Fund Commentary Q3 2019

Saturna Capital

Saturna
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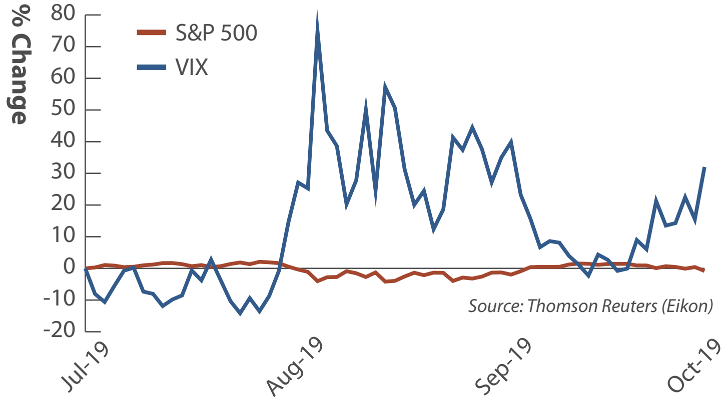
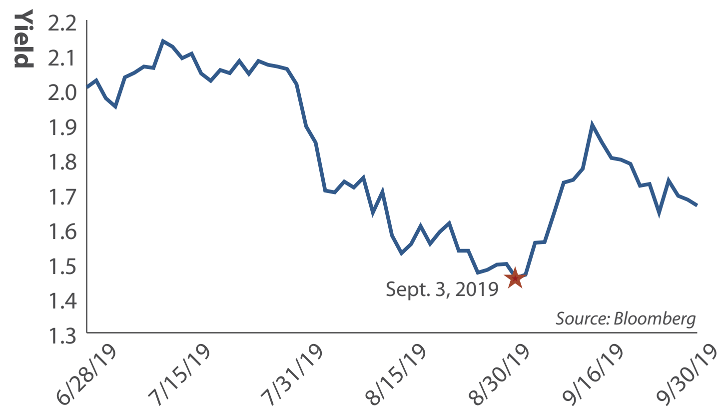
Rocky Waters

Volatility reared its head in August after the S&P 500 Index surged to new highs in July. With a dovish Federal Reserve lowering interest rates and a strong economy led by American consumers, the S&P 500 peaked on July 26, 2019 above 3,025. These gains soon evaporated with the Index falling more than -6% over the next two weeks as investor concern was reignited over the simmering US-China trade war. While the S&P was selling off, the VIX, a gauge of US equity market volatility, reached highs not seen since last December's market tumble. When equity markets suddenly change tone, pulling back the curtains and looking into developments in the fixed-income markets can provide useful clarity.

S&P 500 versus CBOE VIX

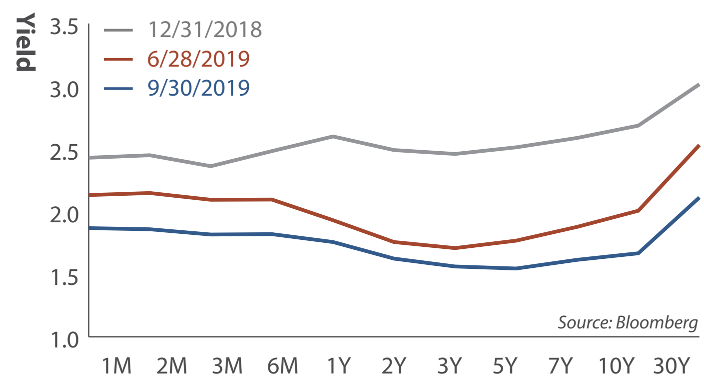


10-Year Treasury Yield



Equity market volatility was equally reflected in fixed-income markets. During the third quarter, the US Treasury market experienced a level of volatility not seen since 2016. The 10-year US Treasury had an especially wild ride as yields dropped to a three-year low of 1.43% on September 3rd while August brought the biggest monthly gain for Treasurys since 2008. Treasury yields tumbled on the back of sliding yields in Europe, and US-China trade war[1] concerns. However, the rally ended abruptly as stronger than expected economic data indicated a possibility of slower rate cuts. Consumer price data came in above forecasts as well. Both 10-year and 30-year Treasury yields jumped 35 basis points the week of September 9th, which then saw the 10-year ending the week at 1.90%, and the 30-year yield at 2.37%, their worst week since 2016.[2]

