

Northern Multi-Manager Emerging Mkt Eq NMMEX

Morningstar Rating

★★★★

Strategy

The fund combines five different investment strategies. Axiom manages 30% of the portfolio, focusing on businesses exhibiting strong earnings growth. Trilogy handles 20% of the assets, investing in growth companies that are selling at prices deemed cheap. Value-oriented Westwood holds a concentrated portfolio consuming 30% of assets. PanAgora runs 10% of the portfolio using a quantitative strategy to find stocks selling below their intrinsic values. The remaining 10% is run by Pzena Investment Management, which invests in deep-value stocks.

Management

Northern's Jessica Hart oversees the construction of the fund and is supported by a team of fund-selection analysts. Hart manages several other funds of funds, including Northern Multi-Manager International Equity NMIE. There are five subadvisors on the fund: Axiom International Investors and Trilogy Global Advisors manage the growth sleeve of the portfolio, and Westwood Global Investments, PanAgora Asset Management, and Pzena Investment Management run the value half.

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Year	Total Return (%)	+/-Category
2011	-17.73	2.13
2010	23.04	3.78
2009	74.90	1.09
2008	—	—

Data through 12-31-11

Morningstar's Take | 12-30-11 | by David Falkof

Broad diversification has benefited this fund.

Northern Multi-Manager Emerging Markets Equity strikes a good balance.

This fund takes a prudent approach to investing in a volatile part of the market. Manager Jessica Hart allocates the fund's assets across five subadvisors who each invest with a distinct style. The resulting portfolio has exposure to both growth and value stocks and spans the market-cap spectrum. The fund also holds more than 400 stocks (four times the diversified emerging-markets category norm), meaning no single stock will drive its overall performance. That broad diversification has helped the fund hold up slightly better than its typical peer in down markets since its November 2008 inception.

Because most investment strategies don't do well in every market environment, balancing different approaches can help provide steadier returns. For example, Westwood's focus on high-quality, cash-flow-generating businesses has bolstered the fund's returns during periods of risk aversion, such as 2011's rocky market. Axiom's emphasis on higher-quality growth stocks has also benefited the fund lately. On the other hand, Trilogy Global Advisors' preference for cyclical stocks has hurt the fund during recent market volatility. Meanwhile, PanAgora's quantitative strategy struggled in 2009 and 2010 but has held up well in 2011. The newest addition, Pzena Investment Management, gives the fund exposure to deep-value stocks, which can be out of favor for long stretches.

Overall, the fund has performed well since its November 2008 inception. Its 28% annualized gain through Dec. 27, 2011, has outpaced three fourths of its competitors with roughly average volatility, as measured by standard deviation. Granted, the fund has not been around long, but the subadvisors have longer records elsewhere that provide confidence. Also, Hart has produced similarly good results at Northern Trust's other multisubadvised offerings.

All told, this is a decent option for broad emerging-markets exposure.

NORTHERN MULTI-MANAGER EMERGING MARKETS EQUITY FUND

Inception 11/19/2008

AVERAGE ANNUAL TOTAL RETURNS AS OF 12/31/11				TOTAL ANNUAL OPERATING EXPENSE RATIOS	
1-Year	5-Year	10-Year	Since Inception	Gross	Net
-3.49%	—	—	27.57%	1.52%	1.36%

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 December 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 and Frontier Markets Risk: Emerging and frontier market investing may be subject to additional economic, political, liquidity and currency risks not associated with more developed countries. Additionally, frontier countries generally have smaller economies or less developed capital markets than traditional emerging markets and, as a result, the risks of investing in emerging market countries are magnified in frontier countries.

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

Important Morningstar Information: As of 12/31/11, Northern Multi-Manager Emerging Markets Equity Fund received a 4-star rating for overall performance among 352 diversified emerging market funds, 4 stars for the 3-year rating among 352 funds, the 5- and 10-year Morningstar Ratings are not available.

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.

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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.



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