# Fund Commentary Q1 2019

Saturna Capital

Sextant Mutual Funds

***Please consider an investment's objectives, risks, charges, and expenses carefully before investing. To obtain this and other important information about the Sextant Mutual Funds in a current prospectus or summary prospectus, please visit www.sextantfunds.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 Sextant Mutual Funds.***

## As Goes Q1, So Goes the Year?

The first quarter of 2019 presented a sea change from the fourth quarter of last year. The S&P 500 Index was down -13.52% in the fourth quarter of 2018, but it saw a double digit rebound in the first quarter of 2019, returning 13.65%. This change in sentiment (or animal spirits) between the fourth quarter and the first had to do with two main issues: Federal Reserve Open Market Committee (FOMC) actions and trade tensions with China.

We saw the fourth interest rate hike of 2018 last December yet bond yields continued to fall through the first quarter of 2019. It seems that the bond market has some disagreement with the FOMC economic expectations – anticipating the Fed to have finished its tightening cycle, perhaps even forecasting one or two rate cuts in the current year. We don't think the Fed needs to hit the panic button just yet and cause investors to revise their growth forecasts lower, start worrying about recession, or making plans for pulling back capital investments.

Trade tensions with China seemed to ramp up at the end of last year and ebb in the first quarter of 2019, but have since ratcheted back up again. Consumer products manufacturers sourcing in China recovered as the US and China appeared more committed to settling their trade differences. With China, momentum has also been building with its "Belt and Road" initiative, an effort often described as building a modern silk road, improving China's infrastructure links to large swaths of the globe.

The Tax Reform Act of 2018 had a substantial positive impact on profit margins and earnings expectations, but new concerns have arisen in the first quarter, specifically low unemployment and resulting wage pressures. The first quarter was slow, but it typically is a weaker GDP quarter. Economic forecasting, an uncertain science in the best of times, is especially difficult in an environment of rising trade tensions, while the impact on market sentiment of American-Chinese disagreements seems wholly negative. The United States and other countries have legitimate trade grievances with China, but the process of resolving those differences will be a rocky one.

## Sextant Growth Fund

**As of March 31, 2019**

During the first quarter the Sextant Growth Fund topped broad market indices, rising 15.48% versus the S&P 500 Index's gain of 13.65%. The Fund performed in line with the Morningstar Large Growth Category, which gained 15.67%.

The rebound in technology stocks led to their dominating the top contributors list for the quarter. Amazon, Apple, Adobe, Microsoft, and Alphabet all did well, while 5G chip leader Xilinx enjoyed a stunning quarter. Our interest in the growth of e-commerce and electronic payments spurred our investment in Worldpay, which was already performing well before Fidelity National Information Services announced an agreed offer for the company in March. Heart valve manufacturer Edwards benefitted from the release of a large study showing the efficacy of its products in lower risk patients as an alternative to open heart surgery. Previously, the product had been largely limited to higher-risk patients for whom open heart surgery was deemed too dangerous.

With the exception of Alaska Air and JP Morgan Chase, the stock moves among the detractors were minor. Alaska has suffered disruption from its merger with Virgin America but the process is nearing completion and earnings are expected to improve sharply over the next few years. While anecdotal, our experience flying indicates the demand for air travel remains strong. We have reduced our position in JP Morgan due to the likelihood that interest rate developments will squeeze net interest margins going forward. JPM has other levels to pull but we find these opaque.

RPM, Home Depot and JP Morgan Chase all dropped out of the top 10 holdings list and were replaced by Worldpay, Lowe's, and Stanley Black & Decker.

