Fund Commentary • Q4 2016

Saturna Capital

Amana Mutual Funds Trust

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Environment

What a year! The S&P 500 market kicked off 2016 with a brutal sell-off, dropping nearly 11% in the first six weeks, before staging an unprecedented rally that recovered all the loss and more by the end of March. The rally continued through summer, apart from a brief sell-off in the wake of the UK's Brexit vote in June, and the S&P 500 Index peaked in late August with a year-to-date total return of 7.82%. That was followed by a steady sell-off through the first week of November wiping out most of the appreciation. Ominously, on the evening of Tuesday, November 8 it appeared we could be headed into a legitimate bear market as futures plummeted further with every state that went into the red column. Instead, the market kicked off the post-election period by rising on November 9 and, by the end of the month, had pushed to new highs for the year. The momentum continued through the first half of December as stocks shrugged off a 25-basis point hike in the Fed Funds rate but then faltered in the back half of the month as the prospect of the Dow Jones Industrial average crossing 20,000 proved a "psychologically important barrier." The final tally of an 11.96% return in the S&P 500 Index for 2016 made for a good year and a tremendous improvement over the 1.38% gain in 2015.

A key reason for better benchmark performance was the absence of dramatically poor returns from any one sector, as was the case with Energy in 2015. Energy turned out to be the best performing sector in 2016, followed by Financials, Industrials, Materials, Technology, and Utilities; all but Technology suffered negative returns in the previous year. Meanwhile, 2015's leaders generally experienced less buoyant returns. Health Care, which was the worst performing sector in 2016, ranked among the top three performing sectors every year over 2011-2015. Sectors, like stocks, do not move in a straight line.

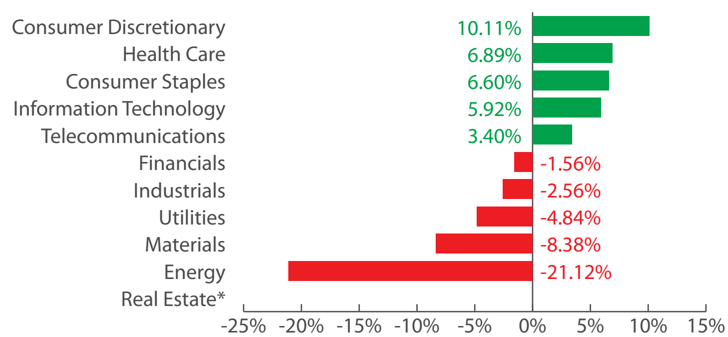
The one sector that enjoyed positive performance in 2015 and improved upon that in 2016 was Technology. The sector was largely "de-FANGed" as Facebook, Amazon, Netflix, and Google (now named Alphabet) failed to achieve returns remotely comparable to the previous year. In their place, others stepped to the fore, including Trimble, Xilinx, Qualcomm, and Intuit, while companies such as Cisco and Microsoft experienced less price appreciation but returns were boosted by dividends.

Developed markets around the world were less rewarding than the United States. For the year ended December 31, 2016, the MSCI EAFE Index returned 1.51% on the back of a 0.30% gain in Japan's Topix Index and a 4.83% gain in the Bloomberg Eurostoxx 50 Index. Currencies were largely neutral over the course of the year, although volatility was significant. One exception was the Brexit-hobbled British pound, which sank -17% against the dollar. Another was the Chinese yuan, which steadily lost value against the dollar throughout the year. The yuan has now depreciated -12% since the government loosened control over the currency in August 2015. While the Chinese government has subsequently adopted policies to stem outflows and maintain the value of the currency, the incoming administration may not see it that way, which wouldn't be unreasonable seeing that the Chinese government wrapped up 2016 by announcing a re-weighting of its trade weighted currency basket.[1] Both the dollar and the euro saw their weightings reduced, while the Korean won was assigned a 10.8% weight. China and its currency represent one of 2017's wild cards.

The one equity asset class that managed to outpace the US in 2017 was emerging markets. The MSCI Emerging Markets Index returned 11.19% led by Brazil, Russia, and Taiwan, while China, Mexico, and Turkey were laggards.

