Fund Commentary Q3 2018

Saturna Capital

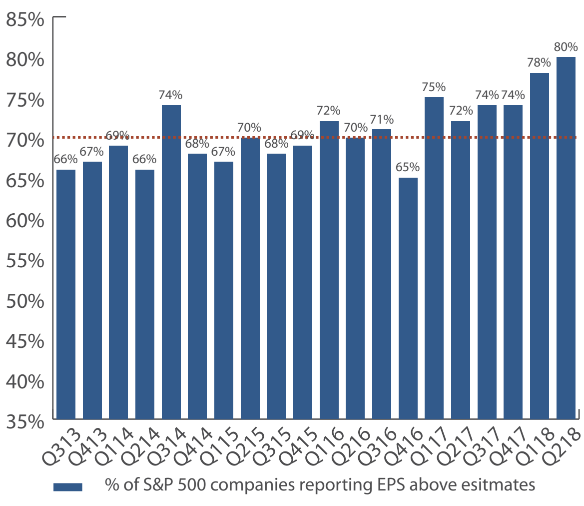
Saturna Sustainable Funds

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.

Environment

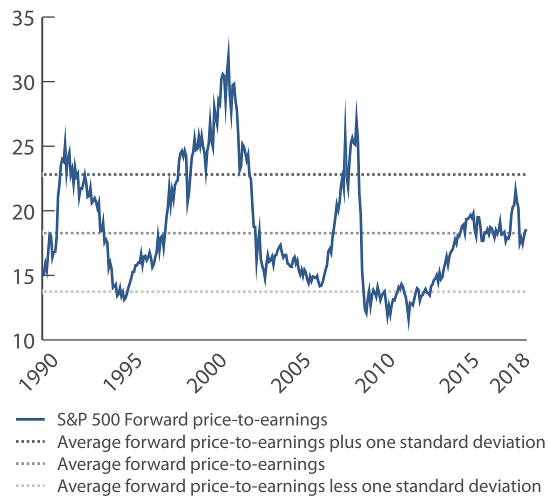
US stock markets enjoyed the strongest quarter of the year over the summer – a resounding rebuke to the old saw, Sell in May and Go Away. As analysts like to say on earnings conference calls, let's "unpack" the third quarter, "breaking down" the "puts & takes." Chief among sources of support for US equity markets has been earnings, boosted primarily by tax reduction with an assist from share buybacks. The phenomenon was especially pronounced for second quarter results, released throughout the third quarter, with 80% of companies reporting earnings above the mean EPS estimate. To be sure, sandbagging is a well-honed talent and there has never been a quarter over the past five years when the majority of earnings did not exceed the mean estimate. Regardless, the second quarter numbers represent the high point of a trend that has been gaining momentum over the past two years. Higher earnings, of course, address the single greatest stock market concern – valuation. While the last 28 years show that stock market valuation tends not to spend much time around the median level – where we are today – it's hard to say that valuation is stretched. One can just as easily make an argument for further appreciation as for a downturn.

S&P 500 Positive EPS Surprise (% of Companies)



