


Fund Commentary • Q1 2017



Amana Mutual Funds Trust



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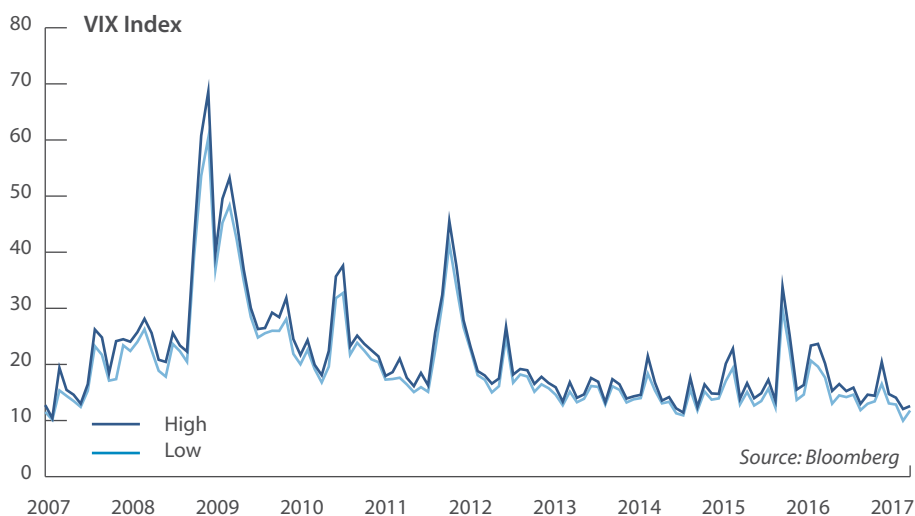
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Environment

There's No News That's Bad News

Major US market indices wrapped up the first quarter with gains that could be considered respectable for an entire year. The appreciation was remarkable considering the context in which it was accomplished. The three-month period featured the inauguration of a new president who quickly embarked on a series of rookie mistakes, another interest rate hike by the Federal Reserve with clear indications of further increases to come, the failure of the dysfunctional House of Representatives to pass a bill repealing/replacing the Affordable Care Act (Obamacare), and ominous signs that tax reform will not come as easily as many had hoped. There appears to be little capable of rattling investors, and the pervasive sanguinity has pushed volatility to all-time low levels, as illustrated in the flattening of the VIX Index.¹

Volatility Sinking – All News is Good News



The market's first quarter advance was interesting. In the fourth quarter of 2016 the S&P 500 Financials Index soared 20.48%, with most of that gain coming in the weeks following the presidential election. No other sector came close, and the weight of financials meant the entire index was dragged along for the ride. Over the same period, the Information Technology Index scrapped out a 0.78% gain, while the Health Care Index shed -4.42%. We cannot say what changed politically, perceptually, or economically on the night of December 31, 2016, but something happened to cause a complete reversal of investor appetite for stocks in specific sectors. Two of the three top performing sectors in the first quarter of 2017 were Information Technology and Health Care; up 12.16% and 7.89%, respectively. Consumer Discretionary, also in the top three, gained 8.09%. Financials, meanwhile, fell toward the bottom of the list with appreciation of 2.08%.

Clearly, such rapid and wide-ranging movements across entire sectors support our position that successful investors identify the best companies at reasonable valuations and hold them for the long term.

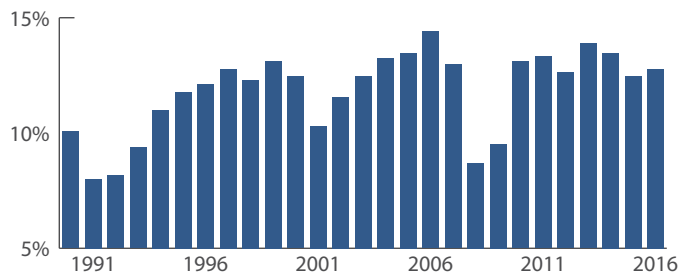
While US markets registered a solid quarter, international markets were even more buoyant, in several cases supported by the weakening of the US dollar since the New Year and/or the realization that many of the President's campaign promises would be difficult, if not impossible, to implement. How else to explain the 17% US-dollar return of the Mexican Bolsa IPC Index,² the 10% jump in Hong Kong's Hang