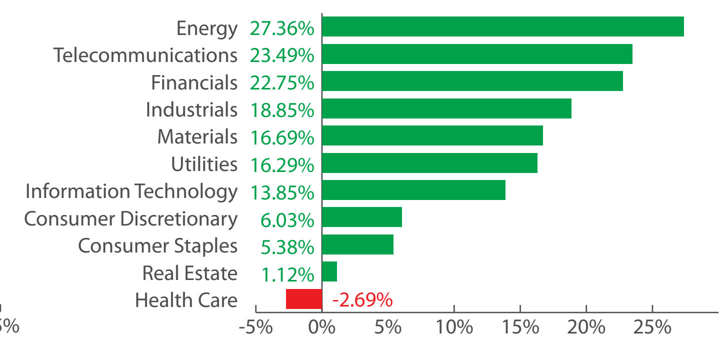
S&P 500 Sector Returns

2015 (for the period 12/31/14 - 12/31/15)



** Real Estate was added as sector August 31, 2016*

2016 (for the period 12/31/15 - 12/31/16)



Source: Bloomberg

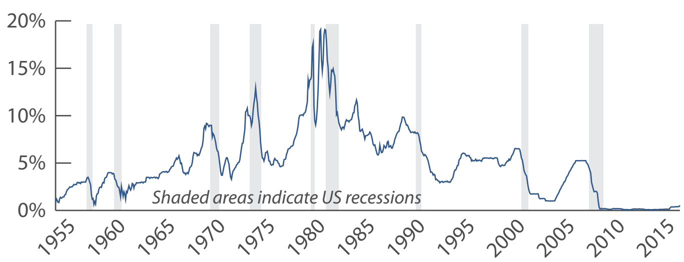
Outlook

The more challenging task than reviewing the past year is to identify likely developments in the coming 12 months; a task made immeasurably more difficult by the unknown quantity of our new POTUS. Normally, presidents are given too much credit or assigned too much blame for economic developments during their term in office. Donald Trump, however, represents such a striking departure from the conventional players and positions of either party that he may end up bearing significant responsibility for the economic environment over the next several years, not to mention the potential political ramifications from an ill-considered 3:00 a.m. tweet.

Let's return to that in a moment and review where the market stands today. First, we must recognize that the bull market stands on aged legs. The S&P 500 Index has not suffered a down year since 2008 and, beginning with the nadir on March 6, 2009, has rallied 228% on price appreciation alone for a compound annual return well ahead of long-term averages. As one might expect from such performance, valuations are stretched. Or are they? The S&P 500 Index finished 2016 trading at a price earnings ratio of 21x, according to Bloomberg, although other sources place the figure even higher.

Due to distortions between GAAP and non-GAAP earnings, there's no definitive answer regarding the market valuation. What we can say is that the current valuation stands higher than any time from 1926 through December 1991, except for just prior to the 1929 Crash. Conversely, we can also say that in the context of the past 25 years, valuation doesn't appear to be as much of a concern. Why the shift? Many things have changed since 1991 but the most important are likely the long-term decline in interest rates, the rise of the technology/internet sector, and extraordinary monetary policy. The effective Federal Funds rate peaked at 19.10% in June 1981 and spent the next 30 years in a downtrend that took it all the way to 0.10% by April 2011.[2] Falling interest rates are generally supportive of economic activity and investment in productivity-enhancing equipment. Lower rates also lower the cost of capital, thereby raising the net present value of expected future cash flows and boosting stock values.

Effective Federal Funds Rate

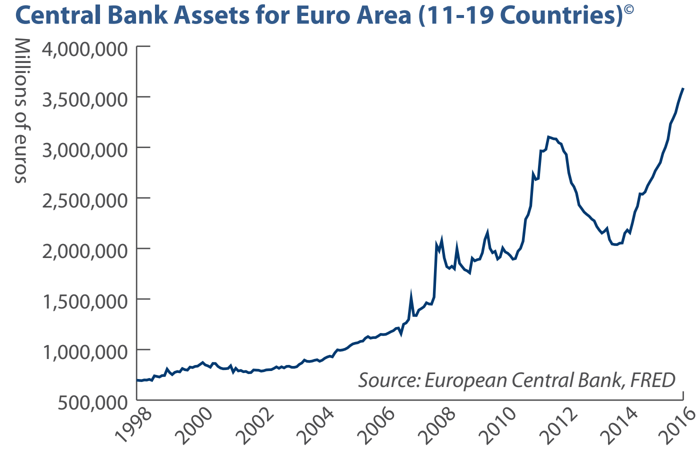


Source: St. Louis Federal Reserve Economic Research Data (FRED)