| 10 Largest Contributors | Return | Contribution |
|---|---|---|
| Amazon.com | 18.56% | 1.17 |
| Apple | 20.94% | 1.17 |
| Worldpay, Class A | 48.50% | 1.17 |
| Mastercard, Class A | 25.02% | 1.13 |
| Adobe | 17.79% | 1.02 |
| Microsoft | 16.62% | 0.85 |
| Xilinx | 49.35% | 0.84 |
| Alphabet, Class A | 12.63% | 0.72 |
| Edwards Lifesciences | 24.91% | 0.58 |
| Costco Wholesale | 19.19% | 0.50 |

| 10 Largest Detractors | Return | Contribution |
|---|---|---|
| Alaska Air Group | -7.29% | -0.08 |
| RPM International | -0.61% | -0.04 |
| Amgen | -1.65% | -0.03 |
| Bristol-Myers Squibb | 1.75% | -0.02 |
| Texas Instruments | -0.65% | -0.01 |
| Qualcomm | 1.34% | 0.00 |
| DowDupont | 2.34% | 0.02 |
| Booking Holdings | 1.31% | 0.03 |
| Sensata Technologies Holding | 0.40% | 0.03 |
| JP Morgan Chase | 4.55% | 0.16 |

| Top 10 Holdings | Portfolio Weight |
|---|---|
| Amazon.com | 6.85% |
| Apple | 6.55% |
| Adobe Inc. | 6.23% |
| Alphabet, Class A | 5.91% |
| Microsoft | 5.61% |
| Mastercard, Class A | 5.28% |
| Abbott Laboratories | 4.18% |
| Worldpay, Class A | 3.43% |
| Lowe's | 3.08% |
| Stanley Black & Decker | 2.97% |

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

## Sextant International Fund

**As of March 31, 2019**

In the weak international stock market environment of 2018, the Sextant International Fund provided impressive downside protection.[1] In the first quarter markets reversed, moving sharply higher. In that environment, the Sextant International Fund continued to outpace the benchmarks, rising 14.01%, compared to a 10.13% gain in the MSCI EAFE Index, and the 13.00% appreciation of the Morningstar Foreign Large Growth Category.

Despite the deteriorating economic conditions in Argentina and the end of the honeymoon period for Brazilian President Bolsonaro, MercadoLibre, the eBay/Amazon of South America, soared to new heights on good growth in the merchandise business and a rapidly expanding payments pillar. In early March, MercadloLibre announced a $1 billion public offering and a $750 million strategic investment from PayPal. The funds from the capital raise will be used to strengthen MELI's e-commerce platform, its proprietary logistics infrastructure and its payments solutions. French technology company Dassault Systemes, Dutch information media firm Wolters Kluwer, and Dutch global lithography leader ASML have regularly appeared among the top contributors and we see further opportunities for all three to expand their businesses.

Strong market performance during the quarter resulted in only two stocks making a negative contribution to Fund returns. Belmond has agreed to be acquired by LVMH, but the stock could experience minor gyrations around the acquisition price. Sinopharm had been performing strongly, but an earnings miss in March returned the shares to start-of-the-year levels. We remain confident about the opportunity for Sinopharm in the growing Chinese healthcare market.

| 10 Largest Contributors | Return | Contribution |
|---|---|---|
| MercadoLibre | 73.38% | 3.36 |
| Dassault Systemes ADR | 26.71% | 1.68 |
| Wolters Kluwer | 15.38% | 1.41 |
| ASML Holding | 20.84% | 1.02 |
| NICE Systems ADR | 13.22% | 0.86 |
| Novartis ADR | 15.60% | 0.66 |
| Novo Nordisk ADR | 15.28% | 0.54 |
| Unilever ADR | 11.37% | 0.45 |
| BCE | 13.82% | 0.43 |
| Toronto-Dominion Bank | 10.35% | 0.43 |

| 10 Largest Detractors | Return | Contribution |
|---|---|---|
| Belmond, Class A | -0.40% | -0.03 |
| Sinopharm Group | -0.86% | -0.01 |
| Subaru ADR | 4.22% | 0.02 |
| Toyota Motor ADR | 1.67% | 0.04 |
| Mitsubishi UFJ Financial ADR | 1.64% | 0.04 |
| Nutrien | 13.30% | 0.16 |
| Copa Holdings, Class A | 3.17% | 0.17 |
| Industria De Diseno Textil | 15.11% | 0.18 |
| Australia & New Zealand Banking ADR | 8.62% | 0.20 |
| Koninklijke Philips | 16.38% | 0.20 |