Source: FactSet

S&P 500: Forward price-to-earnings

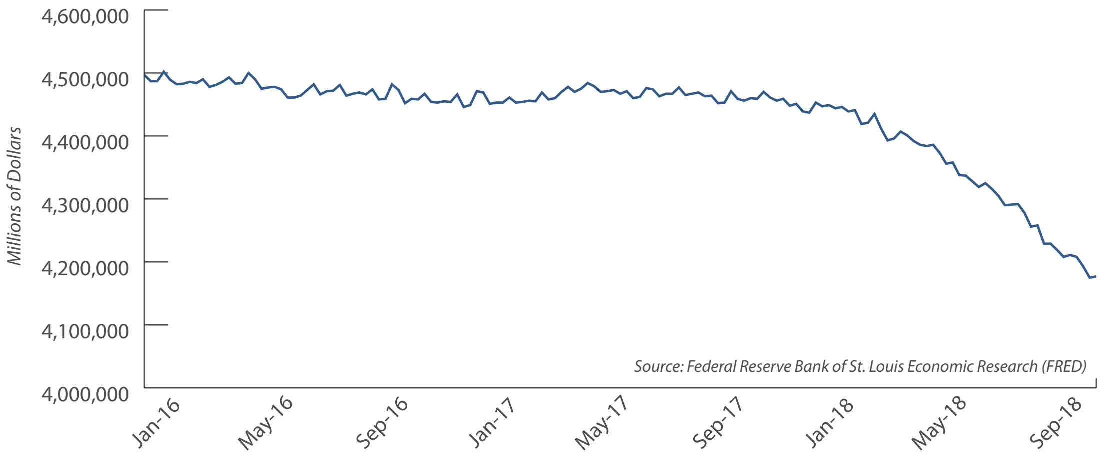


Source: Bloomberg, Saturna Capital research

Another driving force behind index appreciation has been strong performance among a handful of mega-cap companies. Most notable are the two largest market capitalization companies in the world, Apple and Amazon, which appreciated 21.95% and 17.84%, respectively, in the quarter. It must be remembered that the outsize influence of these stocks works in both directions and they can drag an index down as quickly as they pulled it up. Unlike the dot-com boom at the turn of the century, however, we're not "counting eyeballs" or measuring "stickiness." These are legitimate companies with real operations, not Pets.com.[1]

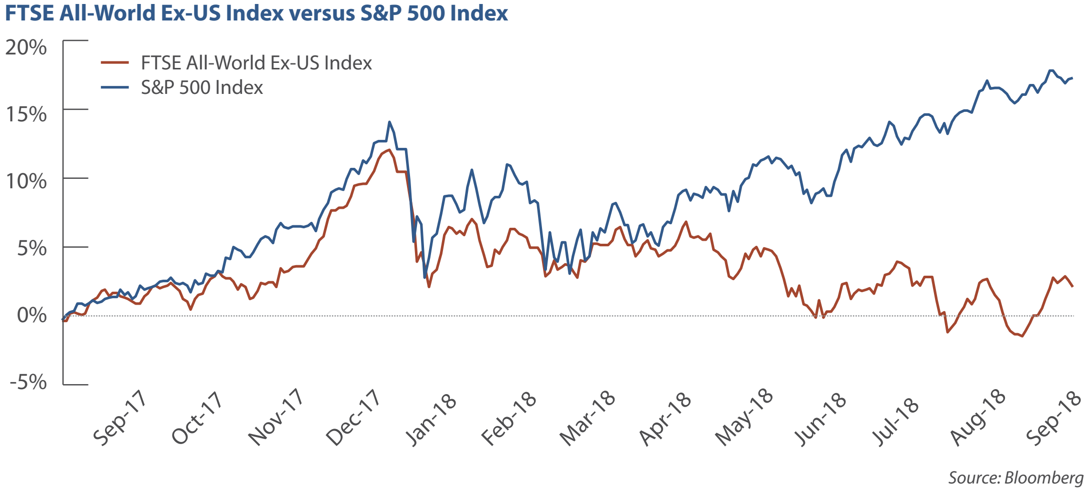
One source of concern for equity investors has been the removal of the US Federal Reserve's "extraordinary monetary policy" or quantitative easing (QE). As shown in the *All Federal Reserve Banks: Total Assets* chart, that process is underway, yet any impact on the stock market has yet to be seen. That said, the European Central Bank and the Bank of Japan continue to pump money into their economies and, unlike Vegas, what's created in Europe or Japan doesn't have to stay there.

All Federal Reserve Banks: Total Assets



Traveling euros and yen may provide a partial explanation for our final 2018 stock market discussion topic – the performance divergence between the US and international markets, as shown in the chart below. Overseas investors may see more enticing opportunities on American shores and move their money accordingly, while US investors pull back from international exposure. Aforementioned US tax policy and earnings strength are key factors. Poor performance among emerging markets, including currency stress in Turkey, Brazil, Indonesia, India, and South Africa has also contributed, as has the weakness in China with its technology juggernauts (Tencent, Alibaba, and Baidu) struggling in the wake of regulatory and personnel changes. Neither are international developed markets strangers to turmoil, with the UK and EU unable to agree on Brexit terms, a populist government in Italy raising concerns over that country's future solvency, and broader worries over European bank exposure to Turkey. Even Japan, which has benefited from favorable press, improving margins, and a recent market rebound, has yet to recapture ground lost early in the year.

