

IDAHO TAX-EXEMPT FUND



ANNUAL REPORT NOVEMBER 30, 2009

This report is issued for the information of the shareowners of the Idaho Tax-Exempt Fund. It is not authorized for distribution to prospective investors unless it is accompanied or preceded by an effective prospectus relating to the securities of the Fund, a series of Saturna Investment Trust.

Performance Summary:

Average Annual Returns (for calendar years ending December 31, 2009)

	1 Year	3 Years	5 Years	10 Years	Expense Ratio ¹
Idaho Tax-Exempt Fund	10.03%	4.18%	3.60%	4.73%	0.77%
S&P Idaho Municipal Bond Index	18.77%	4.12%	4.48%	6.16%	N/A

Performance data quoted in this report represents past performance, is before any taxes payable by shareowners, and is no guarantee of future performance. Current performance may be higher or lower than that stated herein. Performance current to the most recent month-end is available by calling toll-free (800) SATURNA or visiting www.idahotaxexemptfund.com. Total returns are historical and include change in share value, and reinvestment of dividends and capital gains, if any, and do not include the potential deduction of 2% redemption fee on shares held less than 90 calendar days. Share price, yield, and return will vary and you may have a gain or loss when you sell your shares.

¹By regulation, the expense ratio shown in this table is as of the Fund's most recent prospectus which is dated March 27, 2009, incorporates results for the fiscal year ending November 30, 2008, and differs from expense ratios shown elsewhere in this report as they represent different fiscal periods.

Please consider an investment's objectives, risks, charges and expenses carefully before investing. To obtain the Fund's prospectus that contains this and other important information please visit www.idahotaxexemptfund.com or call toll free 1-800/SATURNA. Please read the prospectus carefully before investing.



Fellow Shareowners:

For the six months ending November 30, 2009, Idaho Tax-Exempt Fund returned 2.67%. And for the twelve months ended November 30, the Fund returned 13.46%. As of November 30, 2009, the NAV was \$5.43.

Since November 28, 2008, the Fund's outstanding shares increased 12.8% to 2.69 million, a record high. Net assets rose 24% to \$14.6 million. The net annualized expense ratio was 0.84% for the year.

The decline of the U.S. and global economies have created significant challenges for Idaho though not of the same magnitude experienced in many other states. While Idaho's unemployment rate stands at 9.1% — a 26 year high — economic conditions are better than in many other states.

Governor Otter says, "Idaho has the equivalent of the top AAA credit rating. This kind of governmental stability and fiscal responsibility is important to companies and our citizens. There will be no IOUs issued here." While Idaho budgets may remain under pressure, the state has the financial and political reserves to balance future budgets without federal bailouts or gimmicks.

Looking ahead, the withdrawal of federal stimulus spending will raise concern over the economic recovery, inflationary pressures and the resulting higher interest rates. It is in just such potentially bearish environments that the Idaho Fund has proven its value to bond investors time and time again. Municipal bond prices in general and Idaho

bond prices in particular recovered their 2008 losses in 2009. For long-term investors, Idaho bonds remain attractive on a risk adjusted total return basis.

For those seeking a conservative investment vehicle, the Idaho Tax-Exempt Fund offers a diversified portfolio of high-grade, 100% Idaho issues that provide income exempt from federal income and alternative minimum taxes as well as Idaho state income tax.

We invite you to review the advantages of the Idaho Tax-Exempt Fund, including income free from Idaho and federal income taxes, a high-quality diversified bond portfolio, and daily supervision by professional managers. We welcome your suggestions. Only with your help can we be certain that we are meeting our primary objective — fulfilling your investment needs.

Respectfully,



Nicholas Kaiser,
President



Phelps McIlvaine,
Vice President, Portfolio Manager

January 10, 2010

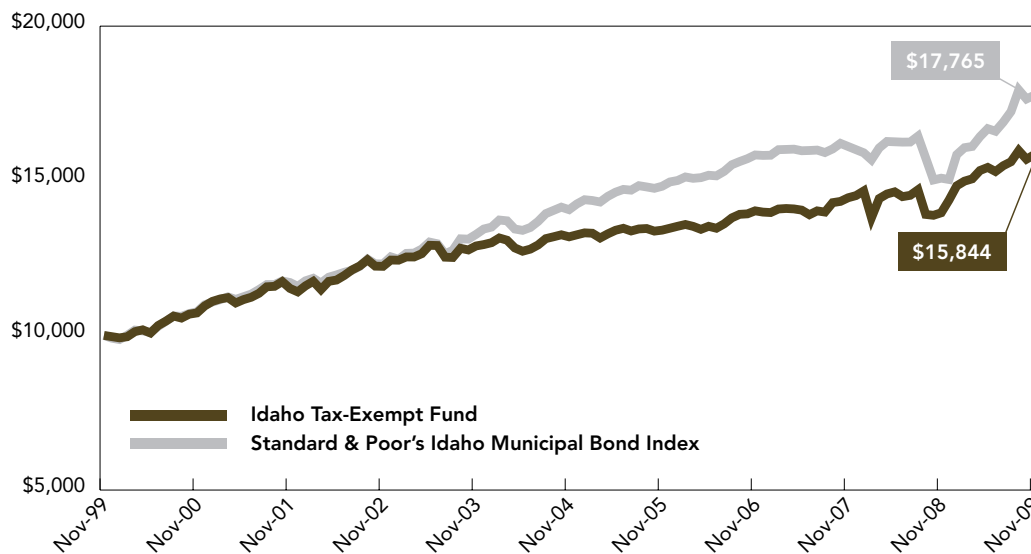
Performance Summary

(unaudited)

Average Annual Returns (as of November 30, 2009)

	1 Year	5 Years	10 Years	Expense Ratio ¹
Idaho Tax-Exempt Fund	13.46%	3.74%	4.71%	0.77%
S&P Idaho Municipal Bond Index	17.77%	4.56%	6.05%	N/A

Growth of \$10,000



Comparison of any mutual fund to a market index must be made bearing in mind that the Index is unmanaged, and expense-free. Conversely, the fund will (1) be actively managed, (2) have an objective other than mirroring the index, such as limiting risk, (3) bear transaction and other costs, (4) stand ready to buy and sell its securities to shareowners on a daily basis, and (5) provide a wide range of services. The graph compares \$10,000 invested in the Fund on November 30, 1999 to an identical amount invested in the Standard & Poor's Idaho Municipal Bond Index, which reflects the types of securities in which the Fund invests. The graph shows that an investment in the Fund would have risen to \$15,844 versus \$17,765 in the S&P Idaho Municipal Bond Index.

