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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.

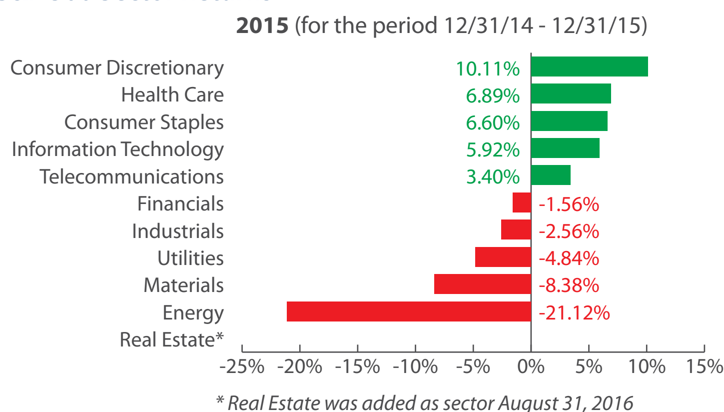
A key reason for better benchmark performance was the absence of dramatically poor returns from any one sector, as was the case with Energy in 2015. Energy turned out to be the best performing sector in 2016, followed by Financials, Industrials, Materials, Technology, and Utilities; all but Technology 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.

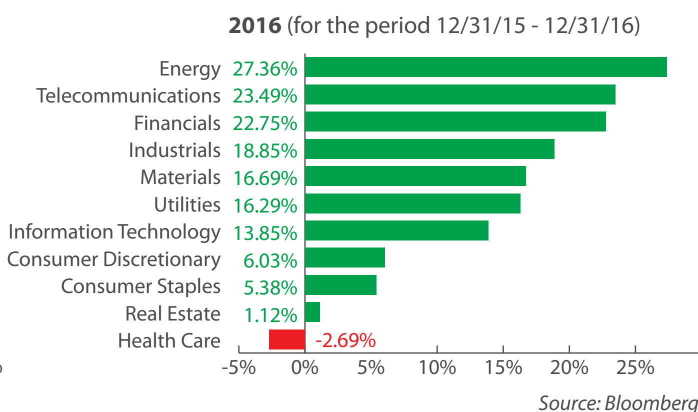
The one sector that enjoyed positive performance in 2015 and improved upon that in 2016 was Technology. The sector was largely "de-FANGed" as Facebook, Amazon, Netflix, and Google (now named Alphabet) failed to achieve returns remotely comparable to the previous year. In their place, others stepped to 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





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

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.

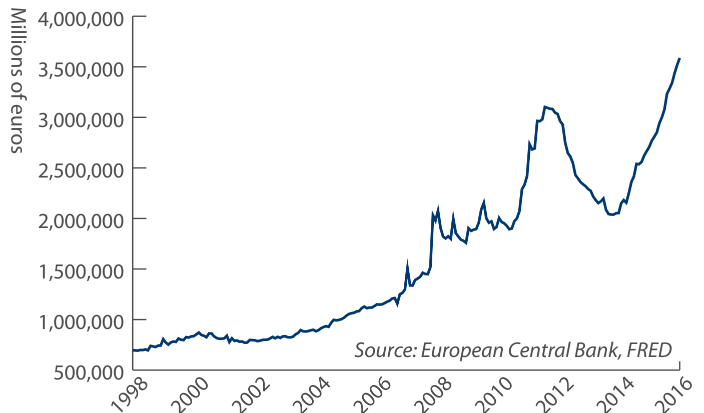
Due to distortions between GAAP and non-GAAP earnings, there's no definitive answer regarding the market valuation. What we can say is that the current valuation stands higher than any time from 1926 through December 1991, except for just prior to the 1929 Crash. Conversely, we can also say that in the 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