FTSE All-World Ex-US Index versus S&P 500 Index



Outlook

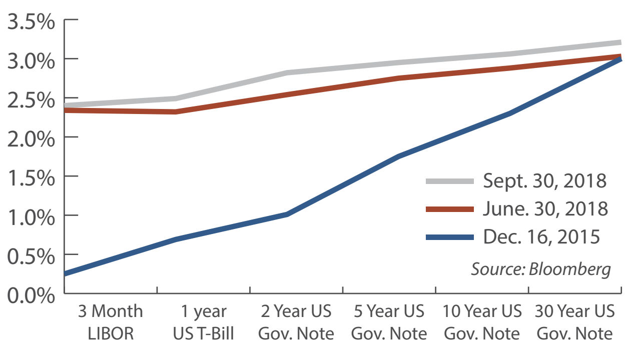
We are wary of opining on the future with a contentious election just around the corner. How that turns out could significantly affect market sentiment, especially in the event of Democratic victories. Additionally, certain economic signals are blinking yellow, if not quite red. Foremost among these is the housing market as higher interest rates reduce affordability and dent the enthusiasm that has pushed up prices around the country. Forward markets currently indicate the Federal Reserve will hike rates once more this year, so pressure could intensify. Following an acceleration in the shift from passenger cars toward SUVs, one might wonder about the effect of higher gasoline prices on the automotive industry. Of course, there's also the question of tariffs. As the world's largest market, with a relatively low reliance on exports, US tariffs have been more damaging to companies outside of the United States. Whether that continues, especially as the US and China remain at loggerheads, is more difficult to say. If September automotive sales are any indication, future sailing may not be smooth. In September GM, Ford and Toyota experienced year-on-year sales declines of -15.6%, -11.3% and -10.4%, respectively.[2] Finally, there's the US dollar, which has strengthened against the Japanese yen, the euro, and most other currencies this year. Foreign exchange headwinds are becoming a regular element of earnings announcements for US multinational companies. Opposing all these potential negatives, who predicted the level of stock market returns investors have enjoyed over the past two years? As always, we believe remaining fully invested for the long term in well-managed, financially solid companies to be the best course of action.

Saturna Sustainable Bond Fund

On September 26, 2018, Federal Reserve Chairman Jerome Powell announced that the Federal Open Market Committee (FOMC) voted to increase the target range for the federal funds rate from 2.00% to 2.25%. The FOMC's decision marked the eighth interest rate hike since they began taking steps toward normalizing monetary policy late 2015. The quarter ended with very strong economic indicators, including unemployment at 3.9%, near an 18-year low, and GDP showing a robust 4.2% growth rate in the second quarter.[4] While this growth rate is expected to moderate in the later part of the year, the Fed maintained expectations of another rate hike in December.

Interest rates have continued to rise across the curve this quarter with the largest increases in the 2-year, which has risen 11% since June 30, 2018, from 2.54% to 2.82%. The long end ticked upward, with the 30-year Treasurys ending the quarter at 3.21%, up 6% from the end of June. The long bond appeared to show upward momentum by the end of the quarter indicating rising inflation expectations due to the strong economy and strong expected growth. Inflation expectations also reflect the concerns on Iran sanctions and the impact on the price of crude.

Change in US Interest Rates



As a result of rising rates, borrowing costs also continue to rise – especially those benchmarked to the prime lending rate. Mortgage rates in the 30-year fixed-rate term hit seven-year highs by September 30, 2018, to 4.72%, up from 3.83% the previous year. This has sparked concerns about continued home affordability. Auto sales have also been impacted with higher lending rates for autos, with several major automakers reporting sharp declines in US sales in September.[5]

The US dollar has continued to demonstrate strength. The US dollar Index (a measure of the USD against major peers) was up 3.25% year-to-date, with gains in part driven by the rate hike and additional comments by Jerome Powell that he does not think the probability of a recession in the next year or two is at all elevated.[6] The USD has been especially strong relative to emerging market currencies. Notable emerging market year-to-date currency movements against the dollar included the -37.40% depreciation of the Turkish lira, -54.92% depreciation of the Argentine peso, and -12.44% depreciation of the South African rand. Trade tensions have also adversely impacted Asian currencies, such as China and Indonesia, which have fallen by -5.27% and -8.95%, respectively. The USD's strength continues to negatively impact emerging markets as it becomes more expensive to service USD-denominated debt.

