

# IDAHO TAX-EXEMPT FUND



## SEMI-ANNUAL REPORT MAY 31, 2010

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 June 30, 2010)

	1 Year	3 Years	5 Years	10 Years	Expense Ratio <sup>1</sup>
Idaho Tax-Exempt Fund	5.58%	5.13%	3.71%	4.58%	0.85%
S&P Idaho Municipal Bond Index	10.97%	5.01%	4.57%	5.99%	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](http://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.

<sup>1</sup>By regulation, the expense ratio shown in this table is as of the Fund's most recent prospectus which is dated March 30, 2010, incorporates results for the fiscal year ending November 30, 2009, 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](http://www.idahotaxexemptfund.com) or call toll free 1-800/SATURNA. Please read the prospectus carefully before investing.**



### **Fellow Shareowners:**

For the six months ending May 31, 2010, Idaho Tax-Exempt Fund returned 1.86%. For the twelve months ended May 31, the Fund returned 4.58%. At May 31, the net asset value per share was \$5.45.

Since November 30, 2009, the Fund's outstanding shares increased 2.95% to 2.77 million. Net assets rose 3.27% to \$15.1 million, a record high.

Now known as the Great Recession, the last three years have taken a toll on Idaho. June's unemployment rate finally returned to October 2009's rate of 8.8% after peaking at 9.5% this past February – the worst rates that Idaho has seen since July 1983. Neighbor state Washington had a slightly higher June unemployment rate of 8.9%, but Nevada suffered the highest rate in the nation at 14.2%.

During the most recent 12-month period, Idaho experienced an estimated 5.2% decline in employment, ranking the state in the bottom quintile nationally. Population growth is much slower as in-migration has virtually ended. The slowly improving unemployment rate and optimistic general business reports indicate better days ahead. Still, a new Rasmussen Reports telephone survey of Idaho voters is decidedly pessimistic. Only 2% of Idaho voters rate the economy as good or excellent, while 59% give the economy a poor rating. 22% say the economy is getting better, but 54% believe it is getting worse.

The poor economy is reflected in low interest rates everywhere. Mortgages, municipal bonds, bank deposits, money market funds — all have extremely low yields. As the economy recovers, expect rates to rise.

Looking ahead, the outlook for renewed U.S. and global economic growth is positive, increasing Idaho's potential for improving economic conditions over the next 12 months. In the longer-term, a business-friendly environment, desirable workforce, and highly ranked quality of life will ensure the state's continued economic stability and success.

Municipal bond prices in general and Idaho bond prices in particular recovered their 2008 losses throughout 2009 and 2010. 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, and 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