| Top 10 Holdings | Portfolio Weight |
|---|---|
| Wolters Kluwer | 9.89% |
| Dassault Systemes ADR | 7.36% |
| MercadoLibre | 7.36% |
| NICE Systems ADR | 7.11% |
| Belmond, Class A | 6.14% |
| ASML Holding NY | 5.45% |
| Novartis ADR | 4.60% |
| BASF ADR | 4.28% |
| Unilever ADR | 4.18% |
| Fomento Economico Mex ADR (FEMSA) | 4.01% |

*[1] The Sextant International Fund Investor Shares returned -3.71% for the 12 months ended December 31, 2018, versus -13.36% for the MSCI EAFE and -14.08% for the Morningstar Foreign Large Growth Category.*

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

## Sextant Global High Income Fund

As of March 31, 2019

The Sextant Global High Income Fund returned 7.27% in the first quarter of 2019, ending the period with $10.1 million of total net assets, including 11.5% of cash and equivalents. The Fund underperformed its equity benchmark, the S&P Global 1200 Index, which returned 12.27%, but outperformed the Bloomberg Barclays Global High Yield fixed-income benchmark, which returned 6.43%. It underperformed its Morningstar World Allocation peer group, which returned 7.81%.

Micro Focus International, a company the Fund purchased in the fourth quarter of 2018, was the best performer in the first quarter, with a return of 53.38%. Our expectation for a share price revaluation based on the strength of the company's core business came to fruition rather quickly, and we sold part of the position in the quarter with the company trading near our assessment of fair value.

The Chinese oil company CNOOC was the Fund's next best performer, returning 21.85% in the first quarter. The company was buoyed in part by an increase in the price of crude oil of about $15 during the quarter.

Applied Materials, another company whose shares the Fund purchased during the fourth quarter of 2018, was the Fund's third best performer, with a return of 21.76%. The share price of Applied Materials had declined more than 50% between March and December of 2018 due to fears of a slowdown in semiconductor demand. The company and the industry have tended to have severe price swings in response to ebbs and flows in demand in the past, and investors seem to be conditioned to rush for the exits at the first sign of trouble. However, our analysis led us to believe that the current episode of demand weakness would be more transient than past cycles — driven by trade tensions and logistics issues, and that we had a good case to "look through" the abbreviated cycle to robust pipeline of semiconductor demand in the years to come.

The Fund's worst performer during the quarter was ADR of SK Telecom, which returned -8.62%. Its share price has oscillated in a range between the low and high $20s during the past two years, but offers a dividend yield of above 4% and has had a low correlation (0.39) to the MSCI World Index during this time. Shares of the Nordic bank Skadinaviska Enskilda fell 4.02% in the quarter due to concerns about links to money laundering in its Baltic operations. The company's board sacked the CEO; despite these concerns, we believe reaction of the company's shareholders and board to this issue was indicative of strong governance and values, and we added to our position during the quarter.

| 10 Largest Contributors | Return | Contribution |
|---|---|---|
| Micro Focus International | 53.38% | 1.22 |
| CNOOC ADR | 21.85% | 0.58 |
| Microchip Technology | 15.82% | 0.49 |
| Applied Materials | 21.76% | 0.46 |
| BHP Group ADR | 20.57% | 0.45 |
| South32 ADR | 14.24% | 0.34 |
| Western Digital | 12.57% | 0.28 |
| Novartis ADR | 15.60% | 0.26 |
| Mexico Bonos Desarrollo *(6.50% 06/10/2021)* | 5.16% | 0.24 |
| GlaxoSmithKline ADR | 10.98% | 0.22 |

