Fund Commentary Q4 2018

SATURNA CAPITAL

Amana Mutual Funds Trust

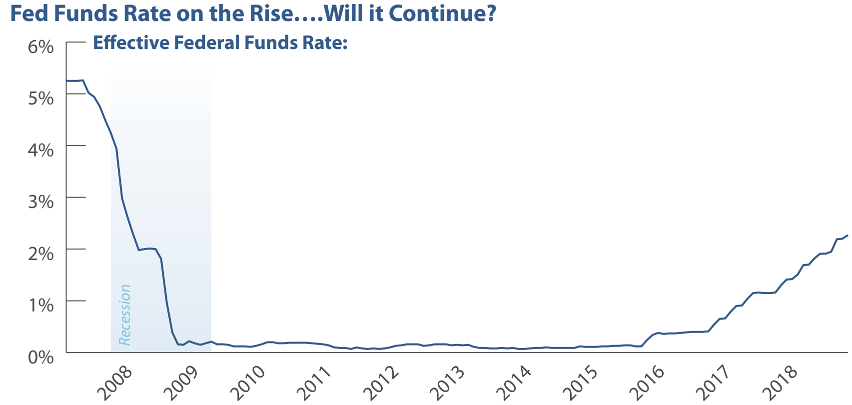
Please consider an investment's objectives, risks, charges, and expenses carefully before investing. To obtain this and other important information about Amana Funds in a current prospectus or summary prospectus, please visit www.amanafunds.com or call toll free 1-800-728-8762. Please read the prospectus 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

Just when 2018 was shaping up to be the third consecutive year of excellent stock market performance, the fourth quarter arrived, volatility reappeared, and major indices surrendered their gains for the year. The S&P 500 Index, which had been up over 9% through September, plummeted -13.52% in the fourth quarter, leading to a full year loss of -4.38%. While certainly not pleasant, US investors fared better than those overseas, as most European and Asian markets registered double-digit declines for the year. Why the reversal in sentiment? Any number of potential culprits have been mentioned but let's examine three: rising interest rates, rising debt levels, and rising trade friction between the US and China.

The US Federal Reserve started raising rates in December 2015 and accelerated the process last year with four consecutive hikes. By the time the December meeting arrived, the conversation had evolved from "policy normalization" to determining the appropriate rate level for current economic conditions. Many believed that a December "pause" would be appropriate, but political commentary infringing on Fed independence made that impossible and the final hike of 2018 was adopted. With historically low unemployment, rising wages, a buoyant consumer, and inflation hovering around the 2% target rate, the move seemed reasonable, although the stock market reacted badly. Whether that reflected valid concern over choking off economic growth or behavioral overreaction remains to be seen.

Fed Funds Rate on the Rise....Will it Continue?



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

Despite the Fed's actions over the past year, historically low interest rates persist to this day, encouraging corporations to further leverage their balance sheets, despite the higher interest costs. One could argue US corporations have acted rationally, if not entirely prudently, by raising debt levels when presented with a low interest rate environment. The argument would be more convincing if the debt had been used to invest in productive assets rather than to buy back stock. Most troubling, however, is that corporate debt to GDP, which usually peaks during recessions, has jumped to record highs during a period of solid economic growth.[1]

This obviously begs the question, what happens to debt levels when the US enters a recession? Historical evidence predicts sharp increases. Furthermore, what happens to earnings when previously digestible interest payments suddenly balloon in the face of reduced sales and margins? Were such developments to occur, we certainly do not need to ask what happens to stock prices. As of today, various measures of recession risk in 2019 remain low, although the market consensus of no further federal funds rate hikes in 2019 belies the Fed's more aggressive take, which projects two increases.

One potential monkey wrench increasing the odds of economic distress, would be a deterioration in the state of the US-China trade relations leading to the imposition of President Trump's threatened 25% tariffs. To an extent, the tariffs address an issue that was already being tackled by the market as a stagnant labor pool and rising costs in China have pushed lower value-added activities out to Vietnam, Bangladesh, and others. The stakes, however, are much larger than the import into the US of some Chinese-made consumer goods. China has not opened its market nearly to the extent of the US and employs multiple barriers to effective investment such as foreign ownership restrictions and technology transfer requirements. Of course, China's respect for intellectual property has been problematic for decades. Several have argued, however, that the stakes are even greater still and encompass the emergence of a great power rivalry between China and the United States and a possible re-ordering of the entire global trade system.

