Fund Commentary

Q2 2018

Amana Mutual Funds Trust

Please consider an investment's objectives, risks, charges, and expenses carefully before investing. To obtain this and other important information about Amana Funds in a current prospectus or summary prospectus, please visit www.amanafunds.com or call toll free 1-800-728-8762. Please read the prospectus or summary prospectus carefully before investing. Distributed by Saturna Brokerage Services, a wholly-owned subsidiary of Saturna Capital Corporation, investment adviser to the Amana Funds.

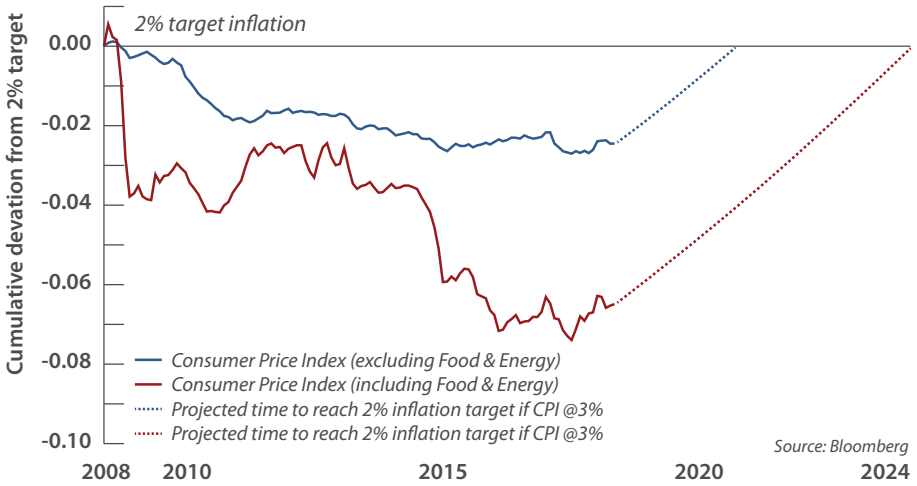
Environment

Following a volatile first quarter, US equity markets steadily recovered until a ratcheting up of trade rhetoric and tit-for-tat tariffs in mid-June undermined confidence and shaved a few points off US returns. Other markets, the developing economies in particular, suffered greater damage. The MSCI Emerging Markets Index had a stellar 2017, rising 37.28% and, in the first quarter of this year, managed to eke out a 1.42% gain. In the second quarter, however, the index shed -7.83%. Investors perceive that emerging markets, especially in Asia, are likely collateral damage in any trade war that breaks out between the US and China. There are other causes and rising interest rates in the US have also played a role. In their "hunt for yield," many investors were willing to venture into the developing world and assume additional risk in return for higher yielding bonds and equities. The flow of funds had the further benefit of maintaining or even strengthening exchange rates versus the US dollar, with exceptions such as Venezuela, Argentina, Brazil, and Turkey. As US Treasurys and the US dollar edged higher, investors pulled back from their emerging markets exposure, which has sent markets and currencies swooning. The fallout will take more than a single quarter to settle.

The US economy is underpinned by a strong job market, with the unemployment rate falling from 4.1% to 4.0% during the quarter, matching the lowest rate in nearly 50 years. Many long-term unemployed have also returned to work. The level of initial unemployment claims as a percentage of the working age population is the lowest on record. Although wages show incipient signs of acceleration above the 2-2.5% annual growth that has prevailed over the past couple of years, there is still substantial leeway for higher wage growth in comparison to the 4% level that coincided with pre-recession peaks reached in the early and late 1990s and the late 2000s.

Inflation has recently been tracking closer to the Federal Reserve's 2% target after undershooting for most of the past 10 years. In its May meeting, the Fed introduced a new word – "symmetric" – to emphasize that this inflation level is a "target" and not a "ceiling." While it remains unclear how much inflation in excess of the 2% target the Fed may be willing to accept, we calculate that core inflation (the Consumer Price Index excluding food and energy) could run at 3% through September 2020 before it makes up for the cumulative undershoot over the past 10 years. Headline CPI – including food and energy – could run at 3% until January 2024 before making up its cumulative shortfall!