US Treasury Yield Curves



Overall, the entire Treasury curve moved downward during the quarter. As of September 30th, the 10-year had fallen back down to 1.67% due to investor fears that a contraction in September's ISM manufacturing report meant the manufacturing sector was heading for a recession. Year-to-date, there have been 22 days with a 10 basis point or more move in the 10-year yield. In 2018 and 2017 there were only eight such moves the entire year. The last comparable year was 2016, which saw 39 big moves.[3]

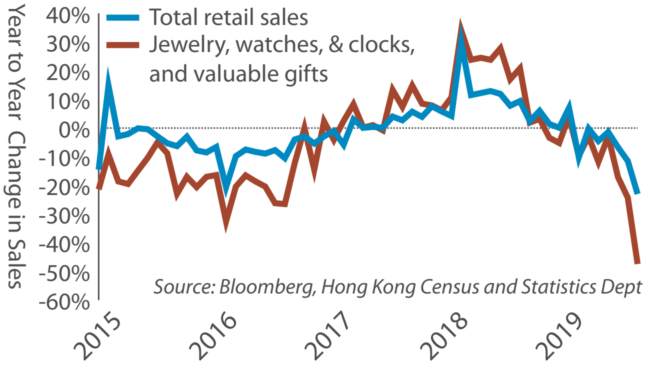
Political Unrest

Volatility in the third quarter wasn't limited to markets, as political unrest cropped up around the globe. Among the most heated issues, protests in Hong Kong have captured the world's attention. The protests, which have been simmering since March, exploded on June 9th when half a million demonstrators took to the streets demanding the repeal of a proposed extradition bill. Quickly after this ramp up in protests, Hong Kong Chief Executive Carry Lam indefinitely delayed the bill that would have allowed for the extradition of individuals to mainland China.

When protesters stormed the city's Legislative Council on July 1st, the 22nd anniversary of Hong Kong's handover from Britain, it became clear that the protests were about more than one extradition bill. They were about the city's sovereignty and its demands for greater democratic freedoms. Protests further escalated on October 1st, the 70th anniversary of the founding of the People's Republic of China, with police using live ammunition to deter demonstrators.

While the chaos in Hong Kong may not have immediate implications for the global economy, it has significantly slowed the city's economy. At the end of August, year-on-year retail sales were down 23% and sales of luxury items were down 47%. These sales declines are enough to slow the growth of the global luxury sector and have caused some retailers to shut their doors and focus marketing on mainland China. In addition to retail, Hong Kong's presence as a financial center is being challenged, and in August, Ali Baba decided to delay its $15 billion listing on the city's exchange.

Hong Kong Retail Sales



Source: Bloomberg, Hong Kong Census and Statistics Dept

Beyond Hong Kong, political tensions have been on the rise across the globe. In August approximately 50,000 people gathered in Moscow, protesting against political repression and for fair elections. Then in September, attacks on key oil installations in Saudi Arabia crippled the country's oil production, temporarily sending oil prices to a three-month high. Meanwhile, here we are at the start of the fourth quarter and Britain is as divided as ever in how to exit the European Union. With an October 31 deadline looming, prudence suggests we bundle up and prepare for a hard Brexit.

Carbon Risks

Climate change continues to be a focus for Saturna Capital. As data emerges about the dangers related to rising temperatures, it's becoming more important than ever to identify risks and opportunities in our investments. Carbon risk is one component of the overall environmental, social, and governance (ESG) analysis conducted on each holding. Corporations in carbon-intensive industries, and financial institutions that have exposure to carbon-intensive industries such as power generation, mining, or energy-intensive firms, are exposed to transition risk, which refers to the impact of regulation changes, reputational risk, and potential shifts in consumer preferences during the transition to a low-carbon economy. Unexpected regulatory change can quickly alter the value of a business's assets, some of which may become economically unviable or "stranded." Transition risks can also arise if new technologies displace high-emitting current technology, or, if consumer preferences shift towards green products.

