

>> **INVESTING // FUNDS**

**LONG-TERM MUNICIPAL BOND FUNDS** Ranked by one-year returns

Rank/Name	Symbol	Total return through March 6 <sup>2</sup>			30-day yield <sup>3</sup>	Exp. ratio	Max. sales charge	Toll-free number
		1 yr.	3 yrs.	5 yrs.				
1. First Investors Tax-Exempt II A	EITX	5.1%	3.1%	3.0%	3.3%	0.99%	5.75%	800-423-4026
2. Madison Mosaic Tax-Free National	GTFHX	4.4	3.3	2.2	3.4	1.06	none	800-336-3063
3. RS Tax-Exempt A	GUTEX	3.7	2.8	2.9	3.9	0.85	3.75	800-766-3863
4. SunAmerica Tax-Exempt Insured A	STEAX	3.3	2.7	2.3	3.1	1.32	4.75	800-858-8850
5. First Investors Tax-Exempt A	FITAX	2.7	2.8	2.1	3.1	1.04	5.75	800-423-4026
6. Northern Tax-Exempt	NOTEX	2.3	2.7	2.6	3.7	0.75	none	800-595-9111
7. American Century LT Tax-Free A	MMBAX	2.1	2.2	2.1	3.0	0.74	4.50	800-345-2021
8. Thrivent Municipal Bond A	AAMBX	1.4	2.5	2.5	4.5	0.78	3.60	800-847-4836
9. Fidelity Tax-Free Bond	FTABX	1.3	2.6	2.7	4.3	0.18	0.50 <sup>r</sup>	800-544-6666
10. Aim Municipal Bond A	AMBDX	0.7	2.1	2.4	3.1	0.84	4.75	800-246-5463
CATEGORY AVERAGE		-3.8%	-0.2%	0.9%				

**20 LARGEST STOCK FUNDS** Ranked by size

Rank/Name	Symbol	Assets <sup>1</sup> (in billions)	Total return through March 6 <sup>2</sup>			Max. sales charge
			1 yr.	3 yrs.	5 yrs.	
1. American Gro Fund of America A <sup>@</sup>	AGTHX	\$103.6	-44.5%	-15.0%	-5.4%	5.75%
2. Vanguard Total Stck Mkt Idx Inv <sup>@</sup>	VTSMX	69.7	-46.2	-17.3	-7.9	none
3. American Cptl Inc Builder A <sup>@</sup>	CAIBX	62.9	-35.6	-8.2	-1.0	5.75
4. Vanguard 500 Index Inv <sup>@</sup>	VFINX	61.4	-46.2	-17.2	-8.3	none
5. American EuroPacific Gro A <sup>@</sup>	AEPGX	60.1	-46.8	-12.5	-1.0	5.75
6. American Cptl Wrld Gro & Inc A <sup>@</sup>	CWGIX	54.3	-46.8	-12.4	-2.0	5.75
7. American Inc Fund of America A <sup>@</sup>	AMECX	48.8	-35.2	-10.3	-3.4	5.75
8. American Invstmt Co of America A <sup>@</sup>	AIVSX	44.1	-41.9	-14.4	-6.1	5.75
9. Fidelity Contrafund <sup>@</sup>	FCNTX	42.4	-40.8	-11.9	-2.1	none
10. American Washington Mtl Inv A <sup>@</sup>	AWSHX	38.5	-44.6	-15.9	-7.7	5.75
11. American Balanced A <sup>@</sup>	ABALX	36.8	-33.8	-10.1	-4.5	5.75
12. Vanguard Wellington Inv <sup>@</sup>	VWELX	33.7	-30.9	-7.1	-1.3	none
13. Franklin Income A <sup>@</sup>	FKINX	33.2	-37.3	-10.4	-3.7	4.25
14. American Fundamental Inv A <sup>@</sup>	ANCFX	29.1	-47.1	-14.3	-4.2	5.75
15. American New Perspective A <sup>@</sup>	ANWPX	28.8	-45.2	-12.0	-3.1	5.75
16. Dodge & Cox Stock	DODGX	25.3	-53.8	-22.2	-9.9	none
17. Fidelity Diversified Intl <sup>**</sup>	FDIVX	23.4	-52.9	-17.0	-4.5	1.00 <sup>r</sup>
18. Vanguard Windsor II Inv <sup>@</sup>	VWNFX	23.2	-47.4	-17.9	-7.6	none
19. Davis New York Venture A <sup>@</sup>	NYVTX	22.1	-51.0	-19.3	-9.1	4.75
20. BlackRock Global Allocation A <sup>@</sup>	MDLOX	22.0	-29.8	-3.5	2.6	5.25 <sup>r</sup>
S&P 500 WITH DIVIDENDS			-46.2%	-17.1%	-8.2%	
MSCI EAFE			-52.8%	-17.0%	-4.6%	