The Fed sharpens aim at 2% inflation target after undershooting since 2008



One notable feature of the current rate-hiking cycle is how slowly the rate increases are coming – about half the pace compared to the previous five Fed tightening cycles. Forward guidance suggests the Fed will continue at a similar pace, which itself suggests some tolerance for a higher rate of inflation. Besides the Fed, the overall US government may also have an incentive to live with a higher inflation rate for a while. Higher inflation increases the (nominal) size of the US economy, while the level of already-issued government debt stays fixed. This increases the economy's debt service capacity and could help offset recent legislative actions that have increased budget deficits, such as tax cuts and spending increases. Meanwhile, the administration's aggressive actions on trade are likely to result in price increases.

Although these forces and incentives may portend higher wages and inflation, so far at least, the financial markets do not seem to buy into the possibility. Breakeven inflation rates, which are derived from fixed-rate Treasurys and inflation-indexed Treasurys (TIPS), show expected inflation of just over 2% for the next five to 10 years. The yield curve has also been flattening – with the difference in yield between the 10-year Treasury and the 2-year Treasury the lowest since 2007. A very flat yield curve – or particularly an inverted yield curve where shorter-term rates exceed longer-term rates – is a signal that financial markets are more concerned about downside risks to economic growth than about inflation.

One sector that's been nearly bulletproof regardless of economic and political gyrations is Technology.

The cyclical semiconductor market continues to be an area of strength in the global economy. Semiconductor sales once again set a new all-time high in May, rising by more than 20% for the 14th straight month, according to the Semiconductor Industry Association. The World Semiconductor Trade Statistics (WSTS) organization releases growth forecasts in the spring and fall of each year. Since the fall of 2016, the WSTS upwardly revised each of its semi-annual forecasts. The spring 2018 market forecast sees the global semiconductor market growing 12.4% in 2018,[1] up from the 7.0% growth expected in the November 2017 forecast.[2] This sharp upward revision reflects growth in all major categories, led by Memory at 26.5%, followed by Analog Integrated Circuits at 9.5%. In 2018, all geographical regions are expected to grow, led by demand from the data center, auto, and industrial sectors. This forecast follows a solid 2017 where the industry expanded 21.6% year-over-year, its best growth year since 2010.

For the initial 2019 forecast, all major product categories and regions are expected to grow with the overall market up 4.4%. Sensors are anticipated to provide the highest growth followed by Optoelectronics and Analog Integrated Circuits. Demand is again forecast to be broad-based across geographies and sectors. A notable incremental contributor for the second half of 2019 demand is the construction of the 5G wireless network. If the 2018 forecast is correct, it will be the second year in a row with double-digit percent growth – the first time since 2003 and 2004, when the industry recovered from the internet bubble collapse. The last industry year-over-year decline was a mild -0.5% in 2015.

The adoption of semiconductors across many industries leads some market observers to believe the industry has evolved from a product-introduction, boom-bust cycle to a broad based, secular demand trend. Consequently, over the next three to five years, market forecasters expect semiconductors to continue to grow, albeit at slower rates that are more in line with the 2019 forecast.

Outlook

One question on investors' minds is the outcome of the November elections. The Republicans likely will lose seats, as usually happens to the party in power at midterm elections. With 35 Senate seats up for election and Democrats defending 26 of them, Republicans are in an advantageous position despite their narrow majority. Were they to lose a seat, they still hold the vice-presidential tiebreaker. We anticipate continued Republican control, a sentiment with which the political betting markets currently agree. Naturally, every seat is in play in the House of Representatives, and whether it changes hands is anybody's guess. Still, the Democrats may hold a slight advantage. A divided government is often considered the best way to avoid ruinous legislation, and, with Democrats in control of the House, it would be hard to pass further changes to tax or spending programs. It's easy to imagine, however, a spate of investigations. In short, we don't see politics having much impact on the market one way or another for the remainder of the year.

Amana Income Fund

The Amana Income Investor Shares slipped -0.57% in the second quarter, while the S&P 500 gained 3.43%, and the Morningstar Large Blend category appreciated 2.68%. Year-to-date the Investor Shares declined -3.91% versus a gain of 2.65% for the S&P 500, and 1.58% in the Morningstar Large Blend Category. The Fund has faced a headwind with poor overall performance from two of its largest sector exposures: Industrials and Consumer Staples.