The Reserve Bank of Australia recently released a publication that explores how climate change is posing increasing risk to financial stability. While the report specifically speaks to Australia, the assertions are true globally. They state that, "Transition risk will be greatest for banks that lend to firms in carbon-intensive industries and to individuals or businesses that are reliant on these firms. Other financial institutions investing in carbon-intensive industries, such as superannuation and investment funds, are also exposed to the risk that climate change will diminish the value of their investments. This could occur both through direct investments in carbon-intensive industries, or indirect investments in banks that lend to these industries."[4]

A New Business Roundtable

On August 19, the Business Roundtable, a group of 181 CEOs from America's largest companies, made waves for releasing a statement that seemed to fly in the face of shareholder primacy. The *Statement on the Purpose of a Corporation* outlined a "fundamental commitment to all of our stakeholders" and members committed to "delivering value to our customers," "investing in our employees," "dealing fairly and ethically with our suppliers," "supporting the communities in which we work," and, last but not least, "generating long-term value for our shareholders."

At Saturna, this change in approach aligns with our values. After all, to maximize profits necessarily means considering the needs of stakeholders. Businesses create value through offering products that address customer needs and wants. They benefit from smoother and more efficient operations by dealing fairly with their suppliers and local communities. Through fulfilling these commitments, companies can generate long-term shareholder value.

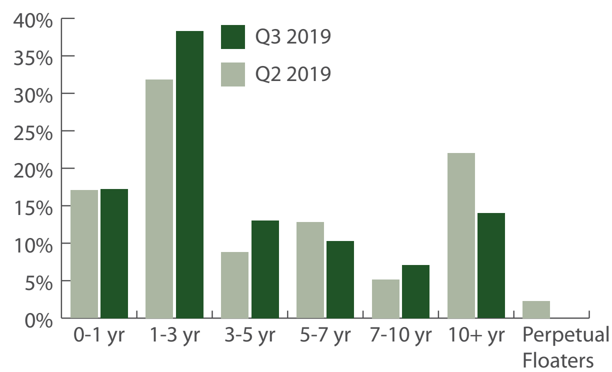
We believe that companies proactively managing business risks relating to ESG issues make better contributions to the global economy and are more resilient. Saturna is thoughtful about how we construct our portfolios and we believe truly value-added strategies require active management with robust qualitative and quantitative analysis.

Saturna Sustainable Bond Fund

The Sustainable Bond Fund produced a total return of 0.88% for the third quarter, relative to the 0.81% return of the FTSE WorldBig Index. Year-to-date, the Fund is also outperforming the Index with a total return of 6.52%, relative to the benchmark's return of 6.50%. The 30-day SEC yield for the Fund is 2.28%. As of September 30, 2019, the Fund had an effective duration (price sensitivity to changes in interest rates) of 3.76 years, which has been extended from 2.89 years last quarter as to take advantage of good performance expected on longer maturities. However, we continue to be shorter than our benchmark, which maintains an effective duration of 7.10, in an effort to be more defensively positioned for potential future volatility

Over the prior quarter, the floating-rate securities held in the Fund were sold. Those security types have a long final maturity, but added very little duration due to quarterly interest rate resets. Note in the maturity chart below, the Fund has less weight in the 10+ year maturity bucket from last quarter but overall duration is still higher.

Portfolio Maturity Breakdown



The portfolio continues to focus on high-grade corporate issues in the 1-3 year bucket, and global exposure in well-diversified companies better positioned to handle business cycles. With some storm clouds on the horizon, the Fund is expanding positions in higher-grade corporate issues, while making strategic curve allocations with the use of Treasurys. As is shown in the Ratings Distribution chart, cash was deployed to higher grade securities, increasing exposure to credits rated "A" or better, while decreasing overall exposure to "BBB" rated bonds.