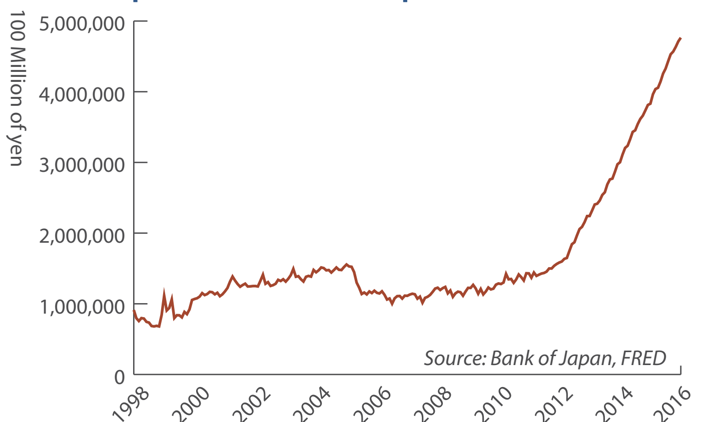
But the US economy also enjoyed low rates throughout the 1950's and early 1960's, yet stock market valuations were far lower. The change in composition of the US economy likely plays a role here. As the US economy evolved from manufacturing into services, companies required less invested capital to achieve 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%.

Sextant Growth Fund

As of December 31, 2016

Last quarter we wrote of the Sextant Growth Fund regaining its footing after a difficult first half of the year. That largely continued in the fourth quarter. For the year ended December 31, 2016, the performance was substandard, with the Fund shedding -0.46% versus a 7.07% return from the Russell 1000 Growth Index. Full-year performance was a tale of two halves as the Fund dropped -5.22% in the first half before recovering to record a 5.03% gain in the second half. Fund management changed at the start of 2016 and the current managers have been working to place the Fund on a stronger footing, a process that is having an effect.

We remain confident in the outlook for most of our top performers from 2016. At some point, Harman International will be removed as the firm has received an accepted bid from Samsung Electronics. Infotainment, the connected car, and automated driving are accelerating trends and we are seeking new avenues of access to the opportunity. We have also exited the Medivation position due to its acquisition by Pfizer. We have reduced our weight in Alaska Air since much of the good news in the US airline industry has already been reflected in profits and stock performance. Regardless, the shares remain inexpensive and the merger with Virgin America will create new opportunities to improve efficiencies. The outlook for the finance industry turned significantly more positive post the presidential election, and we are looking to expand our exposure beyond JP Morgan and other holdings. Christmas shopping surveys indicate that the shift from "bricks" to "clicks" may be accelerating and Amazon continues to dominate online commerce.

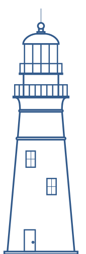
Several of the largest detractors have been removed from portfolio, including Tableau Software. The stock crashed nearly 50% in early February on weak earnings and guidance. While there was a recovery, the shares have subsequently retreated close to price levels seen following the initial disappointment. Allergan, Micron Technology, Express Scripts, and Signature Bank have all been sold as well. We remain interested in the longer-term growth opportunities for Nike, Under Armour, and Bristol-Myers Squibb.

JP Morgan Chase and Microsoft have replaced Stanley Black & Decker and Adobe Systems among the top ten holdings, although we remain invested in both.

10 Largest Contributors	Return	Contribution
JP Morgan Chase	34.60%	0.92
Harman International	43.01%	0.91
Medivation	23.67%	0.89
RPM International	36.95%	0.79
EMCOR Group	48.24%	0.78
Apple	12.53%	0.66
Ashland Global Holdings	5.05%	0.48
Microsoft	15.19%	0.46
Alaska Air	12.04%	0.38
Amazon.com	10.91%	0.37

10 Largest Detractors	Return	Contribution
Tableau Software, Class A	-59.61%	-1.99
Nike, Class B	-17.71%	-0.65
Micron Technology	-24.78%	-0.64
CVS Health	-17.75%	-0.57
Signet Jewelers	-22.95%	-0.52
Bristol-Myers Squibb	-23.02%	-0.51
Express Scripts Holding	-20.15%	-0.51
Allergan	-20.31%	-0.48
Signature Bank	-21.47%	-0.47
Under Armour, Class A	-30.70%	-0.45

Top 10 Holdings	Portfolio Weight
Apple	5.8%
TJX Companies	5.2%
Alphabet, Class A	4.6%
Starbucks	4.5%
Facebook, Class A	4.3%
RPM International	3.6%
Nike, Class B	3.6%
JP Morgan Chase	3.5%
Microsoft	3.4%
Amazon.com	3.3%



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

Sextant International Fund

As of December 31, 2016

The Sextant International Fund enjoyed an outstanding 2016, appreciating 7.11% against a return of 1.51% for the MSCI EAFE Index, which tracks the performance of developed international markets. The Fund benefited from overall positive stock selection across sectors, led by Technology, Financials, Industrials, and Consumer Discretionary, while Consumer Staples and Health Care selections lagged. From a regional perspective, our underweight exposure to Japan and Australia created a slight drag on returns that was easily overcome by excellent performance in Western Europe, South and Central America, and Canada.