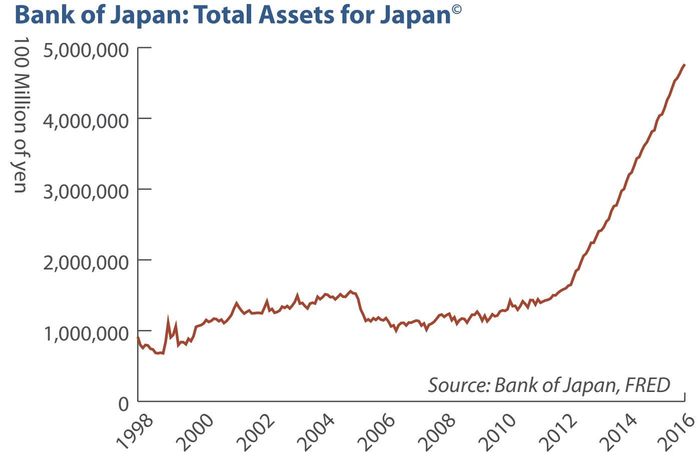
But the US economy also enjoyed low rates throughout the 1950's and early 1960's, yet stock market valuations were far lower. The change in composition of the US economy likely plays a role here. As the US economy evolved from manufacturing into services, companies required less invested capital to achieve a certain return, a process that likely accelerated with rise of internet behemoths such as Google (Alphabet) and Facebook. It doesn't take Facebook anywhere near the capital investment to provide 1,000,000 profile pages as it does for Ford to produce 1,000,000 F-150 pick-ups. Thus, Facebook had an estimated Return on Invested Capital (ROIC) in 2016 of 27.3%, while Ford is expected to have achieved 11.2%. With a higher ROIC a company can achieve a given growth rate while employing less capital, leaving more available for distribution to shareholders and making that business more valuable to investors.

Finally, we have extraordinary monetary policy. While the Federal Reserve has curtailed its quantitative easing, the European Central Bank and the Bank of Japan have not, and money created outside of the US does not have to stay outside of the US.

Central Bank Assets for Euro Area (11-19 Countries)©



Bank of Japan: Total Assets for Japan©



European and Japanese extraordinary monetary policy may help explain why US stock market valuations have continued to push higher despite weak earnings. Earnings growth has been modest, with S&P 500 Index earnings rising from $99.21 in 2012 to an estimated $118.91 in 2016, a compound annual growth rate of only 4.6%, rather lower than market appreciation over the same period. Of course, analysts forecast far more buoyant growth in the future… just as they do every year.

This time, however, could be different due to President Trump and a Republican-controlled Congress. We often hear complaints of the trillions of dollars stashed overseas by American companies. But the United States has among the highest corporate tax rates in the world, a reality that creates two distortions: 1) companies are encouraged to domicile overseas (although the inversion trend has slowed) or to record as much of their profit as possible overseas and; 2) companies have no incentive to bring that cash back to the US since it will be taxed at the statutory rate. Tax reform is high on the list of Republican priorities. Given that the statutory rate clearly provides perverse incentives, there's a strong argument for lowering rates and, possibly, initiating a repatriation holiday allowing funds to return to the US with even more favorable taxation. Of course, such holidays themselves (the last one was in 2004) create an incentive to keep cash offshore. While repatriation may not spur capital investment, it could be used for higher dividends, buybacks, or M&A; all activities that tend to be supportive of equity markets.

Entering 2017, we are left on one hand with rising interest rates, a one-sided political environment, potential changes to traditional American foreign policy positions, possible disruption to trade agreements and complex supply chains, and a strengthening dollar that affects overseas competitiveness. On the other hand, we can reasonably expect regulatory relief and tax reform that will significantly lower rates and boost earnings, especially for those companies that operate primarily within the borders of the United States, and a potential wave of cash being released from offshore havens. Our advice remains the same – stay invested for the long-term.

Spotlight on Debt Markets

On December 14, 2016, the Federal Reserve raised the Federal Funds Rate by 0.25% for the second time since the 2008 financial crisis, targeting a 0.50-0.75% range, while predicting three further rate increases in 2017. Earlier in December, European Central Bank President Mario Draghi announced the Bank's plans to extend the asset purchase program to the end of 2017, a departure from the earlier scheduled termination date in April of 2017, but at a reduced amount of €60 billion rather than the original €80 billion per month. As part of Mr. Draghi's announcement he emphatically denied the reduced monthly purchases is in any way a "tapering" of its program of "quantitative easing." Previously, in September, the Bank of Japan announced their revised monetary policy of "targeting" interest rates through the 10-year Japanese Government Bond at 0% as a means of spurring inflation and economic growth. The resulting programs of quantitative easing have created an abnormal environment where negative-yielding debt became the fastest growing subsector of the debt market. For example, in March of 2015 there were almost $2.0 trillion of negative-yielding notes and bonds. Nearly 18 months later, in August 2016, the amount of negative-yielding debt grew to $13.4 trillion, representing an increase of over 550%.

