

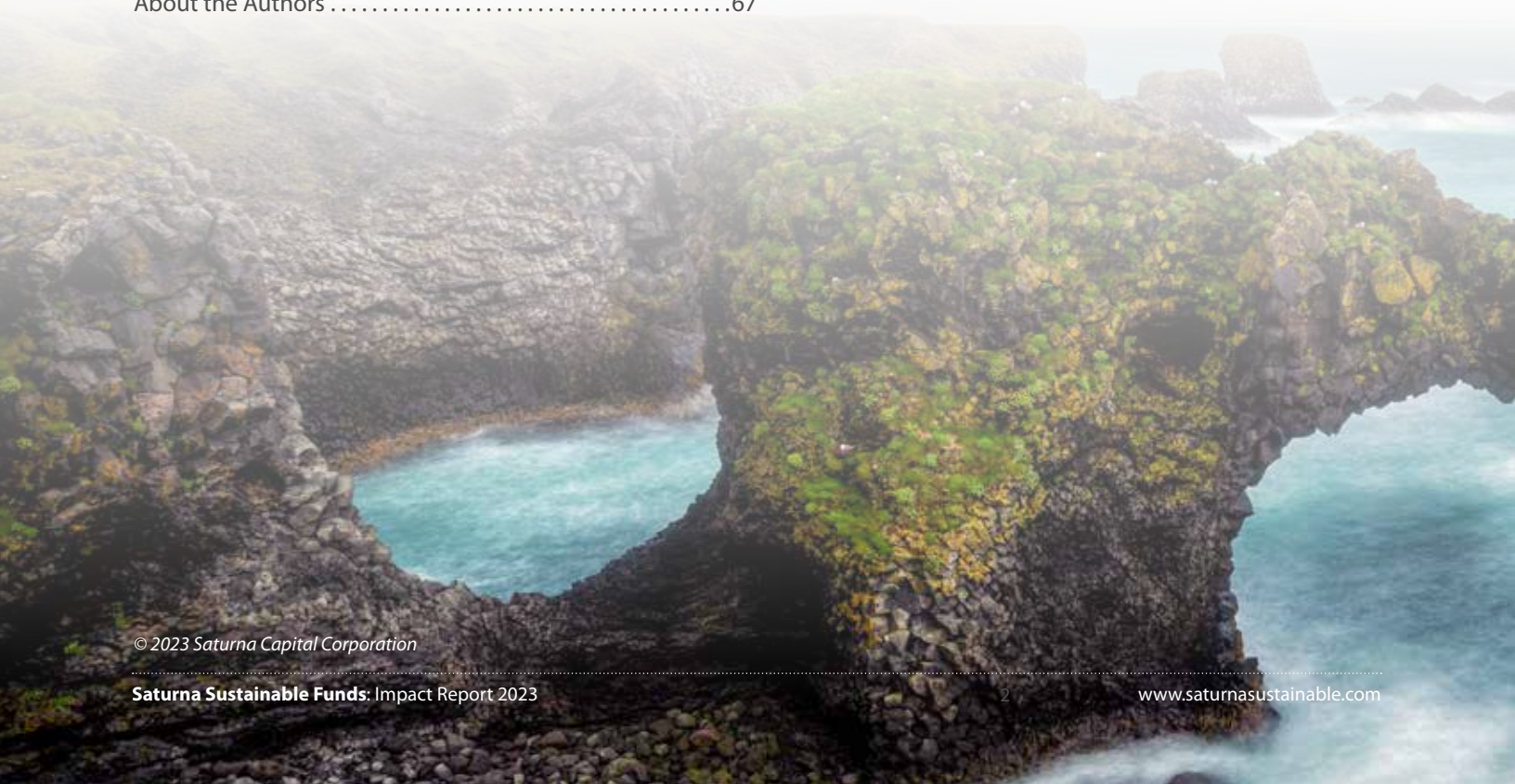


2023

IMPACT REPORT

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In March of 2023, the Saturna Sustainable Funds celebrated their eighth anniversary since inception. Saturna Capital is rooted in values-based investing. Since its genesis over 30 years ago, we have deepened our commitment to environmental, social, and governance (ESG) considerations with the goal of creating long-term value for our clients. We view the integration of ESG factors as critical components in providing a holistic assessment of an issuer's creditworthiness and future value to investors. We see ESG considerations as a multidimensional framework. They help us determine what factors may inhibit an issuer's ability to meet its obligations to bondholders and stockholders, and to assess how management is approaching material risks while addressing broad stakeholder relationships. The integration of material ESG factors not only helps us to identify veiled risks, but also to opportunistically identify issuers that are better positioned than their peers. This enables us to choose the best investments that not only diversify the portfolio, but also have impact in areas of the world that truly need it. We seek to construct portfolios that add value for our clients and to help shape a more socially inclusive and environmentally cognizant society.