Outlook

In 2016, the National Football League's Cleveland Browns compiled a record of one and fifteen, an exercise in futility exceeded only by their winless campaign the following year. Under returning coach Hue Jackson, 2018 started with promise, but nosedived before management fired Jackson, replacing him with Defensive Coordinator Gregg Williams. Subsequently, the Browns compiled a five and three record, finishing the season with seven wins, eight losses, and one tie, and coming within a whisker of notching their first winning season since 2007 before losing their final game 24-26.

We mention this bit of sports trivia to illustrate the point that leadership matters, and a change at the top can make a meaningful difference to organizational success, be it in sports, the corporate world, or government. Examples abound, including the sea change in fortunes at Microsoft following Steve Ballmer's replacement by Satya Nadella. In the nearly five years since Mr. Nadella was appointed, Microsoft stock has appreciated 175%, compared to a 20% decline during the 14 years of Mr. Ballmer's reign. In fairness, Steve stepped in during the peak of the dot-com bubble and led the company through the Global Financial Crisis, but the numbers are what they are. More recently, the shares of Lowe's experienced a surge when Marvin Ellison, a long-time Home Depot executive, replaced Robert Niblock as CEO and quickly began a major renovation of the executive suite. Of course, General Electric's travails illustrate that if the wrong coach roams the sidelines for too long, the damage may require more than a change of leadership to overcome.

In the political arena we see the same phenomenon. It's difficult to deny that a major chunk of Turkey's problems can be traced to President Reycep Tayyip Erdogan having overstayed his welcome. David Cameron will likely go down as the one of the worst Prime Ministers in the history of the United Kingdom due to his unnecessary and pandering decision to hold a referendum on the UK's membership in the EU. Meanwhile, Theresa May's attempts to negotiate the exit have been clumsy and, in the event of a no-deal Brexit, she will stand alongside Mr. Cameron, as the UK economy will surely suffer greatly under such a development.[2]

Of course, the United States currently seems cursed with a surfeit of poor leadership, and we take no sides in making that statement. Donald Trump meet Nancy Pelosi. Mitch McConnell allow me to introduce you to Chuck Schumer. As of writing, the government is into its third week of shutdown, with no end in sight. On the international front, nobody knows how the aforementioned trading relations with China – arguably the most significant economic issue of 2019 – will develop. Although it may seem easy to pin both on the President, the shutdown is a failure of the entire political class and a strong argument can be made that China has been treated too leniently ever since its ascension to the World Trade Organization in 2001.

Indeed, country-level governance generates the most angst as we look ahead to 2019. Apart from the US and the UK, we see weakening leadership in Germany as Angela Merkel nears retirement, while the glow has definitely come off Emmanuel Macron in France courtesy of the Yellow Vest movement and his own hubris. Italy has reached agreement with the EU regarding its budget, but the issue will surely arise again. Turkey, Hungary, and Poland have become decidedly less democratic in recent years, while Brazil's newly-installed president seems eager to follow the same path toward "illiberalism." In China, President Xi Jinping must be feeling economic pressure based on his decision to make a New Year speech calling for the reunification of Taiwan with the Motherland, a reliable topic for fanning nationalist fervor and distracting attention from domestic issues.

The political calculus will become more challenging if the fourth quarter stock market malaise accurately predicts a downturn in future economic and corporate performance. The jury on that count remains decidedly out. The final US jobs report of the year showed "…one of the strongest months of job gains in the last decade, with employers adding 312,000 to payrolls in December."[3] After years of lackluster growth, wages also rose a solid 3.2%; the unemployment rate ticked up to 3.9% but that was primarily due to a surge of workers entering the labor force.[4] Less buoyant harbingers include the decline in the US 10-Year Government Bond Yield from 3.23% last November to 2.66% on January 4 and concomitant flattening of the yield curve, the December Chinese Caixin Manufacturing PMI dropping below 50 (the dividing line between growth and contraction),[5] a weakening US housing market, and indications that European growth may be rolling over. The more pessimistic indicators, as well as negative pre-announcements from market bellwethers such as FedEx, have led to a sharp reduction in earnings estimates, according to FactSet. To be sure, estimate reductions are the normal state of affairs but after positive tax reform-driven revisions in the first and second quarters of 2018, estimates were downgraded by 1.1% in the third quarter and a further 3.8% in the fourth quarter.[6]

Taking all of the above into account, our sense heading into 2019 is one of cautious optimism, recognizing that conditions are balanced on a knife-edge. We believe the Amana Funds are well-positioned for positive or negative economic developments given our focus on low debt, cash generative, high quality companies led by excellent management teams. Such characteristics are defensive in the event of a downturn, while the low debt focus will also be an advantage in the event economies regain momentum and the Fed continues with its rate normalization policy.