Amana Income Fund

As of December 31, 2016

The Amana Income Fund Investor Shares slipped -0.16% in the fourth quarter, bringing its full-year return to 9.34%, lagging the S&P 500 Index return of 11.96% for the year, as well as the Russell 1000 Value Index, which returned 17.33%. The Amana Income Fund, S&P 500 Index, and the Russell 1000 Value Index performed similarly until the election, but the latter went on a tear following the vote, rising 7.5% between November 7th and year-end. The appreciation resulted almost entirely from a sharp rally in financial stocks, which hold a 25% weight in the Value Index and provided over 500 basis points of the 666-basis point fourth quarter return.

Industrial and Technology stocks, which together account for roughly 40% of the portfolio, were the major contributors in 2016. While the Industrial sector performed very well in 2016, we are inclined to remain invested given signs of potentially more buoyant economic activity going forward, as reflected in the Fed decision to continue to move toward a normalization of interest rates. The New Year has also brought news of strong December automotive sales and improving consumer confidence.

Health Care was the worst-performing S&P sector in 2016, so the appearance of four related companies on the major detractors list comes as no surprise. As noted in the introduction, however, Health Care stocks enjoyed a strong run over the past several years. Republican intentions toward the Affordable Care Act create uncertainties but developed world demographics are strongly favorable for the industry.

The Energy companies that appear are no longer a part of the portfolio. While Energy rebounded with the OPEC production agreement, we believe the longer-term trend skews toward lower consumption. Stronger prices may persist for a few quarters, but we are already seeing increases in the US rig count and a rebound of domestic production seems likely. At the same time, automotive producers continue to move toward more fuel efficient vehicles, despite the American predilection for larger vehicles. Ford, for example, has announced that it will introduce a hybrid F-150 pick-up by 2020. Meanwhile, ever worsening Chinese pollution has strongly motivated that government to devote substantial resources toward alternative energy sources. China has been the major incremental source of petroleum demand since the turn of the century.

Nike has a long history of being among the top contributors to Fund performance but in 2016 the revitalization of Adidas and Nike's own stretched valuations caught up with it. We still believe in the long-term opportunity for the company and see potential in their spending to develop direct-to-consumer channels for their products.

10 Largest Contributors	Return	Contribution
Illinois Tool Works	35.01%	1.28
Parker Hannifin	47.55%	0.99
Rockwell Automation	34.44%	0.90
Microchip Technology	41.67%	0.88
3M	21.72%	0.68
Carlisle	25.97%	0.61
United Parcel Service, Class B	22.71%	0.52
Air Products & Chemicals	22.50%	0.51
Honeywell International	15.00%	0.50
Taiwan Semiconductor ADS	31.14%	0.47

10 Largest Detractors	Return	Contribution
Nike, Class B	-17.71%	-0.65
Eli Lilly	-10.37%	-0.47
Bristol-Myers Squibb	-13.50%	-0.44
Novartis ADR	-12.13%	-0.39
ConocoPhillips	-30.11%	-0.25
Kimberly-Clark	-7.69%	-0.20
Abbott Laboratories	-12.32%	-0.16
PPG Industries	-2.61%	-0.06
ExxonMobil	-2.31%	-0.04
Johnson Controls	-1.97%	-0.03

Top 10 Holdings	Portfolio Weight
Illinois Tool Works	4.4%
Microsoft	3.6%
3M	3.6%
Honeywell International	3.6%
Eli Lilly	3.6%
Rockwell Automation	3.4%
Colgate-Palmolive	3.1%
Nike, Class B	3.0%
Parker Hannifin	3.0%
Microchip Technology	3.0%

30-Day Yield	
Investor Shares (AMANX):	1.40%
Institutional Shares (AMINX):	1.51%

Asset-weighted average debt to market cap: 15.9%

Our top ten holdings are little changed from the end of the third quarter when we last reported. Auto parts supplier Genuine Parts and industrial coatings company PPG dropped off the list and were replaced by Microchip Technology and Parker Hannifin, both of which performed strongly during the year.

Performance data quoted herein represents past performance and does not guarantee future results.

Amana Growth Fund

As of December 31, 2016

The Amana Growth Fund Investor Shares shed -0.24% in the fourth quarter, bringing the full year return to 7.62%, which trailed the 11.96% return for the S&P 500 Index but was ahead of the Russell 1000 Growth Index, which returned 7.07%. Performance was also well ahead of the Morningstar Large Growth category return of 3.23%, and the Fund's Investor Shares finished the year in the 17th percentile in the category. Unlike value, growth did not receive a boost from the election, largely due to the very low representation of the Finance and Energy sectors, both of which soared in Q4.

