Fund Commentary Q2 2019

SATURNA CAPITAL

SATURNA SUSTAINABLE FUNDS

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

Something Wicked This Way Comes?

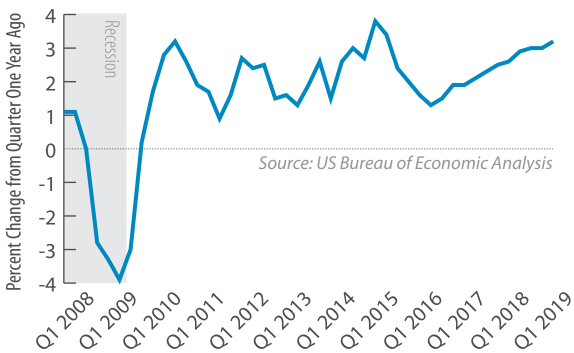
Looking at the 18.54% total return for the S&P 500 through the first half of the year, the 14.49% return for the MSCI EAFE Index (non-US developed world), or the 10.58% gain for the MSCI Emerging Markets ETF, one could be forgiven for believing world economies and corporate profitability have entered a Golden Era of buoyant confidence, linear expansion, and wisely benign governance. If only we were so lucky.

We believed the market sell-off in the fourth quarter of 2018 was overdone and expected a rebound. Six-month double-digit returns, however, were not anticipated providing a timely reminder of the need to remain fully invested. In September of last year, who predicted markets would nose dive the final three months and then reverse to become the bull market we have experienced year-to-date? Investors scared out of the market during the downturn are unlikely to have picked the bottom to re-establish positions and, as a result, their returns may have suffered. As Charlie Munger said, "The big money is not in the buying or the selling, but in the waiting."

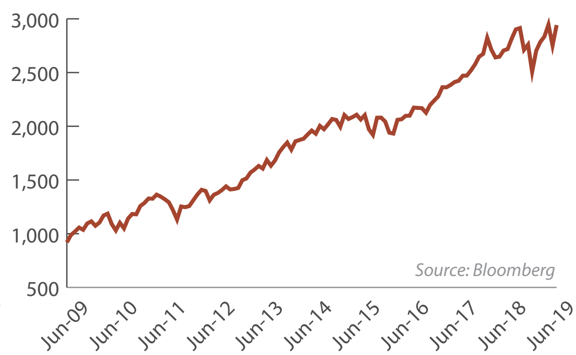
We recognize it can be difficult to avoid the temptation of market timing, especially today as the US economy sets records for the longest expansion and the S&P 500 has moved back into all-time high territory. Meanwhile, macroeconomic indicators largely tell a story of slowing economies and coming recession and companies are busily downgrading their earnings growth expectations. We believe the Saturna Sustainable Funds are positioned to perform well in both up and down markets.

US Economic Expansion Setting Records

Real Gross Domestic Product



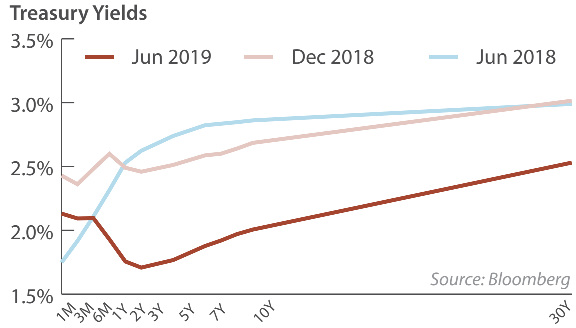
S&P 500 Index



A continuously rising stock market during a period of uninterrupted economic growth comes as no great surprise, but stocks are supposed to discount future developments. The indications of economic growth provided by the fixed-income market are unenthusiastic. One of the most potent predictors of future economic performance has been the yield curve. While not technically inverted at the classic two-year and 10-year maturities, the curve has been trending in that direction. Through the first half, the yield on the 10-year Treasury dropped from 2.75% to 2% and sunk below 2% at the start of July; perilously close to the two-year T-bill yield of 1.77%. We should note, however, that yield curve inversion generally precedes a recession by a year or more.

Yield Curve Inverting?