Amana Income Fund

We consider ourselves to be moderately risk-averse investors willing to forgo some of the upside in bull markets to provide investors with downside protection when things head south. That certainly turned out to be the case during the fourth quarter sell-off as the Amana Income Fund Investor Shares shed -9.14%, which isn't anything to be happy about, except in the context of the -13.52% drawdown in the S&P 500 and a -13.53% decline in the Morningstar Large Blend category. For the year, the Fund returned -5.22%, well ahead of the category decline of -6.27% but trailing the S&P 500, which finished the year down -4.38%.

Value investing has been challenged for the past several years as technology has moved to the fore ever since the Global Financial Crisis. While growth concerns have become legion, the economic outlook for the US is solid. Consumer confidence remains high, retail sales have been strong, and Bloomberg calculates the 2019 US Median GDP growth forecast at 2.4%.[7]

In such an environment, it's not at all clear the growth juggernaut will be derailed by value in 2019. Regardless of the environment, we will continue to focus on well-managed companies with rock-solid balance sheets, strong cash generation, and attractive returns of capital to shareholders.

The 2016 presidential campaign year, along with the first year of the Trump presidency, were difficult ones for the large pharmaceutical stocks but 2018 brought a rebound with Eli Lilly, Pfizer, and GlaxoSmithKline all among the top performers. Each features a reasonable valuation, good cash generation, and an attractive dividend yield. Democratic control of the House creates a rare point of agreement between the President and the opposition on the subject of drug price controls, raising an element of risk, but Republican control of the Senate will likely prevent action. Spice merchant McCormick was one of the top performing Consumer Staples companies in a year that was challenging for the sector overall, although fourth quarter action demonstrated Staples' resilience as McCormick, Proctor & Gamble, Pepsi, and Kimberly-Clark were all among the top contributors.

In a year when the economic conversation was dominated by trade action and tariffs, it's no surprise that Industrial companies account for four of the top five detractors. The sector is also the largest in the Amana Income Fund due to the combination of strong balance sheets and cash generation with good dividend yields.

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As of December 31, 2018

10 Largest Contributors YTD	Return	Contribution
Eli Lilly	40.45%	1.56
McCormick & Co	39.01%	1.00
Microsoft	20.80%	0.78
Pfizer	24.82%	0.72
Nike, Class B	19.86%	0.54
Abbott Laboratories	29.04%	0.42
W.W. Grainger	21.67%	0.28
Intel	4.21%	0.13
Linde	4.91%	0.13
GlaxoSmithKline ADR	13.74%	0.12

10 Largest Detractors YTD	Return	Contribution
Parker Hannifin	-24.00%	-0.96
Rockwell Automation	-21.77%	-0.94
Illinois Tool Works	-22.09%	-0.82
3M	-16.91%	-0.78
General Mills	-31.55%	-0.75
DowDuPont	-23.15%	-0.74
Colgate-Palmolive	-19.18%	-0.56
Microchip Technology	-16.71%	-0.49
Bristol-Myers Squibb	-12.91%	-0.39
Stanley Black & Decker	-28.13%	-0.35

Top 10 Holdings	Portfolio Weight
Eli Lilly	5.83%
Microsoft	4.54%
Pfizer	4.08%
McCormick & Co	3.96%
Rockwell Automation	3.67%
Intel	3.43%
Parker Hannifin	3.33%
PPG Industries	3.32%
Honeywell International	3.22%
Canadian National Railway	3.21%

30-Day Yield	
Investor Shares (AMANX):	1.50%
Institutional Shares (AMINX):	1.74%

Asset-weighted average debt to market cap: 16.5%

Amana Growth Fund

We are pleased with the performance of the Amana Growth Fund Investor Shares over the course of 2018, as the fund held its own during the strong market performance experienced during the first nine months of the year but then admirably provided the downside protection we seek during the fourth quarter bear market. As a result, the Fund finished the year in the 12th percentile of the Morningstar Large Growth Category. The fourth quarter Fund decline of -12.35% was lower than both the -13.52% fall experienced by the S&P 500 and the -15.43% drop in the Morningstar category. The downside capture, combined with a solid performance over the first three quarters, led to the Fund providing a positive annual return of 2.44%, against the -4.38% fall in the S&P 500 and the -2.09% decline in the Morningstar Large Growth category.