Following a desultory 2017, Nike made a strong rebound in 2018 on signs the firm will turn back the tide of Adidas share gains and return to growth in North America. Nike has performed well in China and Europe, but North America has been its Achilles' heel. Despite the business improvements manifest in Nike's fiscal year fourth-quarter results, which sent the shares up 11%, we have reduced the position due to excessive valuation and governance concerns following the resignation of several senior executives due to apparent sexual harassment. We write "apparent" because Nike has not come clean on the specific reasons for the multiple departures or the steps it will take to prevent reoccurrence, which appear to be a failure of governance.

Other top performers were drawn from a variety of sectors including Industrials, Transport, Consumer Staples, and Materials. Spice merchant McCormick has bucked the trend in Staples by demonstrating solid sales growth, benefiting from its acquisition of Frank's RedHot Sauce and French's Mustard from Reckitt Benckiser.

Consumer and Commercial coatings company RPM is a long-term holding that had been stagnant for a time until recent pressure from activist investors spurred management to shake up the organization and run a tighter ship.

Technology had been a contributor in several past quarters, but we have seen weakness among the equipment and chip makers. Software, including Microsoft, has continued to do well.

While we did have Industrial representation among our top contributors, the overall sector was the worst performer in the S&P 500 Index in the second quarter, explaining the appearance of 3M, Illinois Tool Works, Parker Hannifin, PPG, and Rockwell among the largest detractors. The Industrials sector is most at risk from increasing trade tensions.

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As of June 30, 2018

10 Largest Contributors	Return	Contribution
Nike, Class B	20.26%	0.50
Eli Lilly	11.05%	0.39
Canadian National Railway	0.52%	0.02
Microsoft	8.51%	0.31
McCormick & Co	9.66%	0.27
Praxair	10.16%	0.24
Methanex	0.69%	0.01
W.W. Grainger	9.76%	0.16
RPM International	23.13%	0.15
DowDuPont	4.08%	0.12

10 Largest Detractors	Return	Contribution
3M	-9.78%	-0.42
Illinois Tool Works	-11.07%	-0.39
Bristol-Myers Squibb	-11.94%	-0.36
Taiwan Semiconductor ADR	-13.37%	-0.36
Parker Hannifin	-8.48%	-0.30
Colgate-Palmolive	-9.04%	-0.25
PPG Industries	-6.66%	-0.22
JM Smucker	-12.74%	-0.22
Novartis ADR	-6.57%	-0.17
Rockwell Automation	-4.08%	-0.15

Top 10 Holdings	Portfolio Weight
Microsoft	4.10%
Eli Lilly	4.00%
3M	3.87%
Rockwell Automation	3.77%
Microchip Technology	3.47%
Intel	3.38%
Canadian National Railway	3.30%
Honeywell International	3.27%
Parker Hannifin	3.24%
DowDuPont	3.20%

30-Day Yield	
Investor Shares (AMANX):	1.23%
Institutional Shares (AMINX):	1.47%

Asset-weighted average debt to market cap: 16.9%

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

Amana Growth Fund

The Amana Growth Fund Investor Shares gained 2.31% in the second quarter, trailing the 3.43% return for the S&P 500 and the 5.13% increase for the Morningstar Large Growth Category. Year-to-date the Investor Shares have returned 3.69%, ahead of the 2.65% S&P 500 return, but lagging the 7.51% average return of the Large Growth Category.

Intuit jumped to the top of the contributors list with an exceptionally strong second quarter performance – a somewhat predictable outcome following the passage of tax reform, even though it took several months for investors to act aggressively.

Software remained strong, despite the weakness in equipment, as illustrated by the performance of Intuit, Adobe, SAP, and Alphabet. Apple bucked the equipment trend, although the strength of its services business, including the App Store, Apple Music, Apple Pay, iCloud, and others drove fiscal year second quarter results. CEO Tim Cook stated "Q2 was our best quarter ever for services."

Health Care, large pharmaceuticals in particular, had been struggling ever since the 2016 presidential campaign brought a political focus on how to reign in health care costs. The sector has moved to the middle of the pack in performance this year with Eli Lilly and Amgen contributing to Fund returns.

While much of retail remains under pressure from the rise of Amazon and the decline of the mall, we believe TJX's business model and "treasure hunting" attraction position it well against online competition. The stock has enjoyed a strong rebound this year following a lackluster 2017.

It's interesting to us that, despite the strength in the semiconductor market discussed above, share performance has been poor of late, with Taiwan Semiconductor and Xilinx both selling off during the quarter. We believe this is setting up a significant opportunity as 5G and new sources of semiconductor demand come to the fore.