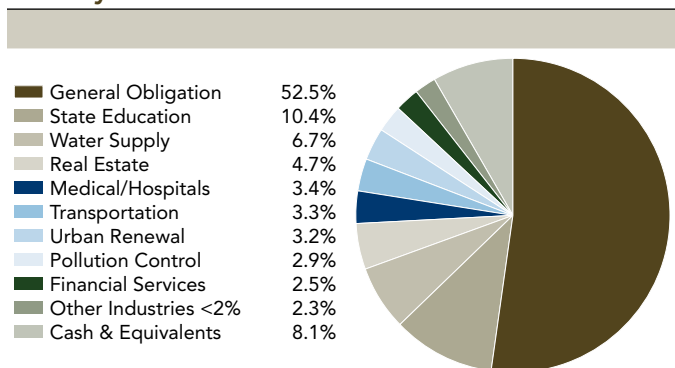
Past performance does not guarantee future results. The "Growth of \$10,000" graph and "Average Annual Returns" performance table assume the reinvestment of dividends and capital gains. They do not reflect the deduction of taxes that a shareowner might pay on fund distributions or the redemption of fund shares, nor do they reflect the potential deduction of a 2% redemption fee on shares held less than 90 calendar days.

¹ By regulation, the expense ratio for the Fund shown in this table is as of the Fund's most recent prospectus which is dated March 27, 2009, incorporates results for the fiscal year ending November 30, 2008, and differs from expense ratios shown elsewhere in this report as they represent different fiscal periods.

Fund Objective

Idaho Tax-Exempt Fund seeks to provide income free from federal income, federal alternative minimum and Idaho state income taxes, with a secondary objective of capital preservation.

Industry Allocation



Top Ten Holdings

	% of Fund Assets
Ada & Canyon Cos. JSD #3 Kuna 5.00% due 9/15/2019	3.8%
Madison County SCD #321 Rexburg 4.50% due 8/15/2024	2.9%
Bingham County SCD #52 Snake HS 4.00% due 9/1/2027	2.8%
Boise State University Revenue 5.00% due 4/1/2034	2.7%
Owyhee & Elmore Cos. JSD #365 Grand View 4.00% due 8/15/2027	2.6%
Bonneville & Bingham Cos. JSD #93 4.50% due 9/15/2017	2.6%
Pocatello ID Water Revenue 4.75% due 2/1/2026	2.5%
Canyon County SCD #139 4.35% due 9/15/2025	2.4%
Canyon County SCD #131 Nampa 4.75% due 8/15/2019	2.4%
Bingham County SCD #55 Blackfoot 4.65% due 8/1/2017	2.1%

Discussion of Fund Performance

(unaudited)

For the year ending November 30, 2009, the Idaho Tax-Exempt Fund returned to shareholders 13.46%, the highest fiscal-year return since 1995. For the last five years, the Fund has provided a 3.74% annualized return. Reflecting the volatility of the national municipal bond market, the Fund's net asset value (share price) moved an uncommon 14.31% from low to high (\$4.82 to \$5.51 per share).

Factors Affecting Past Performance

One year ago, the loss of municipal bond insurance, the withdrawal of many municipal bond credit ratings, and the rapid deterioration of States' finances left the municipal bond market in disarray. In 2009, a surge in investor demand for high-grade fixed income securities reversed Idaho's 2008 bond price declines.

The Federal Reserve's easing policies lowered interest rates while augmenting American Recovery Act funding — funding designed to help States balance record budget deficits. Despite this, Idaho still experienced significant declines in corporate, personal, and sales tax revenue. Unemployment climbed to 9.1%. When American Recovery Act funding ends in 2010, those dependent on Idaho for services and funding can expect service cuts, higher fees and higher taxes.

The number and diversity of new Idaho municipal issues was historically low and remains a concern. The Fund continued to review the creditworthiness of its bonds, and some credit ratings were withdrawn.

Looking Forward

Adversity reveals character. So far, Idaho deserves high marks for fiscal management and budget discipline. The swift reactions of Idaho's Governor and the legislature stand in stark contrast to events in California and New

Jersey. Unfortunately, Idaho's struggle is far from over. The Governor's office is projecting a \$562 million deficit for 2010 after addressing a \$452 million deficit in 2009.

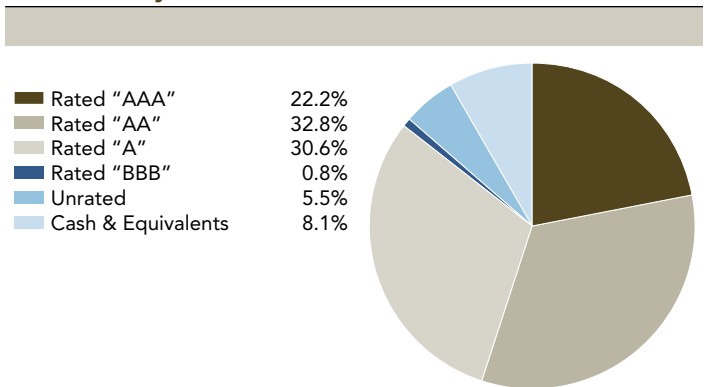
U.S. inflation is a future concern. However, global deflationary pressures may mute the overall impact on nominal U.S. rates. The world can still save more than the U.S. can spend. New regulations on credit default swaps, the unwinding of the TARP program and emerging global economic growth will help dispel some of the uncertainty in asset prices. Higher federal income tax rates will make municipal bonds more attractive to conservative investors.