Continued on page 11

As of September 30, 2018

Top 10 Holdings	Portfolio Weight
NextEra Energy Capital (FPL Group)	4.84%
Lincoln National	4.80%
Bank of Nova Scotia	4.74%
Hartford Financial Services Group	4.60%
Iron Mountain	4.20%
United States Treasury Bill	4.08%
Nokia	4.00%
First Abu Dhabi Bank	3.96%
Koninklijke DSM NV	3.82%
Telus	3.81%

Bond Quality Diversification	
AA	11.87%
A	14.97%
BBB	41.00%
BB	15.60%
B	4.20%
Not rated	9.03%
Cash and equivalents	3.33%

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.

Saturna Sustainable Equity Fund

The Saturna Sustainable Equity Fund gained 4.68% in the third quarter, underperforming the S&P Global 1200 Index which rose 5.07%, but coming in ahead of the Morningstar World Large Stock Category average return of 3.47%.

Of the Fund's 10 largest contributors, nine showed double-digit returns. Apple and Taiwan Semiconductor performed the strongest among the Fund's holdings during the third quarter, with TJX Companies keeping in close step. Apple is a perennial favorite with Saturna's research team. Though its exceptional environmental performance is somewhat tempered by occasional controversies in business ethics, Apple has consistently been a strong performer and returned 34.92% year-to-date. TJX Companies, with their robust Vendor Code of Conduct and strong corporate governance, had an even greater year-to-date return of 48.36%.

Meanwhile, picks among semiconductor companies saw some highs and some lows. As noted above, Taiwan Semiconductor came in strong and was one of the Fund's top contributors; the company scores exceedingly well in several environmental metrics, notably resource management. The industry is notorious for the volume of pure water needed to prevent contamination during the manufacturing process, and for the ensuing levels of hazardous wastewater that results;[7] Taiwan Semiconductor's environmental and reporting policies indicate a commitment to sustainable business practices that we find reassuring.

In terms of financial performance, Taiwan Semiconductor benefited from overall demand – and is, in fact, the world's largest independent semiconductor foundry[8] – while two of the Fund's other holdings, NXP and STMicroelectronics, were victims of the industry's cyclical nature. NXP's stock price declined sharply over the summer, surely in response to the July announcement that Qualcomm's bid to take over the Netherlands-based NXP did not receive approval from Chinese regulators and was therefore cancelled. In the aftermath, there appear to be signs of "immediate and tangible" growth opportunities for NXP, specifically in automotive applications.[9] Ongoing cyclicality and unsuccessful acquisitions aside, our long-term outlook for the industry remains bright as we welcome major advancements such as the transition to 5G wireless communications, the continuing growth of the Internet of Things, and the development of autonomous driving. Sales revenues for semiconductors are projected to increase by 17.4% in 2019 over 2017 revenue,[10] and because of the highly competitive nature of the industry, we will likely maintain exposure to multiple firms.

Valeo rounded out the top three detractors this quarter. The French automotive components manufacturer has demonstrated a strong commitment to improving efficiency and reducing emissions with its products and within its own

Continued on page 11

As of September 30, 2018

10 Largest Contributors	Return	Contribution
Apple	22.38%	0.71
Adobe Systems	10.72%	0.45
TJX Companies	18.16%	0.44
Taiwan Semiconductor ADR	20.79%	0.42
Microsoft	16.43%	0.40
Mastercard, Class A	13.42%	0.37
Amazon.com	17.84%	0.31
Church & Dwight	12.12%	0.27
Starbucks	17.17%	0.25
Dassault Systemes ADR	6.27%	0.24

10 Largest Detractors	Return	Contribution
NXP Semiconductors	-21.54%	-0.53
Naspers ADR	-14.45%	-0.32
Valeo	-20.54%	-0.27
STMicroelectronics	-16.81%	-0.24
Murata Manufacturing	-7.86%	-0.22
Clicks Group ADR	-14.94%	-0.11
Toyota Motor ADS	-3.46%	-0.08
BIMB Holdings	-3.94%	-0.06
Randgold Resources ADR	-8.48%	-0.06
Johnson Matthey	-2.80%	-0.05

Top 10 Holdings	Portfolio Weight
Adobe Systems	4.38%
Apple	3.66%
Dassault Systemes ADR	3.64%
Mastercard, Class A	2.97%
Home Depot	2.86%
Toronto-Dominion Bank	2.76%
TJX Companies	2.72%
Microsoft	2.67%
Koninklijke Philips ADR	2.65%
Murata Manufacturing	2.49%

Morningstar Sustainability Ratings™

Saturna Sustainable Equity Fund (SEEFX)

Percent Rank in Category: 1

Among 727 World Large Stock Funds

Saturna Sustainable Bond Fund (SEBFX)

Percent Rank in Category: 17

Among 261 World Bond Funds

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

Morningstar Sustainability Ratings are as of August 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 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 93% and the Saturna Sustainable Bond Fund was rated on 58% of Assets Under Management.