We are also surprised by the recent weak performance of Novo Nordisk given that it has released some very strong trial data on its oral semaglutide diabetes treatment (who wouldn't rather take a pill than have an injection?) and equally strong data in obesity reduction, a condition that has defied treatment beyond the trite recommendation to "eat less and exercise more."

Estée Lauder was an outstanding stock throughout 2017 and the first quarter of this year but encountered some volatility in the second quarter. Although its valuation may be stretched, we believe cosmetics are unique in demonstrating defensive characteristics in tough times, while participating fully in buoyant conditions.

During the quarter, radio and electronics manufacturer Harris and health care diagnostics company Agilent Technologies fell out of the Top 10 Holdings list. Both companies were very strong performers in 2017 and have taken a breather this year. They have been replaced by TJX and Alphabet (Google).

As of June 30, 2018

10 Largest Contributors	Return	Contribution
Intuit	18.13%	0.84
Adobe Systems	12.83%	0.75
TJX Companies	17.23%	0.57
Apple	10.76%	0.56
Amgen	9.10%	0.32
Alphabet, Class A	8.88%	0.29
Norfolk Southern	11.68%	0.28
SAP ADR	11.59%	0.23
Church & Dwight	6.05%	0.21
Eli Lilly	11.05%	0.20

10 Largest Detractors	Return	Contribution
Taiwan Semiconductor ADR	-13.37%	-0.42
Harris	-10.04%	-0.38
Trimble	-8.47%	-0.27
Agilent Technologies	-7.35%	-0.26
Xilinx	-9.21%	-0.23
Fastenal	-11.17%	-0.21
Estée Lauder, Class A	-4.46%	-0.20
Novo Nordisk ADR	-6.36%	-0.18
Johnson & Johnson	-4.61%	-0.15
Celgene	-10.97%	-0.12

Top 10 Holdings	Portfolio Weight
Adobe Systems	6.47%
Apple	5.51%
Intuit	5.43%
TJX Companies	3.93%
Amgen	3.87%
Estée Lauder, Class A	3.86%
Cisco Systems	3.81%
Church & Dwight	3.76%
Alphabet, Class A	3.66%
ASML Holding NY	3.60%

Asset-weighted average debt to market cap: 12.1%

Amana Developing World Fund

In the second quarter the Amana Developing World Fund Investor Shares shed -6.69%, relatively better performance than the Morningstar Emerging Markets Category, which dropped -8.90%, and the MSCI Emerging Markets Index that declined -7.83%. The more developed world-focused MSCI All Country World Index Ex-USA Index dropped -2.62% in the quarter. Despite the relative improvement in the second quarter, the Investor Shares' year-to-date return of -8.79% lags the Morningstar Emerging Market Category average return of -7.05%, and MSCI All Country World Index Ex-USA return of -3.77%.

With emerging markets declining nearly 8% during the quarter, we're pleased to have 10 stocks that registered a positive return. Four of them are from the Philippines and Indonesia, which experienced difficult quarters and significant currency depreciation. Nonetheless, mall developer SM Prime, electricity distributor Manila Electric, mobile leader Telekom Indonesia, and noodle maker Indofood CPB did well.

Performance was led by American brand manager and textile retailer VF Corp, which sources nearly all of its production from Asia. Baidu (China's Google) has had a volatile year but rebounded from a sell-off at the end of the first quarter. Malaysian hospital company KPJ Healthcare appreciated despite a strong sell-off in the Malaysian market following the upset win by the opposition in national elections.

Samsonite share trading was suspended for a week at the request of the company following the release of a short seller's report that accused the company of misleading accounting and malfeasance in the executive suite. While the CEO did depart, the company successfully rebutted the claims of accounting shenanigans and rebounded strongly when trading resumed. Still, the shares performed very well in 2017 and have not recovered previous highs. We retain Samsonite in the portfolio.

Jewelry manufacturer Pandora has been sold. M. Dias Branco has suffered from the steep decline in the Brazilian currency given its wheat import requirements. Indonesian drug distributor Kalbe Farma similarly suffers from a large dependence on imports, while its sales are almost entirely domestic, and we have sold that position as well. The remaining detractors are still held in the portfolio.