U.S. Treasury yields are low and corporate and government-sponsored entity spreads have returned to more normal levels. Relatively high 15 to 25-year yields continue to attract the Fund's attention. We will maintain or extend duration throughout the year as opportunities arise.

An economic recovery and the subsequent withdrawal of the fiscal and monetary stimulus are key to our interest rate outlook. Stimulus policies depress U.S. interest rates and weaken the U.S. dollar. However, the steep yield curve partially discounts the impact of the withdrawal of these policies especially in long maturities. While post stimulus equilibrium rates will undoubtedly be higher, the transition to those higher rates may not lead to a persistent bear market in bond prices.

Above all else, management remains confident in the creditworthiness of the State of Idaho and our Idaho municipal issuers.

Bond Quality Diversification



Based on net assets as of 11/30/2009.

Source: Moody's Investors Services. When ratings are not available from Moody's, Standard and Poor's is used as a supplemental source.

Schedule of Investments

Issuer	Coupon/Maturity	Face Amount	Market Value	Percentage
Electric Power				
Idaho Falls Electric Revenue	6.75% due 4/1/2019	\$140,000	165,320	1.1%
Financial Services				
Boise City General Fund Revenue, Series A	5.20% due 12/1/2017	160,000	168,003	1.2%
Boise City General Fund Revenue, Series A	5.25% due 12/1/2018	100,000	104,661	0.7%
Idaho Bond Bank Authority ¹	4.00% due 9/15/2019	90,000	94,331	0.6%
		350,000	366,995	2.5%
General Obligation				
Ada & Canyon Cos. JSD #2 Meridian ¹	5.50% due 7/30/2015	50,000	59,514	0.4%
Ada & Canyon Cos. JSD #2 Meridian	5.00% due 8/15/2020	165,000	182,803	1.2%
Ada & Canyon Cos. JSD #2 Meridian	5.00% due 8/15/2021	155,000	170,526	1.2%
Ada & Canyon Cos. JSD #3 Kuna	5.00% due 9/15/2019	500,000	553,120	3.8%
Adams & Washington Cos. JSD #432	4.00% due 8/15/2019	100,000	107,315	0.7%
Bingham County SCD #52 Snake HS	4.00% due 9/1/2027	400,000	408,276	2.8%
Bingham County SCD #55 Blackfoot	4.65% due 8/1/2017	285,000	302,867	2.1%
Blaine County Idaho, Series A	4.05% due 8/1/2023	150,000	155,906	1.1%
Boise County SCD #73	5.15% due 7/31/2010	125,000	125,810	0.9%
Bonneville & Bingham Cos. JSD #93	4.50% due 9/15/2016	150,000	163,690	1.1%
Bonneville & Bingham Cos. JSD #93	4.50% due 9/15/2017	350,000	373,643	2.6%
Caldwell Idaho	5.30% due 5/15/2014	150,000	152,641	1.0%
Canyon County SCD #139	4.35% due 9/15/2025	350,000	358,453	2.4%
Canyon County SCD #131 Nampa	4.75% due 8/15/2019	325,000	350,798	2.4%
Canyon County SCD #131 Nampa	5.00% due 8/15/2023	105,000	111,066	0.8%
Canyon County SCD #134 Middleton	4.65% due 7/31/2016	170,000	180,683	1.2%
Fremont & Madison JSD #215 St. Anthony	4.00% due 8/15/2019	200,000	215,794	1.5%
Jefferson & Madison SCD #251 Rigby	4.25% due 9/1/2024	100,000	104,742	0.7%
Jerome, Lincoln, & Gooding Cos. JSD #261	3.75% due 9/15/2018	125,000	132,164	0.9%
Jerome, Lincoln, & Gooding Cos. JSD #261	5.00% due 9/15/2022	250,000	275,270	1.9%
Kootenai-Shoshone Area Library	4.25% due 8/1/2021	220,000	231,517	1.6%
Latah, Nez Perce, & Clearwater JSD #283	4.50% due 8/15/2027	190,000	200,919	1.4%
Lemhi County	4.20% due 8/1/2015	100,000	105,414	0.7%
Madison County SCD #321 Rexburg	4.50% due 8/15/2024	410,000	425,814	2.9%
Madison County SCD #321 Rexburg	4.50% due 8/15/2026	250,000	255,853	1.7%
Meridian Free Library District	5.00% due 8/1/2015	100,000	100,470	0.7%
Minidoka & Jerome Cos. JSD #331 ¹	4.50% due 8/15/2018	75,000	78,431	0.5%
Minidoka & Jerome Cos. JSD #331 ¹	4.50% due 8/15/2020	75,000	77,440	0.5%
Minidoka & Jerome Cos. JSD #331	4.375% due 8/15/2024	225,000	228,186	1.6%
Minidoka & Jerome Cos. JSD #331	4.50% due 8/15/2025	160,000	162,302	1.1%
Nampa Idaho, Series B	5.00% due 8/1/2020	200,000	211,590	1.5%
Owyhee & Canyon Cos. JSD #370 Homedale	4.55% due 8/15/2016	160,000	184,053	1.3%
Owyhee & Elmore Cos. JSD #365 Grand View	4.00% due 8/15/2027	350,000	373,950	2.6%
Payette County SCD #373	5.00% due 9/15/2024	100,000	108,983	0.7%
Valley & Adams Cos. JSD #421	4.50% due 8/1/2024	290,000	298,735	2.0%
Valley & Adams Cos. JSD #421	4.50% due 8/1/2022	135,000	140,268	1.0%
		7,245,000	7,669,006	52.5%
Medical/Hospitals				
Idaho Health Facility Authority Holy Cross Revenue	5.25% due 12/1/2014	110,000	110,603	0.8%
Idaho Health Facility Authority Holy Cross Revenue	5.00% due 12/1/2022	115,000	115,590	0.8%
Idaho Health Facility Authority Holy Cross Revenue ¹	5.00% due 12/1/2028	50,000	50,052	0.3%
Idaho Health Facility Authority Revenue	6.00% due 12/1/2023	200,000	220,744	1.5%
		475,000	496,989	3.4%

Continued on next page.