Despite the technology-led sell-off in the fourth quarter, growth outperformed value again in 2018 (as measured by comparing the performance of the SPDR S&P Growth ETF against the SPDR S&P Value ETF). Rising rates can play a role as fixed income yields become more attractive relative to Utilities, Telecommunications, or even Consumer Staples. While one might consider value a safer place to invest during periods of market or economic disruption, many growth companies also feature strong balance sheets and good cash generation, providing downside protection in a time of economic uncertainty.

Adobe remained a star for 2018 despite shedding nearly 20% from its fourth quarter peak. Technology was also represented by Xilinx, which we remain enthusiastic about given its exposure to 5G telecommunications, as well as Keysight Technologies, and Cisco Systems, which also performed well. In a year of drab Consumer Staples performance, Church & Dwight was a positive outlier as their "roll-up" management strategy provided growth superior to its peers. After a desultory 2017, clothing retailer TJX rebounded strongly throughout 2018, until they were caught up in the end of year maelstrom. Amgen and Lilly represented the pharmaceutical/biotech industries.

Construction company Emcor's position at the top of the detractor's list derives primarily from timing. The stock nearly doubled in price over the course of 2017 and was at the peak just as the calendar changed. Despite performing well operationally, it traded sideways throughout the year before sinking with the rest of the market in the fourth quarter. GPS leader

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10 Largest Contributors YTD	Return	Contribution
Adobe Systems	29.10%	1.40
Church & Dwight	33.23%	1.12
Intuit	25.85%	1.09
TJX Companies	18.95%	0.71
Xilinx	28.77%	0.64
Keysight Technologies	49.23%	0.59
Eli Lilly	40.45%	0.57
Amgen	15.17%	0.53
Cisco Systems	16.57%	0.53
Norfolk Southern	5.22%	0.15

10 Largest Detractors YTD	Return	Contribution
EMCOR Group	-26.68%	-0.83
Trimble	-19.02%	-0.68
Celgene	-38.59%	-0.46
Dentsply Sirona	-46.45%	-0.38
Novo-Nordisk ADR	-11.88%	-0.33
ASML Holding	-9.68%	-0.24
Lincoln Electric Holdings	-12.24%	-0.23
Qualcomm	-7.59%	-0.22
Johnson & Johnson	-5.14%	-0.20
SAP ADR	-10.11%	-0.18

Top 10 Holdings	Portfolio Weight
Adobe Systems	5.95%
Intuit	5.18%
Apple	4.65%
Church & Dwight	4.61%
Amgen	4.04%
Cisco Systems	3.80%
TJX Companies	3.66%
Agilent Technologies	3.55%
Estee Lauder, Class A	3.49%
Johnson & Johnson	3.17%

Asset-weighted average debt to market cap: 12.0%

Amana Developing World Fund

In the fourth quarter the Amana Developing World Fund outperformed the Morningstar Emerging Markets Category and the MSCI Emerging Markets Index, falling -5.59%, versus -7.47% and -7.47% respectively. The more developed world-focused MSCI All Country World Index Ex-USA (ACWI) collapsed -11.46% in the quarter. As a result of the fourth quarter outperformance, the Fund's -15.56% decline for the year was lower than that of the Morningstar EM Category, which shed -16.07% but slightly behind the MSCI Emerging Markets Index, which dropped -14.58%.