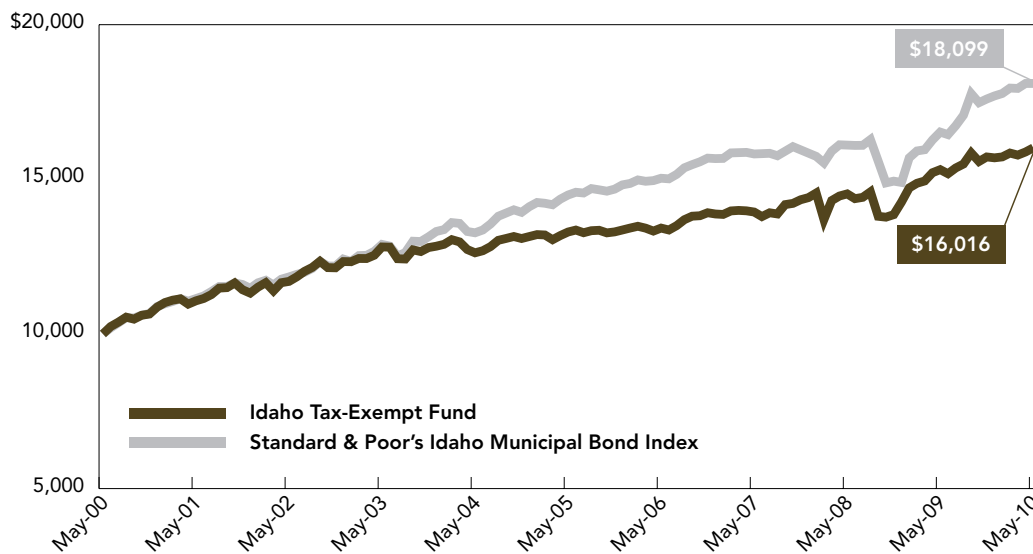
July 21, 2010

## Performance Summary

### Average Annual Returns (as of May 31, 2010)

	1 Year	5 Years	10 Years	Expense Ratio <sup>1</sup>
Idaho Tax-Exempt Fund	4.58%	3.79%	4.82%	0.85%
S&P Idaho Municipal Bond Index	10.34%	4.97%	6.00%	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 May 31, 2000 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 \$16,016 versus \$18,099 in the S&P Idaho Municipal Bond Index.

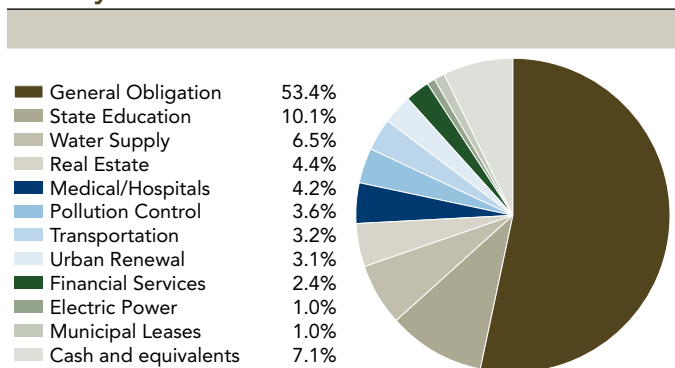
**Past performance does not guarantee future results.** The "Growth of \$10,000" graph and "Average Annual Returns" performance table assume the reinvestment of dividends and capital gains. They do not reflect the deduction of taxes that a shareowner might pay on fund distributions or the redemption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

<sup>1</sup> 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 30, 2010, incorporates results for the fiscal year ending November 30, 2009, 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



Industry weightings are shown as a percentage of net assets.

### Top Ten Holdings

	% of Fund Assets
Ada & Canyon Cos. JSD #3 Kuna 5.00% due 09/15/2019	3.7%
Madison County SCD #321 Rexburg 4.50% due 08/15/2024	2.8%
Bingham County SCD #52 Snake HS 4.00% due 09/01/2027	2.7%
Boise State University Revenue 5.00% due 04/01/2034	2.7%
Owyhee & Elmore Cos. JSD #365 Grand View 4.00% due 08/15/2027	2.5%
Bonneville & Bingham Cos. JSD #93 4.50% due 09/15/2017	2.5%
Pocatello ID Water Revenue 4.75% due 02/01/2026	2.4%
Canyon County SCD #139 Vallivue 4.35% due 09/15/2025	2.4%
Canyon County SCD #131 Nampa 4.75% due 08/15/2019	2.3%
Bingham County SCD #55 Blackfoot 4.65% due 08/01/2017	2.0%

