

NORTHERN FUNDS

TAX
FACTS

2018

Northern Funds Tax Facts provides specific information about your Northern Funds investment income and capital gain distributions for 2018. 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	1.12%
California Intermediate Tax-Exempt	4.43%
California Tax-Exempt	5.15%
High Yield Municipal	6.00%
Intermediate Tax-Exempt	3.38%
Municipal Money Market	0.50%
Short-Intermediate Tax-Exempt	—
Tax-Advantaged Ultra-Short Fixed Income	6.39%
Tax-Exempt	3.16%

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 2018. 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 7) 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 Emerging Markets Equity	100.00%
Active M International Equity	100.00%
Emerging Markets Equity Index	100.00%
Global Real Estate Index	53.95%
International Equity	100.00%
International Equity Index	99.79%
Multi-Manager Global Listed Infrastructure	82.60%
Multi-Manager Global Real Estate	—

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 2018 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 2018 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 2018 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 2018. For monthly, quarterly or annual information (as applicable) please see the 2018 Corporate Dividends Received Deduction information on northernfunds.com/tax-center.

NORTHERN FUNDS	% of QDI ST Gain	% QDI	% DRD
Active M Emerging Markets Equity	—	100.00%	0.55%
Active M International Equity	—	100.00%	—
Active M U.S. Equity	—	100.00%	100.00%
Emerging Markets Equity Index	—	62.00%	0.19%
Global Real Estate Index	—	21.85%	0.03%
Global Sustainability Index	100.00%	100.00%	48.26%
Global Tactical Asset Allocation	—	13.35%	14.27%
Income Equity	100.00%	100.00%	83.11%
International Equity	—	100.00%	—
International Equity Index	—	100.00%	—
Large Cap Core	—	99.64%	99.18%
Large Cap Value	—	100.00%	100.00%
Mid Cap Index	—	87.39%	57.39%
Multi-Manager Global Listed Infrastructure	100.00%	100.00%	17.93%
Multi-Manager Global Real Estate	—	18.72%	—
Northern Engage360™	100.00%	100.00%	42.45%
Small Cap Core	—	100.00%	78.88%
Small Cap Index	—	92.12%	25.62%
Small Cap Value	—	100.00%	100.00%
Stock Index	19.18%	97.49%	88.07%
U.S. Quality ESG	—	100.00%	100.00%

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 2018 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 2018.

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	0.06%	—	0.31%	—	—
Municipal Money Market	—	—	—	—	—
U.S. Government Money Market	18.59%	8.81%	29.36%	—	—
U.S. Government Select Money Market	16.93%	16.98%	31.34%	—	0.49%
FIXED INCOME FUNDS					
Arizona Tax-Exempt	—	—	—	—	—
Bond Index	28.89%	—	0.11%	—	0.10%
California Intermediate Tax-Exempt	—	—	—	—	—
California Tax-Exempt	—	—	—	—	—
Core Bond	24.19%	—	—	—	—
Fixed Income	12.00%	—	—	—	—
High Yield Fixed Income	—	—	—	—	—
High Yield Municipal	—	—	—	—	—
Intermediate Tax-Exempt	—	—	—	—	—
Multi-Manager Emerging Markets Debt Opportunity	—	—	—	—	—
Multi-Manager High Yield Opportunity	—	—	—	—	—
Short Bond	20.64%	0.29%	—	—	—
Short-Intermediate Tax-Exempt	—	—	—	—	—
Short-Intermediate U.S. Government	49.82%	—	1.84%	—	—
Tax-Advantaged Ultra-Short Fixed Income	0.92%	—	—	—	—
Tax-Exempt	—	—	—	—	—
Ultra-Short Fixed Income	4.02%	—	0.18%	—	—
U.S. Government	51.29%	—	0.93%	—	—
U.S. Treasury Index	99.65%	—	—	—	—
EQUITY FUNDS					
Active M Emerging Markets Equity	0.08%	—	—	—	—
Active M International Equity	0.25%	—	—	—	—
Active M U.S. Equity	0.27%	—	—	—	—
Emerging Markets Equity Index	—	—	—	—	—
Global Real Estate Index	—	—	—	—	—
Global Sustainability Index	—	—	—	—	—
Global Tactical Asset Allocation	—	—	—	—	—
Income Equity	0.05%	—	—	—	—
International Equity	—	—	—	—	—
International Equity Index	—	—	—	—	—
Large Cap Core	0.06%	—	—	—	—
Large Cap Value	0.12%	—	—	—	—
Mid Cap Index	0.18%	—	—	—	—
Multi-Manager Global Listed Infrastructure	0.06%	—	—	—	—
Multi-Manager Global Real Estate Index	—	—	—	—	—
Northern Engage360™	0.06%	—	—	—	—
Small Cap Core	0.24%	—	—	—	—
Small Cap Index	0.14%	—	—	—	—
Small Cap Value	0.31%	—	—	—	—
Stock Index	0.10%	—	—	—	—
U.S. Quality ESG	0.02%	—	—	—	—

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 International Equity	0.339913
Global Sustainability Index	0.163734
Global Tactical Asset Allocation	0.103812
Income Equity	1.524249
Large Cap Core	0.173003
Mid Cap Index	1.113122
Multi-Manager Global Real Estate	0.019111
Multi-Manager Global Listed Infrastructure	0.743194
Small Cap Core	0.126771
Small Cap Index	1.068769
Small Cap Value	1.988490
Stock Index	0.776891
Ultra-Short Fixed Income	0.002071
U.S. Quality ESG	0.085045

FOREIGN TAX CREDIT

The funds below intend to make an election that will allow shareholders to treat their proportionate share of foreign taxes paid by the Funds as having been paid by them. The amounts per share which represent taxes paid to foreign countries are as follows:

NORTHERN FUNDS	Payment Frequency	FTC
Active M International Equity	Annual	\$0.028840
Active M Emerging Markets Equity	Annual	\$0.061701
Northern Emerging Markets Equity Index	Annual	\$0.041532
International Equity	Annual	\$0.035535
International Equity Index	Annual	\$0.033830
Global Real Estate Index Fund Q1	Quarterly	\$0.002078
Global Real Estate Index Fund Q2	Quarterly	\$0.004568
Global Real Estate Index Fund Q3	Quarterly	\$0.001619
Global Real Estate Index Fund Q4	Quarterly	\$0.001654
Multi-Manager Global Real Estate Fund Q1	Quarterly	—
Multi-Manager Global Real Estate Fund Q2	Quarterly	—
Multi-Manager Global Real Estate Fund Q3	Quarterly	—
Multi-Manager Global Real Estate Fund Q4	Quarterly	—
Multi-Manager Global Listed Infrastructure Q1	Quarterly	—
Multi-Manager Global Listed Infrastructure Q2	Quarterly	\$0.024700
Multi-Manager Global Listed Infrastructure Q3	Quarterly	\$0.002024
Multi-Manager Global Listed Infrastructure Q4	Quarterly	\$0.006212

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 International Equity	98.84%	1.16%
Global Sustainability Index	45.27%	54.73%
Global Tactical Asset Allocation	100.00%	—
Income Equity	72.54%	27.46%
Large Cap Core	93.56%	6.44%
Mid Cap Index	53.39%	46.61%
Multi-Manager Global Listed Infrastructure	97.03%	2.97%
Multi-Manager Global Real Estate	87.15%	12.85%
Small Cap Core	52.34%	47.66%
Small Cap Index	42.17%	57.83%
Small Cap Value	38.78%	61.22%
Stock Index	46.81%	53.19%
Ultra-Short Fixed Income	100.00%	—
U.S. Quality ESG	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.