An environment of rising US interest rates can be a challenging one for emerging markets since investors often participate in those markets in search of higher yields. As US rates began to climb, investors decided the governance and currency risks of many emerging markets (Turkey, Indonesia, Brazil, etc.) were no longer justified by the higher rates on offer. The phenomenon can spark a vicious circle as investors pulling money cause currencies to decline leading to additional withdrawals. Of course, emerging markets were also challenged by concerns over China's rising debt, growth outlook, and susceptibility to tariffs imposed by the US. Looking ahead to 2019, US interest rates and potential trade actions seem the most important variables. While the Federal Reserve has penciled in two rate hikes for 2019, futures markets indicate a higher probability of no hikes, which would be positive. As for the trade dispute between the US and China, we have no insight other than China needs the US more than vice versa, and that in previous trade-related actions, Donald Trump has shown little concern for the additional cost tariffs levy on US consumers and businesses.

Over the last quarter Chinese internet search firm Baidu, South African media conglomerate Naspers, and Indonesian telecom incumbent Telekomunikasi all dropped out of the Top 10 Holdings and were replaced by Colgate-Palmolive, Techtronic, and Taiwan Semiconductor.

The Amana Developing World Fund experienced a diverse collection of contributors in the quarter, representing eight countries and, depending on how you count them, nine industries. We have held Hong Kong & China Gas for several years and, after visiting with company management last November, are enthusiastic about the opportunity for further

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As of December 31, 2018

10 Largest Contributors YTD	Return	Contribution
Hong Kong & China Gas	18.61%	0.46
Indofood CBP Sukses Makmur	13.38%	0.28
Manila Electric	14.16%	0.26
Bangkok Dusit Medical Services	21.42%	0.16
Kerry Logistics Network	7.75%	0.12
KPJ Healthcare	6.59%	0.11
CNOOC ADR	7.91%	0.07
BIMB Holdings	-53.96%	-0.01
Advantech	0.68%	-0.02
International Flavors & Fragrances	-1.13%	-0.02

10 Largest Detractors YTD	Return	Contribution
Samsonite International	-36.85%	-1.49
Tencent Holdings ADR	-23.81%	-1.41
Aspen Pharmacare Holdings	-57.41%	-1.22
Ford Otomotiv Sanayi	-37.21%	-0.99
Baidu ADR	-32.28%	-0.95
Kalbe Farma	-33.81%	-0.78
Naspers ADR	-29.80%	-0.76
Samsung Electronics	-25.40%	-0.68
Copa Holdings, Class A	-39.15%	-0.66
Pandora	-35.71%	-0.61

Top 10 Holdings	Portfolio Weight
Tencent Holdings ADR	5.27%
SM Prime Holdings	4.06%
Clicks Group	3.85%
Hong Kong & China Gas	3.24%
VF	3.18%
Telekomunikasi Indonesia ADR	2.92%
Barrick Gold	2.91%
Taiwan Semiconductor ADR	2.88%
Unilever ADR	2.85%
Colgate-Palmolive	2.78%

Asset-weighted average debt to market cap: 17.9%

Amana Participation Fund

As of year-end 2018, the Amana Participation Fund Investor Shares and the Institutional Shares each returned -0.13% and 0.11%, respectively. For the same time period, the Fund's benchmark, the FTSE Sukuk Index, returned 0.27%. Over this past quarter, the Amana Participation Fund Investor Shares returned 0.32%, with the Institutional Shares returning 0.28%, versus the benchmark's return of 0.63%. The Institutional Shares offers a SEC 30-day yield of 3.43%, with the Investor Shares offering a SEC 30-day yield of 3.19%, while reporting an effective duration of 3.39 years. The Fund is diversified among thirty-eight separate issues to meet its investment objective of capital preservation and current income while being entirely invested in US dollar denominated securities.

2018 can be characterized as a year of two tales for members of the Gulf Cooperative Council (GCC).[8] The steady rise of oil from its low of $26.05 on February 11, 2016, to its high of $76.41 on October 3, 2018, offered a conducive environment for the largely hydrocarbon dependent economies to experience material improvements, helping the region replenish their fiscal buffers. The year also presented new challenges as oil reversed its upward trend with a precipitous fall, declining to $45.41 at the end of 2018, reflecting a 40.6% decline. Meanwhile, the Federal Open Market Committee (FOMC) continued to raise interest rates, thereby increasing the cost of borrowing, and placing downward pressure on economic growth which can induce market volatility and aggravate asset prices.