## Schedule of Investments

Issuer	Coupon/Maturity	Face Amount	Market Value	Percentage of Assets
<b>Electric Power</b>				
Idaho Falls Electric Revenue	6.75% due 04/01/2019	\$125,000	\$145,339	1.0%
<b>Financial Services</b>				
Boise City General Fund Revenue, Series A	5.20% due 12/01/2017	160,000	166,418	1.1%
Boise City General Fund Revenue, Series A	5.25% due 12/01/2018	100,000	103,860	0.7%
Idaho Bond Bank Authority <sup>1</sup>	4.00% due 09/15/2019	90,000	94,974	0.6%
		350,000	365,252	2.4%
<b>General Obligation</b>				
Ada & Canyon Cos. JSD #2 Meridian <sup>1</sup>	5.50% due 7/30/2015	50,000	58,967	0.4%
Ada & Canyon Cos. JSD #2 Meridian	5.00% due 08/15/2020	165,000	183,968	1.2%
Ada & Canyon Cos. JSD #2 Meridian	5.00% due 08/15/2021	155,000	172,340	1.2%
Ada & Canyon Cos. JSD #3 Kuna	5.00% due 09/15/2019	500,000	550,690	3.7%
Adams & Washington Cos. JSD #432	4.00% due 08/15/2019	100,000	107,218	0.7%
Bingham County SCD #52 Snake HS	4.00% due 09/01/2020	250,000	270,028	1.8%
Bingham County SCD #52 Snake HS	4.00% due 09/01/2027	400,000	411,020	2.7%
Bingham County SCD #55 Blackfoot	4.65% due 08/01/2017	285,000	301,199	2.0%
Blaine County, Idaho Series A	4.05% due 08/01/2023	150,000	156,825	1.0%
Boise County SCD #73	5.15% due 07/31/2010	125,000	125,804	0.8%
Bonneville & Bingham Cos. JSD #93	4.50% due 09/15/2016	150,000	162,284	1.1%
Bonneville & Bingham Cos. JSD #93	4.50% due 09/15/2017	350,000	373,874	2.5%
Canyon County SCD #139 Vallivue	4.35% due 09/15/2025	350,000	359,471	2.4%
Canyon County SCD #131 Nampa	4.75% due 08/15/2019	325,000	351,614	2.3%
Canyon County SCD #131 Nampa	5.00% due 08/15/2023	105,000	112,012	0.7%
Canyon County SCD #134 Middleton	4.65% due 07/31/2016	170,000	179,076	1.2%
Fremont & Madison Cos. JSD #215	4.00% due 08/15/2019	200,000	216,370	1.4%
Fremont & Madison Cos. JSD #215	4.125% due 09/01/2024	130,000	136,422	0.9%
Jefferson & Madison Cos. JSD #251 Rigby	4.25% due 09/01/2024	100,000	105,810	0.7%
Jerome, Lincoln, & Gooding Cos. JSD #261	3.75% due 09/15/2018	125,000	132,945	0.9%
Jerome, Lincoln, & Gooding Cos. JSD #261	5.00% due 09/15/2022	250,000	277,335	1.8%
Kootenai-Shoshone Area Libraries	4.25% due 08/01/2021	220,000	231,759	1.5%
Latah, Nez Perce, & Clearwater JSD #283	4.50% due 08/15/2027	190,000	203,294	1.4%
Lemhi County	4.20% due 08/01/2015	100,000	104,374	0.7%
Madison County SCD #321 Rexburg	4.50% due 08/15/2024	410,000	426,076	2.8%
Madison County SCD #321 Rexburg	4.50% due 08/15/2026	250,000	257,568	1.7%
Meridian Free Library District	5.00% due 08/01/2015	100,000	100,076	0.7%
Minidoka & Jerome Cos. JSD #331 <sup>1</sup>	4.50% due 08/15/2018	75,000	78,828	0.5%
Minidoka & Jerome Cos. JSD #331 <sup>1</sup>	4.50% due 08/15/2020	75,000	77,895	0.5%
Minidoka & Jerome Cos. JSD #331	4.375% due 08/15/2024	225,000	228,962	1.5%
Minidoka & Jerome Cos. JSD #331	4.50% due 08/15/2025	160,000	163,376	1.1%
Nampa Idaho, Series B	5.00% due 08/01/2020	200,000	213,072	1.4%
Owyhee & Canyon Cos. JSD #370 Homedale	4.55% due 08/15/2016	160,000	182,872	1.2%
Owyhee & Elmore Cos. JSD #365 Grand View	4.00% due 08/15/2027	350,000	375,386	2.5%
Payette County SCD #373	5.00% due 09/15/2024	100,000	108,214	0.7%
Twin Falls ID SCD #411	4.30% due 09/15/2025	120,000	124,818	0.8%
Valley & Adams Cos. JSD #421 McCall	4.50% due 08/01/2024	290,000	299,434	2.0%
Valley & Adams Cos. JSD #421 McCall	4.50% due 08/01/2022	135,000	141,275	1.0%
		7,595,000	8,062,551	53.4%
<b>Medical/Hospitals</b>				
Idaho Health Facility Authority Holy Cross Revenue	5.25% due 12/01/2014	110,000	110,306	0.7%
Idaho Health Facility Authority Holy Cross Revenue	5.00% due 12/01/2022	115,000	115,299	0.8%
Idaho Health Facility Authority Holy Cross Revenue <sup>1</sup>	5.00% due 12/01/2028	50,000	49,941	0.3%