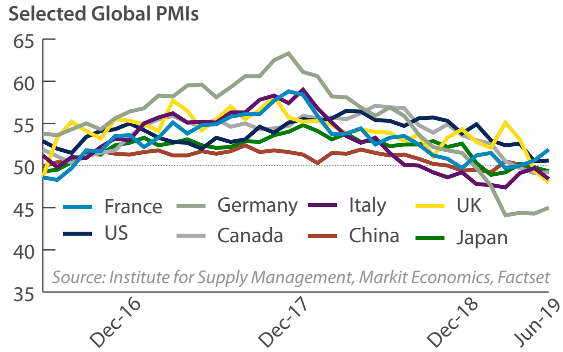
Treasury Yields



The Federal Reserve bolstered the bond market's message by indicating recently that weak economic performance made it likely that rates will be cut this year. Futures markets currently anticipate at least two rate cuts in 2019.[1]

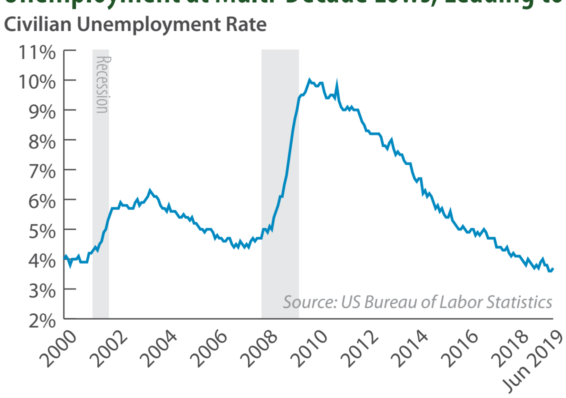
Another important indicator of the economic outlook is the Purchasing Managers Index or PMI. Manufacturing PMIs have been declining around the world. PMIs are diffusion indices, meaning that any number above 50 represents expansion, while a number below indicates contraction. The manufacturing PMI for the US remains in positive, albeit less buoyant territory, while PMIs across Europe and Japan have moved into contraction.

Heading into Contraction Territory?



Developed market economies are driven by services and consumption. Here the picture is robust with unemployment at multi-decade lows, leading to higher consumer confidence. These are coincident indicators rather than leading.

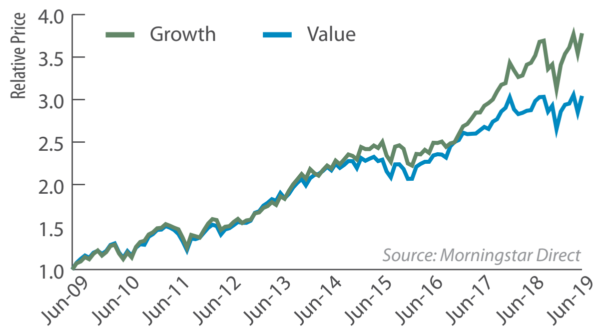
Unemployment at Multi-Decade Lows, Leading to Higher Consumer Confidence



Growth or Value?

Nobody can predict with any certainty how the market will perform over the coming quarters. One driving force may be the dearth of attractive alternatives. Interest rates are low and an unprecedented portion of fixed-income securities offer negative yields, especially in Europe. Apart from the general direction of the market, another question is what types of stocks might attract investor attention? We can review how different types of stocks have performed over the past several years, which may provide guidance for positioning going forward. The most obvious differentiation over the past decade has been between growth and value, as illustrated in the chart below. With market titans such as Apple, Microsoft, Google, and Amazon leading the way, technology stocks (which, in most cases if not all, fall into the growth category) have provided most of the impetus behind ever-climbing market indices. In an economic downturn does growth continue as the favored choice of equity investors? If the indications from the bond market and developments in the Purchasing Managers Index are correct, value may once again have its day in the sun.

Growth versus Value: 2009 – 2019



Bulls make money, bears make money, pigs get slaughtered.

The Saturna Sustainable Funds' 2019 Impact Report compiles data demonstrating how we incorporate environment, social, and governance (ESG) considerations into our sustainable strategies. You will also find real-life case studies to illustrate how the UN Sustainable Development Goals help guide our investment decisions. Download a copy of the report today from www.saturnasustainable.com.