EMCOR Group and Trimble both had very strong 2016 performances. Even so, the former remains fairly valued due to an earlier period of subdued price appreciation while earnings were improving. We see an improving construction outlook that is supportive of their business. Global Positioning Satellite (GPS) company Trimble cannot be described as cheap, but following earnings declines in 2014 and 2105, growth returned in 2016 and is expected to accelerate sharply over the next two years. Slumping soft commodity prices dented Trimble's business but their products are undoubtedly productivity-enhancing and we see a bright future.

After a difficult 2015, transportation stocks recovered last year and our railroad holdings re-appeared among the top performers. Technology, being our largest sector, was also well-represented.

The top detractors from Fund performance were concentrated in the Health Care sector. We have exited the investment in Express Scripts due to rising concerns over the opaque nature of pharmaceutical pricing. Novo Nordisk has been one of our longest held investments and diabetes remains a growing scourge, but we are evaluating the impact of reduced pricing flexibility on the business. Seeing Clorox on the list is unusual given its long history of excellent performance, but in the back half of 2016 we saw the cash-generative and high dividend-paying Consumer Staples sector sell off on high valuations and expectations of improved yields on fixed income instruments.

Among the top ten holdings, Esteé Lauder and Eli Lilly dropped out and were replaced by Johnson & Johnson and EMCOR Group.

10 Largest Contributors	Return	Contribution
EMCOR Group	48.24%	0.95
Trimble	40.56%	0.91
Intuit	20.16%	0.85
Qualcomm	35.11%	0.80
Union Pacific	35.98%	0.65
Lincoln Electric Holdings	51.08%	0.60
ASML Holding	28.01%	0.58
Norfolk Southern	31.45%	0.57
Xilinx	32.05%	0.55
Stryker	30.68%	0.53

10 Largest Detractors	Return	Contribution
Novo Nordisk ADR	-36.56%	-1.28
Express Scripts Holding	-22.89%	-0.73
Amgen	-7.65%	-0.46
Eli Lilly	-10.37%	-0.37
Novartis ADR	-12.21%	-0.37
Estée Lauder, Class A	-11.93%	-0.31
Lowe's	-4.87%	-0.14
Dentsply Sirona	-9.69%	-0.10
Celgene	-3.35%	-0.06
Clorox	-2.99%	-0.05

Top 10 Holdings	Portfolio Weight
Apple	4.2%
Church & Dwight	4.1%
Adobe Systems	4.1%
Intuit	3.8%
Lowe's	3.8%
Amgen	3.6%
TJX Companies	3.5%
Qualcomm	3.5%
Johnson & Johnson	3.2%
EMCOR Group	3.2%

Asset-weighted average debt to market cap: 13.6%

Amana Developing World Fund

As of December 31, 2016

In 2016 the Amana Developing World Fund Investor Shares gained a disappointing 0.97%, due to a sharp -9.37% loss in value during the fourth quarter. Meanwhile, the MSCI Emerging Markets Index returned 11.19%, nearly all of which was achieved in the third quarter, as it too shed value in the fourth quarter.

The weak fourth-quarter Fund performance resulted largely from Donald Trump's victory in the presidential election, with a contribution from Middle East instability. The Fund does not invest in large emerging market index constituent countries, such as Taiwan and South Korea, because the Fund's adviser believes those to be developed markets. Perhaps because of their relatively developed status, those countries feature significantly stronger currencies than most emerging markets. The Fund, on the other hand, is overweighted in various countries that are not as significant to the index, such as Mexico and Turkey, and the fourth quarter decline is largely the story of depreciating currency values. President Trump's desire to build a big wall has had a deleterious effect on Mexican stocks and the peso. On November 8th, when most people expected Hillary Clinton to win, the US dollar was worth 18.31 pesos. By the end of the year it had sunk -13.2% to 20.73.

We are also overrepresented in Turkey, whose wounds were largely self-inflicted, ranging from a coup attempt to an upsurge in terrorist attacks due to its failed strategy in Syria. The Turkish lira did not require the US election to lose value and over the course of 2016 the lira depreciated -22.9% against the US dollar.