Several of our top contributors in 2016 were stocks that rebounded strongly from less impressive performance in the previous year. These include Panamanian airline Copa, global leisure company Belmond, Dutch lithography champion ASML, and South American e-commerce leader MercadoLibre. Meanwhile, positions such as Dutch publisher Wolters Kluwer and software designer NICE Systems continued multiyear track records of sustained performance. We believe these companies have bright outlooks, and we will remain invested. The same cannot be said for Total and Statoil. Despite being well-managed companies and the recent OPEC production agreement, we have a less constructive long-term outlook for fossil fuels.

Health Care performed poorly globally in 2016, and we are evaluating the outlook for our holdings in light of a less liberal pricing environment than has been the case historically. After several years of buoyant automotive sales in the US, we also plan to revisit the outlook for Toyota. Banco Santander has been eliminated from the portfolio, while Fomento Economico Mexicano, a domestically focused business, presents a difficult case for a US dollar-based investor given the depreciation of the Mexican peso.

The only change among the top ten holdings since the end of the third quarter was Copa Holdings replacing Fomento Economico Mexicano.

10 Largest Contributors	Return	Contribution
Copa Holdings, Class A	94.02%	2.02
Belmond, Class A	40.53%	1.73
ASML Holding	27.99%	1.66
Wolters Kluwer	17.12%	1.52
BASF ADS	26.97%	1.18
NICE Systems ADS	21.13%	1.07
Toronto-Dominion Bank	21.14%	0.98
MercadoLibre	37.13%	0.61
Total ADS	19.96%	0.60
Statoil ADS	38.31%	0.47

10 Largest Detractors	Return	Contribution
Novo-Nordisk ADR	-36.56%	-1.52
Novartis ADR	-12.12%	-0.98
Fomento Economico Mex ADS	-16.28%	-0.69
Shire ADR	-16.48%	-0.50
Toyota Motor ADS	-1.61%	-0.45
Dassault Systemes ADR	-4.09%	-0.32
Methanex	-23.57%	-0.22
Carrefour ADS	-12.88%	-0.19
Banco Santander ADS	-21.54%	-0.18
Mitsubishi UFJ Financial ADR	2.39%	-0.14

Top 10 Holdings	Portfolio Weight
ASML Holding	7.5%
Toronto-Dominion Bank	6.3%
Dassault Systemes ADR	6.1%
BASF ADS	5.9%
Wolters Kluwer	5.8%
Belmond, Class A	5.5%
NICE Systems ADS	5.5%
Unilever ADS	4.8%
Novartis ADR	4.6%
Copa Holdings, Class A	4.3%

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

Sextant Core Fund

For the quarter ended December 31, 2016, the Sextant Core Fund returned -1.29% versus 0.99% for the Morningstar Allocation – 50% to 70% Equity category, and -0.63% for the Dow Jones Moderate Portfolio Index.

The equity portfolio produced positive total return but trailed the broad market indices. Financial, Industrial, and Energy positions were contributors while Health Care and Consumer Staples were detractors from performance.

Management of the Fund was reassigned at the end of fiscal year 2016. With regards to the equity portion of the Fund, we expect to maintain the 60% allocation, increase the number of positions, increase the average market capitalization of those positions, and emphasize the Fund's value and income characteristics. This transition will occur opportunistically. Turnover may temporarily elevate with these changes but remain within the Sextant Fund family's low turnover history.

Consistent US GDP growth, improving employment, and robust housing and auto sales have convinced the US Federal Reserve to continue normalizing policy. Rising yields, CPI, and Purchasing Managers Indices all appear to validate weaker bond prices.

US dollar strength significantly influenced US bond prices, forcing foreign central banks to sell billions in US Treasury securities to temporarily support their respective currencies. The result was a substantial and sudden decline in US Treasury note and bond prices.