Saturna Sustainable Bond Fund

As of June 30, 2019

Top 10 Holdings	Portfolio Weight
United States Treasury Bond	6.55%
Lincoln National	4.09%
First Abu Dhabi Bank	4.09%
Koninklijke DSM	3.90%
Telus	3.79%
Mexico Bonos Desarrollo	3.32%
Iron Mountain	3.28%
Nokia	3.28%
KFW	3.26%
United States Treasury Note	3.01%

Bond Quality Diversification	
AAA	16.06%
AA	11.11%
A	10.61%
BBB	35.60%
BB	9.51%
B	3.28%
Not rated	5.76%
Cash and equivalents	8.06%

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.

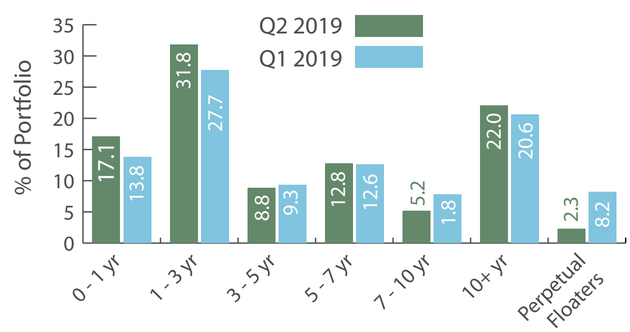
For the second quarter, the Sustainable Bond Fund returned 1.84% compared to the FTSE World BIG Bond Index's return of 3.39%. Year-to-date, the Fund returned 5.59% versus 5.64% for the Index. The 30-day SEC yield for the Fund is 2.87%. The returns were driven by long Treasury positions and tightening corporate credit spreads.

The outlook regarding policy moves from the Federal Reserve has changed dramatically since the end of the first quarter. During the FOMC's June meeting, rates were held steady, but the Fed hinted at a future rate cut. The word "patient" was removed from the statement in the context of future rate action, leading investors to believe a change in policy with a reduction in interest rates is not far away.[2] Fed officials have pivoted sharply from attempting to push against market sentiment as they did at the end of 2018 to acquiescing to market expectations. The intensification of the trade conflict, inflation levels that are below target, and a desire to reduce the inversion pressures on the yield curve all are expected to impact future policy decisions.

In the second quarter of 2019, the Sustainable Bond Fund continued to take advantage of declining Treasury yields. The Treasury positions have provided a hedge as the yield curve continues to invert, and global growth slows. In this scenario, the longer-end yields decline (meaning positive total return) and the Treasurys provide excellent exposure to the long-end without credit risk or price volatility related to widening corporate spreads. The top two returning securities in the portfolio were the 30 year and 20 year Treasury positions providing a 6.47% and 6.42% total return, respectively.

The Sustainable Bond Fund maintains higher weights in the 1-3 year and 10+ year maturity buckets and has increased those positions over the past quarter. Modified duration was extended from 2.95 to 3.41 years primarily by the appreciation of Treasury positions and the addition of select ultra-high-grade US corporates. The Fund has also expanded the 1-3 year bucket by purchasing select sovereign and supranational bonds including green securities issued by the International Finance Corporation (the private-sector investment arm of the World Bank) and Indonesia. The Fund has significantly reduced exposure bonds that adjust their coupon payment based upon short-term interest rate benchmarks known as floating rate securities. This was done in anticipation of continued volatility and potentially falling rates.

Portfolio Maturities



In terms of portfolio positioning there is a focus on high-grade corporate issues in the 1-3 year bucket, and global

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Saturna Sustainable Equity Fund

As of June 30, 2019

10 Largest Contributors	Return	Contribution
Adobe	10.57%	0.47
Mastercard, Class A	12.51%	0.41
Microsoft	14.00%	0.40
adidas ADR	28.23%	0.39
Dassault Systemes ADR	8.14%	0.30
Starbucks	13.29%	0.28
Ecolab	12.11%	0.26
Home Depot	9.13%	0.25
Walt Disney Company	25.77%	0.25
Toronto-Dominion Bank	8.50%	0.22

10 Largest Detractors	Return	Contribution
3M	-19.48%	-0.48
Murata Manufacturing	-9.76%	-0.25
LATAM Airlines ADR	-19.88%	-0.13
Lowe's	-7.43%	-0.10
Reckitt Benckiser Group ADR	-4.64%	-0.08
Novo Nordisk ADR	-2.43%	-0.04
Taiwan Semiconductor ADR	-1.32%	-0.03
Iberdrola	-1.50%	-0.02
TJX Companies	-0.18%	-0.01
Allergan	-0.74%	-0.01

