



among 250 municipal national long funds derived from a weighted average of the fund's 3-, 5- and 10-year risk-adjusted returns as of 12/31/08\*

# NORTHERN TAX-EXEMPT FUND

## PORTFOLIO MANAGER



TIMOTHY T.A.  
MCGREGOR  
With Northern Trust  
since 1989

Timothy T.A. McGregor, Senior Vice President of Northern Trust, manages the Northern Intermediate Tax-Exempt Fund and the Northern Tax-Exempt Fund.

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

## INVESTOR PROFILE

For investors who want current income that is exempt from regular federal income tax. It is well suited for income-oriented investors in higher tax brackets who are willing to accept some greater risk of principal in exchange for higher yield potential.

## FUND OBJECTIVE

The Fund seeks to provide investors with a high level of current income exempt from regular federal income tax by investing in municipal instruments.\*

## FUND STRATEGY

- Maintain a dollar-weighted average maturity range between 10 and 30 years. This segment of the municipal market, while potentially more volatile, generally provides higher yields than shorter-term securities.
- Manage the Fund in a disciplined manner that seeks to capitalize on valuation inefficiencies in the marketplace.
- Select investments on the basis of their value relative to expected returns and assumed risks, taking into account general economic and market conditions.

\* Income from the Fund may be subject to the federal alternative minimum tax (AMT), state and local taxes.

\*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 5 stars for the 3-, 5- and 10-year periods. For the 3-year period, the number of funds in the category is the same as the overall ratings. For the 5- and 10-year period, the number of funds in the rating category was as follows, respectively: municipal national long = 241 and 206.

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NOT FDIC INSURED

May lose value/No bank guarantee



Managed by  
**Northern Trust**

## FUND STATISTICS

INCEPTION DATE: April 1, 1994  
 TOTAL NET ASSETS: \$833 million  
 NET ASSET VALUE: \$9.77  
 TICKER SYMBOL: NOTEX  
 NUMBER OF HOLDINGS: 186  
 DIVIDEND SCHEDULE: Monthly  
 GROSS EXPENSE RATIO: 0.85%  
 NET EXPENSE RATIO: 0.75%  
 AVERAGE DURATION: 8.9 years  
 AVERAGE MATURITY: 14.6 years

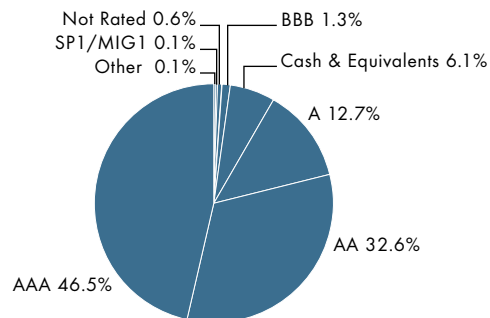
## MORNINGSTAR CATEGORY

MUNICIPAL NATIONAL LONG

## NORTHERN TAX-EXEMPT FUND

PROFILE AS OF DECEMBER 31, 2008

### CREDIT QUALITY\* DISTRIBUTIONS



### SECTOR WEIGHTINGS

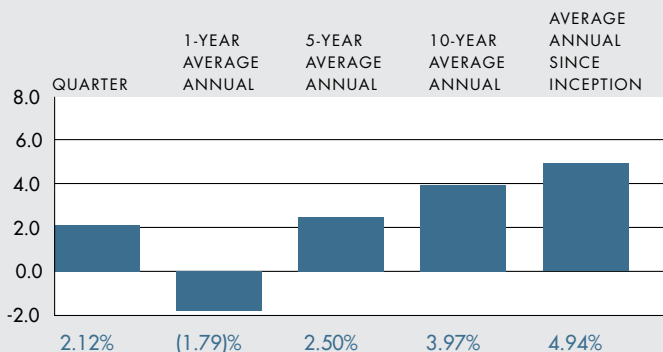
Economic Sector	% of Net Assets
INSURED	35.6
REVENUE	30.0
GENERAL OBLIGATION	14.4
GOVERNMENT BACKED	13.9
SHORT-TERM	6.1
<b>TOTAL</b>	<b>100.0%</b>

\*Quality ratings, such as AAA, refer to the credit risk of individual securities and not to the Fund.

## PERFORMANCE

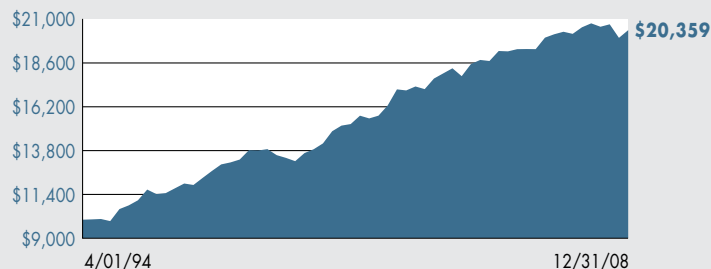
### TOTAL RETURN PERFORMANCE

AS OF DECEMBER 31, 2008



### GROWTH OF A \$10,000 INVESTMENT

SINCE INCEPTION



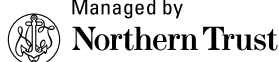
The Net Expense Ratio includes voluntary expense reimbursements by Northern Funds' investment advisers that may change or end at any time. Performance quoted represents past performance and does not guarantee future results. Investment return and principal value will fluctuate so that shares, when redeemed, 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 at [northernfunds.com](http://northernfunds.com).

Performance calculations reflect fee waivers in effect. In the absence of fee waivers, total return, growth since inception and dividends would have been reduced. Total return is based on net change in NAV assuming reinvestment of distributions.

**TAKE THE NEXT STEP** in diversifying your investments. Call today to learn more about how the Northern Tax-Exempt 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.

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