Seng Index,³ or the 14% rise in the Spanish IBEX 35 Index⁴ during the quarter? The performance in Spain, and that of Europe overall, reminds us that American investors aren't the only ones who can shrug off worrisome developments and push stock prices higher. The United Kingdom's official triggering of Article 50, leading to its eventual exit from the EU, has been met largely with European yawns. The fact that the Dutch nativist Party for Freedom, led by the uniquely coiffed but commonly bigoted Geert Wilders, did not win the March 15 election outright was taken as a positive sign, even though the party achieved the second largest vote tally and gained five seats.⁵ In France, anti-EU candidate Marine Le Pen's numbers have been faltering, but she has made it to the second and final round of voting.

Outlook

What can we expect for the remainder of the year? As economist Herbert Stein stated, "If something cannot go on forever, it will stop."⁶ We have seen the aphorism proven in terms of S&P 500 aggregate operating margins. Following strong growth coming out of the Global Financial Crisis, margins peaked at 13.9% in 2013 and have subsequently been on a declining trend, despite a small recovery last year. The historical record indicates we should not expect much help from margins in driving earnings higher. The same has been true of revenue growth. Narrowing margins and tepid sales go some distance toward explaining the lackluster earnings growth experienced over the past few years, which we discussed last quarter.

S&P 500: Operating Margin (EBIT)

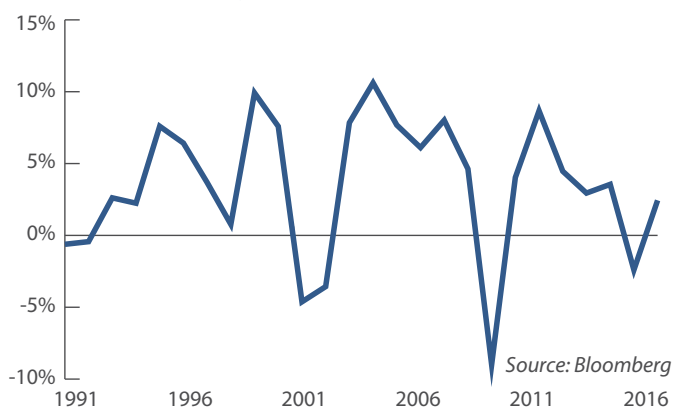


Source: Bloomberg

So how do we re-ignite the earnings engine? The answer investors seem to favor is tax reform, which appears fully baked into expectations based on continued stock price appreciation in the face of uninspiring earnings. The shine appears to have come off expectations for infrastructure upgrades, but perhaps incidents such as the catastrophic March 30 bridge collapse in Atlanta will spur action.

Unfortunately, nobody has any inkling of what shape reform – tax or capital investment – may take. Powerful interests have organized their businesses to best exploit the tax system as it exists today. Any attempt to change that system leads to winners and losers, which is why true tax reform rarely succeeds. An argument can be made for reform that eliminates incentives to stash trillions of dollars overseas. Such arguments, however, are easily dashed against the rocks of recalcitrance that oppose other reform elements. Regarding infrastructure, the Republican party's commitment to fiscal virtue always seems more acute during Democratic administrations. Nonetheless, a successful rebuilding of America's physical plant requires more than a wall here or a highway there – it requires a comprehensive and coherent plan of action. In the wake of the American Health Care Act (Trumpcare) fiasco, we are not optimistic.

