Fund Commentary Q2 2018

Environment ... 3

Outlook ... 5

Sextant Growth Fund (SSGFX) ... 6

Sextant International Fund (SSIFX) ... 7

Sextant Global High Income Fund (SGHIX) ... 8

Sextant Short-Term (STBFX) and Bond Income (SBIFX) ... 9

Sextant Core Fund (SCORX) ... 10

Morningstar Sustainability Ratings ... 12

Performance Summary ... 13

About The Authors ... 14

Footnotes ... 15

Disclosures ... 16

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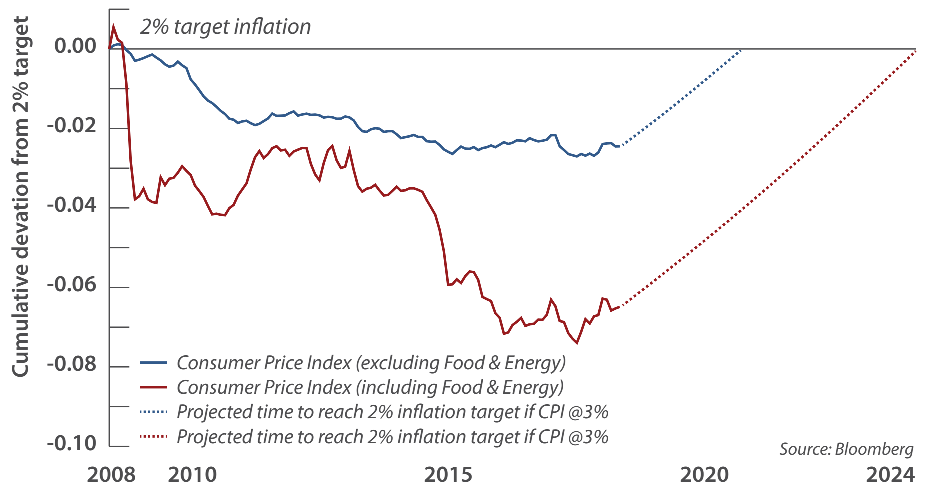
Environment

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



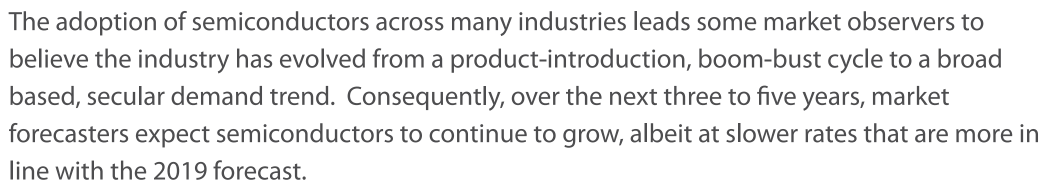
One notable feature of the current rate-hiking cycle is how slowly the rate increases are coming – about half the pace compared to the previous five Fed tightening cycles. Forward guidance suggests the Fed will continue at a similar pace, which itself suggests some tolerance for a higher rate of inflation. 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.

Sextant Growth Fund

As of June 30, 2018

In the second quarter the Sextant Growth Fund Investor Shares returned 5.52%, outpacing both the 3.43% return of the S&P 500 and the 5.13% gain in the Morningstar Large Growth Category. Over the first half of the year, the Fund has gained 7.01%, well ahead of the 2.65% return of the S&P 500 Index, but slightly trailing the 7.52% gain of the Morningstar Large Growth Category. During the second quarter Fund selections outperformed the benchmark in Information Technology, Consumer Discretionary, Materials, and Consumer Staples sectors, while lagging in Health Care, Financials, and Industrials. Information Technology constitutes the Fund's largest exposure, so outperformance there drove overall returns, with a significant assist from Amazon in Consumer Discretionary.

Amazon and Adobe swapped places as the top two contributors from the first quarter. Technology apart, Amazon was the 800 lb. gorilla of Fund returns given that it's the second largest stock in the world by market capitalization (trailing only Apple) and that it appreciated 17.44% in the second quarter, boosting its year-to-date gain to 45.35%. Thanks to Amazon, the Consumer Discretionary sector has been the best performing sector year-to-date.