We remain invested in all of the stocks that comprised 2016's top contributors and are constructive on the outlook for all of them as well, apart possibly from Kansas City Southern. KSU has most of its track miles in Mexico and has benefited from production moving either from the United States or China to that country. Daily tweets concerning big border taxes have not helped its performance. What that means fundamentally remains to be seen. Clicks Group operates in the difficult South African environment but has demonstrated itself to be the country's most accomplished retailer. MercadoLibre, while based in Argentina, is heavily exposed to Brazil and that country's economy appears to be on the mend. Telekomunikasi Indonesia dominates the rapidly growing telecom market there, while Chinese internet giant Tencent moves from strength to strength in a variety of areas covering social media and advertising, mobile games, the sharing economy, and e-commerce.

We remain invested in all but one of the top detractors. Western Digital was sold earlier in the year in anticipation of continuing declines in traditional PC/laptop sales. Kimberly-Clark de Mexico is an example of a stock that was doing quite well until the election, when it's stock suffered in US dollar terms due to its predominately domestic business, and our continued investment there depends on developments regarding US-Mexico economic relations. Manila Electric is a similar story, being a domestic-oriented business, while the Philippine peso has depreciated over 20% since it became clear that Rodrigo Duterte was the frontrunner and eventual winner of the Philippine presidential election.

Bangkok Dusit Medical Care and Bangkok Airways both dropped out of the top ten and were replaced by global apparel brand manager VF Corp and jewelry company Pandora.

10 Largest Contributors	Return	Contribution
Clicks Group	50.75%	1.13
MercadoLibre	37.13%	1.11
Telekomunikasi Indonesia ADS	35.52%	1.00
SM Prime Holdings	24.80%	0.74
Tencent Holdings ADR	23.19%	0.72
Indofood CBP Sukses Makmur	40.05%	0.57
Kansas City Southern	31.62%	0.53
Advanced Info Service	29.74%	0.45
Kalbe Farma	14.95%	0.38
CNOOC ADR	23.43%	0.31

10 Largest Detractors	Return	Contribution
Kimberly-Clark de Mexico, Class A	-19.65%	-0.39
Western Digital	-26.05%	-0.38
Baidu ADS	-13.03%	-0.37
VF	-12.14%	-0.33
Manila Electric	-15.30%	-0.29
Kerry Logistics Network	-13.70%	-0.23
Hikma Pharmaceuticals	-11.88%	-0.19
Mead Johnson Nutrition	-8.44%	-0.15
Techtronic Industries	-15.26%	-0.14
IHH Healthcare	-7.20%	-0.13

Top 10 Holdings	Portfolio Weight
MercadoLibre	4.6%
SM Prime Holdings	3.9%
Telekomunikasi Indonesia ADS	3.7%
Tencent Holdings ADR	3.7%
Clicks Group	3.5%
Samsonite International	3.1%
AboitizPower	2.9%
Kalbe Farma	2.8%
Pandora	2.8%
VF	2.7%

Asset-weighted average debt to market cap: 15.3%

We have exercised patience and prudence throughout 2016, waiting for favorable opportunities to invest proceeds and rebalance portions of the portfolio. Sukuk securities experienced favorable price performance throughout most of 2016 as investors reallocated capital toward higher yielding assets offered in emerging markets. During the later part of the US presidential election, we observed a dramatic shift away from emerging market assets as investors sought the dual benefits of the higher US interest rates and a strong US dollar. For example, the US 10-year Treasury rose 100 bps in yield in just 76 days, from 1.59% on September 30, 2016 to a high of 2.59% on December 15, 2016, before falling to 2.44% on December 30, 2016. The dramatic rise in rates caused some 10-year Treasurys to experience pronounced changes in value, which adversely affected emerging market securities. Sukuk assets now offer a more compelling total return opportunity.

The Amana Participation Fund Institutional Shares returned 2.56% for the year ended December 31, 2016, compared to the Citi Sukuk Index's 4.01% gain. Over this past quarter, the Institutional Shares of the Fund returned -1.43%, versus the Index's return of -1.69%. Much of the Fund's underperformance relative to the Index over the past year can be attributed to the newly formed fund's prudent and conservative manner of becoming fully invested. The Fund began operations on September 28, 2015, and 2016 marks the close of its first full calendar year of operations. The portfolio holds 26 separate issues while retaining a modified duration of 3.3 years and a 30-day yield of 2.41% for the Institutional shares. The Fund is well positioned from a credit perspective to meet its investment objective of capital preservation and current income while currently being entirely invested in US dollar-denominated securities.