S&P 500: Year-over-year Sales Growth



Source: Bloomberg

Amana Income Fund

As of March 31, 2017

The Amana Income Fund gained 6.34% in the first quarter, ahead of the S&P 500 Index return of 6.07%, and far ahead of the 3.27% return for the Russell 1000 Value Index. With significant Finance weightings in both the benchmark indices, Amana Income Investor benefited from weakness in that sector. Otherwise, the gains in the Fund were spread broadly across sectors.

Rockwell, Parker Hannifin, Illinois Tool Works, and Honeywell were among the top contributors for all of 2016, and their momentum carried into the first quarter of 2017. Considering that the Industrials sector was not a strong performer in the first quarter, that's a gratifying result. Microchip Technology was also a top contributor last year. Nike, on the other hand, was among last year's worst performers, so we were pleased to see its recovery in the first quarter. Some of Nike's improved performance likely relates to diminished concerns over a border adjustment tax. Colgate-Palmolive was another stock that experienced a tough 2016 but rebounded in the first quarter, partially due to the strong recovery of emerging markets currencies, where Colgate does most of its business.

It's a pleasant situation when your list of top detractors includes some that appreciated in value. Among those that did not, Bristol-Myers presents a conundrum. It has suffered setbacks in some of its drug trials, while its immuno-oncology efforts remain of sufficient interest to spur talk of mergers and acquisitions activity, given the share price decline. UPS has arguably fumbled the opportunity of ever increasing e-commerce activity but has recently announced plans to initiate Saturday delivery to meet demand, indicating that the opportunity remains from a macro perspective. We met with Intel during the quarter and believe the company has several avenues of potential growth forward, including its opportunity to be more successful in mobile with the transition to 5G than it was with 4G.

The only change among top holdings from the end of 2016 is that PPG has replaced Microchip. After a tough 2016, PPG was one of the best performing stocks in the first quarter. We remain invested, as well as interested in its approach toward Dutch coatings company Akzo Nobel given PPG's successful track record of integrating acquisitions.

10 Largest Contributors	Return	Contribution
Rockwell Automation	16.44%	0.56
Eli Lilly & Co	15.12%	0.53
Microchip Technology	15.59%	0.46
Parker Hannifin	15.03%	0.44
Kimberly-Clark	16.19%	0.41
Colgate-Palmolive	12.49%	0.37
Illinois Tool Works	8.71%	0.35
PPG Industries	11.33%	0.33
Nike, Class B	9.98%	0.30
Honeywell International	8.36%	0.30

10 Largest Detractors	Return	Contribution
Bristol-Myers Squibb	-6.33%	-0.18
United Parcel Service, Class B	-5.68%	-0.15
Air Products & Chemicals	-5.27%	-0.13
Phillips 66	-7.59%	-0.11
General Mills	-3.72%	-0.10
Carlisle Cos	-3.20%	-0.09
Genuine Parts	-2.58%	-0.06
Potash Corp Of Saskatchewan	-4.68%	-0.01
Intel	0.16%	0.00
Adient	5.96%	0.01

Top 10 Holdings	Portfolio Weight
Eli Lilly	3.93%
Rockwell Automation	3.81%
Illinois Tool Works	3.79%
Honeywell International	3.76%
3M	3.75%
Microsoft	3.47%
Parker Hannifin	3.32%
Colgate-Palmolive	3.31%
Nike, Class B	3.19%
PPG Industries	3.17%

30-Day Yield	
Investor Shares (AMANX):	1.21%
Institutional Shares (AMINX):	1.45%

Asset-weighted average debt to market cap: 15.6%

The Amana Growth Fund Investor Shares rose 9.35% in the first quarter, beating both the 6.07% return of the S&P 500 Index and the 8.91% gain in the Russell 1000 Growth Index. Clearly, investors were more focused on growth over income in the first quarter in what has become known as the “Trump reflation trade.” The strong performance of Technology stocks provided a solid tailwind for the fund.