Recent improvements in the economy raise analysts' concerns that central banks may now be "behind the curve" in any effort to control a future inflationary surge. The recent political consensus for higher infrastructure spending and higher deficits has added to worry about US Treasury supply, higher inflation, and weaker bond prices.

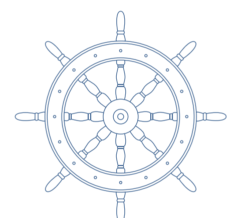
While the Federal Reserve's 5-yr/5-yr forward inflation rate did increase about 0.50% during the quarter, long-term inflation expectations barely moved. In fact, the yield curve beyond seven years continued to flatten during the quarter meaning the recent inflation uptick may be no more durable than those that preceded it over the last 30 years.

If the current rise in inflation recedes or if the recent rise in yields was ultimately the result of central bank currency manipulation, the Core Fund's investment grade bond portfolio will again demonstrate its value as a vital source of diversification within the Fund's total return.

10 Largest Contributors	Return	Contribution
Skandinaviska Enskilda Banken, Class A	52.09%	0.67
Apple	21.97%	0.53
RPM International	25.02%	0.52
Medivation	27.56%	0.44
PNC Financial Services Group	25.51%	0.41
Xilinx	32.05%	0.41
3M	21.72%	0.38
Williams Companies	-6.45%	0.38
Devon Energy	44.73%	0.34
Toronto-Dominion Bank	21.14%	0.34

10 Largest Detractors	Return	Contribution
Allergan	-37.40%	-0.78
Novo-Nordisk ADR	-36.56%	-0.60
Telenor	-87.57%	-0.54
Akorn	-20.92%	-0.42
Pacira Pharmaceuticals	-25.00%	-0.40
Express Scripts Holding	-12.65%	-0.27
Abbott Laboratories	-12.32%	-0.14
Biogen	-7.43%	-0.12
City of Phoenix AZ *5.269% 07/01/34*	-8.80%	-0.12
Pandora	-10.43%	-0.10

Top 10 Holdings		Portfolio Weight
Gilead Sciences *3.70% 04/01/2024*	*Bond*	2.8%
US Treasury Note *2.0% 11/30/2022*	*Bond*	2.8%
Nestle ADS	*Equity*	2.4%
Lowe's	*Equity*	2.4%
Republic of Chile *3.875% 08/5/2020*	*Bond*	2.3%
Vodafone *4.625% 07/15/2018*	*Bond*	2.3%
Jefferies Group *5.125% 04/13/2018*	*Bond*	2.3%
Honeywell International	*Equity*	2.2%
Bellsouth Capital Funding *7.875% 02/15/2030*	*Bond*	2.1%
RPM International	*Equity*	2.1%



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

Sextant Global High Income Fund

As of December 31, 2016

The Sextant Global High Income Fund returned -0.09% in the fourth quarter of 2016, and ended the period with $7.7 million of total net assets, which included 8.1% in cash.

The Fund's results in the quarter were somewhat of a breather to end the year after strong performance in the prior three quarters. The Fund lagged the S&P Global 1200, which rallied sharply after Donald Trump's victory in the US presidential election. The Fund also narrowly underperformed the Bloomberg Global Corporate High Yield Index and narrowly beat its Morningstar World Allocation peer benchmark.

Within the Fund's equity holdings, energy companies and commodity producers contributed to returns, while pharmaceutical stocks, utilities, and telecoms detracted. Drug stocks weakened on uncertainty about future health care policy and import/export restrictions, while utility and telecom stocks weakened in response to rising interest rates that make their dividends relatively less attractive. On the fixed income side, the Fund's holdings of bonds issued in Mexico (Government of Mexico, Grupo Bimbo) weakened in response to the US election results. Also detracting from performance were longer-term bonds — whose prices fell as interest rates rose sharply, and non-US dollar bonds — whose dollar-adjusted prices declined because of dollar strength and higher rates.

Looking forward, with the Fed having signaled its willingness to raise interest rates by recommencing with an increase in December, and markets anticipating fiscal stimulus and tax reform from a Republican-controlled government, the US economy appears poised for higher economic growth accompanied by increasing real and nominal interest rates. While we are ready to acknowledge the possibility of higher US and potentially global economic growth, we also believe that the range of outcomes for the economy and markets has widened because of Trump's election victory. With equity markets so far reacting optimistically, we have some concern that higher uncertainty may manifest in heightened volatility as the consequences of policy changes — intended or otherwise — are realized.