Continued on next page.

## Schedule of Investments

Issuer	Coupon/Maturity	Face Amount	Market Value	Percentage of Assets
<b>Medical/Hospitals (continued)</b>				
Idaho Health Facility Authority Revenue	6.00% due 12/01/2023	\$200,000	\$226,412	1.5%
Idaho Health Facility Authority Revenue Group B	6.25% due 12/01/2033	115,000	128,218	0.9%
		590,000	630,176	4.2%
<b>Municipal Leases</b>				
Nez Perce County COP	4.50% due 02/01/2021	150,000	156,390	1.0%
<b>Pollution Control</b>				
Caldwell ID Par Lien Sewer Revenue 2010	4.50% due 09/01/2019	100,000	112,028	0.8%
Idaho Bond Bank Authority Revenue, Series A	4.30% due 09/01/2022	135,000	139,327	0.9%
Idaho Bond Bank Authority Revenue, Series A <sup>1</sup>	4.125% due 09/15/2023	75,000	77,361	0.5%
Moscow Idaho Sewer Revenue	4.45% due 05/01/2028	200,000	209,222	1.4%
		510,000	537,938	3.6%
<b>Real Estate</b>				
Idaho Housing & Finance Association	4.80% due 06/01/2017	100,000	108,252	0.7%
Idaho Housing & Finance Association <sup>1</sup>	5.00% due 07/15/2027	50,000	53,797	0.4%
Idaho Housing & Finance Association <sup>1</sup>	5.65% due 07/02/2028	90,000	93,800	0.6%
Idaho State Building Authority Revenue	4.50% due 09/01/2023	110,000	112,864	0.7%
Post Falls LID SPA	5.00% due 05/01/2021	300,000	300,780	2.0%
		650,000	669,493	4.4%
<b>State Education</b>				
Boise State University Revenue	4.50% due 04/01/2027	250,000	256,640	1.7%
Boise State University Revenue	5.00% due 04/01/2034	385,000	401,439	2.7%
Idaho State University Revenue	4.90% due 04/01/2017	150,000	150,381	1.0%
Idaho State University Revenue, Series B	4.625% due 04/01/2024	220,000	227,792	1.5%
University of Idaho Revenue, Series A	5.00% due 04/01/2019	200,000	215,050	1.4%
University of Idaho Revenue, Series A	5.00% due 04/01/2020	260,000	277,768	1.8%
		1,465,000	1,529,070	10.1%
<b>Transportation</b>				
Idaho Housing & Finance Association	4.60% due 07/15/2023	250,000	263,132	1.8%
Idaho Housing & Finance Association	5.00% due 07/15/2024	200,000	214,900	1.4%
		450,000	478,032	3.2%
<b>Urban Renewal</b>				
Boise City Urban Renewal Agency Lease Revenue	5.00% due 08/15/2020	160,000	172,099	1.2%
Boise City Urban Renewal Agency Lease Revenue <sup>1</sup>	5.00% due 08/15/2021	90,000	96,050	0.6%
Jerome Urban Renewal District Revenue, Series A	5.40% due 09/01/2013	200,000	201,636	1.3%
		450,000	469,785	3.1%
<b>Water Supply</b>				
Blackfoot, Idaho COP	5.80% due 09/01/2018	135,000	135,987	0.9%
Idaho Bond Bank Authority Revenue	4.00% due 09/15/2024	100,000	103,316	0.7%
Idaho Bond Bank Authority Revenue	5.00% due 09/15/2026	250,000	267,190	1.8%
Pocatello ID Water Revenue	4.50% due 02/01/2024	100,000	102,404	0.7%
Pocatello ID Water Revenue	4.75% due 02/01/2026	350,000	364,108	2.4%
		935,000	973,005	6.5%
Total investments	(Cost=\$13,502,754)	\$13,270,000	14,017,031	92.9%
Other assets (net of liabilities)			1,070,662	7.1%
<b>Total net assets (100%)</b>			<b>\$15,087,693</b>	<b>100.0%</b>