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.

Commentary Footnotes

[1] Pets.com is a high profile example of a dot-com IPO implosion. https://en.wikipedia.org/wiki/Pets.com

[2] Roberts, Adrienne. Auto Sales Sputtered in September Amid Rising Interest Rates, Trade Concerns, The Wall Street Journal, October 2, 2018. https://www.wsj.com/articles/auto-sales-sputter-in-september-amid-rising-interest-rates-trade-concerns-1538503880?mod=hp_lista_pos3 https://data.worldbank.org/indicator/NE.EXP.GNFS.ZS?year_high_desc=true

[3] Moody's Investor Service: Sukuk issuance to remain broadly stable in 2018, Press Release, September 4, 2018. https://www.salaamgateway.com/en/story/moodys_sukuk_issuance_to_remain_broadly_stable_in_2018-SALAAM04092018081557/

[4] Chaney, Sarah and Morath, Eric. U.S. GDP Growth Unrevised at 4.2% in Second Quarter, The Wall Street Journal, September 27, 2018. https://www.wsj.com/articles/u-s-gdp-growth-unrevised-at-4-2-in-second-quarter-1538051831

[5] Roberts, Adrienne. Auto Sales Sputtered.

[6] Harrison, David. Fed's Powell Says His Economic Outlook Has Improved, The Wall Street Journal, February 27, 2018. https://www.wsj.com/articles/powell-says-fed-is-on-track-to-continue-gradual-rate-increases-1519738220

[7] Baskaran, Aiswarya. Waste Not, Want Not - Water Use in the Semiconductor Industry, Sustainalytics, March 22, 2017. https://www.sustainalytics.com/esg-blog/world-water-day-water-use-semiconductor-industry/

[8] Walton, Justin. The World's Top 10 Semiconductor Companies, Investopedia, December 11, 2017. https://www.investopedia.com/articles/markets/012216/worlds-top-10-semiconductor-companies-tsmintc.asp

[9] Statista: Semiconductor sales revenue worldwide from 1987 to 2019 (in billion U.S. dollars). https://www.statista.com/statistics/266973/global-semiconductor-sales-since-1988/

[10] Frost, Lawrence. Valeo cuts 2018 profit outlook, blaming new emissions tests, Reuters, July 25, 2018. https://www.reuters.com/article/us-valeo-results/valeo-cuts-2018-profit-outlook-blaming-new-emissions-tests-idUSKBN1KF2FY

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

Performance Summary

As of September 30, 2018

Average Annual Total Returns *(Before Taxes)*	YTD	1 Year	3 Year	Since Inception[B]	Expense Ratio[A] Gross	Expense Ratio[A] Net
Sustainable Equity Fund (SEEFX)	6.86% ▲	12.67% ▲	11.54% ▲	6.54% ▲	1.37%	0.75%
S&P Global 1200 Index	5.44% ▲	11.40% ▲	14.51% ▲	9.56% ▲	n/a	
S&P 500 Index	10.56% ▲	17.91% ▲	17.33% ▲	12.67% ▲	n/a	
Sustainable Bond Fund (SEBFX)	-0.13% ▼	-0.51% ▼	2.34% ▲	1.58% ▲	0.84%	0.65%
FTSE WorldBIG Index	-2.40% ▼	-1.39% ▼	1.89% ▲	1.50% ▲	n/a	
MSCI All Country World Index	4.26% ▲	10.35% ▲	14.03% ▲	8.94% ▲	n/a	

[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 are restated to reflect the ending of the Distribution (12b-1) Fees, as approved by the Board of Trustees on March 14, 2017. 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, 2019.*

[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.*

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 3.45%.

