the sponsor will provide financial support to the Funds at any time.

The Money Market Fund and the Municipal Money Market Fund may impose a fee upon the sale of your shares or may temporarily suspend your ability to sell shares if the Fund's liquidity falls below required minimums because of market conditions or other factors.