<sup>1</sup> Fair valued. See page 10

## Statement of Assets and Liabilities

As of May 31, 2010

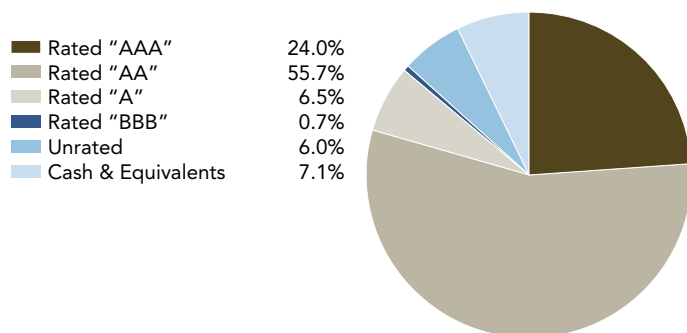
Assets	
Investments in securities, at value (Cost \$13,502,754)	\$14,017,031
Cash	947,176
Interest receivable	172,735
Insurance reserve premium	801
Receivable for Fund shares sold	200
<b>Total assets</b>	<b>15,137,943</b>
Liabilities	
Accrued expenses	22,871
Payable for Fund shares redeemed	11,711
Distributions payable	8,724
Payable to affiliates	6,944
<b>Total liabilities</b>	<b>50,250</b>
<b>Net assets</b>	<b>\$15,087,693</b>
Analysis of net assets	
Paid-in capital (unlimited shares authorized, without par value)	\$14,571,059
Unrealized net appreciation on investments	514,277
Accumulated net realized gain	2,357
<b>Net assets applicable to Fund shares outstanding</b>	<b>\$15,087,693</b>
<b>Fund shares outstanding</b>	<b>2,768,660</b>
<b>Net asset value, offering and redemption price per share</b>	<b>\$5.45</b>

## Statement of Operations

Period ended May 31, 2010

Investment income	
Interest income	\$292,239
Gross investment income	292,239
Expenses	
Investment adviser fees	36,531
Audit fees	10,801
Trustee fees	9,423
Legal fees	6,611
Printing and postage	6,158
Shareowner servicing	2,537
Filing and registration fees	1,554
Other expenses	1,069
Chief Compliance Officer expenses	1,023
Custodian fees	361
Total gross expenses	76,068
Less custodian fee credits	(361)
Net expenses	75,707
<b>Net investment income</b>	<b>\$216,532</b>
Net increase in unrealized appreciation on investments	\$45,673
<b>Net gain on investments</b>	<b>\$45,673</b>
<b>Net increase in net assets resulting from operations</b>	<b>\$262,205</b>

## Bond Quality Diversification



Based on net assets as of May 31, 2010.