Many readers are likely aware of the Amana Growth Fund’s long-term investment in Apple. The stock continued to justify inclusion in the portfolio with strong first quarter performance, boosted by higher than expected iPhone 7 sales. We find this encouraging since the 10-year anniversary iPhone will appear this autumn, and expectations are high for a product that recaptures the excitement of the Steve Jobs era. Veterinary clinic aggregator, VCA, was one of our favorite stocks. Unfortunately, it’s no longer in the portfolio due to its acquisition by Mars, which is a private company. Best known for its candy, Mars also has large pet food and pet care operations, and it paid roughly a 31% premium over VCA’s closing price on January 6, 2017.⁷ Like many pharmaceutical stocks, Eli Lilly performed poorly in 2016 on concerns over drug pricing that were a regular topic during the election campaign. Those concerns have receded in 2017 pushing Lilly, along with the entire Health Care sector, toward better performance.

Qualcomm often must deal with pushback from its dominant position in mobile chip technology, but its patent position remains strong ahead of the transition to 5G, and we still find the stock attractive despite the sell-off earlier this year. EMCOR, the only other significant detractor, had risen sharply in value following the election on the opportunities that might be presented through an overhaul of US infrastructure. While that fever has cooled, it remains a well-managed company and the USA remains in need of rebuilding.

There have been two changes among the top holdings since the start of the year, with Eli Lilly and Trimble replacing EMCOR and Qualcomm, which performed poorly during the quarter.

10 Largest Contributors	Return	Contribution
Apple	24.57%	0.98
VCA	32.38%	0.97
Adobe Systems	26.40%	0.93
Lowe's	16.15%	0.56
ASML Holding	18.36%	0.54
Church & Dwight	13.29%	0.54
Amgen	12.99%	0.49
Agilent Technologies	16.33%	0.46
Eli Lilly & Co	15.12%	0.46
Cisco Systems	12.81%	0.40

10 Largest Detractors	Return	Contribution
Qualcomm	-11.23%	-0.41
EMCOR Group	-10.93%	-0.36
Convergys	-13.50%	-0.10
Xilinx	-3.56%	-0.09
Novo-Nordisk ADR	-2.47%	-0.06
Keysight Technologies	-1.18%	-0.01
Novartis ADR	5.66%	0.05
Intuit	1.50%	0.06
Dentsply Sirona	8.31%	0.07
Gartner	6.85%	0.07

Top 10 Holdings	Portfolio Weight
Apple	4.81%
Church & Dwight	4.49%
Adobe Systems	4.33%
Lowe's	4.02%
Amgen	3.87%
Intuit	3.86%
TJX Companies	3.68%
Johnson & Johnson	3.48%
Eli Lilly	3.41%
Trimble	3.41%

Asset-weighted average debt to market cap: 13.2%

In the first quarter of the year, the Amana Developing World Fund Investor Shares returned 7.13%, lagging the 7.86% return of the MSCI ACWI ex-USA Index, which Morningstar identifies as the most comparable index. The Fund was further behind the MSCI Emerging Markets index return of 11.45%, but large swaths of that index that include certain geographic regions unavailable for investment by the Fund as well as sectors unsuitable for investment within Islamic guidelines.

The top performers in the quarter were diversified geographically and by sector. The slow but steady economic recoveries in Argentina and Brazil have boosted the fortunes of e-commerce firm MercadoLibre, which was a top performer last year. Global luggage company Samsonite moved sharply higher after releasing interim results last month demonstrating stronger than expected sales. Tencent, also a 2016 top contributor, is one of the largest and most innovative internet firms in China and continues to develop new avenues for rapidly increasing its advertising sales. Many readers likely have products from Techtronic in their homes, as the firm manufacturers Ryobi, Milwaukee, Homelite, Hoover, and Oreck products. With rising home prices and mortgage rates in the US, home improvement projects may be on the rise.