Continued on page 9

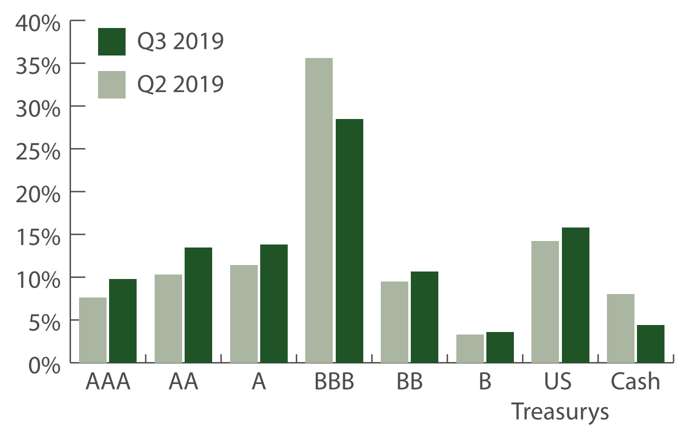
As of September 30, 2019

Top 10 Holdings	Portfolio Weight
United States Treasury Bond	7.48%
Toronto-Dominion Bank	4.77%
KFW	4.63%
First Abu Dhabi Bank	4.49%
Nokia OYJ	4.49%
Telus	4.06%
Koninklijke DSM NV	4.05%
United States Treasury Note	3.99%
NMC Health Sukuk	3.73%
Iron Mountain	3.57%

Bond Quality Diversification	
AAA	9.80%
AA	13.44%
A	13.82%
BBB	28.48%
BB	10.66%
B	3.57%
US Treasury	15.80%
Cash and equivalents	4.44%

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.

Ratings Distribution



Saturna Sustainable Equity Fund

The Saturna Sustainable Equity Fund gained 0.70% in the third quarter, just shy of the S&P Global 1200 Index which rose 0.72%, and outperforming the Morningstar World Large Stock Category average which fell -0.30% over the quarter. Of the Fund's 10 largest contributors, six showed double-digit returns; of those, Taiwan Semiconductor, Subaru, and Apple showed the strongest performance. In year-to-date performance, Apple is second to Mastercard in blockbuster returns.

"All-wheel drive passenger vehicles" and "global sustainability leader" may not be the most immediate association that comes to mind, but Subaru has gone beyond a best-in-class issue in terms of ESG performance to a veritable global leader in sustainability. In 2018, Subaru updated its environmental policy to include "the earth, the sky and nature" as part of its field of business and in 2004, Subaru's Lafayette, Indiana plant was the first auto assembly plant to achieve zero landfill status. The Lafayette plant, which assembles approximately 375,000 cars each year, has sought to encourage other industries to go Zero Waste, by giving tours and sharing their story. Finding that the Zero Waste policy saves $1 - $2 million per year, Senior Executive Vice President Tom Easterday has stated, "I think everyone needs to take a look at modern manufacturing and the opportunity … to be an environmental leader," adding that being a good environmental steward is "good for business."

Subaru wasn't the only Japanese auto maker to contribute positively to the Fund's performance this quarter; Toyota also made the list of top 10 contributors. Toyota is also a formidable force both in terms of product offerings and sustainability initiatives and has become synonymous with excellence in manufacturing, renowned for its lean practices. Toyota is similarly positioned as a global leader in sustainable operations and commands a much greater share of the US market with 14.63%, compared to Subaru's 3.94%. Toyota is second only to General Motors (with 17.02%) and just edges out Ford Motor Company (with 14.44%).

Major detractors in the third quarter included wind turbine producer Siemens Gamesa, Malaysian financial group BIMB Holdings, and Australian healthcare provider Ramsay Health Care.

As of September 30, 2019

10 Largest Contributors	Return	Contribution
Apple	13.60%	0.39
Taiwan Semiconductor ADS	19.51%	0.37
Home Depot	12.24%	0.33
NXP Semiconductors	12.17%	0.23
Starbucks	5.87%	0.17
Subaru ADR	16.76%	0.16
Chubb	10.13%	0.16
Toyota Motor ADS	8.47%	0.16
Koninklijke Philips	5.85%	0.15
TJX Companies	5.88%	0.14

10 Largest Detractors	Return	Contribution
Dassault Systemes ADR	-11.48%	-0.44
Siemens Gamesa Renewable Energy	-18.46%	-0.28
BIMB Holdings	-14.44%	-0.26
Adobe	-6.24%	-0.26
Ramsay Health Care	-12.44%	-0.23
AIA Group	-12.06%	-0.22
Johnson Matthey	-11.07%	-0.14
Amazon.com	-8.33%	-0.13
Vestas Wind Systems	-8.94%	-0.12
Siemens ADR	-10.18%	-0.11

Top 10 Holdings	Portfolio Weight
Adobe	3.66%
Apple	2.97%
Mastercard, Class A	2.97%
Dassault Systemes ADR	2.83%
Microsoft	2.65%
Home Depot	2.62%
Church & Dwight	2.40%
Accenture, Class A	2.30%
TJX Companies	2.22%
Koninklijke Philips	2.20%

Eight of the Fund's top 10 holdings are consistent with those from the previous quarter, with discount retailer TJX Companies and Dutch consumer electronics producer Koninklijke Philips replacing Toronto-Dominion Bank and Unilever.