Top 10 Holdings	Portfolio Weight
Adobe	4.70%
Dassault Systemes ADR	3.84%
Mastercard, Class A	3.48%
Apple	3.16%
Microsoft	3.07%
Home Depot	2.82%
Church & Dwight	2.80%
Accenture, Class A	2.65%
Unilever	2.62%
Toronto-Dominion Bank	2.61%

The Saturna Sustainable Equity Fund gained 6.17% in the second quarter, outperforming the S&P Global 1200 Index which rose 4.11%, and the Morningstar World Large Stock Category average which rose 3.54% over the quarter. Of the Fund's 10 largest contributors, seven showed double-digit returns; of those, Walt Disney and adidas showed particularly strong performance. adidas alone has had spectacular gains in 2019, up 49.74% since the start of the year.

Days before the end of the first quarter, cornerstone of American culture Walt Disney Company closed on its $71.3 billion acquisition of 21st Century Fox. The *New York Times* stated Disney "is now an entertainment colossus the size of which the world has never seen," and the addition of Fox's empire anticipates updates to Disney's overall business strategy. Fox, previously the US' fourth largest media conglomerate,[3] retained some assets in the deal – namely Fox News, the Fox broadcast network, and Fox Sports 1 – spinning them off into a new company that will be managed by Rupert Murdoch's oldest son, Lachlan. The majority of former Fox assets are now owned by Disney, including 20th Century Fox studio – which includes rights to franchises such as X-Men, Fantastic Four, and the Simpsons – the FX and National Geographic cable networks, and a 30% stake in Hulu. Disney is expected to launch its own streaming service in November 2019 that will compete with Netflix, and a direct-to-consumer strategy was cited by Disney CEO Robert Iger as the company's "highest priority." Illustrating that they mean business, a June announcement confirmed that a former executive from Netflix's original film division has been hired to develop content for the new Disney+ streaming service.

As far as ESG performance goes, Disney typically receives high marks for its effectiveness in addressing climate change, as well as its approach to environmental policy and reporting, and transparency. In its last Corporate Social Responsibility update (2017), Disney reported a 41% reduction in net emissions over 2012 levels.

Though not the same entertainment colossus as Disney, adidas has nonetheless made its mark on American pop culture. Europe's largest sportswear manufacturer – and second to Nike in worldwide sales – has attracted enthusiasts and spokespeople outside the traditional partnership between sportswear brands and major sports stars. Whereas Nike has famously partnered with powerhouse athletes such as Michael Jordan and Colin Kaepernick, adidas has tended to partner with cultural icons such as Kanye West and, most recently, Beyoncé.

adidas has also been proactive in pursuing sustainability, standing out as a top performer in just about every environmental, social, and governance metric available.

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Performance Summary

As of June 30, 2019

Average Annual Total Returns *(Before Taxes)*	1 Year	3 Year	Since Inception[B]	Expense Ratio[A] Gross	Net	Morningstar Sustainability Rating™ [C]
Sustainable Equity Fund (SEEFX)	10.76% ▲	12.87% ▲	6.77% ▲	1.27%	0.75%	
S&P Global 1200 Index	6.96% ▲	12.57% ▲	8.27% ▲	n/a		*Percent Rank in Category: 5*
S&P 500 Index	10.42% ▲	14.22% ▲	10.98% ▲	n/a		*Among 718 World Large Stock Funds*
Sustainable Bond Fund (SEBFX)	3.58% ▲	2.31% ▲	1.86% ▲	0.77%	0.65%	
FTSE WorldBIG Index	5.85% ▲	1.76% ▲	2.81% ▲	n/a		
MSCI All Country World Index	6.32% ▲	12.25% ▲	7.77% ▲	n/a		

[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, 2018. Saturna Capital, the Funds' investment adviser, has voluntarily capped actual expenses of the Sustainable Equity Fund at 0.75% and actual expenses of the Sustainable Bond Fund at 0.65% through March 31, 2020.

[B] Saturna Sustainable Equity Fund and Saturna Sustainable Bond Fund began operations on March 27, 2015.