The top-performing issue in 2016, returning 7.69%, was Sharjah Sukuk *(3.764%, 09/17/2024)*, a government sovereign issue originating from the Emirate of Sharjah, a member state of the United Arab Emirates. The second top performing issue was Saudi Electric *(4%, 04/08/2024)*, returning 7.64%. Saudi Electric found itself benefiting from Saudi Arabia's $17.5 billion sovereign debt issue which helped the security tighten on a spread basis to the new government issue. The worst performing security in 2016 was Investment Corporation of Dubai (ICD) Sukuk *(3.508%, 05/21/2020)*, which returned -0.63%. The ICD is a sovereign wealth fund owned by the government of Dubai, United Arab Emirates. Dubai's Jebel All Free Zone Shariah (JAFZSK) investment certificate *(7%, 06/19/2019)* provided a total return of -0.28% during the year. The relatively poor performance of both ICD and JAFZSK can be attributed to the Fund's recent purchase of the two issues during the fourth quarter of 2016, which means they did not have as long, relative to the portfolio's other securities, to generate return. Additionally, these securities were adversely affected by rising interest rates in the United States.

As the US drives forward with a new president and toward monetary normalization, we anticipate that Fed Chairwoman Janet Yellen will likely increase interest rates over the upcoming year, while the rest of the world continues to offer accommodative monetary policies aimed at spurring economic growth. We expect the world to remain awash in capital, leading to continued volatility. We anticipate economic growth in the US will remain positive and we will experience more inflationary price pressures. We foresee the US dollar retaining its relative strength compared to its trading partners. We also expect interest rates in the US to remain higher relative to foreign markets. Lastly, we anticipate the agreement among OPEC members to restrict oil production will offer a more fiscally supportive environment for hydrocarbon-dependent economies.

Top 10 Holdings	Portfolio Weight
MAF Sukuk	4.4%
Sime Darby Global Sukuk	4.1%
JAFZ Sukuk 2019	3.8%
CBB International Sukuk	3.6%
Sukuk Funding No3	3.5%
Saudi Electric Global	3.5%
EMG Sukuk	3.5%
Dubai DOF Sukuk	3.5%
Sharjah Sukuk	3.5%
TF Varlik Kiralama	3.5%

30-Day Yield	
Investor Shares (AMAPX):	2.19%
Institutional Shares (AMIPX):	2.41%

Credit Profile	
Moody's Investor Services	
Aa2	3.5%
A1	5.2%
A2	7.0%
A3	3.5%
Baa1	9.2%
Baa2	12.5%
Baa3	9.8%
Ba1	3.4%
Unrated	32.1%
Cash and equivalents	13.9%

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 December 31, 2016

Average Annual Total Returns *(Before Taxes)*	**Ticker**	**1 Year**	**3 Year**	**5 Year**	**10 Year**	**Expense Ratio**
Income Fund Investor Shares	AMANX	9.34% ▲	5.04% ▲	10.51% ▲	7.36% ▲	1.15%
Income Fund Institutional Shares	AMINX	9.63% ▲	5.31% ▲	n/a	n/a	0.90%
S&P 500 Index		11.96% ▲	8.87% ▲	14.64% ▲	6.94% ▲	n/a
Russell 1000 Value Index		17.33% ▲	8.58% ▲	14.78% ▲	5.70% ▲	n/a
Growth Fund Investor Shares	AMAGX	7.62% ▲	6.91% ▲	10.79% ▲	7.10% ▲	1.09%
Growth Fund Institutional Shares	AMIGX	7.85% ▲	7.15% ▲	n/a	n/a	0.85%
S&P 500 Index		11.96% ▲	8.87% ▲	14.64% ▲	6.94% ▲	n/a
Russell 1000 Growth Index		7.07% ▲	8.55% ▲	14.48% ▲	8.33% ▲	n/a
Developing World Fund Investor Shares	AMDWX	0.97% ▲	-5.49% ▼	-2.20% ▼	n/a	1.51%
Developing World Fund Institutional Shares	AMIDX	1.22% ▲	-5.21% ▼	n/a	n/a	1.20%
MSCI Emerging Markets Index		11.19% ▲	-2.55% ▼	1.27% ▲	1.84% ▲	n/a
Participation Fund Investor Shares	AMAPX	2.34% ▲	n/a	n/a	n/a	1.12%
Participation Fund Institutional Shares	AMIPX	2.56% ▲	n/a	n/a	n/a	0.72%
Citi Sukuk Index		4.01% ▲	3.98% ▲	4.01% ▲	4.18% ▲	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™ [1]	Overall	1 Year	3 Year	5 Year	10 Year	Sustainability Rating™ [2]
Amana Income Fund – "Large Blend" Category						
Investor Shares (AMANX)	★★★★	n/a	★★	★★	★★★★★	🌐🌐🌐🌐🌐
% Rank in Category	n/a	66	83	90	10	1
Institutional Shares (AMINX)	★★	n/a	★★	☆☆	☆☆☆☆☆	🌐🌐🌐🌐🌐
% Rank in Category	n/a	63	81	89	9	1
Number of Funds in Category	1,255	1,409	1,255	1,106	814	1,255
Amana Growth Fund – "Large Growth" Category						
Investor Shares (AMAGX)	★★★	n/a	★★★★	★★	★★★★	🌐🌐🌐🌐🌐
% Rank in Category	n/a	17	30	89	46	1
Institutional Shares (AMIGX)	★★★★	n/a	★★★★	☆☆	☆☆☆☆	🌐🌐🌐🌐🌐
% Rank in Category	n/a	16	26	87	44	1
Number of Funds in Category	1,315	1,463	1,315	1,154	809	1,315
Amana Developing World Fund – "Diversified Emerging Markets" Category						
Investor Shares (AMDWX)	★★	n/a	★★	★★	n/a	🌐🌐🌐🌐
% Rank in Category	n/a	90	86	96	n/a	15
Institutional Shares (AMIDX)	★★	n/a	★★	☆☆	n/a	🌐🌐🌐🌐
% Rank in Category	n/a	90	83	96	n/a	15
Number of Funds in Category	606	813	606	425	n/a	606