Performance Summary

As of September 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)	6.55% ▲	10.77% ▲	6.53% ▲	1.27%	0.75%	
S&P Global 1200 Index	2.53% ▲	10.97% ▲	7.95% ▲	n/a		*Percent Rank in Category: 4*
S&P 500 Index	4.25% ▲	13.39% ▲	10.73% ▲	n/a		*Among 727*
Sustainable Bond Fund (SEBFX)	3.27% ▲	2.13% ▲	1.95% ▲	0.77%	0.65%	*World Large Stock Funds*
FTSE WorldBIG Index	7.67% ▲	1.77% ▲	2.83% ▲	n/a		
MSCI All Country World Index	1.95% ▲	10.30% ▲	7.34% ▲	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. The CBOE Volatility Index, known by its ticker symbol VIX, is a popular measure of the stock market's expectation of volatility implied by S&P 500 index options. When available, Saturna uses total return components of indices mentioned. 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 August 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 89% of Assets Under Management and the Saturna Sustainable Bond Fund was not rated.

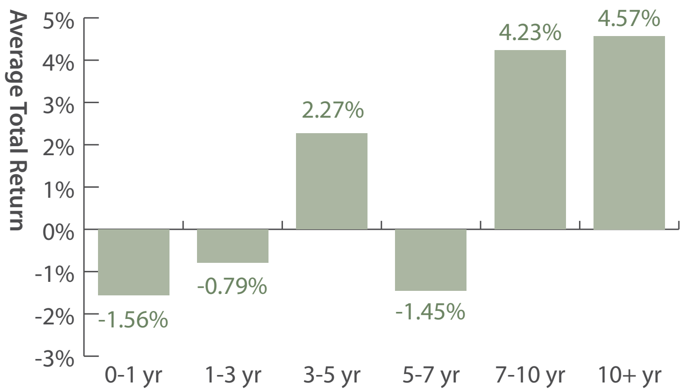
Percent Rank in Category is the fund's percentile rank for the specified time period relative to all funds that have the same Morningstar category. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top-performing fund in a category will 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

The portfolio was invested in 31 different issuers (excluding Treasurys) among 32 separate positions. The top performers in the Fund were dominated by our longer duration holdings, with the holdings in the 10+ year maturity bucket showing an average total return of 4.57%, compared with -0.79% in the 1-3 year bucket. The chart below details average total returns by maturity bucket for the Fund over the third quarter.

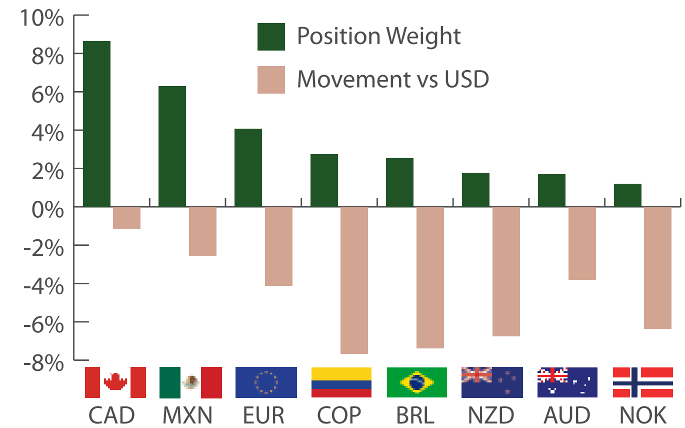
Total Return by Maturity



- Treasury positions significantly contributed to performance with the T 3.375 11/15/48 showing an 8.93% total return, and the T 4.50 05/15/38 producing a return of 5.76%.
- Microsoft, comprising 2.58% of the Fund, was another top performer with a total return of 6.84%. The high "AAA" ratings, long maturity, and excellent liquidity contributed to the return.
- Dubai headquartered retail giant Majid Al Futtaim accounts for 2.92% of the portfolio. The security is the first green, US dollar-denominated, corporate sakk issued and produced a total return of 5.11% for the quarter, benefiting from the very strong performance of the sukuk market.