The good news is the GCC region is on far better economic footing then it was last year. The International Monetary Fund (IMF) raised the economic forecasts for all the GCC countries for 2018 and 2019.[9] Saudi Arabia, the region's largest economy, was expected to experience an increase in projected growth for 2018 of 2.2% and an increase of 2.4% for 2019.[10] The broad improvement in overall economic growth was driven largely by higher oil prices. The combined current account surplus of the 10 MENA oil exporters was projected to rise by about $150 billion to $197 billion in 2018; of this, $169 billion is accounted for by the GCC countries.[11] This led the GCC region to also report material improvements in their fiscal deficits. According to KAMCO research, (a Kuwaiti based investment and research firm), the fiscal deficits for the GCC region fell 82% in 2018 from $79 billion at the end of 2017 to $14 billion.[12]

As of December 31, 2018

Top 10 Holdings	Portfolio Weight
DIFC Sukuk	4.62%
Petronas Global	4.61%
EIB Sukuk	4.58%
DP World Crescent	4.57%
DIB Sukuk	4.57%
Equate Sukuk	4.56%
ICD Sukuk	4.55%
Noor Sukuk	4.55%
EMG Sukuk	4.55%
QIB Sukuk	4.52%

30-Day Yield	
Investor Shares (AMAPX):	3.19%
Institutional Shares (AMIPX):	3.43%

Credit Profile	
AA	5.78%
A	22.38%
BBB	40.72%
Not rated	29.63%
Cash and equivalents	1.49%

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 GCC's improved economic standing has also served investors well when compared to the broader emerging bond market. For example, the S&P Mena & Sukuk Total Return Index posted a year-end return of 0.38%, while the JP Morgan Emerging Market Global Core Bond index posted a decline of -5.17%. The dramatic difference in performance stresses the important advantages that the GCC has compared to its neighbors, including their large savings pools in conjunction with large hydrocarbon reserves. For example, the GCC region has claim to seven of the largest 15 sovereign wealth funds in the world, representing a savings pool in excess of $2.6 trillion. This, in part, aids the credit rating agency's rationale to post credit ratings often found only among developed countries.

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Performance Summary

As of December 31, 2018

Average Annual Total Returns *(Before Taxes)*	**Ticker**	**1 Year**	**3 Year**	**5 Year**	**10 Year**	**Expense Ratio**
Income Fund Investor Shares	AMANX	-5.22% ▼	8.04% ▲	5.98% ▲	10.39% ▲	1.10%
Income Fund Institutional Shares	AMINX	-4.99% ▼	8.30% ▲	6.24% ▲	n/a	0.87%
S&P 500 Index		-4.38% ▲	9.25% ▲	8.49% ▲	13.11% ▲	n/a
Growth Fund Investor Shares	AMAGX	2.44% ▲	12.45% ▲	10.05% ▲	12.76% ▲	1.08%
Growth Fund Institutional Shares	AMIGX	2.67% ▲	12.71% ▲	10.30% ▲	n/a	0.85%
S&P 500 Index		-4.38% ▲	9.25% ▲	8.49% ▲	13.11% ▲	n/a
Developing World Fund Investor Shares	AMDWX	-15.56% ▼	1.15% ▲	-2.85% ▼	n/a	1.31%
Developing World Fund Institutional Shares	AMIDX	-15.43% ▼	1.38% ▲	-2.60% ▼	n/a	1.13%
MSCI Emerging Markets Index		-14.58% ▲	9.24% ▲	1.65% ▲	8.02% ▲	n/a
Participation Fund Investor Shares	AMAPX	-0.13% ▼	1.58% ▲	n/a	n/a	0.87%
Participation Fund Institutional Shares	AMIPX	0.11% ▲	1.78% ▲	n/a	n/a	0.62%
FTSE Sukuk Index		-0.27% ▼	2.84% ▲	3.29% ▲	6.44% ▲	n/a

Expense ratios shown are as stated in the Funds' most recent Prospectus dated September 28, 2018.