| 10 Largest Detractors | Return | Contribution |
|---|---|---|
| SK Telecom ADR | -8.62% | -0.22 |
| Republic of Argentina *(7.5% 4/22/2026)* | -1.59% | -0.04 |
| Federal Republic of Brazil *(12.50% 01/05/2022)* | -2.36% | -0.04 |
| Subaru ADR | -2.07% | -0.04 |
| Skandinaviska Enskilda Banken, Class A | -4.02% | -0.04 |
| Colony TX NFM Sales Tax Revenue *(7.625% 10/01/2042)* | -1.97% | -0.01 |
| United States T-Bill *(05/07/2019)* | 0.02% | 0.00 |
| United States T-Bill *(05/21/2019)* | 0.03% | 0.00 |
| Orange ADR | 0.68% | 0.00 |
| Goodrich Petroleum | 0.74% | 0.00 |

| Top 10 Holdings | Portfolio Weight | |
|---|---|---|
| United States Treasury Bond *(6.125% 11/15/2027)* | *Bond* | 5.10% |
| United States T-Bill *(05/21/2019)* | *Bond* | 4.93% |
| Mexico Bonos Desarrollo *(6.50% 06/10/2021)* | *Bond* | 4.22% |
| Microchip Technology | *Equity* | 2.87% |
| T-Mobile *(6.50% 01/15/2026)* | *Bond* | 2.64% |
| Jefferies Group *(5.125% 01/20/2023)* | *Bond* | 2.62% |
| Equinor ASA ADR | *Equity* | 2.61% |
| United States T-Bill *(05/07/2019)* | *Bond* | 2.47% |
| South32 ADR | *Equity* | 2.46% |
| Western Digital | *Equity* | 2.38% |

The Fund also added three new equity investments during the quarter: Subaru, Western Digital, and AT&T. All three companies sport attractive dividend yields and good prospects for recoveries in their beleaguered share prices. The Fund liquidated its holdings of Nutrien (formerly Potash) and National Oilwell Varco.

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The Sextant Short-Term Bond Fund returned 1.62% in the first quarter, performing relatively better than its benchmark, the FTSE US BIG Govt/Corp 1-3 Year Bond Index, which returned 1.22%. The Morningstar Short-Term Bond Category returned 1.71%. The Sextant Bond Income Fund returned 3.58% during the quarter, compared to the 2.95% return of its benchmark, the FTSE US BIG Bond Index, and the 5.80% average return of the Morningstar Long-Term Bond category.

During the first quarter, European and Chinese growth softened. Purchasing Managers Indexes slipped, and trade sanctions inhibited trade. The US Federal Reserve Bank quickly put policy normalization on hold. Their announcement triggered a risk-on reaction in the bond markets. Yields continued their fourth quarter decline by droping another 0.20% to 0.40%, with US Credit spreads narrowing further. Central Bank policies in the Eurozone, Japan, and China remained highly accommodative, in conflict with the US Fed's plan to keep raising rates. The US Fed Fund's rate may remain in the 2.25% to 2.50% range for the rest of 2019.

The Fed chose the word "hold" carefully to avoid any misconception that the policy pause was a precursor to a policy reversal or a recession flag. The Fed has yet to relinquish the position that the neutral rate of interest may still be around 3.00%. The Fed's "hold" terminology affords them the leeway to continue normalizing rates (upward) in the future should inflation recover. The possible resolution to the US and China trade negotiations, an eventual conclusion to Brexit, a seasonal return to better growth in the second half of 2019, and recent yield curve steepening all argue for a neutral policy at this time. US Treasury yields seem to be forecasting a 0.50% cut in the Federal Funds rate in 2019.

Yield curves in almost all sectors including investment grade and high-yield corporates, as well as investment grade municipal bonds, have maintained their positive slope. Only the US Treasury yield curve (and derivative curves) display inversions and only between three-month T-Bills and intermediate term notes. The yield spread between three-month T-Bills and 30-year Treasury bonds has remained positive by 0.50%. Until the yield on three-month T-Bills exceeds the yield on 30-year bonds, the US Treasury yield curve is not forecasting a recession.