The bottom performers this quarter were driven almost entirely by currency movements, as the Colombian peso and the New Zealand dollar depreciated significantly against the US dollar. As noted in the chart below, currencies overall performed very poorly relative to the USD, and even outside of our holdings most major currencies globally depreciated against the US dollar. Our greatest currency exposure continues to be to the Canadian dollar at 8.7% of the portfolio, which performed the best relative to the US dollar out of all our non-US dollar positions, depreciating only 1.1%. Presently, 28.9% of the Fund is allocated to foreign currency positions.

Currency Exposure

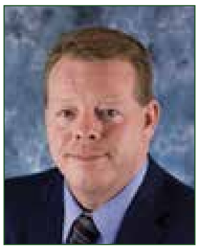


- The Republic of Colombia accounts for 2.74% of the portfolio and produced a -6.52% total return. These returns were primarily driven by currency movements, as the Colombian peso depreciated 7.65% against the US dollar. The return outside currency movement was 1.44%.
- Emirates Bank accounts for 1.76% of the portfolio and produced a -5.84% total return. This return was also driven by currency movements as the New Zealand dollar depreciated -6.75% relative to the US dollar. Return outside of currency movement was 2.86%.
- DSM accounts for 4.07% of the portfolio and produced a -5.84% total return. This return was also primarily driven by currency as the euro depreciated -4.11% against the dollar last quarter. Return outside of currency movement was -0.17%.

About The Authors

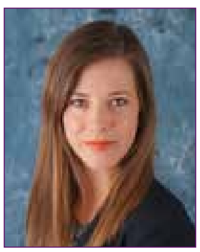
Jane Carten MBA
President and **Saturna Sustainable Equity Fund** Portfolio Manager

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.



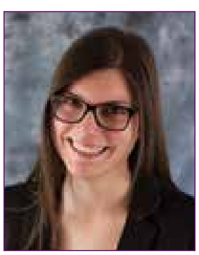
Patrick Drum MBA, CFA®, CFP®
Research Analyst and **Saturna Sustainable Bond Fund** Portfolio Manager

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.



Elizabeth Alm CFA®
Senior Investment Analyst

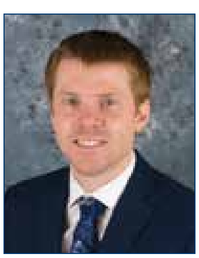
Elizabeth Alm CFA, Investment Analyst, joined Saturna Capital in April of 2018. Originally from Connecticut, she graduated from New York University with degrees in Economics and Anthropology including field work completed in Luxor, Egypt. Prior to joining Saturna, Ms. Alm spent 11 years at Wells Fargo 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.



Levi Stewart Zurbrugg MBA, CPA®
Senior Investment Analyst

Levi Stewart Zurbrugg, Senior Investment Analyst, joined Saturna in June 2019. He graduated from Western Washington University with a BA in Business Administration and has an MBA from the University of Washington's Foster School of Business. Prior to Saturna, Levi worked at the Sustainability Accounting Standards Board as a Sector Analyst for the Consumer Staples sector. He is a Certified Public Accountant and is currently a Level III candidate in the Chartered Financial Analyst (CFA) program.

Footnotes to commentary:

[1] Chen, Lou Vivien. Treasuries Dive, Sending 10-Year Yield to Highest in Six Weeks, Bloomberg, September 13, 2019. https://www.bloomberg.com/news/articles/2019-09-13/treasuries-dive-sending-10-year-yield-to-highest-in-six-weeks

[2] Wells, Peter. Treasuries Notch Biggest Weekly Drop Since 2016 As Rotation Hits, Financial Times, September 13, 2019. https://www.ft.com/content/27594466-d64a-11e9-8367-807ebd53ab77

[3] Domm, Patti. The Bond Market's Roller Coaster Ride Could Continue Until There's a Clear Signal Either Way on Recession, CNBC, October 1, 2019. https://www.cnbc.com/2019/10/01/the-bond-markets-roller-coaster-ride-could-continue.html

[4] Financial Stability Risks from Climate Change, Reserve Bank of Australia Financial Stability Review, October 2019. https://www.rba.gov.au/publications/fsr/2019/oct/box-c-financial-stability-risks-from-climate-change.html

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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.*