The world is facing unprecedented challenges. While the aftershocks of the pandemic are still reverberating around the globe, we are simultaneously faced with hardships brought by climate change, inflation, and economic uncertainty. These factors are inherently interconnected. The changing climate exacerbates economic losses and damages, and the root causes of climate disasters, such as the loss of animal habitats from deforestation, raise the likelihood that more infectious diseases could pass from animals to humans as they increasingly share the same spaces – potentially causing future pandemics.¹

Estimates show that more than 100 million people worldwide were pushed into poverty because of the pandemic.² Added to this already-fragile environment are the known impacts of a warming climate, such as reduction in labor productivity, damages to agriculture, increasing inequality, and increased mortality rates. These are complex issues with risks and impacts that are not distributed evenly across the globe. Globally, regions in the lowest income decile have experienced staggering losses of 6.7% of gross domestic product (GDP) annually.³ Higher-income countries experienced losses of only about 1.5% of GDP annually. However, the United States’ economy is not immune to climate change. The US has suffered \$1.4 trillion in economic losses over the past 50 years due to weather, climate, and water hazards. This represents one-third of the cost of all global economic losses due to disasters.⁴

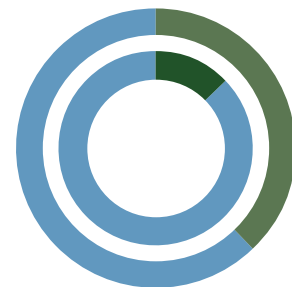
The dire statistics noted above are all backward-looking, pointing to the reality that investors must view risk through an environmental lens in today’s world, not just a projected one. With such rapid changes on our planet, it’s essential that we continue to have the flexibility of thought to identify new risks as they emerge. We cannot expect historical patterns to hold in the future; the economic impact of our changing climate grows with every rising degree.

As a values-oriented asset manager, Saturna is committed to transparency and credibility in our sustainable process. This credibility is key in moving forward. Sustainable investing represented 36% of all global assets in 2021, up from only 22% a decade earlier.⁵ This growth resulted in a wide range of quality in investment processes and commitment. There has also been a rapid rise in false information about ESG investing in the news.⁶ The importance of ESG integration into the investment process transcends political headwinds or investment fads. We incorporate data and analysis with the aim of determining the risks and opportunities of our portfolios to ultimately serve our clients. Investors, companies, and governments all must work together to build a world where our current and future generations can prosper.

Carbon intensity relative to the MSCI All Country World Index

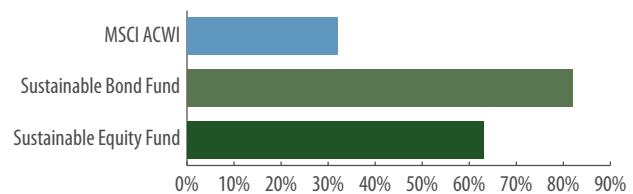
13%
Saturna Sustainable Equity Fund

38%
Saturna Sustainable Bond Fund



As of March 31, 2023

Holdings with 33% or more female board representation



The number of holdings as of March 31, 2023 for the Saturna Sustainable Bond Fund is 48, for the Saturna Sustainable Equity Fund is 49, and for the MSCI All Country World Index is 2,888.

SUSTAINABLE DEVELOPMENT GOALS

The Global Goals for Sustainable Development (SDGs), officially known as “Transforming Our World: the 2030 Agenda for Sustainable Development” are 17 goals and 169 targets that were created to end poverty, promote prosperity and well-being for all, and protect the planet. The SDGs set a course and framework to achieve these objectives. When evaluating our investments, we believe that this framework will be the new standard by which sustainability will be reported and measured. Contribution to these goals not only allows investors to identify areas of risk, but also potential new opportunities.



Saturna is thoughtful about how we construct our portfolios and how we incorporate the SDGs. The inclusion of the SDGs represents an evolutionary extension of Saturna’s proprietary ESG scoring model within our actively managed investments. We believe a truly value-added strategy requires active management with robust qualitative and quantitative analysis. As many investment companies rush to capture the growing market demand for sustainable strategies, we remind investors to exercise prudence in understanding the framework of how asset managers incorporate ESG considerations – substance matters more than just form and marketing.