Several other large technology-oriented companies, including Apple, Facebook, Alphabet, Microsoft, and Mastercard (arguably a technology stock as much as a consumer spending stock) made strong contributions to Fund returns. After a period of Adidas ascendency, Nike has shown signs of restoring its North American momentum, adding to its already strong performances in China and Europe.

Homes are becoming more difficult to purchase as mortgage rates rise and a scarcity premium develops due to years of single-family underbuilding. If you can't move, you might as well renovate, a trend we believe will support Home Depot for some time.

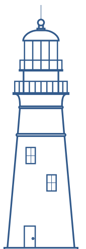
Stanley Black & Decker has been an outstanding stock for several years but is suffering in 2018, most likely from increased trade tensions. We believe the business remains solid, and the valuation is attractive. Starbucks is more problematic following the new CEO's business plan announcement and the decision to close some 150 stores in North America. While China seemingly remains an outstanding opportunity, growth there may not be sufficient to offset stagnation in the US. We are reviewing the announced strategy closely.

Continued on page 11

10 Largest Contributors	Return	Contribution
Amazon.com	17.44%	0.98
Adobe Systems	12.83%	0.80
Apple	10.76%	0.69
Facebook, Class A	21.61%	0.67
RPM International	23.13%	0.60
Mastercard, Class A	12.36%	0.49
Nike, Class B	20.26%	0.47
Alphabet, Class A	8.88%	0.46
Microsoft	8.51%	0.38
Home Depot	10.06%	0.28

10 Largest Detractors	Return	Contribution
Stanley Black & Decker	-12.92%	-0.47
Starbucks	-15.17%	-0.32
Celgene	-10.97%	-0.23
Sensata Technologies Holding	-8.20%	-0.19
JP Morgan Chase	-4.77%	-0.17
TE Connectivity	-9.43%	-0.12
Bristol-Myers Squibb	-13.95%	-0.09
Ally Financial	-2.76%	-0.07
Booking Holdings	-2.56%	-0.05
Oracle	-3.30%	-0.05

Top 10 Holdings	Portfolio Weight
Adobe Systems	6.77%
Apple	6.69%
Amazon.com	6.56%
Alphabet, Class A	5.69%
Microsoft	4.71%
Mastercard, Class A	4.42%
Facebook, Class A	3.69%
JP Morgan Chase	3.40%
Abbott Laboratories	3.20%
RPM International	3.15%



Sextant International Fund

As of June 30, 2018

After a strong first quarter, the Sextant International Fund Investor Shares fell -2.12% in the second quarter, performing relatively better than the MSCI ACWI ex-USA Index, which dropped -2.62%. The Morningstar Foreign Large Growth Category declined -0.72%. Year-to-date the Investor Shares have slipped -1.25%, against -3.77% for the MSCI ACWI ex-USA Index, and -0.43 for the Foreign Large Growth Category.

Each of the top four second quarter contributors were among the top contributors in the first quarter, which is interesting given that Europe has generally been a lackluster performer in 2018. Wolters Kluwer has provided a remarkably consistent record of returns as it completes the transition from a paper-based to digital subscription service. The increase in oil prices, a phenomenon that may accelerate as sanctions against Iran take hold, has boosted returns from Total. Total's French compatriot Dassault represents one of the few opportunities to invest in European technology, and it has appreciated sharply throughout the year.

Toronto-Dominion Bank and Telus have had to buck the headwind of a depreciating Canadian dollar, but each supports its total return through an attractive dividend yield, which is also true of Australia & New Zealand Banking.

Philips has been a solid performer since the middle of 2016 when the restructuring plan pursued by management began to bear fruit.

Panama-based airline Copa, like many airlines, has always been a volatile stock. After a strong run in 2016-17, the shares have declined this year due primarily to rising fuel prices. Likewise, the Argentinian eBay MercadoLibre provided outsized returns over 2016-17, but a combination of economic weakness in Brazil and Argentina, and an arguably stretched valuation, have led to profit-taking.