Schedule of Investments

Issuer	Coupon/Maturity	Face Amount	Market Value	Percentage
Municipal Leases				
Nez Perce County COP	4.50% due 2/1/2021	\$150,000	\$155,759	1.1%
Pollution Control				
Idaho Bond Bank Authority Revenue, Series A	4.30% due 9/1/2022	135,000	139,917	1.0%
Idaho Bond Bank Authority Revenue, Series A ¹	4.125% due 9/15/2023	75,000	77,255	0.5%
Moscow Idaho Sewer Revenue	4.45% due 5/1/2028	200,000	208,400	1.4%
		410,000	425,572	2.9%
Real Estate				
Idaho Housing & Finance Association	4.80% due 6/1/2017	100,000	109,859	0.7%
Idaho Housing & Finance Association ¹	5.00% due 7/15/2027	50,000	53,111	0.4%
Idaho Housing & Finance Association	5.65% due 7/2/2028	100,000	103,487	0.7%
Idaho State Building Authority Revenue	4.50% due 9/1/2023	110,000	112,890	0.8%
Post Falls LID SPA	5.00% due 5/1/2021	300,000	300,021	2.1%
		660,000	679,368	4.7%
Sewer				
Troy ID Sewer System ¹	8.00% due 2/1/2010	20,000	19,934	0.1%
State Education				
Boise State University Revenue	4.50% due 4/1/2027	250,000	256,740	1.8%
Boise State University Revenue	5.00% due 4/1/2034	385,000	401,297	2.7%
Idaho State University Revenue	4.90% due 4/1/2017	150,000	150,063	1.0%
Idaho State University Revenue, Series B	4.625% due 4/1/2024	220,000	228,026	1.6%
University of Idaho Revenue, Series A	5.00% due 4/1/2019	200,000	212,358	1.4%
University of Idaho Revenue, Series A	5.00% due 4/1/2020	260,000	274,778	1.9%
		1,465,000	1,523,262	10.4%
Transportation				
Idaho Housing & Finance Association	4.60% due 7/15/2023	250,000	260,092	1.8%
Idaho Housing & Finance Association	5.00% due 7/15/2024	200,000	216,348	1.5%
		450,000	476,440	3.3%
Urban Renewal				
Boise City Urban Renewal Agency Lease Revenue	5.00% due 8/15/2020	160,000	172,640	1.2%
Boise City Urban Renewal Agency Lease Revenue ¹	5.00% due 8/15/2021	90,000	96,307	0.6%
Jerome Urban Renewal District Revenue, Series A	5.40% due 9/1/2013	200,000	201,636	1.4%
		450,000	470,583	3.2%
Water Supply				
Blackfoot Idaho COP	5.80% due 9/1/2018	135,000	138,017	1.0%
Idaho Bond Bank Authority Revenue	4.00% due 9/15/2024	100,000	103,999	0.7%
Idaho Bond Bank Authority Revenue	5.00% due 9/15/2026	250,000	267,622	1.8%
Pocatello Idaho Water Revenue	4.50% due 2/1/2024	100,000	102,258	0.7%
Pocatello Idaho Water Revenue	4.75% due 2/1/2026	350,000	362,677	2.5%
		935,000	974,573	6.7%
Total investments	(Cost=\$12,955,197)	\$12,750,000	13,423,801	91.9%
Other assets (net of liabilities)			1,185,929	8.1%
Total net assets (100%)			\$14,609,730	100.0%

¹Fair valued. See page 11.

Statement of Assets and Liabilities

As of November 30, 2009

Statement of Assets and Liabilities	
Assets	
Investments in securities, at value (Cost \$12,955,197)	\$13,423,801
Cash	1,041,603
Interest receivable	172,311
Receivable for Fund shares sold	3,226
Insurance reserve premium	801
Total assets	<u>14,641,742</u>
Liabilities	
Accrued expenses	12,008
Payable for Fund shares redeemed	7,470
Distributions payable	6,305
Payable to affiliates	6,229
Total liabilities	<u>32,012</u>
Net assets	\$14,609,730
Analysis of net assets	
Paid-in capital (unlimited shares authorized, without par value)	\$14,138,769
Unrealized net appreciation on investments	468,604
Accumulated net realized gain	2,357
Net assets applicable to Fund shares outstanding	\$14,609,730
Fund shares outstanding	2,689,222
Net asset value, offering and redemption price per share	\$5.43

Statement of Operations

Year ended Nov. 30, 2009

Statement of Operations	
Investment income	
Interest income	\$537,921
Gross investment income	<u>537,921</u>
Expenses	
Investment adviser fees	66,927
Audit fees	18,052
Trustee fees	6,979
Printing and postage	6,039
Chief Compliance Officer expenses	4,599
Shareholder servicing	3,449
Other expenses	3,229
Legal fees	2,203
Filing and registration fees	1,035
Custodian fees	657
Total gross expenses	<u>113,169</u>
Less custodian fee credits	(657)
Net expenses	<u>112,512</u>
Net investment income	\$425,409
Net realized gain (loss) on investments	
Proceeds from sales	\$330,075
Less cost of securities sold (based on identified cost)	327,718
Net realized gain on investments	<u>2,357</u>
Net change in unrealized appreciation (depreciation) on investments	
End of year	468,604
Beginning of year	(724,457)
Net increase in unrealized appreciation	<u>1,193,061</u>
Net gain on investments	1,195,418
Net increase in net assets resulting from operations	\$1,620,827