The two significant detractors from performance in the quarter suffered from very different afflictions. Jewelry firm Pandora, which has been growing rapidly, saw a reduction in its rate of growth, while management indicated that further slowing appeared likely in developed markets. A substantial growth opportunity remains in Asia in general and China in particular, but it has now become a “show me” story. Dr. Reddy’s suffered from a second notice of deficiency from the US Food and Drug Administration regarding some of its manufacturing facilities in India. We had hoped the first notice would give management incentive to rapidly and thoroughly address the situation, but that does not appear to be the case, and we are evaluating the investment.

Unilever and Hong Kong & China Gas have replaced VF Corp and Pandora among the top 10 holdings. In February, Unilever received an unsolicited bid from Kraft Heinz at roughly a 17% premium to the previous day’s closing price. The bid was rejected outright but investors believe management has received the message about the need to tighten the ship and have pushed the stock higher than on the day of the bid. HK & China Gas has done just about everything it can with penetration in Hong Kong but the opportunity to install and manage gas distribution networks in China remains vast.

10 Largest Contributors	Return	Contribution
MercadoLibre	35.53%	1.59
Samsonite International	27.48%	0.82
Tencent Holdings ADR	19.16%	0.68
Unilever ADR	22.22%	0.53
Clicks Group	15.32%	0.52
Mead Johnson Nutrition	26.48%	0.45
Advanced Info Service	26.20%	0.43
Hong Kong & China Gas	12.85%	0.32
Kimberly-Clark De Mexico, Class A	19.25%	0.28
Techtronic Industries	12.88%	0.26

10 Largest Detractors	Return	Contribution
Pandora	-14.41%	-0.38
Doctor Reddy's Laboratories	-11.33%	-0.25
Indofood CBP Sukses Makmur	-3.99%	-0.08
IHH Healthcare	-4.21%	-0.07
Bangkok Airways	-4.42%	-0.07
Petronas Gas	-5.04%	-0.07
CNOOC ADR	-3.36%	-0.05
KPJ Healthcare	-1.78%	-0.04
SM Prime Holdings	-1.38%	-0.04
Aspen Pharmacare Holdings	-0.90%	-0.01

Top 10 Holdings	Portfolio Weight
MercadoLibre	5.79%
Tencent Holdings ADR	4.07%
Samsonite International	3.70%
Telekomunikasi Indonesia ADS	3.66%
Clicks Group	3.66%
SM Prime Holdings	3.55%
Unilever ADS	2.84%
Hong Kong & China Gas	2.73%
Kalbe Farma	2.67%
AboitizPower (Philippines)	2.65%

Asset-weighted average debt to market cap: 14.7%

Amana Participation Fund

As of March 31, 2017

Since confirmation of Donald Trump's win as the forty-fifth president of the United States, interest rates have risen across the yield curve in anticipation of growth toward a normalized inflationary environment for the first time since the Global Financial Crisis (GFC); during this period, the 5 and 10-year US Treasuries have risen 59 bps and 52 bps to 1.93% and 2.40%, respectively.

Even with the short-term pullback in risk assets since mid-March; the outlook for the US economy appears stable and situated to support economic growth. Fed Chairwoman Janet Yellen offered favorable guidance following the March 15, 2017, interest rate hike saying, "The basis for today's decision is simply our assessment of the progress of the economy, and it's been doing nicely."⁸ The Wall Street Journal reported that officials at the Federal Reserve still expect to raise short-term interest rates two more times this year, while noting that they see no major changes in their economic outlook.⁹

As of March 31, 2017, the Amana Participation Fund Investor Shares returned 1.37% year-to-date compared to 1.95% offered by the Citi Sukuk Index. Over the same period the Amana Participation Institutional Shares returned 1.42%. The portfolio holds 30 separate issues posting a modified duration of 4.07 years, a 30-day yield for the Institutional Shares of 2.48%, and a 30-day yield for the Investor Shares of 2.24%. The Fund is well positioned from a credit perspective to meet its investment objective of capital preservation and current income, while being entirely invested in US dollar-denominated securities.