While Telus and Toronto-Dominion Bank overcame domestic currency weakness, the same cannot be said for BCE and Air Canada. BCE and Telus have a long history of trading relative outperformance and underperformance, and 2018 has been Telus' turn. Air Canada has suffered from the same fuel cost increases as Copa.

Mexican convenience store and soft drink distributor Fomento Economico Mexicano has slipped from the Top 10 Holding list, with Total entering as its replacement.

10 Largest Contributors	Return	Contribution
Wolters Kluwer	7.63%	0.63
NICE Systems ADR	10.48%	0.60
Total ADR	6.19%	0.25
Dassault Systemes ADR	3.33%	0.24
Nutrien	15.94%	0.18
Koninklijke Philips	12.81%	0.17
Industria De Diseno Textil	10.82%	0.16
Toronto-Dominion Bank	2.32%	0.10
Australia & New Zealand Banking ADR	3.46%	0.09
Telus	2.47%	0.07

10 Largest Detractors	Return	Contribution
Copa Holdings, Class A	-25.87%	-1.54
MercadoLibre	-16.12%	-0.89
Sinopharm Group	-19.69%	-0.38
Mitsubishi UFJ Financial ADR	-14.91%	-0.31
Novartis ADR	-6.57%	-0.27
Novo Nordisk ADR	-6.36%	-0.24
BCE	-4.93%	-0.17
BASF ADR	-2.49%	-0.15
Fomento Economico Mex ADR	-3.24%	-0.13
Air Canada	-10.44%	-0.10

Top 10 Holdings	Portfolio Weight
Wolters Kluwer	8.99%
Dassault Systemes ADR	7.68%
NICE Systems ADR	6.65%
ASML Holding NY	6.34%
BASF ADR	6.12%
MercadoLibre	4.79%
Toronto-Dominion Bank	4.63%
Copa Holdings, Class A	4.55%
Unilever ADR	4.43%
Total ADR	4.41%

Sextant Global High Income Fund

As of June 30, 2018

The Sextant Global High Income Fund returned -0.81% in the second quarter, ending the period with $9.0 million of total net assets, which included 8.3% in cash. Fund performance during the quarter trailed the returns of the S&P Global 1200 benchmark, which rose 1.39%, but fared slightly better than the Bloomberg Global Corporate High Yield Index, which fell -0.98%. The Fund also lagged its Morningstar World Allocation peer group, which returned -0.28%.

The Fund's investments in Energy and Basic Materials companies led the way in positive performance for the quarter, as West Texas Crude oil traded above $70 for the first time since 2014. CNOOC, a Chinese offshore oil company, led the way with a quarterly return of 18.39%, while oil drilling services company National Oilwell Varco returned 18.04%. Potash (fertilizer) miner Nutrien rebounded in the second quarter with a return of 15.94%.

The Fund did not add or liquidate any portfolio holdings during the quarter.

The US dollar gained against most major currencies during the quarter, with the Federal Reserve's rate increases helping to make dollar-denominated bonds more attractive than lower-yielding debt in other currencies. US equity markets substantially outperformed developed and emerging equity markets abroad, which also contributed to the dollar's strength.

Chaotic governance seems to be on the rise throughout both emerging and developed economies. The United States, under the Trump administration, has shifted priorities from the "rising tide of good governance reform lifts all boats" missions of organizations like the International Monetary Fund and the World Bank, and has adopted a more adversarial approach to international relations. Without a good governance carrot (or stick), leaders in other countries may feel less motivated (or inhibited) about anti-democratic and/or corrupt maneuvering to seize power and wealth. The change in orientation is likely to make investing outside the US increasingly risky. On the plus side, these risks may also result in a richer set of opportunities that we believe is favorable to our investment approach.