This question of substance versus form extends beyond an asset manager’s incorporation of ESG considerations and lends itself to the evaluation of individual companies and investments within a strategy. We are excited about the SDGs, in one respect, due to the specific nature of the goals and the targets within those goals. Specific disclosures related to a company’s contribution to a goal do not lend themselves as easily to “greenwashing.” They can help investors identify opportunities that are substantive and companies that incorporate ESG as part of a holistic strategy.

Net Zero – The Way Forward: Credibility is Key

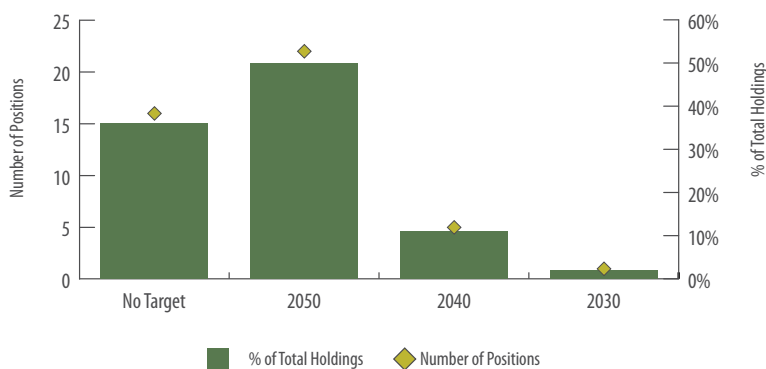
Since 2020 there has been a huge wave of both corporate and national net-zero carbon commitments. Almost two-thirds of major corporate net-zero commitments were established after 2020. National net-zero targets now collectively represent 88% of global greenhouse gas (GHG) emissions, 92% of global GDP, and 89% of the global population. This is up from only 61% of global emissions covered in 2020.⁷

2023 marks the inaugural year of evaluating the net-zero commitments of the Saturna Sustainable Funds' underlying holdings. This evaluation is based on net-zero commitments, the issuer's or company's alignment with The Science Based Targets initiative, and the actual progress toward those commitments. Unfortunately, companies and governments are still in the initial stages of this transition.⁸ Most targets were set only recently, with relatively little in the ways of substantive plans to progress toward net zero in scope 1, 2, or 3 carbon emissions. However, we look favorably on interim science-based targets that are focused on the next five to 10 years, rather than only longer-term goals. Currently only half of net-zero targets for the 2,000 largest traded public equities have interim targets.⁹ We also tend to favor credibility over expediency. A target that has a longer-term goal but is better supported with data, progress, and interim targets is preferable to a target with unattainable goals and a shorter deadline. While we recognize the space is quickly evolving, we found some targets were not specifically defined as the type of emission they covered. Ultimately, to achieve a meaningful transition away from fossil fuels, full coverage of scope 1,2, and 3 emissions is needed. This

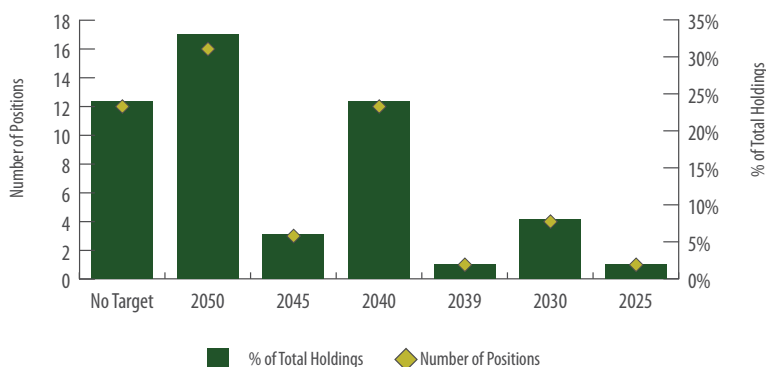
includes emissions across a company's operations, such as the supply chain.

Our team reviewed and noted every net-zero target within the portfolios. As of writing, 64% of the Saturna Sustainable Bond Fund and 76% of the Saturna Sustainable Equity Fund have net-zero targets. The differential stems from the Bond Fund's holdings of local governments and supranational bonds, which are less likely to have a defined net-zero target at this point.