As of June 30, 2018

10 Largest Contributors	Return	Contribution
VF	10.59%	0.29
Baidu ADR	8.88%	0.19
KPJ Healthcare	10.12%	0.18
SM Prime Holdings	5.41%	0.17
Manila Electric	9.31%	0.15
Silergy	9.12%	0.13
Hong Kong & China Gas	3.91%	0.09
Telekomunikasi Indonesia ADR	3.07%	0.07
Indofood CBP Sukses Makmur	4.70%	0.07
Unilever ADR	0.38%	0.01

10 Largest Detractors	Return	Contribution
Samsonite International	-20.65%	-0.77
Pandora	-35.64%	-0.61
M. Dias Branco	-37.06%	-0.54
Kalbe Farma	-24.24%	-0.51
Bangkok Airways	-25.15%	-0.45
Copa Holdings, Class A	-25.87%	-0.42
Taiwan Semiconductor ADR	-13.37%	-0.38
Tencent Holdings ADR	-5.50%	-0.34
Clicks Group	-6.35%	-0.33
Ford Otomotiv Sanayi	-12.11%	-0.31

Top 10 Holdings	Portfolio Weight
Tencent Holdings ADR	6.12%
Clicks Group	4.74%
SM Prime Holdings	3.67%
VF	3.31%
Samsonite International	3.10%
Baidu ADR	2.88%
Unilever ADR	2.75%
Hong Kong & China Gas	2.73%
Naspers ADR	2.65%
Telekomunikasi Indonesia ADR	2.64%

Asset-weighted average debt to market cap: 14.6%

Significant share price volatility has led to Taiwan Semiconductor, Turkish vehicle assembler Ford Otomotiv, Chinese power tool maker Techtronic Industries, and Randgold Resources slipping from the Top 10 list. They have been replaced by Baidu, Hong Kong & China Gas, South African media company Naspers, and Telekomunikasi Indonesia.

Amana Participation Fund

During the quarter, the Amana Participation Fund Institutional Shares posted a -0.25% decline, compared to the -0.27% return of the FTSE Sukuk Index. Over the same period the Amana Participation Investor Shares reported a -0.31% decline. Year-to-date, the Amana Participation Fund Institutional Shares (AMIPX) declined -0.92%, compared to the FTSE Sukuk Index return of -1.35%. Over the same period, the Amana Participation Investor Shares (AMAPX) reported a -1.14% decline. The portfolio holds 31 separate issues, with a modified duration of 3.53 years, a 30-day yield for the Institutional Shares of 3.47%, and a 30-day yield for the Investor Shares of 3.23%.

The two top-performing issues for the quarter were Saudi Arabia's sovereign sukuk (KSA 3.628 04/20/27) posting a return of 1.31%, followed Qatar Islamic Bank (QIBKQD 2.754 10/27/20) posting a return of 0.89%. The two worst-performing issues were UAE's Emirate Ras Al Khaimah (RAKS 3.094 03/31/25) declining -1.69%, followed by the Malaysian telecom operator Axiata (AXIATA 4.357 03/24/26) posting a -1.63% decline.

The old adage that things come in threes may help offer context to the market volatility during the first half of 2018. The triad of factors include increasing interest rates, a strong US dollar, and trade war tensions.

On June 13, 2018, Federal Reserve Chairman Jerome Powell announced that the Federal Open Market Committee (FOMC) voted to increase the target range for the federal funds rate from 1.75% to 2%. The FOMC's decision marked the seventh interest rate hike since they began taking steps toward normalizing monetary policy on December 16, 2015. The Fed also announced that it expects there to be two more rate hikes before the end of this year.[3] Since that time, short-term interest rates have experienced a material increase as the 3-month LIBOR rose by a factor of eight, and the one-year US Treasury has more than doubled.