10 Largest Contributors	Return	Contribution
CNOOC ADR	18.39%	0.51
BHP Billiton (Australia) ADR	12.56%	0.37
National Oilwell Varco	18.04%	0.30
Royal Dutch Shell ADR, Class A	9.93%	0.27
Nutrien	15.94%	0.26
VF	10.59%	0.25
Rent A Center *(6.625% 11/15/2020)*	11.71%	0.23
South32 ADR	7.03%	0.19
Total ADR	6.19%	0.15
HP	4.12%	0.10

10 Largest Detractors	Return	Contribution
Itau Unibanco Holding ADR, Class A	-33.40%	-1.22
Federal Republic of Brazil Bond *(8.50% 01/05/2024)*	-19.52%	-0.49
Mexico Bonos Desarrollo *(6.50% 06/10/2021)*	-6.90%	-0.35
CCR	-29.37%	-0.35
Equinor ADR	-4.29%	-0.14
Skandinaviska Enskilda Banken, Class A	-9.01%	-0.13
Grupo Bimbo *(4.875% 06/27/2044)*	-5.04%	-0.11
Novartis ADR	-6.57%	-0.11
Colombia Republic Bond *(8.375% 02/15/2027)*	-3.87%	-0.07
SK Telecom ADR	-3.52%	-0.06

Top 10 Holdings		Portfolio Weight
United States Treasury Bond *(6.125% 11/15/2027)*	*Bond*	6.99%
Mexico Bonos Desarrollo *(6.50% 06/10/2021)*	*Bond*	4.57%
Microchip Technology	*Equity*	4.01%
Equinor ADR	*Equity*	3.49%
BHP Billiton (Australia) ADR	*Equity*	3.31%
CNOOC ADR	*Equity*	3.21%
Royal Dutch Shell ADR, Class A	*Equity*	2.90%
Jefferies Group *(5.125% 01/20/2023)*	*Bond*	2.87%
T-Mobile *(6.50% 01/15/2026)*	*Bond*	2.84%
South32 ADR	*Equity*	2.79%

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

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Sextant Short-Term Bond Fund, Sextant Bond Income Fund

As of June 30, 2018

The Sextant Short-Term Bond Fund returned 0.16% in the second quarter, slightly behind the 0.29% return of its benchmark, the FTSE US BIG Govt/Corp 1-3 Year Bond Index, and the 0.28% average return of its Morningstar Short-Term Bond category. The Sextant Bond Income Fund fell -0.61% during the quarter, compared to the -0.17% return of its benchmark, the FTSE US BIG Bond Index, but relatively better than the -1.23% average return of its Morningstar Long-Term Bond category.

On June 30, 2018, the US Federal Reserve Bank federal funds rate stood at 1.91%, a new high for this glacial tightening cycle. The Federal Reserve Bank plans to increase the federal funds rate to 3.5% by 2020, a rate it considers neutral, meaning neither restrictive or stimulative. In the interim, the Fed will continue to shrink its balance sheet by $40 to $50 billion per month to reduce excess bank reserves and put upward pressure on short-term rates. The federal funds rate is still at a nominal and real level that is historically associated with recessions.

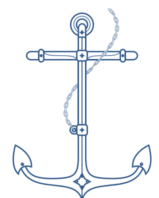
Recent increases in wages and rising prices of US transportation and housing have pushed the University of Michigan Consumer Inflation Expectations up to 3.0%. The Personal Consumption Expenditures Index as of May rose noticeably, up 2.25% year-over-year. The US Federal Reserve 5-year/5-year Forward Inflation Index as of June year-over-year also rose from 1.83% to 2.16%, exceeding the Fed's 2% inflation target rate. However, recent solid economic growth has yet to influence long-term inflation expectations. The yield of the 30-year US Treasury bond remains anchored near 3.00%. The yield spread between the US Treasury two-year note and the US Treasury 30-year bond (an indication of inflation expectations) declined again from 0.70% to 0.45%. The last two times the spread was that low occurred in 1999 and 2006. The firming US dollar will help keep long-term inflation expectations in check.