Net Zero Commitments - Sustainable Bond Fund



Net Zero Commitments - Sustainable Equity Fund





Sustainable Development Goals

A major challenge when integrating environmental, social, and governance (ESG) data into investment decisions is gauging the true commitment of a company or issuer to factors that will impact their exposure to risks, or their ability to identify opportunities with ESG issues such as climate change, diversity, and biodiversity.¹⁰ Greenwashing is common in this space. Even companies with high risk or negative climate impacts can use greenwashing to present themselves as glowing sustainable investments by using large marketing investments and clever data presentation.

The Sustainable Development Goals (SDGs), with 17 goals and 169 targets, are an excellent framework to evaluate potential investments and follow current holdings. The breadth of the goals and the specificity of their underlying targets allow us to evaluate the positive impacts and risk exposures to our portfolio. However, as with other data in the ESG space, what companies put in their reporting is not regulated or audited. “SDG washing” is just as big a concern as greenwashing. The specificity of the targets aids our analysis, as does looking at how exactly companies and issuers report on the goals. The analysis is manual in nature; our investment team combs through every holding’s disclosure and looks at how the SDGs are reported. We pay special attention to whether claims are backed by data and targets for improvement, or if only general claims are being made without substance.

Our team created a data set unique to Saturna Capital regarding how our investments align with the SDGs. We developed this resource by examining every single corporate social responsibility (CSR) report or impact report for the holdings in the Saturna Sustainable Funds. We looked at which issuers reported on specific

SDGs and how they reported on each goal. We split company reporting into three categories, from most comprehensive to least comprehensive.

The categories are:

Companies that assign data with quantitative targets for a specific goal

Examples of quantitative targets can include reducing carbon emissions by a specific amount over a defined period, or workforce goals related to board or management ethnic and/or gender diversity. These targets must be directly linked with an SDG.

- Example: Home Depot pledged to have 100% renewable electricity for all its facilities worldwide by 2030, with the target linked to SDG 12 (Responsible Consumption and Production) and SDG 7 (Affordable and Clean Energy)

Companies that provide supporting data regarding a specific goal

We look for supporting data that backs up the claim of SDG alignment. This can include gender pay parity information for SDG 5 (Gender Equality) or carbon emissions trends.

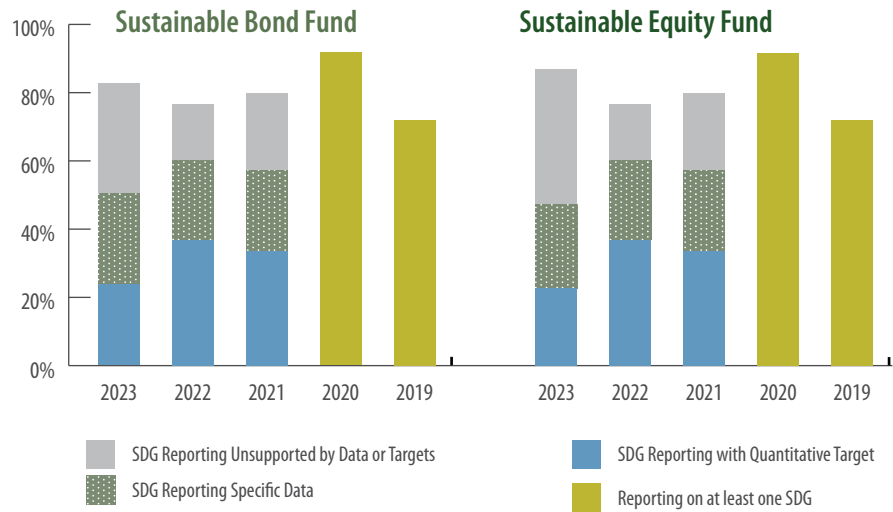
Companies that mention they are aligned with a goal but don’t provide data or targets to support the claim

Unsubstantiated claims can indicate SDG washing, or that the company or issuer doesn’t focus on that specific goal.

Overall, more holdings were reported this year than last year. However, more holdings reported a quantitative target connected with the goals a year ago, while fewer holdings were substantively reported this year. Although we would like to see all reporting on the SDGs connected with targets and data, we don't see this trend as an overall negative. As this space and SDG reporting develops, companies and issuers are likely to focus on the goals that are most relevant to their business. Our view is that substantive reporting on one or two goals is preferable to poor reporting on many goals.