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. The FTSE All-World Ex-US Index comprises Large and Mid cap stocks providing coverage of Developed and Emerging Markets excluding the US. 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 December 31, 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	43	52	72	85	2
Institutional Shares (AMINX)	★★★	n/a	★★★	★★★	☆☆	🌐🌐🌐🌐🌐
% Rank in Category	n/a	40	46	67	84	2
Number of Funds in Category	1,208	1,402	1,208	1,071	805	1,207
Amana Growth Fund – "Large Growth" Category						
Investor Shares (AMAGX)	★★★★	n/a	★★★★★	★★★★	★★★	🌐🌐🌐🌐🌐
% Rank in Category	n/a	12	6	21	71	1
Institutional Shares (AMIGX)	★★★★	n/a	★★★★★	★★★★	☆☆☆	🌐🌐🌐🌐🌐
% Rank in Category	n/a	11	5	17	68	1
Number of Funds in Category	1,247	1,405	1,247	1,107	799	1,252
Amana Developing World Fund – "Diversified Emerging Markets" Category						
Investor Shares (AMDWX)	★	n/a	★	★	n/a	🌐🌐🌐🌐
% Rank in Category	n/a	47	97	96	n/a	12
Institutional Shares (AMIDX)	★★	n/a	★	★★	n/a	🌐🌐🌐🌐
% Rank in Category	n/a	46	97	95	n/a	12
Number of Funds in Category	708	836	708	533	n/a	710

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 December 31, 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 November 30, 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	*94%*
Amana Growth Fund	*93%*
Amana Developing World Fund	*80%*

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*

The Industrial downdraft presented a headwind to fund performance in 2018. As noted above, Consumer Staples stocks generally had a difficult 2018, and we see the evidence with Colgate and General Mills among top detractors. Stanley Black & Decker suffered from tariffs, with the lion's share of production located overseas, an issue exacerbated by a weakening housing market.

Poor performance by 3M pushed it out of the top ten holdings. It was replaced by Intel.

Amana Growth Fund *Continued from page 7*

Trimble was one of the most volatile stocks in the Fund, moving from a peak of $45.08 in January following an excellent 2017, to a low of $32.41 in July before excellent second quarter results sent it back up to $4.11 in September. Trimble then joined the fourth quarter market sell-off and finished down for the year.

In the technology sphere, Qualcomm suffered from its various legal entanglements and the failure of its attempted acquisition of NXP Semiconductor. ASML has been an incredible performer for years and reached an all-time peak price in July before leading the technology downturn. We visited the company in the Netherlands in November and remain optimistic regarding its opportunities for the next several years.

While pharmaceutical sector performance generally improved in 2018, there were outliers, some of which reside in the Amana Growth Fund. Celgene disappointed on major trials and even the ability to get the FDA to accept its data. That issue has now been removed following Bristol-Myers bid for the company, which valued it substantially higher than its last trading price. No such rescue will come for Danish insulin provider Novo Nordisk, nor for Johnson & Johnson. The latter has been affected by an asbestos/baby powder issue. While garnering headlines and generating stock weakness, we strongly believe the issue to be spurious and remain committed to J&J.

During the quarter, Alphabet (Google) and Harris were replaced by Agilent Technologies and Johnson & Johnson among the top ten holdings.

Amana Developing World Fund *Continued from page 8*

growth through developing gas infrastructure in China. Indofood, which had been a lackluster performer, soared in the fourth quarter on solid results and was also boosted by strengthening in the Indonesian rupiah. The Philippines has one of the better demographic profiles in Southeast Asia and demand for electricity will continue to grow, as shown by the performance of the Manila Electric Company. Thai hospital operator Bangkok Dusit has appeared regularly among top performers. At the end of 2017, the Fund was permitted to invest in Taiwan, which makes industrial computerization company Advantech's appearance gratifying. International Flavors & Fragrances represents a developed world domiciled company that does the majority of its business in the emerging markets. Finally, CNOOC, China oil E&P leader, has been sold from the portfolio following the decision to be fossil fuel free.

Chinese internet messaging and game leader Tencent has been a tremendous investment, more than doubling since its initial purchase in late 2015. Nonetheless, it suffered a tough 2018 due to regulatory uncertainty, including caps on the number of game approvals. We view these developments as short-term noise that does not detract from the long-term attractions of the business. After rallying strongly in 2017, Samsonite was punished by the unexpected exit of its CEO and questions surrounding accounting. While the accounting issues turned out to be more smoke than fire, the stock has yet to recover from the incident. Indonesian pharmaceutical company Kalbe Farma and Danish Jewelry maker Pandora have both exited the portfolio.

Samsonite and Hong Kong-based power tool manufacturer Techtronic dropped out of the top ten. Techtronic has suffered from US tariff actions directed against China. They have been replaced by Telekomunikasi Indonesia and Barrick Gold. We previously owned South African miner Randgold, which was acquired by Barrick at the end of last year. Randgold's CEO has become the CEO of Barrick.