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. The MSCI Emerging Markets Index measures equity market performance in over 20 emerging market countries. The US Dollar Index is a trade weighted index which measures the USD against its major trading partners including but not limited to the currencies of the Euro area, Canada, Japan and the UK. The JP Morgan Government Bond Index Emerging Markets Global Core measures measures the performance of a subset of investable emerging markets bonds. Investors cannot invest directly in the indices.

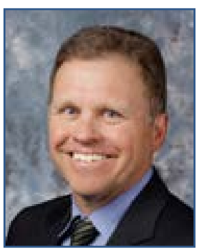
About The Authors

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.

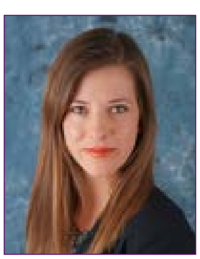


Scott Klimo CFA®
Chief Investment Officer

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.

Bryce Fegley MS, CFA®, CIPM
Senior Investment Analyst

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.



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, Elizabeth 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. Elizabeth is a Chartered Financial Analyst® (CFA®) charterholder.

Saturna Sustainable Bond Fund

Continued from page 6

2018 has been a challenging investment environment as foreign bond markets have experienced substantial volatility. This can be observed in notable emerging market debt indices, many of which have experienced significant downward movement. For example, the J.P. Morgan Government Bond Index Emerging Markets Global Core and MSCI Emerging Markets Index declined -9.30%, and -7.68%, respectively, year-to-date.

Despite the challenging global bond environment, the Sustainable Bond Fund was able to deliver on its objective of capital preservation with current income. The Fund provided a total return of 1.19% for the third quarter, bringing the year-to-date decline to -0.13%. The Fund's performance has improved significantly from last quarter while the benchmark FTSE World BIG Bond Index has continued to decline. The Fund's year-to-date and quarterly performances are both ahead of the FTSE World BIG Bond Index. The Index was down -0.90% during the quarter, and down -2.40% year-to-date. Weakness in the euro continues to hurt the Index, with its 30% exposure to the currency. Uncertainty surrounding Italy's debt and economy continues to contribute this weakness. The Fund is underweight the euro, with 4.30% exposure as of quarter-end.

The portfolio was invested in 36 different issuers (excluding Treasurys) among 39 separate positions. The Fund posted a modified duration of 2.53 years and a 30-day SEC yield of 3.54%. Currency movements were some of the largest contributors to third quarter performance. As of quarter-end, the Fund had a 5.94% exposure to Mexican peso-denominated securities. The peso recovered 6.35% against the dollar in the third quarter. The top performers were the two peso-denominated positions – Mexico Bonos Desarrollo and America Movil, returning 7.02% and 7.05% total return for the quarter, respectively, primarily driven by the currency movement.

Australian (AUD) and New Zealand (NZD) dollar-denominated securities detracted from the Fund's overall performance last quarter. As of quarter-end, the Fund had a 3.45% exposure to AUD-denominated securities, and 3.20% to NZD-denominated securities. Both of those currencies depreciated against the dollar -1.98% and -2.94%, respectively. Our worst performer was a New Zealand Government bond showing a total return of -1.57% for the quarter. This was driven entirely by currency movement, as total return without the currency impact would have been 0.56%. Our second-worst performer was an AUD-denominated BMW US Capital bond returning -1.41%. Return without the currency impact would have been around 0.72%.

Saturna Sustainable Equity Fund

Continued from page 7

manufacturing processes. The company is a leading provider of turbochargers, allowing smaller engines to provide greater power; variable automatic transmissions, which improve fuel efficiency; and stop-start mechanisms which can reduce fuel consumption by as much as 15% in city driving. Valeo's stock price dropped over 20% between late June and late September, however, after the company lowered its 2018 targets due to concerns over raw materials prices and potential disruption in automotive production.

While Unilever and Accenture previously held spots in the portfolio's top 10 holdings, they were replaced this quarter with TJX Companies and Microsoft; the remaining top eight holdings are consistent with those of the previous quarter.

Important Disclaimers and Disclosure

This publication should not be considered investment, legal, accounting, or tax advice or a representation that any investment or strategy is suitable or appropriate to a particular investor's circumstances or otherwise constitutes a personal recommendation to any investor. This material does not form an adequate basis for any investment decision by any reader and Saturna may not have taken any steps to ensure that the securities referred to in this publication are suitable for any particular investor. Saturna will not treat recipients as its customers by virtue of their reading or receiving the publication.

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

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.

***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.*