Top 10 Holdings	Portfolio Weight
ICD Sukuk	4.40%
QIB Sukuk	4.36%
Sime Darby Global Sukuk	4.27%
TNB Global Ventures Cap	4.21%
MAF Sukuk	3.79%
TF Varlik Kiralama	3.75%
AI Shindagha Sukuk	3.68%
SIB Sukuk Co III	3.61%
JAFZ Sukuk 2019	3.19%
CBB International Sukuk	3.07%

30-Day Yield	
Investor Shares (AMAPX):	2.24%
Institutional Shares (AMIPX):	2.48%

Credit Profile	
Moody's Investor Services	
Aa	3.0%
A	22.0%
Baa	28.4%
Unrated	42.3%
Cash and equivalents	4.4%

Credit ratings are determined by Moody's Investors Service, a Nationally Recognized Statistical Rating Organization. If Moody's does not rate a particular security, that security is categorized as not rated.

Performance Summary

As of March 31, 2017

Average Annual Total Returns (Before Taxes)	Ticker	1 Year	3 Year	5 Year	10 Year	Expense Ratio
Income Fund Investor Shares	AMANX	11.66% ▲	6.76% ▲	10.53% ▲	7.62% ▲	1.15%
Income Fund Institutional Shares	AMINX	11.92% ▲	7.03% ▲	n/a	n/a	0.90%
S&P 500 Index		17.17% ▲	10.36% ▲	13.28% ▲	7.50% ▲	n/a
Russell 1000 Value Index		19.21% ▲	8.65% ▲	13.11% ▲	5.91% ▲	n/a
Growth Fund Investor Shares	AMAGX	16.14% ▲	8.93% ▲	10.29% ▲	7.96% ▲	1.09%
Growth Fund Institutional Shares	AMIGX	16.37% ▲	9.17% ▲	n/a	n/a	0.85%
S&P 500 Index		17.17% ▲	10.36% ▲	13.28% ▲	7.50% ▲	n/a
Russell 1000 Growth Index		15.76% ▲	11.26% ▲	13.30% ▲	9.13% ▲	n/a
Developing World Fund Investor Shares	AMDWX	1.90% ▲	-3.44% ▼	-1.99% ▼	n/a	1.51%
Developing World Fund Institutional Shares	AMIDX	2.05% ▲	-3.19% ▼	n/a	n/a	1.20%
MSCI Emerging Markets Index		17.22% ▲	1.17% ▲	0.80% ▲	2.72% ▲	n/a
Participation Fund Investor Shares	AMAPX	2.92% ▲	n/a	n/a	n/a	1.12%
Participation Fund Institutional Shares	AMIPX	3.13% ▲	n/a	n/a	n/a	0.72%
Citi Sukuk Index		3.86% ▲	3.81% ▲	3.98% ▲	4.23% ▲	n/a

Expense ratios shown are as stated in the Funds' most recent Prospectus dated September 22, 2016.

Performance data quoted represents past performance, is before any taxes payable by shareowners, and is no guarantee of future results. 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 1-800-728-8762 or visiting www.amanafunds.com. Average annual total returns are historical and include change in share value as well as reinvestment of dividends and capital gains, if any. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Shares of a Fund may only be offered for sale through the Fund's prospectus or summary prospectus.

The S&P 500 is an index comprised of 500 widely held common stocks considered to be representative of the US stock market in general. The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the US equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 Value Index measures the performance of the large-cap value segment of the US equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values. The MSCI Emerging Markets Index, produced by Morgan Stanley Capital International, measures equity market performance in over 20 emerging market countries. The Citi Sukuk Index measures the performance of global Islamic fixed income securities, also known as sukuk. When available, Saturna uses total return components of indices mentioned. Investors cannot invest directly in the indices.

Institutional Shares of the Amana Funds began operations September 25, 2013.

The Amana Developing World Fund began operations September 28, 2009.






The Amana Participation Fund began operations September 28, 2015.

