

ARIZONA  
TAX-EXEMPT FUND

## OVERALL MORNINGSTAR RATING™



among 308 municipal single state long funds derived from a weighted average of the fund's 3-, 5- and 10-year risk-adjusted returns as of 6/30/10\*

## FUND FACTS

**Fund Objective:** Current Tax-Exempt Income

**Inception Date:** October 1, 1999

**Ticker Symbol:** NOAZX

**Cusip:** 665162764

**Gross Expense Ratio:** 0.93%

**Net Expense Ratio:** 0.75%<sup>1</sup>

**Dividend Schedule:** Monthly

**Benchmark:** Barclays Capital Arizona Municipal Bond Index

**Morningstar Category:** Municipal Single State Long

## FUND CHARACTERISTICS

**Total Net Assets:** \$105 million

**Number of Holdings:** 73

**30-Day SEC Yield:** 3.49%

**Tax-Equivalent 30-Day SEC Yield:** 5.63%<sup>2</sup>

**Modified Duration:** 6.0 years

**Average Maturity:** 13.2 years

## FUND STRATEGY

- Concentrate on investments in Arizona state-specific, investment-grade municipal bonds which are exempt from federal income tax and Arizona state personal income tax while maintaining an average maturity, under normal circumstances, between 10 and 30 years.
- Invest in high-quality securities, primarily investment-grade debt.
- Select investments on the basis of their relative value with a focus on total return.

## PERFORMANCE as of 6/30/10

FUND	ANNUALIZED						
	QUARTER	YTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION
FUND	2.07%	2.77%	8.29%	5.23%	3.87%	5.05%	5.06%
BARCLAYS CAPITAL AZ MUNI BOND INDEX <sup>3</sup>	1.95%	3.02%	8.92%	5.88%	4.52%	5.53%	5.45%
MORNINGSTAR CATEGORY AVG MUNI SINGLE STATE LONG	1.51%	2.91%	10.70%	3.30%	3.30%	4.79%	—

**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, 2011. 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. The 30-day SEC yield more closely reflects the current earnings of the Fund than the total returns.**

**Bond Risk:** Bond funds will tend to experience smaller fluctuations in value than stock funds. However, investors in any bond fund should anticipate fluctuations in price, especially for long-term issues and in environments of rising interest rates.

**Non-Diversified Risk:** The Fund invests in a smaller number of stocks than the average mutual fund. The change in value of a single holding may have a more pronounced effect on the Fund's net asset value and performance than for other funds.

**Tax-Free/AMT Risk:** Tax-exempt funds' income may be subject to certain state and local taxes and, depending on your tax status, the federal alternative minimum tax.

**Regional Investment Risk:** The geographical concentration of portfolio holdings in this Fund may involve increased risk.

<sup>1</sup> The Net Expense Ratio, as reported in the most recent prospectus, includes contractual expense reimbursements that, if not extended, will end on July 31, 2011.

<sup>2</sup> Tax-equivalent yields are based on an assumed tax rate of 38.0% for Arizona.

Please see back page for calendar year returns and index definitions.

\*Past performance is no guarantee of future results. Ratings reflect fee waivers in effect; in their absence, ratings may have been lower.

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. The Arizona Tax-Exempt Fund received 5 stars for the 3-year rating among 308 municipal single state long funds, 4 stars for the 5-year rating among 273 funds and 3 stars for the 10-year rating among 268 funds.

©2010 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.



Managed by  
Northern Trust

NOT FDIC INSURED

May lose value/No bank guarantee

## MATURITY DISTRIBUTION

MATURITY RANGE	FUND
2 - 5 YEARS	7.3 %
6 - 10 YEARS	26.4 %
11 - 20 YEARS	59.7 %
21 - 30 YEARS	6.6 %
TOTAL	100.0 %

## QUALITY DISTRIBUTION

QUALITY RATING	FUND	BENCHMARK <sup>3</sup>
AAA	38.3 %	17.5 %
AA	46.5 %	56.7 %
A	9.5 %	19.8 %
BBB	3.1 %	6.0 %
NOT RATED	2.6 %	0.0 %
TOTAL	100.0 %	100.0 %

## SECTOR WEIGHTINGS

ECONOMIC SECTOR	FUND	BENCHMARK <sup>3</sup>
REVENUE	52.4 %	75.8 %
GENERAL OBLIGATION	26.7 %	9.6 %
INSURED	17.0 %	9.3 %
GOVERNMENT BACKED	3.9 %	5.3 %
TOTAL	100.0 %	100.0 %

All data is as of date indicated and subject to change.

## PORTFOLIO MANAGER



ERIC V. BOECKMANN | Began career in 1985  
With Northern Trust since 1985

Mr. Boeckmann received a B.S. in finance from the University of Illinois.

## CALENDAR YEAR RETURNS

	2009	2008	2007	2006	2005
FUND	11.37%	-1.42%	3.36%	3.70%	2.05%
BARCLAYS CAPITAL AZ MUNI BOND INDEX <sup>3</sup>	13.12%	-1.72%	3.63%	4.68%	3.03%
MORNINGSTAR CATEGORY AVG MUNI SINGLE STATE LONG	19.10%	-10.07%	1.65%	4.41%	2.96%

Performance quoted represents past performance and does not guarantee future results.

## A Conservative Investment Approach

Northern Trust has built a tradition of strength and stability in investment management. Markets fluctuate over time, but we have remained steadfast in our disciplined, risk-managed investment philosophy.

<sup>3</sup> **Barclays Capital Arizona Municipal Bond Index** is an unmanaged index of investment grade (Baa3 or better) tax-exempt Arizona bonds with a remaining maturity of at least one year. It is not possible to invest directly in an index.

**Modified Duration:** Duration is a measure of a bond fund's sensitivity to changes in interest rates. The Fund's duration is calculated using the modified duration formula.

**Quality Distribution:** Credit quality ratings reported for the fund primarily originate from data compiled by InvestorTools within their Perform system. They are based on converting the available Moody's, Standard & Poor's, and/or Fitch ratings to a common numerical basis and averaging that result. If none of these three rating agencies has assigned a rating the Fund will assign a rating of NR (non-rated security). The ratings, expressed in Standard & Poor's nomenclature, range from AAA (extremely strong capacity to meet its financial commitment) to D (in default). The ratings represent the rating agencies' opinions of the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality.

*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.*



Managed by  
Northern Trust