

TAX-EXEMPT FUND

OVERALL MORNINGSTAR RATING™



among 251 municipal national long funds derived from a weighted average of the fund's 3-, 5- and 10-year risk-adjusted returns as of 3/31/10*

FUND FACTS

Fund Objective: Current Tax-Exempt Income

Inception Date: April 1, 1994

Ticker Symbol: NOTEX

Cusip: 665162863

Gross Expense Ratio: 0.85%

Net Expense Ratio: 0.75%¹

Dividend Schedule: Monthly

Benchmark: Barclays Capital Municipal Bond Index

Morningstar Category: Municipal National Long

FUND CHARACTERISTICS

Total Net Assets: \$1.1 billion

Number of Holdings: 208

30-Day SEC Yield: 3.54%

Tax-Equivalent 30-Day SEC Yield: 5.44%²

Modified Duration: 6.1 years

Average Maturity: 17.2 years

FUND STRATEGY

- Maintain a dollar-weighted average maturity range, under normal circumstances, between 10 and 30 years. This segment of the municipal market, while potentially more volatile, also may provide higher yields than shorter-term securities.
- 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 3/31/10

FUND	ANNUALIZED						
	QUARTER	YTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION
FUND	0.92%	0.92%	9.38%	4.43%	4.33%	5.39%	5.37%
BARCLAYS CAPITAL MUNI BOND INDEX ³	1.25%	1.25%	9.69%	4.56%	4.58%	5.58%	5.85%
MORNINGSTAR CATEGORY AVG MUNI NAT'L LONG	1.48%	1.48%	12.82%	2.66%	3.31%	4.54%	—

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.

Performance calculations reflect voluntary fee waivers in effect. In the absence of fee waivers, total return, growth since inception and dividends would have been reduced. The 30-Day SEC yield would have been 3.44%. Total return is based on net change in NAV assuming reinvestment of distributions.

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 longer-term issues and in environments of rising interest rates.

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.

¹ The Net Expense Ratio includes voluntary expense reimbursements by Northern Funds' investment advisers that may change or end at any time.

² Tax-equivalent yields are based on an assumed tax rate of 35.0% for national municipal funds.

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 Tax-Exempt Fund received 4 stars for the 3-year rating among 251 municipal national long funds, 4 stars for the 5-year rating among 228 funds and 4 stars for the 10-year rating among 200 funds.

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NOT FDIC INSURED | May lose value/No bank guarantee



Managed by
Northern Trust

MATURITY DISTRIBUTION

MATURITY RANGE	FUND
0 - 1 YEAR	12.0%
2 - 5 YEARS	3.6%
6 - 10 YEARS	10.9%
11 - 20 YEARS	25.2%
21 - 30 YEARS	45.7%
31+ YEARS	2.6%
TOTAL	100.0%

QUALITY DISTRIBUTION

QUALITY RATING	FUND	BENCHMARK ³
AAA	36.2%	12.2%
AA	35.3%	51.7%
A	16.1%	22.8%
BBB	1.3%	13.3%
SP1/MIG1	6.0%	0.0%
NOT RATED	0.7%	0.0%
SHORT-TERM	4.4%	0.0%
TOTAL	100.0%	100.0%

SECTOR WEIGHTINGS

ECONOMIC SECTOR	FUND	BENCHMARK ³
REVENUE	49.7%	54.1%
GENERAL OBLIGATION	26.9%	24.1%
INSURED	14.0%	11.9%
GOVERNMENT BACKED	5.0%	9.9%
SHORT-TERM	4.4%	0.0%
TOTAL	100.0%	100.0%

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

PORTFOLIO MANAGER



TIMOTHY T.A. MCGREGOR | Began career in 1985
With Northern Trust since 1989

Mr. McGregor received a B.S. in economics with a minor in East Asian studies from Indiana University. He is a CFA charterholder.

CALENDAR YEAR RETURNS

	2009	2008	2007	2006	2005
FUND	12.36%	-1.79%	2.97%	4.21%	3.15%
BARCLAYS CAPITAL MUNI BOND INDEX ³	12.91%	-2.47%	3.36%	4.84%	3.51%
MORNINGSTAR CATEGORY AVG MUNI NAT'L LONG	17.30%	-9.45%	1.27%	4.57%	3.10%

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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.

³ **Barclays Capital Municipal Bond Index** is an unmanaged index of investment grade (Baa3 or better) tax-exempt 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 ratings are issued by Standard & Poor's rating services and reflect the agency's assessment of the risk of a bond based on the issuer's capacity to meet its financial commitment on the bond. The ratings range from AAA (extremely strong capacity to meet its financial commitment) to D (in default).

Please carefully read the prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call 800-595-9111 to obtain a prospectus, which contains this and other information about the funds.