Income, Growth, Developing World, and Participation Funds: The value of the shares of each of the Funds rises and falls as the value of the securities in which the Funds invest goes up and down. The Amana Mutual Funds limit the securities they purchase to those consistent with Islamic principles. This limits opportunities and may affect performance. Each of the Funds may invest in securities that are not traded in the United States. Investments in the securities of foreign issuers may involve risks in addition to those normally associated with investments in the securities of US issuers. These risks include currency and market fluctuations, and political or social instability. The risks of foreign investing are generally magnified in the smaller and more volatile securities markets of the developing world.

Growth Fund: The smaller and less seasoned companies that may be in the Growth Fund have a greater risk of price volatility.

Participation Fund: While the Participation Fund does not invest in conventional bonds, risks similar to those of conventional nondiversified fixed-income funds apply. These include: diversification and concentration risk, liquidity risk, interest rate risk, credit risk, and high-yield risk. The Participation Fund also includes risks specific to investments in Islamic fixed-income instruments. The structural complexity of sukuk, along with the weak infrastructure of the sukuk market, increases risk. Compared to rights of conventional bondholders, holders of sukuk may have limited ability to pursue legal recourse to enforce the terms of the sukuk or to restructure the sukuk in order to seek recovery of principal. Sukuk are also subject to the risk that some Islamic scholars may deem certain sukuk as not meeting Islamic investment principles subsequent to the sukuk being issued.

Shares of the Participation Fund held less than 182 calendar days are subject to a 2% early redemption fee.

Morningstar Ratings™ A	Overall	1 Year	3 Year	5 Year	10 Year	Sustainability Rating™ B
Amana Income Fund – “Large Blend” Category						
Investor Shares (AMANX)	★★★★	n/a	★★	★★	★★★★★	
% Rank in Category	n/a	90	79	80	14	1
Institutional Shares (AMINX)	★★	n/a	★★	☆☆	☆☆☆☆☆	
% Rank in Category	n/a	89	76	78	12	1
Number of Funds in Category	1,248	1,404	1,248	1,113	822	1,248
Amana Growth Fund – “Large Growth” Category						
Investor Shares (AMAGX)	★★★	n/a	★★★	★★	★★★★★	
% Rank in Category	n/a	32	49	77	45	1
Institutional Shares (AMIGX)	★★★	n/a	★★★	☆☆☆	☆☆☆☆☆	
% Rank in Category	n/a	29	44	74	42	1
Number of Funds in Category	1,306	1,454	1,306	1,154	800	1,306
Amana Developing World Fund – “Diversified Emerging Markets” Category						
Investor Shares (AMDWX)	★★	n/a	★★	★★	n/a	
% Rank in Category	n/a	98	94	94	n/a	9
Institutional Shares (AMIDX)	★★	n/a	★★	☆☆	n/a	
% Rank in Category	n/a	98	93	94	n/a	9
Number of Funds in Category	629	811	629	429	n/a	629

The Morningstar Sustainability Rating and the Morningstar Portfolio Sustainability Score are not based on fund performance and are not equivalent to the Morningstar Rating (“Star Rating”).

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A Morningstar Ratings™ (“Star Ratings”) are as of March 31, 2017. The Morningstar Rating™ for funds, or “star rating”, is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product’s monthly excess performance (not including the effects of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

% Rank in Category is the fund’s percentile rank for the specified time period relative to all funds that have the same Morningstar category. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top-performing fund in a category will always receive a rank of 1. Percentile ranks within categories are most useful in those categories that have a large number of funds.