<sup>1</sup>Annualized for three and five years. <sup>2</sup>For all share classes combined. <sup>3</sup>Rankings exclude share classes of this fund with different fee structures or higher minimum initial investments. <sup>4</sup>\*\*Closed to new investors. <sup>5</sup>Maximum redemption fee. <sup>6</sup>As of February 27. EAFE is MSCI's Europe, Australasia, Far East index. SOURCE: © 2009 Morningstar Inc.

**EXPLANATION OF TERMS**

**Total return** assumes reinvestment of all dividends and capital gains; three- and five-year returns are annualized. Returns reflect ongoing expenses but not sales charges.

**Maximum sales charge** A figure without a footnote means the commission is deducted from the money you send to the fund. A figure with an *r* is the maximum redemption fee charged when you sell shares. Funds that charge both sales and redemption fees are footnoted with an *s* next to the front-end load.

**Expense ratio** is the percentage of assets claimed annually for operating a fund.

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## Riding the Muni Bond Revival

Northern Tax-Exempt fund benefits from its preference for high-quality debt.

**AFTER MONTHS OF VOLATILITY, THINGS** are slowly returning to normal in the municipal-bond market. But they're not quite there yet. Muni prices rallied 10% from mid December through March 6, and the amount by which yields of medium-maturity munis exceed those of Treasuries narrowed from more than two percentage points to one. Still, that munis out-yield Treasuries at all is bizarre, given that muni interest is free of federal income tax and Treasury interest isn't.

Timothy McGregor, manager of Northern Tax-Exempt, says there's good reason to think the worst is over. One major sign: Massive selling on the part of hedge funds appears to be finished. He also thinks that Americans' newfound penchant for saving will bolster demand for the bonds. So could President Obama's proposal to hike the top marginal tax rate to 39.6%, from 35%. Higher tax rates make the income from munis more valuable.

McGregor's fund has held up well because of its bias toward higher-quality bonds. At last report, 80% of its assets were stashed in bonds rated triple-A and double-A. McGregor says focusing on issuers' inherent creditworthiness, rather than on credit ratings, has also helped performance. Ratings agencies downgraded thousands of municipal bonds in 2008 after two of the largest muni insurers, Ambac and MBIA, were downgraded themselves. The Northern fund yields 3.7%, which is equivalent to a pretax yield of 5.7% for investors in the 35% tax bracket. **ELIZABETH ODY**

# NORTHERN TAX-EXEMPT FUND

Inception 4/1/1994

AVERAGE ANNUAL TOTAL RETURNS AS OF 1/31/2010				30-DAY SEC YIELD	ANNUAL EXPENSE RATIOS	
1-Year	5-Year	10-Year	Since Inception	As of 1/31/2010	Gross	Net
12.36%	4.08%	5.64%	5.39%	3.86%	0.85%	0.75%

**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 3.38%. Total return is based on net change in NAV assuming reinvestment of distributions.**

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

**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.

This reprint is not intended as a recommendation to buy, hold or sell securities issued by the companies mentioned in the article. The Fund's portfolio composition may change at any time.

**You should consider the Fund's investment objectives, risks, charges and expenses carefully before investing. You may obtain a prospectus with this and other information about the Fund by visiting [northernfunds.com](http://northernfunds.com) or by calling 800-595-9111. You should read the prospectus carefully before investing.**

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