The opportunity for US based investors to capture real yields continues. While US treasury security nominal yields have fallen another 20-40 basis points this quarter, real yields have moved from -2.00% to about 0.40% over the last few years. Real bond yields remain attractive.

| Sextant Short-Term Bond Fund Top 10 Holdings | Portfolio Weight |
|---|---|
| United States Treasury Note *(3.625% 02/15/2021)* | 8.65% |
| United States Treasury Note *(2.50% 08/15/2023)* | 4.74% |
| US T-Note *(2.875% 10/31/2020)* | 4.73% |
| McCormick & Co. *(2.70% 08/15/2022)* | 4.67% |
| Honeywell International *(4.25% 03/01/2021)* | 4.37% |
| Burlington Northern Santa Fe *(3.05% 09/01/2022)* | 3.80% |
| Gilead Sciences *(2.55% 09/01/2020)* | 3.75% |
| Avalonbay Comunities *(2.85% 03/15/2023)* | 3.74% |
| 3M *(2.00% 06/26/2022)* | 3.71% |
| Qualcomm *(2.60% 01/30/2023)* | 3.71% |

| Sextant Bond Income Fund Top 10 Holdings | Portfolio Weight |
|---|---|
| United States Treasury Note *(3.625% 02/15/2021)* | 9.91% |
| United States Treasury Bond *(5.375% 02/15/2031)* | 4.84% |
| Intel *(4.00% 12/15/2032)* | 3.67% |
| Apple *(4.50% 02/23/2036)* | 3.65% |
| Microsoft *(4.20% 11/03/2035)* | 3.58% |
| Burlington Northern Santa Fe *(5.05% 03/01/2041)* | 3.32% |
| United States Treasury Bond *(6.125% 08/15/2029)* | 2.80% |
| United Technologies Corp *(6.05% 06/01/2036)* | 2.77% |
| Statoil *(7.15% 01/15/2029)* | 2.74% |
| Puget Sound Energy *(7.02% 12/01/2027)* | 2.74% |

Finally, there should be no doubt that the top priority for all central banks is to prevent global deflation. Weak asset prices and slowing economic growth in the early part of the first quarter exposed the US Federal Reserve's hypersensitivity to slowing in the real economy. The irony of weakening economic indicators moving asset prices higher because of an eventual Fed ease has returned. The appeal of principal safety and fixed-income cash flows was evident in the quarter.



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## Sextant Core Fund



During the first quarter of 2019, the S&P 500 Index posted a total return of 13.65%. For the same period, the Sextant Core Fund returned 8.48%, underperforming its benchmark, the Dow Jones Moderate Portfolio Index, which returned 8.79%. Both equities and fixed-income contributed to the quarterly performance.

***Equities***

The Sextant Core Fund ended the quarter with an equity allocation of 61.5%, up slightly from the end of 2018, and in line with the 60% allocation mandate. The number of equity positions (58) and the average position size (1.1%) remained consistent.

The Fund's equity concentration remains weighted toward the technology (generally software and semiconductors) and healthcare (primarily pharmaceuticals and medical devices) sectors. Positions in the technology sector (Xilinx, Micro Focus Group) led performance, with detractors concentrated in the healthcare sector (Bristol Myers, Amgen).

During the quarter, the Fund generated little turnover among equity positions – one position swapped for another with a lower valuation, higher dividend yield, and similar growth prospects – and remained consistent with the value investment mandate of income producing securities of more seasoned companies.

***Fixed Income***

The US Federal Reserve Bank chose the word "hold" carefully to avoid any misconception that the policy pause was a precursor to a policy reversal or a recession flag. The Fed has yet to relinquish the position that the neutral rate of interest may still be around 3.00%. The Fed's "hold" terminology affords them the leeway to continue normalizing rates (upward) in the future should inflation recover. The possible resolution to the US and China trade negotiations, an eventual conclusion to Brexit, a seasonal return to better growth in the second half of 2019, and recent yield curve steepening all argue for a neutral policy at this time. US Treasury yields seem to be forecasting a 0.50% cut in the Federal Funds rate in 2019.