Change in US Interest Rates

	Dec. 16, 2015	Jun. 30, 2018	Change
3 Month LIBOR	0.25%	2.34%	827.4%
1 year US T-Bill	0.69%	2.32%	237.7%
2 year US Gov. Note	1.01%	2.54%	152.2%
5 year US Gov. Note	1.75%	2.75%	57.2%
10 year US Gov. Note	2.30%	2.88%	25.3%
30 year US Gov. Note	3.00%	3.03%	0.7%

Source: Bloomberg

As of June 30, 2018

Top 10 Holdings	Portfolio Weight
EMG Sukuk	4.72%
DP World Crescent	4.31%
DIB Sukuk	4.29%
SIB Sukuk Co III	4.25%
Equate Sukuk Spc	4.24%
KSA Sukuk	4.20%
Al Shindagha Sukuk	4.19%
JAFZ Sukuk 2019	4.09%
MAF Sukuk	3.99%
DIFC Sukuk	3.99%

30-Day Yield	
Investor Shares (AMAPX):	3.23%
Institutional Shares (AMIPX):	3.47%

Credit Profile	
AA	3.48%
A	40.86%
BBB	44.69%
B	2.78%
Not rated	4.19%
Cash and equivalents	4.01%

Credit ratings are the lesser of S&P Global Ratings or Moody's Investors Service. If neither S&P nor Moody's rate a particular security, that security is categorized as not rated (except for US Treasury securities and securities issued or backed by US agencies which inherit the credit rating for the US government). Ratings range from AAA (highest) to D (lowest). Bonds rated BBB or above are considered investment grade. Credit ratings BB and below are lower-rated securities (junk bonds). Ratings apply to the creditworthiness of the issuers of the underlying securities and not the Fund or its shares. Ratings may be subject to change.

The knock-on effect of rising interest rates is that borrowing costs are rising. This is particularly true for those with floating rate debt obligations, such as consumer credit cards, which are typically benchmarked to the prime lending rate. Additionally, many issuers of Islamic-compliant investment certificates originate from Middle Eastern countries, which peg their local currency to the US dollar. In order to retain their currency peg to the US dollar, these countries must also raise their short-term rates in conjunction with the FOMC, which impedes economic growth.

The US dollar has also demonstrated strength relative to the currencies of its primary trading partners throughout the first half of the 2018, with notable appreciation taking place during the second quarter. This is a strong contrast from 2017 when

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Performance Summary

As of June 30, 2018

Average Annual Total Returns *(Before Taxes)*	**Ticker**	**1 Year**	**3 Year**	**5 Year**	**10 Year**	**Expense Ratio**
Income Fund Investor Shares	AMANX	6.93% ▲	7.77% ▲	9.37% ▲	8.06% ▲	1.13%
Income Fund Institutional Shares	AMINX	7.18% ▲	8.03% ▲	n/a	n/a	0.89%
S&P 500 Index		14.37% ▲	11.93% ▲	13.41% ▲	10.17% ▲	n/a
Growth Fund Investor Shares	AMAGX	17.14% ▲	12.84% ▲	13.73% ▲	9.58% ▲	1.10%
Growth Fund Institutional Shares	AMIGX	17.43% ▲	13.12% ▲	n/a	n/a	0.86%
S&P 500 Index		14.37% ▲	11.93% ▲	13.41% ▲	10.17% ▲	n/a
Developing World Fund Investor Shares	AMDWX	-2.03% ▼	-0.53% ▼	-1.19% ▼	n/a	1.35%
Developing World Fund Institutional Shares	AMIDX	-1.84% ▼	-0.31% ▼	n/a	n/a	1.14%
MSCI Emerging Markets Index		8.20% ▲	5.60% ▲	5.01% ▲	2.26% ▲	n/a
Participation Fund Investor Shares	AMAPX	-0.43% ▼	n/a	n/a	n/a	0.92%
Participation Fund Institutional Shares	AMIPX	-0.09% ▼	n/a	n/a	n/a	0.68%
FTSE Sukuk Index		-0.14% ▼	2.29% ▲	3.41% ▲	4.02% ▲	n/a

Expense ratios shown are as stated in the Funds' most recent Prospectus dated September 21, 2017.

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 MSCI Emerging Markets Index, produced by Morgan Stanley Capital International, measures equity market performance in over 20 emerging market countries. The MSCI ACWI Ex-US Index, produced by Morgan Stanley Capital International, measures equity market performance throughout the world excluding US-based companies. The FTSE 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.*

