

Northern GLOBAL REAL ESTATE INDEX FUND

“Our index-based approach to investing in real estate stocks offers long-term investors broad global exposure at a low cost.”

STEVEN R. WETTER,
FUND MANAGER

FUND STATISTICS

INCEPTION DATE: July 26, 2006
PRELIMINARY TICKER: NGREX
DIVIDEND SCHEDULE: Quarterly
MINIMUM INVESTMENT: \$2,500 to open
IRA MINIMUM: \$500 to open

INVESTOR PROFILE

If you're looking to diversify your investments by gaining exposure to the attractive income and total return potential of global real estate stocks, then this Fund may be right for you. It is intended for long-term investors who are aware that real estate may involve special risks, including sensitivity to changes in the overall economy or interest rate levels.

FUND OBJECTIVE

The Fund seeks to provide investment results approximating the overall performance of the stocks included in the FTSE® EPRA®/NAREIT® Global Real Estate Index. The Index reflects the stock performance of more than 300 real estate companies and real estate investment trusts (“REITs”) in North America, Europe, and Asia. Companies in the Index own, operate and manage real estate, as well as lend money to real estate developers.

FUND STRATEGY

We will invest substantially all of the Fund's assets in REITs and REIT-like stocks included in the Index. The Fund is passively managed, which means we focus on duplicating the investment composition and performance of the Index. In executing this strategy, we use proprietary quantitative techniques to minimize trading costs.

EXPERIENCED MANAGEMENT

Northern Trust, the investment adviser for the Fund, helped to pioneer the development of index fund management beginning in 1973, and we have remained in the forefront of the field ever since. In fact, the new Northern Global Real Estate Index Fund is:

- The first mutual fund to track the FTSE EPRA/NAREIT Global Real Estate Index.
- The first global real estate index mutual fund.

While indexing is a “passive” strategy, providing performance that closely tracks that of an index in a cost-effective fashion is a complex process. The investment professionals responsible for managing the Fund are drawn from quantitative and indexing firms around the world and are supported by cutting-edge technology. Northern Trust is the third largest manager of indexed assets globally, with more than \$200 billion in assets under management — a testament to our success in offering investors efficient access to a wide range of asset classes through passive strategies.

TAKE THE NEXT STEP in diversifying your investments. Call today to learn more about how the Northern Global Real Estate Index Fund can fit into your investment portfolio. *Call a Northern Trust Relationship Manager or 800/595-9111 for more complete information, including a prospectus. Before investing, you should carefully read the prospectus and consider the investment objectives, risks, charges, and expenses of Northern Funds. The prospectus contains this and other information about the Funds.*

NORTHERN
FUNDS



Managed by
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NOT FDIC INSURED

May lose value / No bank guarantee

ABOUT REITS

A Real Estate Investment Trust (REIT) is an investment vehicle that invests in companies that own, operate, or manage real estate. REITs encompass a wide range of residential, commercial and industrial properties including apartment buildings, hotels, shopping centers, and office buildings. An *Equity REIT* makes direct investments in such properties, while a *Mortgage REIT* lends money to developers and others involved in real estate. Because REITs are normally required to distribute at least 90 percent of their income each year, they can offer a potential income stream to investors.

WHY INVEST IN GLOBAL REAL ESTATE?

Investing in a globally diversified portfolio of REITs and REIT-like companies can provide several benefits:

- **ATTRACTIVE RISK/RETURN POTENTIAL** – Global real estate stocks have provided high returns with relatively low volatility compared to a number of U.S. traditional investments. Refer to the chart below.
- **REIT DIVERSIFICATION** – Investors benefit from two levels of diversification: First, by geography, with the Fund holding real estate securities across the U.S. and international markets. Second, within the real estate sector, investing in residential, commercial, and industrial REITs.
- **OVERALL PORTFOLIO DIVERSIFICATION** – REIT performance historically has had a low correlation to that of both the stock and bond markets. Low correlation between asset classes can lower overall risk in a portfolio.
- **INCOME POTENTIAL** – Because REITs distribute the majority of their income to investors, they have generally provided higher dividends than other types of stocks. Refer to dividend yield in the chart below.
- **INFLATION PROTECTION** – Property rental rates have generally increased during periods of strong economic growth and rising prices. As a result, REIT dividends may provide a degree of protection against inflation.

GLOBAL REAL ESTATE HAS OFFERED ATTRACTIVE RESULTS COMPARED TO U.S. TRADITIONAL ASSET CLASSES

15-YEAR ANNUALIZED PERFORMANCE AND CURRENT YIELDS AS OF JUNE 30, 2006

| Index | Return | Standard Deviation | Annualized Yield |
|---|--------|--------------------|------------------|
| FTSE EPRA/NAREIT Global Real Estate Index (US\$ TR) | 11.86% | 15.21 | 3.56% |
| S&P 500 Stock Index | 10.73 | 13.81 | 1.92 |
| Russell 2000 Index | 11.80 | 17.84 | 1.18 |
| Lehman U.S. Aggregate Bond Index | 6.89 | 3.84 | 5.79 |

Source: FTSE International Limited, Standard & Poor's, Frank Russell Company, Lehman Brothers, Inc., Lipper Analytical Services

Past performance is no guarantee of future results. Index performance should not be considered indicative of the performance of any Northern Fund. Unlike a mutual fund, the performance of an index assumes no taxes, transaction costs, management fees, or other expenses.

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SPECIAL RISKS

Investing in a fund that concentrates in real estate securities entails special risks. These include the risk that the Fund's investments will be affected by factors such as overall economic conditions and changes in interest rate levels that affect the value of real estate and earnings of companies engaged in real estate activities. Equity REITs in particular may be affected by changes in the value of the underlying property owned. Mortgage REITs may be affected by the ability of borrowers to make timely payments of principal and interest on loans extended. In addition, the value of a Mortgage REITs' fixed rate holdings will fluctuate in response to changes in market interest rate levels. Investing in foreign markets may involve additional risks, including social and political instability, reduced market liquidity, and currency volatility.

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