***Performance data quoted herein represents past performance, which is no guarantee of future results.** 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. Current performance may be higher or lower than the performance data quoted herein. Performance current to the most recent month-end can be obtained by visiting www.saturnasustainable.com or calling toll-free 1-800-728-8762.*

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 S&P Global 1200 Index is a global stock market index covering nearly 70% of the world's equity markets. The FTSE WorldBIG Bond Index is a multi-asset, multi-currency benchmark, which provides a broad-based measure of the global fixed income markets. The MSCI ACWI covers approximately 85% of the global investable universe, with large- and mid-cap representation across 23 developed market and 23 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. Investors cannot invest directly in the indices.

The Morningstar Sustainability Rating is not based on fund performance and is not equivalent to the Morningstar Rating ("Star Rating").

[C] Morningstar Sustainability Ratings are as of May 31, 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 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 are subject to change, which may result in a different Morningstar Sustainability Score and Rating each month.

The Saturna Sustainable Equity Fund was rated on 91% of Assets Under Management and the Saturna Sustainable Bond Fund was not rated.

Percent 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.

Saturna Sustainable Bond Fund

Continued from page 6

exposure in well-diversified companies better positioned to handle business cycles. With some storm clouds on the horizon, the Fund is focusing on higher-grade corporate issues, while making strategic curve allocations with the use of Treasurys. The Fund increased cash as of quarter-end to selectively enter new opportunities and rebalance to a more defensive strategy.

In addition to the Treasury positions mentioned above, the three securities with the highest return included the following.

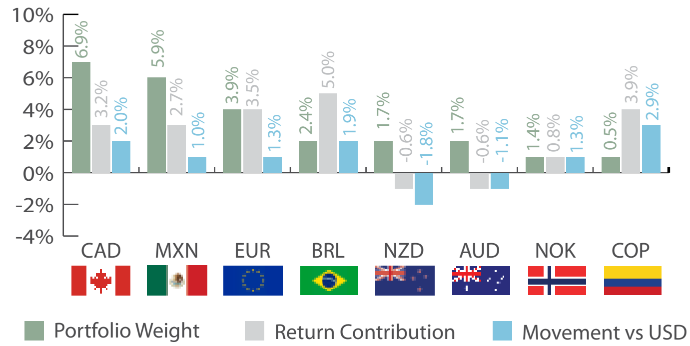
- Starbucks provided a total return of 5.72% last quarter. The Fund has a 1.62% weight in the position.
- Brazil sovereign bonds recovered with appreciation of the currency to return 5.03% last quarter. The Fund holds a 2.44% position as of quarter-end.
- AXA insurance returned 4.14% last quarter. The bond is structured as a fixed-to-float, converting in 2027 from a fixed 5.13 coupon to LIBOR +388.3 basis points. The Fund holds a 1.75% position in the security.

The three lowest returning securities were as follows.

- NextEra Energy had a -2.88% total return. The coupon resets quarterly at LIBOR +212.5 basis points.
- Teva Pharmaceutical returned -2.35% for the quarter. The Fund maintains a 2.25% weight in the position.
- Lincoln National had a -1.97% total return for the second quarter. The coupon resets quarterly, with the next coupon reset end of January at Libor + 2.040%. The Fund held a 4.33% position in the security as of quarter-end.

The portfolio was invested in 34 different issuers (excluding Treasurys) among 36 separate positions. As of quarter-end, the Fund had a 5.86% exposure to Mexican peso-denominated securities. The currency moved 0.97% against the dollar in the first quarter and peso-denominated securities returned 2.74% for the portfolio. Canadian dollar-denominated securities account for around 6.86% of the portfolio. The currency appreciated 1.98% last quarter driving a total return for those securities of 3.16%. The chart below details the Fund's non-USD currency exposure. Total portfolio exposure, total return for the securities, and overall currency performance are listed for each currency held.

Foreign Currency Weight, Contribution, Movement



Saturna Sustainable Equity Fund

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The superior scores adidas receives in its energy and climate change initiatives show through in the commitments it has made to sustainable products as well. In 2018, adidas created over five million pairs of shoes using recycled ocean plastic, in partnership with Parley for the Oceans, up from one million in 2017; likewise, all cotton adidas sourced in 2018 was sustainable cotton.

Major detractors in the second quarter included 3M, LATAM Airlines Group, and Murata Manufacturing.