Morningstar Ratings™

As of June 30, 2018

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	94	86	90	78	2
Institutional Shares (AMINX)	★★	n/a	★★	☆☆	☆☆☆	🌐🌐🌐🌐🌐
% Rank in Category	n/a	93	84	88	76	2
Number of Funds in Category	1,166	1,353	1,166	1,042	776	1,156
Amana Growth Fund – "Large Growth" Category						
Investor Shares (AMAGX)	★★★	n/a	★★★	★★★	★★★	🌐🌐🌐🌐🌐
% Rank in Category	n/a	70	45	64	67	1
Institutional Shares (AMIGX)	★★★	n/a	★★★	☆☆☆	☆☆☆	🌐🌐🌐🌐🌐
% Rank in Category	n/a	68	42	60	64	1
Number of Funds in Category	1,265	1,454	1,265	1,141	825	1,269
Amana Developing World Fund – "Diversified Emerging Markets" Category						
Investor Shares (AMDWX)	★	n/a	★	★	n/a	🌐🌐🌐🌐🌐
% Rank in Category	n/a	95	97	98	n/a	8
Institutional Shares (AMIDX)	★	n/a	★	☆	n/a	🌐🌐🌐🌐🌐
% Rank in Category	n/a	94	97	98	n/a	8
Number of Funds in Category	688	823	688	489	n/a	674

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").

[A] *Morningstar Ratings™ ("Star Ratings") are as of June 30, 2018. 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 May 31, 2018. 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 Fund's portfolios are actively managed and is subject to change, which may result in a different Morningstar Sustainability Score and Rating each month.

The Funds were rated on the following percentages of Assets Under Management:

Amana Income Fund	*95%*
Amana Growth Fund	*98%*
Amana Developing World Fund	*83%*

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.

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

Amana Income Fund, *continued from page 6*

Consumer Staples has been another weak performer, with top-line growth hard to come by. In response, many companies, including Smucker, General Mills, and Nestle, are supplementing their human food activities by boosting or initiating pet food exposure. Smucker made its first foray into pet food in 2015 and during the quarter announced its second acquisition. Nestle, which acquired Ralston Purina back in 2001, is now looking to buy Champion Pet Food in Canada, while General Mills launched its pet activities with the acquisition of Blue Buffalo. Pet food has historically been a relatively fast-growing category, but competition is heating up (would you be surprised to hear Amazon has launched its own brand?) and one wonders about the outlook for margins.

Novartis gained notoriety for itself when it was revealed that the company had paid $1 million to Michael Cohen, President Trump's erstwhile lawyer, for presidential access. Such an action demonstrates poor judgment and governance, and we are exiting the position.

Share price movement caused PPG Industries to drop out of the Top 10 Holdings list, while Canadian National Railway and DowDuPont have been included.

Amana Participation Fund, *continued from page 9*

the US dollar demonstrated broad weakness. A strong US dollar has some advantages in making foreign imported goods cheaper; however, this also makes US exports more expensive. A strong US dollar also makes it much more expensive for foreign government and corporate issuers to service their US dollar debt – particularly in a higher interest rate environment.

Adding to the market's volatility is the uncertainty of US trade policy. President Trump's administration has announced numerous trade tariffs that affect our relationships with longstanding trading partners. At this point, most countries have been responding with a tit-for-tat approach. The uncertainty appears to have only one certain outcome – raising investors' concerns. Some countries look to exports as a major source of their economic activity. China, Mexico, and Germany report that in 2017 exports made up 19.8%, 37.9%, and 47.2% of their GDP, respectively.[4] If trade patterns become materially altered, we can expect negative impacts on global growth.

Footnotes to commentary:

[1] *WSTS Semiconductor Market Forecast Spring 2018, Press Release, June 5, 2018. https://www.wsts.org/esraCMS/extension/media/f/WST/3540/WSTS_nr-2018_05.pdf*

[2] *WSTS Semiconductor Market Forecast Autumn 2017, Press Release, November 28, 2018. https://www.wsts.org/76/103/WSTS-Semiconductor-Market-Forecast-Autumn-2017*

[3] *Sperling, Jonathan. Fed Chairman Jerome Powell Praises Economy After Vote to Raise Interest Rates, Fortune, June 14, 2018. http://fortune.com/2018/06/14/jerome-powell-fed-vote-raise-interest-rates/*

[4] *Exports of goods and services data, The World Bank. https://data.worldbank.org/indicator/NE.EXP.GNFS.ZS?year_high_desc=true*

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

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Scott Klimo, Chief Investment Officer and Portfolio Manager, 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 30 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 20 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.

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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.*

We note that unlike many funds, the Amana Funds' expenses are not subsidized by its adviser, Saturna Capital, therefore the 30-Day Yields presented are actual, according to the SEC's calculation methodology.