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").

[1] Morningstar Ratings™ ("Star Ratings") are as of December 31, 2016. 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, 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.

[2] Morningstar Sustainability Ratings and Portfolio Sustainability Scores are as of November 30, 2016. 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 it 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%, 99%, and 69% 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 Morningstar Portfolio Sustainability Scores and Morningstar Sustainability Ratings are new and it is anticipated that Morningstar will issue the scores and ratings monthly. The Fund's portfolio is actively managed and is subject to change, which may result in a different Morningstar Sustainability Score and Rating.

% 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.

About The Authors

Scott Klimo CFA
Chief Investment Officer
Amana Developing World Fund Portfolio Manager
Amana Income Fund and **Amana Growth Fund** Deputy Portfolio Manager

Scott Klimo, Chief Investment Officer, joined Saturna Capital in May 2012. He received his BA in Asian Studies from Hamilton College in Clinton, NY and also attended the Chinese University of Hong Kong and the Mandarin Training Center in Taipei, Taiwan. Mr. Klimo has over 25 years experience in the financial industry with the first several years of his career spent living and working in a variety of Asian countries and the past 10 years working as a senior analyst, research director, and portfolio manager covering global equities. Mr. Klimo is a chartered financial analyst (CFA) charterholder. He is a supporter of various environmental organizations and served for several years on the Board of Directors of the Marin County Bicycle Coalition. Outside of work Mr. Klimo is an avid cyclist and scuba diver; pursuits he shares with his wife and two teenage children.

Patrick Drum MBA, CFA, CFP®
Research Analyst
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Patrick T. Drum, Research Analyst and Portfolio Manager, joined Saturna Capital in October 2014.

He is a select member of the United Nations Principles for Responsible Investment (UNPRI) Fixed Income Outreach Subcommittee and an adjunct professor of finance at Pinchot University, formerly known as Bainbridge Graduate Institute (BGI). Mr. Drum has nearly 10 years of experience integrating ESG considerations into fixed income portfolio management.

He holds a BA in economics from Western Washington University and an MBA from Seattle University Albers School of Business. He is a Chartered Financial Analyst Charterholder (CFA) and a Certified Financial Planner®. Mr. Drum has more than 20 years of investment experience in serving institutions and private clients.

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*The **MSCI EAFE Index** is an international index focused on Europe, Australasia, and the Far East.*

*The **Tokyo Stock Price Index** is a capitalization-weighted index of all companies listed on the First Section of the Tokyo Stock Exchange.*

*The **European Stoxx 50 Index** is a European blue chip stock index representing the leading 50 supersector stocks from 12 eurozone countries.*

*The **Dow Jones Industrial Average** is a price-weighted index of 30 of the largest, most widely held US stocks.*

***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] Chen, Tian, Dai, Emma, China Dilutes Dollar Role in Currency Basket, Adds 11 More, Bloomberg Markets, December 29, 2016. https://www.bloomberg.com/news/articles/2016-12-29/china-reduces-dollar-weighting-in-currency-basket-adds-11-more

[2] St. Louis Federal Reserve Economic Research Data (FRED). https://fred.stlouisfed.org/series/FEDFUNDS

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