10 Largest Contributors	Return	Contribution
Anglo American ADS	245.31%	3.41
South32 ADR	161.09%	2.76
Itau Unibanco Holding ADS	84.13%	2.51
BHP Billiton ADS	41.86%	1.55
Microchip Technology	41.67%	1.26
Federal Republic of Brazil *8.50% 01/05/2024*	38.55%	1.20
Whistler Blackcomb Holdings	60.58%	1.20
Statoil ADS	38.31%	1.13
CNOOC ADR	23.43%	1.01
Allegheny Technologies *5.875% 08/15/2023*	79.14%	0.99

10 Largest Detractors	Return	Contribution
Goodrich Petroleum *8.875% 03/15/2019*	-93.33%	-0.54
Novartis ADR	-12.13%	-0.19
Engie ADR	-24.44%	-0.16
Orange ADS	-4.96%	-0.11
Banco Santander ADS	-22.39%	-0.02
Colony TX NFM Sales Tax Revenue *7.625% 10/01/2042*	-0.82%	-0.01
HP Inc	-0.77%	-0.01
Goodrich Petroleum	3.33%	0.00
Best Buy *3.75% 03/15/2016*	0.51%	0.01
Puget Sound Energy *6.974% 06/01/2067*	0.36%	0.01

Top 10 Holdings		Portfolio Weight
Mexico Bonos Desarrollo *6.50% 06/10/2021*	*Bond*	3.7%
T-Mobile *6.50% 01/15/2026*	*Bond*	3.5%
Jefferies Group *5.125% 01/20/2023*	*Bond*	3.4%
Microchip Technology	*Equity*	3.4%
Burlington Northern Santa Fe *5.05% 03/01/2041*	*Bond*	3.0%
Itau Unibanco Holding ADS	*Equity*	3.0%
BHP Billiton ADS	*Equity*	2.8%
Royal Bank of Scotland *6.125% 12/15/2022*	*Bond*	2.8%
Nokia *5.375% 05/15/2019*	*Bond*	2.8%
Federal Republic of Brazil *8.50% 01/05/2024*	*Bond*	2.6%

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

Consistent US GDP growth, improving employment, and good housing and auto sales have convinced the US Federal Reserve to continue normalizing policy by increasing short-term rates and even discussing reducing the size of their bond portfolio. The divergence between US monetary policy and that of our major trading partners added renewed strength to US dollar.

This strength became a significant influence on US bond prices during the fourth quarter of 2016. The decline in the value of yuan, yen, and euro against the dollar forced foreign central banks to sell billions in US Treasury securities to temporarily support their respective currencies. It is unusual for so many central banks to sell US Treasury securities at the same time and in such significant amounts. The result was a substantial and sudden decline in US Treasury note and bond prices. During this yield surge, credit spreads narrowed and the LIBOR moved higher consistent with a stronger economy. Rising yields, CPI and Purchasing Managers Indices all appear to validate weaker bond prices.

The US election raised confidence that US growth could finally accelerate above 2%. This confidence has persisted despite the subsequent announcement that fourth quarter US GDP only rose 1.9%. This new optimism convinced some analysts to label past crisis-era antideflation policies as new "global reflation" strategies. Despite declarations from central banks in the EU and Japan that deflation remains the greater risk, analysts worry that central banks are now "behind the curve" and may be too late to contain a future inflationary surge.

Government deficits as a percentage of GDP have been falling in the US and Europe. This means that fiscal policy has acted as a counterweight to accommodative monetary policy. However, the recent political consensus for higher infrastructure spending and higher deficits has added to concern about US Treasury supply, higher inflation, and weaker bond prices.

However, there are important inconsistencies in this narrative. While the Federal Reserve's 5-yr/5-yr forward inflation rate did increase about 0.50% during the quarter, long-term inflation expectations barely moved. In fact, the yield curve beyond seven years continued to flatten during the quarter. Premiums on 10-yr 3% and 4% capped inflation swaps remained almost flat, meaning that investors are not concerned that inflation will rise and stay much above 2%. The recent inflation uptick may be no more durable than those that preceded it over the last 30 years.