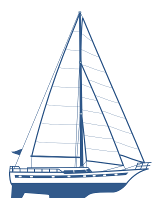
For the moment, Fed policy tightening, rapidly increasing US Treasury borrowing, and US dollar repatriation are dominating the movement of the US yield curve, not fear of an impending recession. US monetary policy tightening will be joined by European central bank policy normalization by the end of the year, which will likely dampen inflation expectations, push up short rates, and flatten yield curves. Potential trade tariffs remain a wild card for fiscal and monetary policy makers as well as investors.

Continued on page 11

Sextant Short-Term Bond Fund Top 10 Holdings	**Portfolio Weight**
United States Treasury Note *(3.625% 02/15/2021)*	9.08%
United States Treasury Note *(2.50% 08/15/2023)*	4.86%
McCormick & Co. *(2.70% 08/15/2022)*	4.75%
Gilead Sciences *(2.55% 09/01/2020)*	3.89%
Adobe Systems *(4.75% 02/01/2020)*	3.84%
3M *(2.00% 06/26/2022)*	3.78%
Qualcomm *(2.60% 01/30/2023)*	3.76%
Abbott Laboratories *(4.125% 05/27/2020)*	3.75%
Juniper Networks *(4.60% 03/15/2021)*	3.75%
AvalonBay Communities *(6.10% 03/15/2020)*	3.50%

Sextant Bond Income Fund Top 10 Holdings	**Portfolio Weight**
United States Treasury Bond *(5.375% 02/15/2031)*	5.09%
Apple *(4.50% 02/23/2036)*	3.78%
Intel *(4.00% 12/15/2032)*	3.72%
Microsoft *(4.20% 11/03/2035)*	3.71%
Cincinnati Financial *(6.92% 05/15/2028)*	3.08%
United States Treasury Bond *(6.125% 08/15/2029)*	2.97%
Puget Sound Energy *(7.02% 12/01/2027)*	2.94%
United Technologies *(6.05% 06/01/2036)*	2.90%
Statoil (Norsk Hydro Yankee) *(7.15% 01/15/2029)*	2.82%
Merck & Co. (Schering) *(6.50% 12/01/2033)*	2.81%





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

Sextant Core Fund

During the second quarter of 2018 the S&P 500 Index posted gains during each month for a total return of 3.43%. For the quarter, the Fund returned 0.08%, underperforming the 0.47% return of its benchmark, the Dow Jones Moderate Portfolio Index. Overall, equities contributed to, and fixed income detracted from, the quarterly performance.

Equities

The Sextant Core Fund ended the quarter with an equity allocation of 61%, in line with its mandate and the 60% allocation at the end the first quarter of 2018. Positions in the Energy, Industrial, and Technology sectors positively contributed to performance, while detractors were distributed across sectors.

During the quarter, the Fund added to its positions in Fastenal, Lowe's, NXP Semiconductors, Oracle, and Qualcomm. Each of these presented attractive entry prices. The Fund reduced its positions in VF Corp to capture gains and lower the overall portfolio valuation. While the Fund's portfolio turnover remained low year-to-date, we expect portfolio turnover to increase modestly over the remainder of the calendar year.

Fixed Income

The Federal Reserve Bank plans to increase the federal funds rate to 3.5% and to continue to reduce its balance sheet by $40 to $50 billion per month. The federal funds fate is still at a nominal and real level historically associated with recessions.

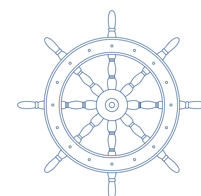
US monetary policy tightening will be joined by European central bank policy normalization by the end of the year, which will likely dampen inflation expectations, push up short term rates, and flatten yield curves. Potential trade tariffs remain a wild card for fiscal and monetary policy makers as well as investors.

Despite a recent uptick in short-term US inflation expectations, the yield of the 30-year US Treasury bond remains anchored at the 3.00% level. Record high debt-to-GDP ratios, weak demographics, low productivity, acrimonious trade negotiations, rising borrowing costs, a strengthening US dollar, and wider credit spreads will act as disinflationary forces. Every central bank tightening creates the conditions for the next easing phase. Without a lasting change in long-term inflation expectations, the current tightening cycle offers a valuable opportunity for fixed income assets displaced by hyperlow rates to return to bonds at reasonable yields.