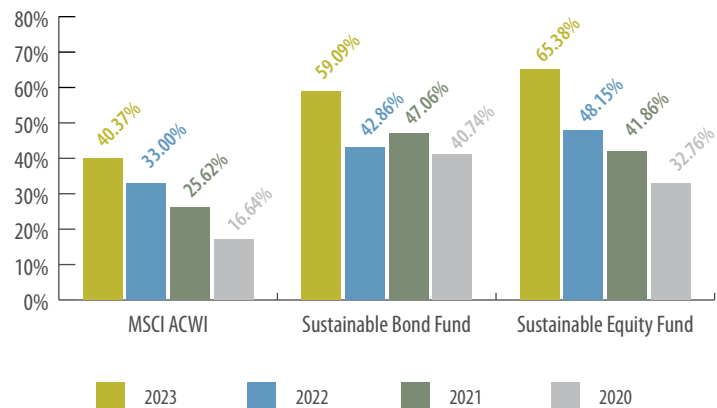
Percent of holdings reporting on SDGs

For periods ended March 31,



We see positive movement in the trend of issuers reporting at least one quantitative target for a goal. In 2020, only 17% of the MSCI All Country World Index holdings reported a target connected with the SDGs. As of March 31, 2023, that amount grew to 40%. The Sustainable Bond Fund and the Sustainable Equity Fund have continued to significantly outperform the Index; 65% of Saturna Sustainable Equity Fund holdings and 59% of Saturna Sustainable Bond Fund holdings reported targets connected with the SDGs.