Statements of Changes of Net Assets

Year ended Nov. 30, 2009

Year ended Nov. 30, 2008

Increase (decrease) in net assets from operations:		
From operations		
Net investment income	\$425,409	\$398,972
Net realized gain (loss) on investments	2,357	9,474
Net increase (decrease) in unrealized appreciation	1,193,061	(851,475)
Net increase (decrease) in net assets	1,620,827	(443,029)
Distributions to shareholders from		
Net investment income	(425,608)	(398,972)
Capital gains distributions	-	(9,502)
Total distributions	(425,608)	(408,474)
Capital share transactions		
Proceeds from sales of shares	2,029,029	3,900,608
Value of shares issued in reinvestment of dividends	342,847	331,494
Early redemption fees retained	29	12
Cost of shares redeemed	(731,127)	(1,622,662)
Net increase in net assets	1,640,778	2,609,452
Total increase (decrease) in net assets	2,835,997	1,757,949
Net assets		
Beginning of year	11,773,733	10,015,784
End of year	\$14,609,730	\$11,773,733
Undistributed net investment income	\$0	\$0
Shares of the Fund sold and redeemed		
Number of shares sold	381,950	754,461
Number of shares issued in reinvestment of dividends	64,398	64,517
Number of shares redeemed	(140,092)	(325,141)
Net increase in number of shares outstanding	306,256	493,837

Financial Highlights

For Year Ended November 30,

Selected data per share of outstanding capital stock throughout each year:

	2009	2008	2007	2006	2005
Net asset value at beginning of year	\$4.94	\$5.30	\$5.32	\$5.27	\$5.39
Income from investment operations					
Net investment income	\$0.17	\$0.18	0.18	0.18	0.19
Net gains (losses) on securities (both realized and unrealized)	0.49	(0.36)	(0.02)	0.06	(0.10)
Total from investment operations	0.66	(0.18)	0.16	0.24	0.09
Less distributions					
Dividends (from net investment income)	(0.17)	(0.18)	(0.18)	(0.18)	(0.19)
Distributions (from capital gains)	-	-	-	(0.01)	(0.02)
Total distributions	(0.17)	(0.18)	(0.18)	(0.19)	(0.21)
Paid-in capital from early redemption fees ¹	0.00 ²	0.00 ²	0.00 ²	0.00 ²	0.00 ²
Net asset value at end of year	\$5.43	\$4.94	\$5.30	\$5.32	\$5.27
Total return	13.46%	(3.36)%	3.02%	4.66%	1.66%
Ratios / supplemental data					
Net assets (\$000), end of year	\$14,610	\$11,774	\$10,016	\$8,783	\$8,531
Ratio of expenses to average net assets					
Before custodian credits	0.85%	0.77%	0.89%	0.87%	0.91%
After custodian credits	0.84%	0.76%	0.87%	0.83%	0.88%
Ratio of net investment income after custodian credits to average net assets	3.19%	3.51%	3.35%	3.40%	3.58%
Portfolio turnover rate	3%	7%	6%	24%	21%

¹Early redemption fee adopted March 29, 2005

²Amount is less than \$0.01

Expenses

(unaudited)

All mutual funds have operating expenses. As an Idaho Tax-Exempt Fund shareowner, you incur ongoing costs, including management fees and other fund expenses such as shareowner reports (like this one). Operating expenses, which are deducted from a fund's gross earnings, directly reduce the investment return of a fund. All mutual funds (unlike some other financial investments) only report their results after deduction of operating expenses.

With the Idaho Tax-Exempt Fund, unlike many mutual funds, you do not incur sales charges (loads) on purchase payments, reinvested dividends, or other distributions. You do not incur redemption fees, exchange fees, or fees related to Saturna Individual Retirement Accounts. However, to discourage speculation, you may incur a 2% fee for redemption of shares held less than 90 calendar days. You may incur fees related to extra services requested by you for your account, such as a checkbook to use for redemptions or bank wires. The examples below are intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

Example

The following example is based on an investment of \$1,000 invested at the beginning of the semi-annual period and held for six months (June 1, 2009 to November 30, 2009).

Actual Expenses

The first line provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you have invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, a \$8,600 account

value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this fiscal year. The Fund also charges the following fees for extra services rendered on request, which you may need to add to determine your total expenses: \$10 per checkbook, \$25 per domestic bank wire, \$35 per international bank wire, or overnight courier delivery charges.

Hypothetical Example for Comparison Purposes

The second line provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio (based on the last six months) and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the year. You may use this information to compare the ongoing costs of investing in the Fund and other mutual funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareowner reports of other mutual funds. You may wish to add other fees that are not included in the expenses shown in the table, such as charges for extra services like check writing and bank wires.

Please note that the expenses shown are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads), redemption fees, or exchange fees. Therefore, the second line is useful in comparing ongoing costs only, and may not help you determine the relative total costs of owning different funds.

	Beginning Account Value [June 1, 2009]	Ending Account Value [November 30, 2009]	Expenses Paid During Period ¹
Actual	\$1,000.00	\$1,026.70	\$4.60
Hypothetical (5% annual return before expenses)	\$1,000.00	\$1,020.53	\$4.59

¹ Expenses are equal to Idaho Tax-Exempt Bond Fund's annualized expense ratio of 0.91% (based on the most recent semi-annual period of June 1, 2009 through November 30, 2009, multiplied by the average account value of \$1,013.35 over the period multiplied by 183/365 (to reflect the one-half year period).

Notes To Financial Statements

Note 1 — Organization

Saturna Investment Trust (the "Trust") was established under Washington State Law as a Business Trust on February 20, 1987. The Trust is registered as a no-load, open-end series investment company under the Investment Company Act of 1940, as amended. Five portfolios have been created to date in addition to Idaho Tax-Exempt Fund (the "Fund"). The other five portfolios distribute through a separate prospectus and the results of those funds are contained in a separate report.