Reflecting the increase in US yields, the Sextant Short-Term Bond Fund returned -0.33% for the quarter ended December 31, 2016. Sextant Short-Term Bond Fund will have opportunities take advantage of future Federal Reserve Bank rate increases as a significant portion of the portfolio matures during the next 12 months.

Also impacted by rising US yields, Sextant Bond Income Fund with its longer average duration returned -4.02% for the quarter ended December 31, 2016. Adequate income is still hard to find. Should the current inflation threat recede and the recent rise in rates turn out to be more about the temporary influence of central bank currency manipulation than fundamental economics, Sextant Bond Income may demonstrate its value in a diversified portfolio again.

Sextant Short-Term Bond Fund Top 10 Holdings	**Portfolio Weight**
Adobe Systems *4.75% 02/01/2020*	3.9%
Gilead Sciences *2.55% 09/01/2020*	3.9%
Abbott Laboratories *4.125% 05/27/2020*	3.8%
Snap-On *6.70% 03/01/2019*	3.7%
BHP Billiton Finance USA *6.50% 4/01/2019*	3.3%
Emerson Electric *4.875% 10/15/2019*	3.2%
US Treasury Note *2.25% 07/31/2018*	2.9%
US Treasury Note *2.00% 09/30/2020*	2.9%
Berkshire Hathaway Finance *2.00% 08/15/2018*	2.9%
Murray Street Trust 1-Goldman Sachs *4.647% 03/09/2017*	2.9%

Sextant Bond Income Fund Top 10 Holdings	**Portfolio Weight**
US Treasury Bond *5.375% 02/15/2031*	5.5%
Apple *4.50% 02/23/2036*	3.9%
Intel *4.00% 12/15/2032*	3.8%
Microsoft 4.20% 11/03/2035	3.8%
US Treasury Bond *6.25% 05/15/2030*	3.3%
Cincinnati Financial *6.92% 05/15/2028*	3.2%
EMC/Dell *3.375% 06/01/2023*	3.2%
Puget Sound Energy *7.02% 12/01/2027*	3.1%
Becton Dickinson *6.70% 08/01/2028*	3.1%
Statoil *7.15% 01/15/2029*	3.1%

Morningstar Sustainability Ratings™

Sextant Growth Fund

SSGFX

Among 1,315 Large Growth Funds

Sextant International Fund

SSIFX

Among 606 Foreign Large Blend Funds

Sextant Core Fund

SCORX

Among 710 Allocation 50% – 70% Equity Funds

Sextant Short-Term Bond Fund

STBFX

Among 445 Short-Term Bond Funds

Sextant Global High Income Fund

SGHIX

Among 409 World Allocation Funds

The Sextant Bond Income Fund has not yet received a Sustainability Rating.

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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Morningstar Sustainability Ratings are as of December 31, 2016, 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 Funds were rated on the following percentages of Assets Under Management:

Sextant Growth Fund	*96%*
Sextant International Fund	*84%*
Sextant Core Fund	*72%*
Sextant Short-Term Bond Fund	*59%*
Sextant Global High Income Fund	*61%*

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 Funds' portfolios are actively managed and is subject to change, which may result in a different Morningstar Sustainability Score and Rating.