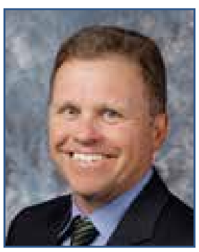
About The Authors

Jane Carten MBA
President and **Saturna Sustainable Equity Fund** Portfolio Manager

Jane Carten, President and Director, joined Saturna Capital in June 1997. Ms. Carten graduated from Western Washington University with an MBA and undergraduate degree in Computer Science and Business. As President, Ms. Carten oversees Saturna's daily operations and directs Saturna's internal and external information systems, managing the technology and marketing activities. She also directs Saturna's continuing education program and the philanthropic efforts of the firm. Ms. Carten is active in the Bellingham Bay Rotary and is a member of the Young Presidents' Organization; she is a former member of the Whatcom Museum Children's Advisory Board. She is a founder and former director of the nonprofit OpenAccess Internet Services and is a Bellingham Sister Cities member and contributor.

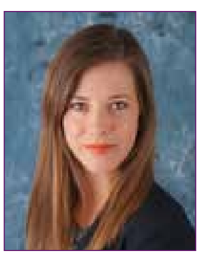
Patrick Drum MBA, CFA®, CFP®
Research Analyst and **Saturna Sustainable Bond Fund** Portfolio Manager

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.



Scott Klimo CFA®
Chief Investment Officer

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.



Elizabeth Alm CFA®
Investment Analyst

Elizabeth Alm CFA, Investment Analyst, joined Saturna Capital in April of 2018. Originally from Connecticut, she graduated from New York University with degrees in Economics and Anthropology including field work completed in Luxor, Egypt. Prior to joining Saturna, Ms. Alm spent 11 years at Wells Fargo Asset Management as a senior research analyst focusing on high-yield municipal bonds. As part of her previous role, she also worked on the management of several municipal SMA strategies. Ms. Alm is a Chartered Financial Analyst (CFA) charterholder.

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.

Footnotes to commentary:

[1] *Grocer, Stephen. Why Stocks Are Hitting Records as Economic Fears Rise: 'There Is No Alternative,' New York Times, July 11, 2019. https://www.nytimes.com/2019/07/11/business/stock-market-record.html?nl=todaysheadlines&emc=edit_th_190712*

[2] *Kinahan, JJ. Fed Holds Rates Steady; Hints at Future Cuts At June Meeting, Forbes, June 19, 2019. https://www.forbes.com/sites/jjkinahan/2019/06/19/fed-holds-rates-steady-hints-at-future-cuts-at-june-meeting/#7a4b59716a97*

[3] *Barnes, Brooks. Disney Moves From Behemoth to Colossus With Closing of Fox Deal, the New York Times, March 20, 2019. https://www.nytimes.com/2019/03/20/business/media/walt-disney-21st-century-fox-deal.html?searchResultPosition=8*

[4] *Chakraborty, Sayanti. Disney Poaches Netflix Film Executive for Streaming Service, Reuters, June 25, 2019. https://www.reuters.com/article/us-walt-disney-moves/disney-poaches-netflix-film-executive-for-streaming-service-idUSKCN1TQ2PQ*

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The Saturna Sustainable Funds limit the securities they purchase to those consistent with sustainable principles. This limits opportunities and may affect performance.

Investing involves risk, including possible loss of principal. *Generally, an investment that offers a higher potential return will have a higher risk of loss. Stock prices fluctuate, sometimes quickly and significantly, for a broad range of reasons that may affect individual companies, industries, or sectors. When interest rates rise, bond prices fall. When interest rates fall, bond prices go up. A bond fund's price will typically follow the same pattern. 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." Investing in foreign securities involves risks not typically associated directly with investing in US securities. 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.*

A Fund's ***30-Day Yield****, sometimes referred to as "standardized yield" or "SEC yield," is expressed as an annual percentage rate using a method of calculation adopted by the Securities and Exchange Commission (SEC). The 30-Day Yield provides an estimate of a Fund's investment income rate, but may not equal the actual income distribution rate. Without the voluntary expense cap, the 30-Day Yield for Saturna Sustainable Bond Fund would have been 2.69%. Unsubsidized yield does not adjust for any fee waivers and/or expense reimbursements in effect.*

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.*

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