The Idaho Tax-Exempt Fund was first authorized to sell shares of beneficial interest on September 4, 1987. The investment objective of the Fund is to provide income free from federal income, federal alternative minimum and Idaho state income taxes, with a secondary objective of capital preservation.

Note 2 — Significant Accounting Policies

The following is a summary of the significant accounting policies followed by the Fund.

Security valuation:

Debt securities are valued using bid-side valuations provided by an independent service. The service determines valuations using a matrix. This technique considers such factors as yields or prices of bonds of comparable quality, type of issue, coupon maturity, ratings, trading activity and general market conditions. In the absence of a valuation from an independent service, securities are valued at their respective fair values as determined in good faith by or under the direction of the Board of Trustees.

The cost of securities is the same for accounting and federal income tax purposes. Securities transactions are recorded on trade date. Realized gains and losses on sales of securities are recorded based on the identified cost.

Share valuation:

The net asset value ("NAV") per share of the Fund is calculated by dividing the sum of the value of the securities held by the Fund, plus cash or other assets, minus all liabilities (including estimated accrued expenses) by the total number of shares outstanding for the Fund, rounded to the nearest cent. The Fund's shares are not priced or traded on days the New York Stock Exchange is closed. The NAV is the offering and redemption price per share.

Fair value measurements:

The Fund has adopted authoritative fair valuation accounting standards which establish an authoritative definition of fair value and set out a hierarchy for measuring fair value. These standards require additional disclosures about the various inputs and valuation techniques used to develop the measurements of fair value and a discussion in changes in valuation techniques and related inputs during the period. These inputs are summarized in the three broad levels listed below.

Level 1 – quoted prices in active markets for identical investments

Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of November 30, 2009 in valuing the Fund's investments carried at value:

Funds	Total	Level 1 Quoted Price	Level 2 Significant Observable Input	Level 3 Significant Unobservable Input
Municipal Bonds	\$13,423,801	\$-	\$12,817,426	\$606,375
Total Assets	\$13,423,801	\$-	\$12,817,426	\$606,375

Level 3 Roll-Forward Municipal Securities

Beginning Balance	\$525,459
Total unrealized/realized gains or losses	51,228
Purchases	49,688
Maturity	(20,000)
Ending Balance	\$606,375

Odd Lots:

The bid-side valuations provided by the independent pricing service are for institutional "round-lot" holdings ("Round Lots"). Round Lots consist of 100 bonds (approximately \$100,000 each). Some of the Fund's holdings consist of less than a Round Lot and are considered "Odd Lots." Odd Lots trade at a discount to Round Lots to compensate for the effect of the fixed costs associated with any trade. To reflect this discount, the Fund applies a discount to the valuation of Odd Lot holdings as shown in the following chart.

Total Face Value	Adjustment to Price
Under 10,000	-0.750%
10,000-24,999	-0.625%
25,000-49,999	-0.500%
50,000-74,999	-0.375%
75,000-99,999	-0.250%
100,000 and up	none

Income taxes:

As a qualified investment company under Subchapter M of the Internal Revenue Code, the Fund is not subject to income taxes to the extent that it distributes all of its investment income. It is the Fund's policy to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all its taxable and tax-exempt income to its shareholders. The Fund intends to meet requirements for tax-free income dividends, and requirements of the Idaho Department of Revenue for income dividends free of Idaho state income tax.

The Fund intends to comply with the requirements of the Internal Revenue Code necessary to qualify as a regulated investment company and to make the requisite distributions of income and capital gains to its shareholders sufficient to relieve it from all or substantially all Federal income taxes. Therefore, no Federal income tax provision is required.

There is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken on the tax return for the fiscal year-end November 30, 2009, or for any other tax years which are open for exam. As of November 30, 2009, open tax years include the tax years ended November 30, 2006 through 2008. The Fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statement of Operations. During the period, the Fund did not incur any interest or penalties.

Derivatives:

The Fund has adopted the financial accounting reporting rules required by the Derivatives and Hedging Topic of the FASB

Notes To Financial Statements (continued)

Accounting Standards Codification ("FASB ASC"). The Fund is required to include enhanced disclosure that enables investors to understand how and why an entity uses derivatives, how derivatives are accounted for, and how derivative instruments affect an entity's results of operations and financial position.

During the year ended November 30, 2009, the Fund did not hold any derivative instruments.

Dividends and distributions to shareowners:

Dividends and distributions to shareowners, which are determined in accordance with income tax regulations, are recorded as income on the ex-dividend date. Dividends are paid daily and distributed on the last business day of each month. Shareowners electing to reinvest dividends and distributions purchase additional shares at the net asset value on the payable date.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

Subsequent events evaluation:

In preparing these financial statements, the Fund has evaluated events and transactions for potential recognition or disclosure resulting from subsequent events through January 26, 2010, the date the financial statements were available to be issued.

Reclassification of Capital Accounts

Accounting principles generally accepted in the United States of America require that certain components of net assets relating to permanent differences be reclassified between financial and tax reporting. These reclassifications have no effect on net assets or net asset value per share:

Undistributed net income	\$199
Paid-in capital	\$(199)

Other:

The ability of issuers of debt securities held by the Fund to meet their obligations may be affected by economic and political developments in the State of Idaho.

Interest income is recognized on an accrual basis. Discounts on securities purchased are accreted and premiums are amortized over the lives of the respective securities.

The Trustees have adopted certain policies and procedures with respect to frequent trading of Fund shares. The Fund is intended for long-term investment and does not permit rapid trading of its shares. To discourage speculation, shares held less than 90 calendar days, including those held in omnibus accounts at intermediaries, will be assessed a 2% early-redemption fee (payable to the Fund) when redeemed. These fees are deducted from the redemption proceeds otherwise payable to the shareowner and retained by the Fund as paid-in capital and included in the daily NAV. The Fund cannot always identify all intermediaries, or detect or prevent trading that violates the Frequent Trading Policy through intermediaries or omnibus accounts.