10 Largest Contributors	Return	Contribution
RPM International	23.13%	0.28
ConocoPhillips	17.90%	0.21
Apple	10.76%	0.16
SAP ADR	11.59%	0.16
CNOOC ADR	18.39%	0.15
Alphabet, Class A	8.88%	0.13
Praxair	10.16%	0.13
Amgen	9.10%	0.12
Ross Stores	8.97%	0.12
Canadian National Railway	11.98%	0.12

10 Largest Detractors	Return	Contribution
PNC Financial Services Group	-10.21%	-0.20
3M	-9.78%	-0.18
Mitsubishi UFJ Financial ADR	-14.91%	-0.18
Taiwan Semiconductor ADR	-13.37%	-0.17
Sensata Technologies Holding	-8.20%	-0.12
Fastenal	-11.17%	-0.11
Parker Hannifin	-8.48%	-0.10
Celgene	-10.97%	-0.10
Xilinx	-9.21%	-0.09
Ingredion	-13.67%	-0.09

Top 10 Holdings		Portfolio Weight
United States Treasury Note *(2.75% 11/15/2023)*	*Bond*	2.90%
Gilead Sciences *(3.70% 04/01/2024)*	*Bond*	2.08%
United States Treasury Note *(2.00% 11/30/2022)*	*Bond*	2.01%
NXP Semiconductors	*Equity*	1.90%
Toronto-Dominion Bank	*Equity*	1.78%
PNC Financial Services Group	*Equity*	1.78%
Legrand France Yankee *(8.50% 02/15/2025)*	*Bond*	1.77%
Qualcomm *(3.25% 05/20/2027)*	*Bond*	1.70%
United States Treasury Note *(2.125% 08/31/2020)*	*Bond*	1.68%
Vodafone *(4.625% 07/15/2018)*	*Bond*	1.66%



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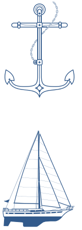
Sextant Growth Fund, *continued from page 6*

Sensata and TE Connectivity had difficult quarters due to concerns over the potential effect of tariffs on car sales. We believe that technology will continue to penetrate the industry, with automated driving being a key reason, and it's a theme in which we want to participate.

RPM is a new entrant to the Top 10 Holdings list, replacing Stanley Black & Decker.

Celgene is still suffering from the failure of key drug candidates, while it has yet to provide investors sufficient reason to re-engage.

Sextant Short-Term Bond Fund, Sextant Bond Income Fund, *continued from page 9*



Over the last three months, wider interest rate differentials between the US and other leading industrial nations, and US dollar demand driven by US corporations repatriating foreign earnings, pushed the US dollar higher. The stronger US dollar will reduce the cost of US imports and US inflation. The June Purchasing Managers Indexes (PMI) for Europe, Japan, and the US all remained in modest expansion. Despite a significantly weaker yuan, China's PMIs slipped slightly due to previous reductions in domestic credit and the potential ramifications of US trade import tariffs. The overall global economy remains firm enough for central banks to continue their "normalization" or tightening plans.

As the tide of excess global liquidity ebbs, assumed creditworthiness came under new scrutiny, driving borrowing costs higher for some issuers. Government guaranteed debt is no longer considered a homogenous commodity. Venezuela (declining living standards and hyperinflation), Argentina (IMF bailout and currency collapse), Syria (Assad gaining), Turkey (political wildcard and uncertain alliances), Iran (post-nuclear deal sanctions and open dissent), Brazil (leadership vacuum), Brexit (running out of time), and Italexit (Eurosceptic party control) have all contributed to rising sovereign yields, spreads, and credit default swap premiums for these issuers.

Over the last five years, emerging market issuers have floated almost $2 trillion of US dollar denominated debt. The strengthening US dollar represents a formidable concern due to the rising exchange cost of repaying this debt. Emerging market US dollar bond spreads have moved 1% to even 2% wider depending on the rating.