Amana Participation Fund *Continued from page 9*

Moody's rates the UAE and Kuwait with a credit rating of 'Aa2,' the same ratings as the United Kingdom, Qatar at 'Aa3,' the same credit rating as China, and Saudi Arabia at 'A1.'

Even with the recent track of good fortune, the region faces considerable challenges. The over dependence on hydrocarbons leads these economies to experience more pronounced economic cycles than other economies. The country of Bahrain offers a cogent example as the small island nation received a $10.0 billion aid package from Saudi Arabia, Kuwait and the UAE in October of 2018 to offset its growing deficit gap which was $5.3 billion; -15.1% of GDP last year.[13]

The recent and dramatic fall in the price of oil raises investors' concerns about the duration of oil price decline and how it will ultimately impact the region and its economic recovery. At this stage, it is far too early to ascertain. However, the decline in oil prices is viewed as being positive for new sukuk issuance, as the largely hydrocarbon dependent economies ramp up fiscal spending to diversify their economies away from oil and offset budget deficits. Some of the large fiscal spending programs include Abu Dhabi's fiscal program of AED 50 billion (USD 13.6 billion) aimed to stimulate growth and create 10,000 jobs for Emirates, and Saudi Arabia's largest fiscal budget in history, formally announced on December 18, 2018, to increase fiscal spending by 7% to SAR 1.1 trillion (USD 295 billion).[14,15,16]

The top-performing issues for the fourth quarter include Bahrain's sovereign sukuk (BHRAIN 6.273 11/22/18) and Dubai Aviation Corporation (flydubai), FLYDU 3.776 11/26/19, offering a quarterly return of 3.54% and 3.46%, respectively. The two worst-performing issues over the quarter include Oman's (OMANGS 4.397 06/01/24) and Saudi Arabia's (KSA 3.628 04/20/27) sovereign sukuk returning -2.70% and 1.22%, respectively.

About The Authors

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Amana Developing World Fund Portfolio Manager
Amana Income Fund and **Amana Growth Fund** Deputy Portfolio Manager

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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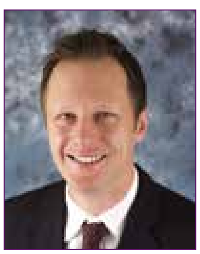
Patrick T. Drum, Research Analyst and Portfolio Manager, joined Saturna Capital in October 2014. He is a select member of the United Nations Principles for Responsible Investment (UNPRI) Fixed Income Outreach Subcommittee and an adjunct professor of finance at Pinchot University, formerly known as Bainbridge 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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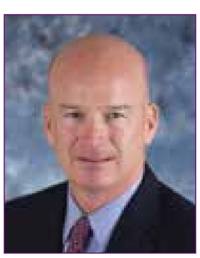
Bryce Fegley, CFA, CIPM, Investment Analyst & Sextant Global High Income Fund Portfolio Manager, joined Saturna Capital in 2001 and worked in brokerage/trading and later as an investment analyst. Beginning in 2010, he spent two years as President of our Malaysian subsidiary, Saturna Sdn Bhd, directing its research and fund management operations. In 2012 he returned to Saturna Capital headquarters. Prior to joining Saturna, Mr. Fegley worked in brokerage operations in Seattle from 1997-2000. Originally from upstate New York, he studied at the University of Colorado at Boulder earning his BA in English Literature. Mr. Fegley earned an MS in Computational Finance and Risk Management from the University of Washington in December 2017. His volunteer activities include a board role with the Whatcom Family YMCA.



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Chris Paul, Senior Investment Analyst, joined Saturna Capital in August 2016. He earned an MBA Finance from New York University and a BS in Computer Science from Syracuse University. Mr. Paul is a Chartered Financial Analyst® (CFA®) charterholder and Portfolio Manager of the Sextant Core Fund. His experience includes research and management positions at asset management firms and investment banks, as well as finance and operations roles at technology companies.

Footnotes to commentary:

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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.*

***Forward price-to-earnings** is a quantification of the ratio of price-to-earnings (PE) using forecasted earnings for the PE calculation. While the earnings used are estimates and are not as reliable as current earnings data, the benefit in using estimated PE is that the forecasted earnings can either be for the next 12 months or for the next full-year fiscal period.*

*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.