Note 3 — Transactions with Affiliated Persons

Under a contract approved by shareowners on October 12, 1990, Saturna Capital Corporation provides investment advisory services and certain other administrative and distribution services to conduct the Fund's business. Expenses incurred by the Trust on behalf of the Fund (e.g., legal fees) are allocated to the Fund and the other Funds of the Trust on the basis of relative daily average net assets.

For such services, the Fund pays an annual fee equal to 0.50% of its average daily net assets. For the year ended November 30, 2009, the Fund incurred advisory fee expenses of \$66,927.

Saturna Brokerage Services, Inc. ("SBS"), a discount brokerage and subsidiary of Saturna Capital Corporation, is registered as a broker-dealer and acts as distributor for the Fund.

Saturna Capital Corporation acts as shareowner servicing agent for the Fund, for a monthly fee plus certain expenses. For the the year ended November 30, 2009, the Fund paid shareowner servicing fees of \$3,449.

Trustee Nicholas Kaiser, who also serves as the president of the Trust, is a director and chairman of the Adviser. For the the year ended November 30, 2009, the Trust incurred compensation expenses of \$16,200 which is included in \$32,674 of total expenses for the independent Trustees. Idaho Tax-Exempt Fund paid \$6,979 of these total expenses.

The officers are paid by Saturna Capital, and not the Trust, except for Mr. Winship, who is partially compensated by the Trust. On November 30, 2009, the trustees, officers and their immediate families as a group owned 2.46% of the outstanding shares of the Fund.

Note 4 — Investments

During the year ended November 30, 2009, the Fund purchased \$1,182,278 of securities and sold/matured \$330,075 of securities.

Note 5 — Distributions to shareowners

The tax characteristics of distributions paid during the the fiscal years ended November 30, 2009 and 2008 were as follows:

	2009	2008
Tax-exempt income	\$425,222	\$398,755
Taxable income	386	8,671
Capital gain ¹	\$ -	\$1,048

¹Long-Term Capital Gain dividend designated pursuant to Section 852(b) (3) of the Internal Revenue Code.

The cost basis of investments for Federal Income Tax purposes at November 30, 2009 were as follows:

Cost of investments	\$12,955,197
Gross unrealized appreciation	\$475,347
Gross unrealized depreciation	\$(6,743)
Net unrealized appreciation	\$468,604

As of November 30, 2009 the components of distributable earnings on a tax basis were as follows:

Net unrealized appreciation (depreciation)	\$468,604
Accumulated net realized gain	2,357
Total distributable earnings	2,357
Total accumulated earnings (losses)	\$470,961

Note 6 — Custodian

Under the agreement in place with PNC Global Investment Servicing, custody fees are reduced by credits for cash balances. Such reduction for the year ended November 30, 2009 amounted to \$657.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Trustees
Saturna Investment Trust,

We have audited the accompanying statements of assets and liabilities of Idaho Tax-Exempt Fund, a series of the Saturna Investment Trust (the "Trust"), including the schedule of investments as of November 30, 2009, and the related statement of operations for the year then ended, and the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Trust is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of November 30, 2009, by correspondence with the custodian. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Idaho Tax-Exempt Fund as of November 30, 2009, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and its financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Philadelphia, Pennsylvania
January 26, 2010



Tait, Weller & Baker LLP

Trustees and Officers (unaudited)

Name (age), address	Position(s) held with Trust and length of time served	Principal occupation(s) during past 5 Years	Number of portfolios in Saturna Capital fund complex overseen by Trustee	Other directorships held by Trustee
Independent Trustees				
Gary A. Goldfogel, MD (51) 1500 N. State Street Bellingham, WA 98225	Independent Trustee since 1995	Medical Examiner (pathologist); Owner, Avocet Environmental Testing (laboratory)	Six	None
Herbert G. Grubel, PhD (75) Apt. 1202 - 125 West Second St. North Vancouver, BC Canada V7M 1C5	Independent Trustee ¹ since 2005	Professor Emeritus of Economics, Simon Fraser University; Senior Fellow, Fraser Institute	Nine	Amana Mutual Funds Trust
John E. Love (77) 1002 Spokane Street Garfield, WA 99130	Chairman, Independent Trustee since 1987	Owner, J.E. Love Co. (agricultural equipment manufacturer)	Six	None
John S. Moore, PhD (78) ² 346 Bayside Road Bellingham, WA 98225	Independent Trustee ² since 1993	Professor Emeritus, College of Business and Economics, Western Washington University	Six	None
Ronald H. Fielding (60) ³ 42 Surfsong Rd. Kiawah Island, SC 29455	Independent Trustee ³ since 2009	Retired (2009); Senior Vice President & Portfolio Manager, OppenheimerFunds Rochester Division	Six	None
Interested Trustee				
Nicholas F. Kaiser, MBA, CFA (63) 1300 N. State Street Bellingham, WA 98225	President, Trustee ¹ since 1990	Chairman (retired president 2009), Saturna Capital Corporation	Nine	Amana Mutual Funds Trust
Officers who are not Trustees				
Phelps S. McIlvaine (56) 1300 N. State Street Bellingham, WA 98225	Vice President since 1994	Vice President, Saturna Capital Corporation; Treasurer, Saturna Brokerage Services	N/A	N/A
Christopher Fankhauser (37) 1300 N. State Street Bellingham, WA 98225	Treasurer ¹ since 2002	Chief Operations Officer, Saturna Capital Corporation	N/A	N/A
Ethel B. Bartolome (37) 1300 N. State Street Bellingham, WA 98225	Secretary ¹ since 2001	Corporate Administrator, Saturna Capital Corporation	N/A	N/A
James D. Winship, MBA, JD (61) 1300 N. State Street Bellingham, WA 98225	Chief Compliance Officer ¹ since 2004	Chief Compliance Officer and General Counsel, Saturna Capital Corporation	N/A	N/A

Term of Office: each Trustee serves for the lifetime of the Trust or until he dies, resigns, is removed, or not re-elected by the shareowners. Each officer serves a one-year term subject to annual reappointment by the Trustees.