Rising short-term rates have restored old opportunities for US fixed income investors. Three-year investment-grade paper now yields more than 3.5% while three-year high-yield paper now yields more than 5.5%.

Record high debt-to-GDP ratios, weak demographics, low productivity, acrimonious trade negotiations, a strong US dollar, and wider credit spreads all act as significant disinflationary forces. Every central bank tightening period creates the conditions for the next easing period. Without a lasting change in long-term inflation expectations, the current tightening cycle offers a valuable opportunity for fixed income assets displaced by hyperlow rates to return to bonds at reasonable yields.

Morningstar Sustainability Ratings™

Sextant Growth Fund

Investor Shares (SSGFX)

Z Shares (SGZFX)

Among 1,269 Large Growth Funds

Sextant International Fund

Investor Shares (SSIFX)

Z Shares (SIFZX)

Among 345 Foreign Large Growth Funds

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

Sextant Core Fund

SCORX

Among 671 Allocation 50% – 70% Equity Funds

Sextant Short-Term Bond Fund

STBFX

Among 450 Short-Term Bond Funds

Sextant Global High Income Fund

SGHIX

Among 383 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").

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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:

Sextant Growth Fund	*99%*
Sextant International Fund	*96%*
Sextant Core Fund	*75%*
Sextant Short-Term Bond Fund	*62%*
Sextant Global High Income Fund	*69%*

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 June 30, 2018

Average Annual Total Returns (Before Taxes)	1 Year	3 Year	5 Year	10 Year	Expense Ratio[A] Gross	Expense Ratio[A] Net
Sextant Growth Investor Shares (SSGFX)	17.24% ▲	8.28% ▲	11.58% ▲	7.97% ▲	0.76%	0.76%
Sextant Growth Z Shares (SGZFX)[B]	17.36% ▲	n/a	n/a	n/a	0.51%	0.51%
S&P 500 Index	14.37% ▲	11.93% ▲	13.41% ▲	10.17% ▲	n/a	
Sextant International Investor Shares (SSIFX)	10.69% ▲	6.00% ▲	6.25% ▲	2.96% ▲	1.04%	1.04%
Sextant International Z Shares (SIFZX)[B]	11.02% ▲	n/a	n/a	n/a	0.79%	0.78%
MSCI EAFE Index	7.37% ▲	5.41% ▲	6.92% ▲	3.33% ▲	n/a	
Sextant Core Fund (SCORX)	4.84% ▲	4.32% ▲	5.00% ▲	4.56% ▲	0.73%	0.73%
Dow Jones Moderate Portfolio Index	7.83% ▲	6.57% ▲	7.32% ▲	6.39% ▲	n/a	
Sextant Global High Income Fund (SGHIX)[C]	7.32% ▲	6.90% ▲	6.16% ▲	n/a	1.06%	0.75%
S&P Global 1200 Index	11.57% ▲	9.29% ▲	10.51% ▲	6.85% ▲	n/a	
Bloomberg Barclays Global High Yield Corporate Bond Index	2.41% ▲	5.25% ▲	4.94% ▲	7.82% ▲	n/a	
Sextant Short-Term Bond (STBFX)	-0.50% ▼	0.60% ▲	0.90% ▲	1.68% ▲	0.88%	0.60%
FTSE USBIG Government / Corporate 1-3 Index	0.22% ▲	0.69% ▲	0.81% ▲	1.62% ▲	n/a	
Sextant Bond Income (SBIFX)	-0.44% ▲	1.94% ▲	2.71% ▲	3.93% ▲	0.86%	0.65%
FTSE US Broad Investment-Grade Bond Index	-0.45% ▼	1.71% ▲	2.26% ▲	3.75% ▲	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 28, 2018, and incorporate results from the fiscal year ended November 30, 2017. Expense ratios of Sextant Core, Sextant Global High Income, Sextant Short-Term Bond, and Sextant Bond Income Funds are restated to reflect the ending of the Distribution (12b-1) Fees, as approved by the Board of Trustees on March 14, 2017. 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, 2019.*

[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 June 30, 2018, was 5.26%.*

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.

