

Northern Multi-Manager Intl Equity NMIEX

Morningstar's Take | 06-23-11 | by David Falkof

This fund smartly mixes a variety of investment styles.

Northern Multi-Manager International Equity strikes a good balance.

This fund seeks to provide investors with an all-in-one foreign option that can outpace the MSCI All-Country World ex-USA Index over a full market cycle. Manager Jessica Hart from Northern Trust oversees five subadvisors that provide complementary approaches to investing overseas. NFJ, for instance, focuses on high-dividend-paying businesses trading at low valuations, while UBS takes a more aggressive growth approach, trading frequently around high-momentum stocks.

Hart doesn't make tactical changes to favor one style over another but instead maintains a fairly even split between value and growth strategies. In fact, Hart recently added NFJ to provide more consistent exposure to traditional value stocks. That addition complements value subadvisor Tradewinds, which has a more flexible approach that's lately led it to hold more stocks with growthlike characteristics.

The combination of strategies has worked well for the fund so far. Tradewinds, for instance, was exceptionally strong in 2008, as its defensive positioning in gold-mining businesses and Japanese stocks held up well during the financial crisis. That helped offset poor results from subadvisor William Blair. Amid 2009's speculative rally, Tradewinds lagged most of its peers, while William Blair and UBS bounced back with strong returns. More recently, Tradewinds' Japan exposure has held it back, but NFJ's high-quality bias has delivered decent gains.

The fund's trailing five-year 1.5% annualized gain since its June 2006 inception slightly lags its typical foreign large-blend peer, but its long-term prospects remain bright. It has a strong subadvisory lineup, and adding NFJ to the mix helps, as that team has produced a fine long-term record at Allianz NFJ International Value ANJIX. Overall, this is an appealing diversified foreign fund.

Morningstar Rating

★★★★

Kudos

- Broad style exposure helps offset a single manager's risks.
- Subadvisors have strong, long-term records at other posts.
- Portfolio-construction team has had success at other fund of fund offerings.

Risks

- Portfolio has more emerging-markets exposure than category norm, which can heighten volatility.
- Broad diversification means the fund may lag in narrow market rallies.

Strategy

The fund combines five different investment strategies. Altrinsic manages 18% of assets with a value approach looking for stable, high-quality businesses selling below their intrinsic worth. Tradewinds runs 20% with a concentrated portfolio of undervalued, high-quality businesses. NFJ runs 22% with a value approach focused on high-dividend-paying stocks. UBS runs 25% with an aggressive growth strategy buying high-momentum stocks. William Blair runs 15% with a growth strategy that's slightly more valuation-conscious.

Management

Manager Jessica Hart from Northern Trust sets the portfolio's allocations and oversees the subadvisors. The fund's subadvisors include Tradewinds, which also runs Nuveen Tradewinds International Value NAIGX; NFJ, which runs Allianz NFJ International Value AFJAX; UBS, which runs UBS International Equity BNIEX; William Blair, which runs William Blair International Growth BIGIX; and Altrinsic.

Role in Portfolio

Core

Northern Multi-Manager Intl Equity NMIEX

Year	Total Return (%)	+/-Category
2010	12.14	1.90
2009	27.74	-3.50
2008	-39.97	4.02

Data through 12-31-10

NORTHERN MULTI-MANAGER INTERNATIONAL EQUITY FUND

Inception 6/22/2006

AVERAGE ANNUAL TOTAL RETURNS AS OF 9/30/11				TOTAL ANNUAL OPERATING EXPENSE RATIOS	
1-Year	5-Year	10-Year	Since Inception	Gross	Net
-12.22%	-3.31%	—	-2.01%	1.42%	1.40%

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 by calling 800-595-9111.

The Advisor has agreed to reimburse certain expenses of the Fund. The contractual reimbursement arrangement is expected to continue until at least July 31, 2012. After this date, the contractual arrangements may be terminated if it is determined to be in the best interest of the Fund and its shareholders. In the absence of fee waivers, yield, total return, growth since inception and dividends would have been reduced. Total return is based on net change in NAV assuming reinvestment of distributions.

Equity Risk: 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.

Emerging Markets Risk: Emerging market investing is subject to additional economic, political, liquidity and currency risks not associated with more developed countries.

International Risk: International investing involves increased risk and volatility.

Northern Funds are not available for distribution outside the United States.

©2011 Morningstar, Inc. All rights reserved. Morningstar and/or its content providers are the proprietors of this information; do not permit its unauthorized copying or distribution; do not warrant it to be accurate, complete or timely; and are not responsible for damages or losses arising from its use.

This reprint is not intended as a recommendation to buy, hold or sell securities issued by the companies mentioned in the article.

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.



NOT FDIC INSURED

May lose value/No bank guarantee

Shares of Northern Funds are distributed by Northern Funds Distributors, LLC, Three Canal Plaza, Suite 100, Portland, ME 04101, not affiliated with Northern Trust.