Performance Summary

As of December 31, 2016

Average Annual Total Returns (Before Taxes)	1 Year	3 Year	5 Year	10 Year	Expense Ratio Gross[A]	Expense Ratio Net
Sextant Growth (SSGFX)	-0.46% ▼	3.35% ▲	10.41% ▲	5.13% ▲	0.90%	0.90%
S&P 500 Index	11.96% ▲	8.87% ▲	14.64% ▲	6.94% ▲	n/a	
Sextant International (SSIFX)	7.11% ▲	-0.87% ▼	2.51% ▲	1.95% ▲	1.05%	1.04%
MSCI EAFE Index	1.51% ▲	-1.15% ▼	7.01% ▲	1.22% ▲	n/a	
Sextant Core Fund (SCORX)[B]	4.22% ▲	1.84% ▲	4.41% ▲	n/a	1.02%	1.01%
Dow Jones Moderate Portfolio Index	7.68% ▲	3.88% ▲	7.37% ▲	5.07% ▲	n/a	
Sextant Global High Income Fund (SGHIX)[C]	19.54% ▲	2.37% ▲	n/a	n/a	1.06%	0.89%
S&P Global 1200 Index	8.87% ▲	4.43% ▲	10.90% ▲	4.50% ▲	n/a	
Bloomberg Global High Yield Corporate Bond Index	14.78% ▲	2.96% ▲	6.84% ▲	n/a	n/a	
Sextant Short-Term Bond (STBFX)	1.47% ▲	1.16% ▲	0.91% ▲	2.38% ▲	1.21%	0.75%
Citi USBIG Govt/Corp 1-3 Year Index	1.25% ▲	0.85% ▲	0.88% ▲	2.42% ▲	n/a	
Sextant Bond Income (SBIFX)	3.91% ▲	3.62% ▲	2.52% ▲	4.20% ▲	1.03%	0.90%
Citi US Broad Investment-Grade Bond Index	2.66% ▲	3.01% ▲	2.22% ▲	4.42% ▲	n/a	

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.sextantfunds.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.*

[A] By regulation, gross expense ratios shown are as stated in a Fund's most recent prospectus or summary prospectus, dated March 29, 2016, and incorporate results from the fiscal year ended November 30, 2015. Higher expense ratios may indicate higher returns relative to a Fund's benchmark. The Adviser has voluntarily capped actual expenses of Sextant Short-Term Bond at 0.75% and actual expenses of Sextant Bond Income and Sextant Global High Income at 0.90% through March 31, 2017.

[B] Sextant Core Fund began operations March 30, 2007.

[C] Sextant Global High Income Fund began operations March 30, 2012.

The S&P 500 Index is an index comprised of 500 widely held common stocks considered to be representative of the US stock market in general. The MSCI EAFE Index is an international index focused on Europe, Australasia, and the Far East. The S&P Global 1200 Index is a global stock market index covering nearly 70% of the world's equity markets. The Bloomberg Global High Yield Corporate Bond Index is a rules-based, market-value weighted index engineered to measure the non-investment grade, fixed-rate, taxable, global corporate bond market. The Dow Jones Moderate Portfolio Index is a broad-based index of stock and bond prices. The Citi USBIG Govt/Corp 1-3 Year Index is a broad-based index of shorter-term investment grade US government and corporate bond prices. The Citi US Broad Investment-Grade Bond Index is a broad-based index of medium and long-term investment grade bond prices. Investors cannot invest directly in the indices.

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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.*

A Few Words About Risk

*The **Growth Fund** may invest in smaller companies, which involve higher investment risks in that they often have limited product lines, markets and resources, or their securities may trade less frequently and have greater price fluctuation than those of larger companies.*

*The **International Fund** involves risks not typically associated with investing in US securities. These include fluctuations in currency exchange rates, less public information about securities, less governmental market supervision, and lack of uniform financial, social, and political standards.*

*The **Core Fund** involves the risks of both equity and debt investing, although it seeks to mitigate these risks by maintaining a widely diversified portfolio that includes domestic stocks, foreign stocks, short and long-term bonds, and money market instruments.*

*Investment in the **Global High Income Fund** entails the risks of both equity and debt securities, although it seeks to mitigate these risks through a widely diversified portfolio that includes foreign and domestic stocks and bonds. Issuers of high-yield securities are generally not as strong financially as those issuing higher quality securities. Investments in high-yield securities can be speculative in nature. High-yield bonds may have low or no ratings and may be considered "junk bonds."*

*The risks inherent in the **Short-Term Bond** and **Bond Income Funds** depend primarily on the terms and quality of the obligations in their portfolios, as well as on bond market conditions. When interest rates rise, bond prices fall. When interest rates fall, bond prices rise. Bonds with longer maturities (such as those held by the Bond Income Fund) usually are more sensitive to interest rate changes than bonds with shorter maturities (such as those held by the Short-Term Bond Fund). The Funds entail credit risk, which is the possibility that a bond will not be able to pay interest or principal when due. If the credit quality of a bond is perceived to decline, investors will demand a higher yield, which means a lower price on that bond to compensate for the higher level of risk.*

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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