Yield curves in almost all sectors including investment grade and high-yield corporates, as well as investment grade municipal bonds, have maintained their positive slope. Only the US Treasury yield curve (and derivative curves) display inversions and only between three-month T-Bills and intermediate term notes. The yield spread between three-month T-Bills and 30-year Treasury bonds has remained positive by 0.50%. Until the yield on three-month T-Bills exceeds the yield on 30-year bonds, the US Treasury yield curve is not forecasting a recession.

| 10 Largest Contributors | Return | Contribution |
|---|---|---|
| Xilinx | 49.35% | 0.53 |
| Micro Focus International ADR | 53.38% | 0.51 |
| Ally Financial | 22.11% | 0.27 |
| Apple | 20.94% | 0.24 |
| VF | 22.56% | 0.23 |
| Fastenal | 23.87% | 0.21 |
| Honeywell International | 20.93% | 0.20 |
| Parker Hannifin | 15.61% | 0.20 |
| Oracle | 19.43% | 0.20 |
| Canadian National Railway | 21.30% | 0.19 |

| 10 Largest Detractors | Return | Contribution |
|---|---|---|
| Bristol-Myers Squibb | -7.38% | -0.08 |
| Amdocs | -7.14% | -0.07 |
| Pfizer | -1.88% | -0.03 |
| Amgen | -1.65% | -0.02 |
| HP | -4.24% | -0.02 |
| RPM International | -0.61% | -0.01 |
| Lake Washington SD 414 WA BAB *(4.906% 12/01/2027)* | 0.91% | 0.01 |
| New York City Housing Dev *(2.65% 05/01/2021)* | 1.13% | 0.01 |
| PartnerRe Finance B *(5.50% 06/01/2020)* | 1.08% | 0.01 |
| Skagit SD #1 *(4.613% 12/01/2022)* | 1.17% | 0.01 |

| Top 10 Holdings | | Portfolio Weight |
|---|---|---|
| United States Treasury Bond *(6.25% 8/15/23)* | *Bond* | 3.58% |
| Welltower *(4.25% 4/15/2028)* | *Bond* | 2.53% |
| United States Treasury Note *(2.75% 11/15/2023)* | *Bond* | 2.51% |
| Gilead Sciences *(3.70% 04/01/2024)* | *Bond* | 1.81% |
| United States Treasury Note *(2.00% 11/30/2022)* | *Bond* | 1.74% |
| Union Pacific *(3.375% 02/01/2035)* | *Bond* | 1.64% |
| Toronto-Dominion Bank | *Equity* | 1.59% |
| Johnson & Johnson | *Equity* | 1.57% |
| Abbott Laboratories | *Equity* | 1.51% |
| Xilinx | *Equity* | 1.51% |