The Fund's Statement of Additional Information, available without charge by calling Saturna Capital at 1-800/SATURNA, includes additional information about the Trustees.

On November 30, 2009, the Trustees, officers and their related accounts as a group owned 2.5% of the outstanding shares of the Fund. Saturna Capital Corporation is the Trust's adviser and Saturna Brokerage Services, Inc. is the Trust's distributor. Mr. Kaiser is an interested person of the Trust by reason of his positions with the Trust's adviser and distributor. Mr. McIlvaine is the primary manager of the Idaho Tax-Exempt Fund. Moreover, Mr. McIlvaine is the portfolio manager of the Sextant Bond Income Fund and Sextant Short-Term Bond Fund. Mr. Winship is also General Counsel and Chief Compliance Officer for Saturna Capital Corporation.

¹Holds same position with Amana Mutual Funds Trust.

²John Moore retired from the Saturna Investment Trust Board of Directors effective December 11, 2009.

³Ronald H. Fielding was elected to the Board of Trustees effective Dec. 15, 2009.

Renewal of Investment Advisory Contract

During their meeting of September 28, 2009, the Trustees of Saturna Investment Trust discussed the Trust's various management agreements. They focused on renewing the Idaho Tax-Exempt Fund's Investment Advisory and Administration Agreement with Saturna Capital Corporation, discussing various materials provided by Saturna. The Trustees took into consideration that the Fund offers a full range of high-quality investor services, and that there had been enhancements in Saturna's operations during the last year. The Trustees remarked on Saturna's experience, ability and commitment to quality service through performing internally such functions as shareowner servicing, administration, retirement plan and trust services, accounting, marketing, and distribution – in addition to investment management.

In addition to information provided throughout the year, the Trustees utilized a comparison of performance and expenses of the Fund with those of other single-state tax-exempt mutual funds. The Trustees reviewed Morningstar and Lipper mutual fund category comparisons, and found that the investment performance of the Fund was strong. Specifically, Lipper found the Fund to rank in the top 7% of 137 "other states Muni" category funds for the twelve months ending September 1, 2009 and rank in the top 3% of 128 category funds for the 3 years ending September 1, 2009. The Trustees found such information helpful in establishing expectations regarding the performance of the adviser and whether to continue the advisory contract.

The Trustees took into consideration Saturna's continued avoidance of significant operational problems, plus its substantial investments in premises, personnel, training and equipment to meet investor needs. They recognized Saturna's efforts to recruit and retain increasingly qualified, experienced and specialized staff and improve the capital base on which Saturna operates, which the Trustees believe is important to the long-term success of all mutual funds.

The Trustees reviewed Saturna's profitability with respect to the Fund as part of their evaluation of whether the fee under the advisory contract bears a reasonable relationship to the mix of services provided by Saturna, including the nature, extent and quality of such services. They considered the fees charged by the adviser to other kinds of accounts and the different services provided to those accounts. The Trustees noted that, although the assets of the Fund have grown, the Fund remains small, and there has been no opportunity for Saturna to demonstrate economies of scale. In fact, Saturna continues to operate the Fund at significant cost to itself. The Trustees also considered whether there are other potential benefits to Saturna from acting as investment adviser and found none. The Trustees noted Saturna's continued efforts to build a capital base in order that it might properly service the Fund, the value of which was apparent during recent financial turmoil.

The Trustees concluded that the fee paid by the Fund to Saturna is reasonable in light of the services provided, comparative performance, expense and advisory fee information, costs of services provided and profits to be realized and benefits derived or to be derived by Saturna from its relationship with the Fund. The Trustees saw no need for advisory fee changes or breakpoints. Following this discussion, the Trustees unanimously agreed to renew the Investment Advisory and Administration Agreement between the Fund and Saturna Capital Corporation.

Privacy Statement

At Saturna Capital, we understand the importance of maintaining the privacy of your financial information. We want to assure you that we protect the confidentiality of any personal information that you share with us. In addition, we do not sell information about our current or former customers.

In the course of our relationship, we gather certain nonpublic information about you, including your name, address, investment choices, and account information. We do not disclose your information to unaffiliated third parties unless it is necessary to process a transaction; service your account; deliver your account statements, shareholder reports and other information; or as required by law. When we disclose information to unaffiliated third parties, we require a contract to restrict the companies' use of customer information and from sharing or using it for any purposes other than performing the services for which they were required.

We may share information within the Saturna Capital family of companies in the course of informing you about products or services that may address your investing needs.

We maintain our own technology resources to minimize the need for any third party services, and restrict access to information within Saturna. We maintain physical, electronic, and procedural safeguards to guard your personal information. If you have any questions or concerns about the security or privacy of your information please call us at 1-800/SATURNA (1-800-728-8762)

Availability of Fund Portfolio Information

- (1) The Fund files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q.
- (2) The Fund's Form N-Q is available on the SEC's website at www.sec.gov and at www.idahotaxexemptfund.com.
- (3) The Fund's Form N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800/SEC-0330.
- (4) The Fund makes a complete schedule of portfolio holdings after the end of each month available to investors at www.idahotaxexemptfund.com.

Householding Policy

To reduce expenses, we may mail only one copy of the Fund's prospectus and each annual and semi-annual report to those addresses shared by two or more accounts. If you wish to receive individual and/or more copies of these documents, please call us at 800/SATURNA or write to us at Saturna Capital/Idaho Tax-Exempt Fund, P.O. Box N, Bellingham, WA 98227. We will begin sending you individual copies thirty days after receiving your request.

If you are currently receiving multiple copies and wish to receive only one copy, please call us at 800/SATURNA or write to us at Saturna Capital/Idaho Tax-Exempt Fund, P.O. Box N, Bellingham, WA 98227. We will begin sending you a single copy with subsequent report mailings.



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Saturna Brokerage Services, Distributor