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

## Statements of Changes of Net Assets

Period ended May 31, 2010

Year ended Nov. 30, 2009

Increase (decrease) in net assets from operations:		
<b>From operations</b>		
Net investment income	\$216,532	\$425,409
Net realized gain on investments	-	2,357
Net increase in unrealized appreciation	45,673	1,193,061
Net increase in net assets	262,205	1,620,827
<b>Distributions to shareholders from</b>		
Net investment income	(216,532)	(425,608)
Capital gains distributions	-	-
Total distributions	(216,532)	(425,608)
<b>Capital share transactions</b>		
Proceeds from sales of shares	890,941	2,029,029
Value of shares issued in reinvestment of dividends	168,890	342,847
Early redemption fees retained	-	29
Cost of shares redeemed	(627,541)	(731,127)
Net increase in net assets	432,290	1,640,778
<b>Total increase in net assets</b>	<b>477,963</b>	<b>2,835,997</b>
<b>Net assets</b>		
Beginning of period	14,609,730	11,773,733
End of period	\$15,087,693	\$14,609,730
<b>Shares of the Fund sold and redeemed</b>		
Number of shares sold	163,979	381,950
Number of shares issued in reinvestment of dividends	31,149	64,398
Number of shares redeemed	(115,690)	(140,092)
<b>Net increase in number of shares outstanding</b>	<b>79,438</b>	<b>306,256</b>

## Financial Highlights

Selected data per share of outstanding capital stock throughout each period:	Period ended	For Year Ended November 30,				
	May 31, 2010	2009	2008	2007	2006	2005
<b>Net asset value at beginning of period</b>	<b>\$5.43</b>	<b>\$4.94</b>	<b>\$5.30</b>	<b>\$5.32</b>	<b>\$5.27</b>	<b>\$5.39</b>
<b>Income from investment operations</b>						
Net investment income	\$0.08	\$0.17	\$0.18	0.18	0.18	0.19
Net gains (losses) on securities (both realized & unrealized)	0.02	0.49	(0.36)	(0.02)	0.06	(0.10)
<b>Total from investment operations</b>	<b>0.10</b>	<b>0.66</b>	<b>(0.18)</b>	<b>0.16</b>	<b>0.24</b>	<b>0.09</b>
<b>Less distributions</b>						
Dividends (from net investment income)	(0.08)	(0.17)	(0.18)	(0.18)	(0.18)	(0.19)
Distributions (from capital gains)	-	-	-	-	(0.01)	(0.02)
<b>Total distributions</b>	<b>(0.08)</b>	<b>(0.17)</b>	<b>(0.18)</b>	<b>(0.18)</b>	<b>(0.19)</b>	<b>(0.21)</b>
Paid-in capital from early redemption fees <sup>1</sup>	-	0.00 <sup>2</sup>	0.00 <sup>2</sup>	0.00 <sup>2</sup>	0.00 <sup>2</sup>	0.00 <sup>2</sup>
<b>Net asset value at end of period</b>	<b>\$5.45</b>	<b>\$5.43</b>	<b>\$4.94</b>	<b>\$5.30</b>	<b>\$5.32</b>	<b>\$5.27</b>
<b>Total return</b>	<b>1.86%</b>	<b>13.46%</b>	<b>(3.36)%</b>	<b>3.02%</b>	<b>4.66%</b>	<b>1.66%</b>
<b>Ratios / supplemental data</b>						
Net assets (\$000), end of period	\$15,088	\$14,610	\$11,774	\$10,016	\$8,783	\$8,531
Ratio of expenses to average net assets						
Before custodian credits	0.52%	0.85%	0.77%	0.89%	0.87%	0.91%
After custodian credits	0.52%	0.84%	0.76%	0.87%	0.83%	0.88%
Ratio of net investment income after custodian credits to average net assets	1.48%	3.19%	3.51%	3.35%	3.40%	3.58%
<b>Portfolio turnover rate</b>	<b>1%</b>	<b>3%</b>	<b>7%</b>	<b>6%</b>	<b>24%</b>	<b>21%</b>

<sup>1</sup>Early redemption fee adopted March 29, 2005

<sup>2</sup>Amount is less than \$0.01

## Expenses

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 (December 1, 2009 to May 31, 2010).