## Morningstar Sustainability Ratings™

### Sextant Growth Fund

**Investor Shares (SSGFX)**

**Z Shares (SGZFX)**

*Among 1,254 Large Growth Funds*

### Sextant International Fund

**Investor Shares (SSIFX)**

**Z Shares (SIFZX)**

*Among 366 Foreign Large Growth Funds*

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

### Sextant Core Fund

**SCORX**

*Among 694 Allocation 50% – 70% Equity Funds*

### Sextant Short-Term Bond Fund

**STBFX**

*Among 476 Short-Term Bond Funds*

### Sextant Global High Income Fund

**SGHIX**

*Among 389 World Allocation Funds*

***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").***



*Morningstar Sustainability Ratings are as of February 28, 2019. The Morningstar Sustainability Rating™ is intended to measure how well the issuing companies of the securities within a fund's portfolio are managing their environmental, social, and governance ("ESG") risks and opportunities relative to the fund's Morningstar category peers. The Morningstar Sustainability Rating calculation is a two-step process. First, each fund with at least 50% of assets covered by a company-level ESG score from Sustainalytics receives a Morningstar Portfolio Sustainability Score™. The Morningstar Portfolio Sustainability Score is an asset-weighted average of normalized company-level ESG scores with deductions made for controversial incidents by the issuing companies, such as environmental accidents, fraud, or discriminatory behavior. The Morningstar Sustainability Rating is then assigned to all scored funds within Morningstar Categories in which at least ten (10) funds receive a Portfolio Sustainability Score and is determined by each fund's rank within the following distribution: High (highest 10%), Above Average (next 22.5%), Average (next 35%), Below Average (next 22.5%), and Low (lowest 10%). The Morningstar Sustainability Rating is depicted by globe icons where High equals 5 globes and Low equals 1 globe. A Sustainability Rating is assigned to any fund that has more than half of its underlying assets rated by Sustainalytics and is within a Morningstar Category with at least 10 scored funds; therefore, the rating is not limited to funds with explicit sustainable or responsible investment mandates. Morningstar updates its Sustainability Ratings monthly. Portfolios receive a Morningstar Portfolio Sustainability Score and Sustainability Rating one month and six business days after their reported as-of date based on the most recent portfolio. As part of the evaluation process, Morningstar uses Sustainalytics' ESG scores from the same month as the portfolio as-of date.*

*The Fund's portfolios are actively managed and are 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:*

| | |
|---|---|
| *Sextant Growth Fund* | *97%* |
| *Sextant International Fund* | *94%* |
| *Sextant Core Fund* | *74%* |
| *Sextant Short-Term Bond Fund* | *68%* |
| *Sextant Global High Income Fund* | *65%* |

*The Sextant Growth and Sextant International Funds offer two share classes – Investor Shares and Z Shares, each of which has different expense structures.*

## Performance Summary

**As of March 31, 2019**

| **Average Annual Total Returns** (Before Taxes) | **1 Year** | **3 Year** | **5 Year** | **10 Year** | **Expense Ratio**[A] *Gross* | *Net* |
|---|---|---|---|---|---|---|
| **Sextant Growth** Investor Shares (SSGFX) | 14.35% ▲ | 13.36% ▲ | 8.80% ▲ | 12.82% ▲ | 0.92% | 0.92% |
| **Sextant Growth** Z Shares (SGZFX)[B] | 14.67% ▲ | n/a | n/a | n/a | 0.70% | 0.70% |
| S&P 500 Index | 9.50% ▲ | 13.54% ▲ | 10.91% ▲ | 15.92% ▲ | n/a | |
| **Sextant International** Investor Shares (SSIFX) | 8.54% ▲ | 12.88% ▲ | 6.04% ▲ | 7.56% ▲ | 1.05% | 1.04% |
| **Sextant International** Z Shares (SIFZX)[B] | 8.86% ▲ | n/a | n/a | n/a | 0.84% | 0.82% |
| MSCI EAFE Index | -3.05% ▼ | 7.82% ▲ | 2.81% ▲ | 9.47% ▲ | n/a | |
| **Sextant Core Fund** (SCORX) | 5.69% ▲ | 7.08% ▲ | 4.19% ▲ | 7.46% ▲ | 0.88% | 0.87% |
| Dow Jones Moderate Portfolio Index | 3.14% ▲ | 7.68% ▲ | 5.48% ▲ | 9.84% ▲ | n/a | |
| **Sextant Global High Income Fund** (SGHIX)[C] | 5.18% ▲ | 11.74% ▲ | 4.82% ▲ | n/a | 0.97% | 0.75% |
| S&P Global 1200 Index | 4.16% ▲ | 11.57% ▲ | 7.48% ▲ | 13.01% ▲ | n/a | |
| Bloomberg Barclays Global High Yield Corporate Bond Index | 2.99% ▲ | 7.55% ▲ | 3.64% ▲ | 11.12% ▲ | n/a | |
| **Sextant Short-Term Bond** (STBFX) | 3.21% ▲ | 1.26% ▲ | 1.19% ▲ | 1.83% ▲ | 0.91% | 0.60% |
| FTSE USBIG Government / Corporate 1-3 Index | 3.01% ▲ | 1.31% ▲ | 1.19% ▲ | 1.55% ▲ | n/a | |
| **Sextant Bond Income** (SBIFX) | 4.23% ▲ | 2.54% ▲ | 2.98% ▲ | 4.42% ▲ | 0.84% | 0.65% |
| FTSE US Broad Investment-Grade Bond Index | 4.49% ▲ | 2.05% ▲ | 2.74% ▲ | 3.64% ▲ | 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, expense ratios shown are as stated in a Fund's most recent prospectus or summary prospectus, dated March 27, 2019, and incorporate results from the fiscal year ended November 30, 2019. Higher expense ratios may indicate higher returns relative to a Fund's benchmark. The Adviser has voluntarily capped actual expenses of Sextant Global High Income at 0.75%, Sextant Short-Term Bond at 0.60% and actual expenses of Sextant Bond Income at 0.65% through March 31, 2020.*