B Morningstar Sustainability Ratings are as of March 31, 2017 and the Portfolio Sustainability Scores are as of February 28, 2017. The Morningstar Sustainability Rating™ is intended to measure how well the issuing companies of the securities within a fund’s portfolio are managing their environmental, social, and governance (“ESG”) risks and opportunities relative to the fund’s Morningstar category peers. The Morningstar Sustainability Rating calculation is a two-step process. First, each fund with at least 50% of assets covered by a company-level ESG score from Sustainalytics receives a Morningstar Portfolio Sustainability Score™. The Morningstar Portfolio Sustainability Score is an asset-weighted average of normalized company-level ESG scores with deductions made for controversial incidents by the issuing companies, such as environmental accidents, fraud, or discriminatory behavior. The Morningstar Sustainability Rating is then assigned to all scored funds within Morningstar Categories in which at least ten (10) funds receive a Portfolio Sustainability Score and is determined by each fund’s rank within the following distribution: High (highest 10%), Above Average (next 22.5%), Average (next 35%), Below Average (next 22.5%), and Low (lowest 10%). The Morningstar Sustainability Rating is depicted by globe icons where High equals 5 globes and Low equals 1 globe. A Sustainability Rating is assigned to any fund that has more than half of its underlying assets rated by Sustainalytics and is within a Morningstar Category with at least 10 scored funds; therefore, the rating is not limited to funds with explicit sustainable or responsible investment mandates. Morningstar updates its Sustainability Ratings monthly. Portfolios receive a Morningstar Portfolio Sustainability Score and Sustainability Rating one month and six business days after their reported as-of date based on the most recent portfolio. As part of the evaluation process, Morningstar uses Sustainalytics’ ESG scores from the same month as the portfolio as-of date. The Amana Income Fund, Amana Growth Fund, and Amana Developing World Fund were rated based on 98%, 98%, and 70% of Assets Under Management, respectively.

The Amana Mutual Funds offer two share classes – Investor Shares and Institutional Shares, each of which has different expense structures. The Amana Participation Fund has not yet been rated by Morningstar.

The Fund’s portfolio is actively managed and is subject to change, which may result in a different Morningstar Sustainability Score and Rating each month.

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Asset-weighted average debt to market capitalization: This ratio represents the average debt to market capitalization of the portfolio. It is calculated by taking the debt to market capitalization for each company (its debt divided by its market capitalization), then weighting these values (multiplying each by the company's percent share of total portfolio assets), then totaling the weighted values.

Effective maturity and modified duration are measures of a fund's sensitivity to changes in interest rates and the markets. A fund's effective maturity is a dollar-weighted average length of time until principal payments must be paid. Longer maturities typically indicate greater sensitivity to interest rate changes than shorter maturities. Modified duration differs from effective maturity in that it accounts for interest payments in addition to the length of time until principal payments must be paid. Longer durations tend to indicate greater sensitivity to interest rate changes than shorter durations. Call options and other security specific covenants may be used when calculating effective maturity and modified duration.

A Fund's **30-Day Yield**, sometimes referred to as standardized yield, current yield, or SEC yield, is based on methods of computation prescribed in SEC Form N-1A. Calculated by dividing the net investment income per share during the preceding 30 days by the net asset value per share on the last day of the period, the 30-Day Yield provides an estimate of a Fund's investment income rate, but may not equal the actual income distribution rate.

Footnotes

¹ The Chicago Board Options Exchange Volatility Index® (VIX) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. Since its introduction in 1993, the VIX Index is considered by many to be a barometer of investor sentiment and market volatility.

² The Mexican IPC index (Indice de Precios y Cotizaciones) is a capitalization weighted index of the leading stocks traded on the Mexican Stock Exchange. The index was developed with a base level of .78 as of October 30, 1978.

³ The Hang Seng Index is a free-float capitalization-weighted index of companies selected from the stock exchange of Hong Kong representing the Commerce and Industry, Finance, Utilities, and Properties sectors.

⁴ The IBEX 35 is the official index of the Spanish Continuous Market. The index is comprised of the 35 most liquid stocks traded on the Continuous market.


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⁷ Mars, Incorporated Press Release, PRNewswire.com, January 9, 2017. <http://www.prnewswire.com/news-releases/mars-incorporated-to-acquire-vca-inc-300387614.html>

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