### 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, an \$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 [December 1, 2009]	Ending Account Value [May 31, 2010]	Expenses Paid During Period <sup>1</sup>
Actual	\$1,000.00	\$1,018.60	\$5.23
Hypothetical (5% annual return before expenses)	\$1,000.00	\$1,019.75	\$5.24

<sup>1</sup> Expenses are equal to Idaho Tax-Exempt Bond Fund's annualized expense ratio of 1.04% (based on the most recent semi-annual period of December 1, 2009 through May 31, 2010, multiplied by the average account value over the period multiplied by 182/365 (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 — Unaudited Information

The information in this interim report has not been subject to independent audit.

### Note 3 — 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 for a security, a fair value for such security is determined in good faith by or under the direction of the Board of Trustees.

Security transactions are recorded on trade date. Realized gains and losses on sales of securities are recorded on the identified cost basis.

#### 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 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Trust has the ability to access.

Level 2 – Observable inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates, and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Trust's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the

type of security, whether the security is new and not yet established in the market place, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgement. Accordingly, the degree of judgement exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

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 May 31, 2010 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	\$14,017,031	\$-	\$13,335,418	\$681,613
<b>Total Assets</b>	<b>\$14,017,031</b>	<b>\$-</b>	<b>\$13,335,418</b>	<b>\$681,613</b>

#### Level 3 Roll-Forward Municipal Securities

Beginning Balance	\$606,375
Total unrealized/realized gains or losses	\$5,238
Purchases	\$90,000
Maturity	\$(20,000)
<b>Ending Balance</b>	<b>\$681,613</b>

#### 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 shareowners. 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

## Notes To Financial Statements (continued)

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, 2010, or for any other tax years which are open for exam. As of May 31, 2010 open tax years include the tax years ended November 30, 2007 through 2009. 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 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 period ended May 31, 2010, 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. Dividends are paid in shares of the Fund, at the net asset value on payable date. Shareowners may elect to take dividends in cash.

### 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.

### 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 4 — 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 period ended May 31, 2010, the Fund incurred advisory fee expenses of \$36,531.

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 period ended May 31, 2010, the Fund paid shareowner servicing fees of \$2,537.

Nicholas Kaiser serves as a trustee and president of the Trust. Also a director and the chairman of Saturna Capital, he is not compensated by the Trust. For the period ended May 31, 2010, the Trust incurred compensation expenses of \$13,500 which is included in \$21,547 of total expenses for the independent Trustees. Idaho Tax-Exempt Fund paid \$9,423 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. For the period ended May 31, 2010, the Fund compensated Mr. Winship \$1,023 for his services. On May 31, 2010, the trustees, officers and their immediate families as a group owned 2.42% of the outstanding shares of the Fund.

## Note 5 — Investments

During the period ended May 31, 2010, the Fund purchased \$761,972 of securities and sold/matured \$195,000 of securities.

## Note 6 — Distributions to shareowners

The tax characteristics of distributions paid during the period ended May 31, 2010 and the fiscal years ended November 30, 2009 and 2008 were as follows:

	Period ended May 31, 2010	2009	2008
Tax-exempt income	\$216,532	\$425,222	\$398,755
Taxable income	\$ -	\$386	\$8,671
Capital gain <sup>1</sup>	\$ -	\$ -	\$1,048

<sup>1</sup>Long-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 May 31, 2010 were as follows:

Cost of investments	\$13,502,754
Gross unrealized appreciation	516,618
Gross unrealized depreciation	(2,341)
Net unrealized appreciation	\$514,277

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 7 — Custodian

Under the agreement in place with PFPC Trust Company, custody fees are reduced by credits for cash balances. Such reduction for the period ended May 31, 2010 amounted to \$361.

## Note 8 — Subsequent Events

In preparing these financial statements, the Fund has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued. There were no events or transactions during the period that materially impacted the amounts or disclosures in the Fund's financial statements.

## 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](http://www.sec.gov) and at [www.idahotaxexemptfund.com](http://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](http://www.idahotaxexemptfund.com).

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## 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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