*[B] Z Shares of Sextant Growth and Sextant International Funds began operations June 2, 2017.*

*[C] Sextant Global High Income Fund began operations March 30, 2012. Its annualized since inception return as of March 31, 2019, was 5.56%.*

*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 MSCI ACWI Ex-US Index, produced by Morgan Stanley Capital International, measures equity market performance throughout the world excluding US-based companies. The S&P Global 1200 Index is a global stock market index covering nearly 70% of the world's equity markets. The Bloomberg Barclays 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 FTSE Gov./Corp. Investment Grade Index 1-3 Years is a broad-based index of shorter-term investment grade US government and corporate bond prices. The FTSE 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.*

*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.*

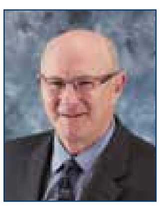
## About The Authors

**Scott Klimo** CFA®

Vice President and Chief Investment Officer

**Sextant Growth,** Portfolio Manager
**Sextant International**, 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.

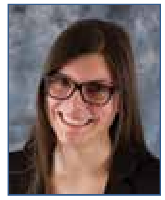


**Phelps McIlvaine**

Vice President

**Sextant Short-Term Bond, Sextant Bond Income Fund, Sextant Core**, Portfolio Manager

Phelps McIlvaine, Vice President, joined Saturna Capital in 1993. He serves Saturna as Portfolio Manager and a Research Analyst for Idaho Tax-Exempt Fund, Sextant Short-Term Bond Fund, Sextant Bond Income Fund, and Sextant Core Fund. He also acts as Director for Saturna's wholly-owned brokerage subsidiary, Saturna Brokerage Services. Mr. McIlvaine was born in Illinois in 1953, and has a BA in economics (University of Denver, 1975 Phi Beta Kappa). Mr. McIlvaine entered the investment business in 1976 and traded US bond and derivative markets from 1977 to 1986 for commercial banks in Boston and Chicago. From 1987 to 1993 he managed fixed income derivative hedge funds in Chicago and London. He serves on the Endowment Committees of the Nooksack Salmon Enhancement Association and the Bellingham Interfaith Coalition.



**Stephanie Ashton**

Manager of Corporate Social Responsibility

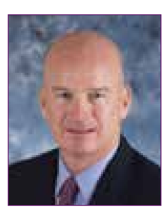
Stephanie Ashton joined Saturna Capital in 2012. As Manager of Corporate Social Responsibility she develops Saturna's internal sustainability initiatives, manages sustainability reporting, and contributes to overall sustainability strategy. Ms. Ashton graduated from Western Washington University in 2006, majoring in English (Creative Writing emphasis) and minoring in French. Her professional background includes eight years in legal support as well as non-profit experience. She is passionate about a number of sustainability issues – notably sustainable agriculture and local food – and currently serves on the Board of Directors for the Bellingham Food Bank.

**Bryce Fegley** MS, CFA®, CIPM®

Senior Investment Analyst

**Sextant Global High Income**, Portfolio Manager

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 earned a BA in English Literature from the University of Colorado at Boulder. 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.



**Chris Paul** MBA, CFA®

Senior Investment Analyst

**Sextant Core Fund**, Portfolio Manager

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 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.

## *Important Disclaimers and Disclosure*

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*The information in this publication was obtained from sources Saturna believes to be reliable and accurate at the time of publication.*



***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.*

*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.*