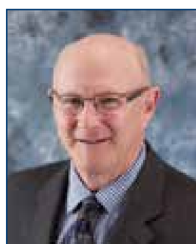
About The Authors

Scott Klimo CFA
Vice President and Chief Investment Officer

Sextant Growth Fund, Portfolio Manager

Sextant International 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.



Phelps McIlvaine
Vice President

Sextant Short-Term Bond Fund, Sextant Bond Income Fund, Sextant Core Fund, 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.

Bryce Fegley MS, CFA, CIPM
Senior Investment Analyst

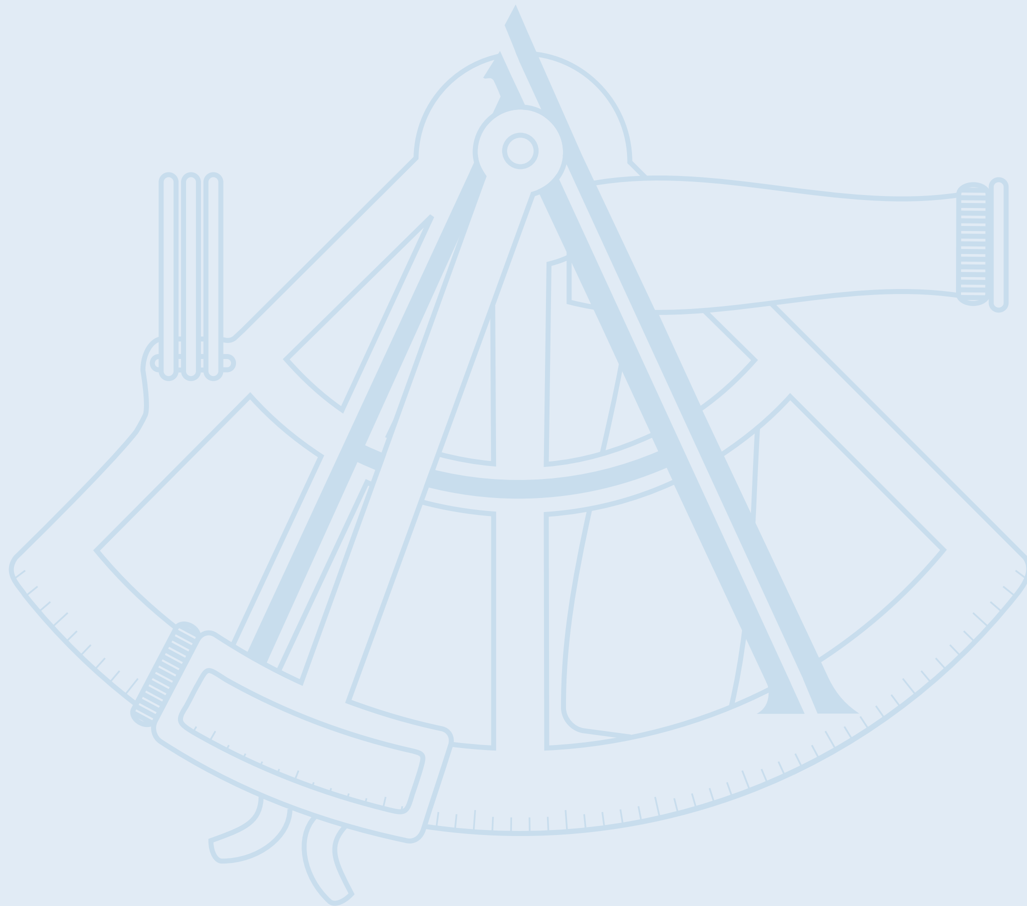
Sextant Global High Income Fund, Portfolio Manager

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 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.

Chris Paul MBA, CFA
Senior Investment Analyst

Sextant Core Fund 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 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

[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*

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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.*

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.*