Holdings reporting a quantitative target for at least one SDG

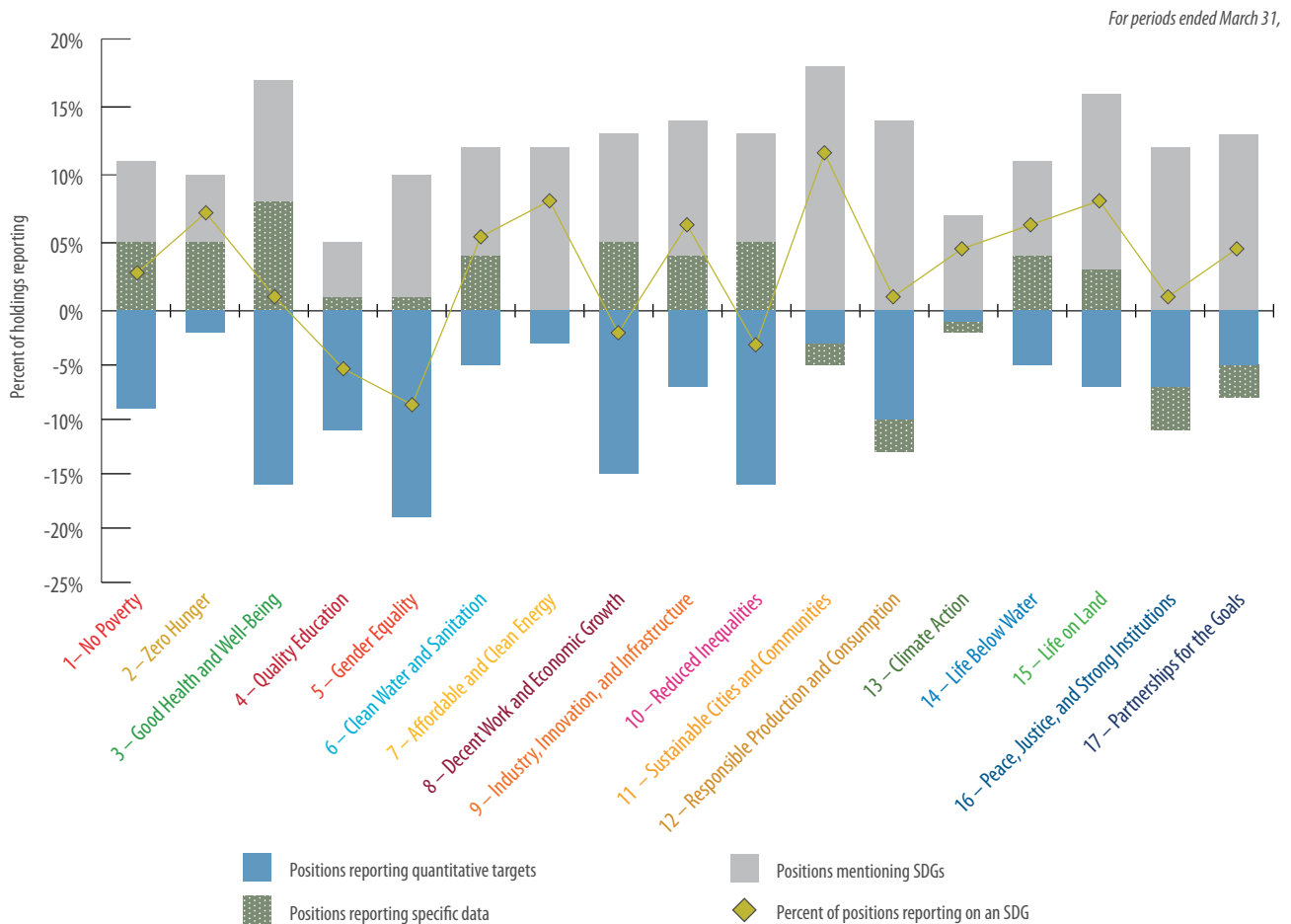


Reporting Changes

The Sustainable Equity and Sustainable Bond Funds: Percent of holdings reporting on SDGs by sector, 2022 to 2023 change in reporting graph maps the combined reporting change for each of the Saturna Sustainable Funds. While we recognize that the Funds have different investment objectives, our aim is to present overall reporting patterns. Some of these changes are due to companies updating what they report, but some changes are due to which holdings are in the Funds. We noted a reporting decline among four SDGs, with the biggest declines in SDG 4 (Quality Education) and SDG 5 (Gender Equality). This was due to increased holdings of government bonds, which tend to have poor reporting in SDG 5, and some surprising laggards such as Starbucks, which devoted only a single sentence to the SDGs in their latest sustainability report.¹¹

We found that when SDGs reported very large increases between 2022 and 2023, the increase was due to more unsubstantiated alignment, such as SDG 11 (Sustainable Cities and Communities), which had a 13% increase in overall reporting. We recognize this is a developing space, but also

Sustainable Equity and Sustainable Bond Funds: Percent of holdings reporting on SDGs by sector, 2022 to 2023 change in reporting



This chart represents the aggregated holdings of Sustainable Bond Fund and Sustainable Equity Fund. The funds have different investment objectives and may invest in different issuers from time to time. Because the percentage of holdings reporting on SDGs are derived from aggregate fund holdings, each Fund's actual percentage of holdings reporting on SDGs may differ from the data shown.

will be closely tracking the quality of corporate sustainability reporting. While more companies reported at least one quantitative target associated with a goal, the overall quality of reporting showed a broad decrease in quantitative targets aligned specifically with an SDG.

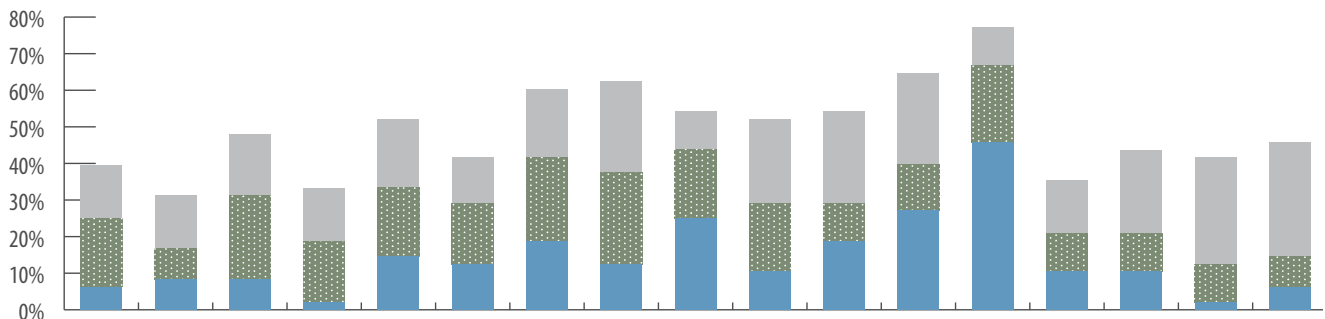
Breaking the reporting down by Fund, we found that the most frequently reported goal was SDG 13 (Climate Action) in both the Sustainable Equity Fund and the Sustainable Bond Fund. In the Equity Fund, 82% of holdings reported on SDG 13, with more than half specifically tied to a quantitative target. For the Bond Fund, 77% of the holdings reported on SDG 13, and a little under half of those holdings tied their goal to a quantitative target.

The next two most reported goals were SDG 12 (Responsible Production and Consumption) at 65% for the Bond Fund and 69% for the Equity Fund, and SDG 9 (Decent Work and Economic Growth) at 63% for the Bond Fund and 73% for the Equity Fund. Given the relevance to corporations of full employment and efficient resource use, it's unsurprising that these goals take center stage in CSR and sustainability reporting.

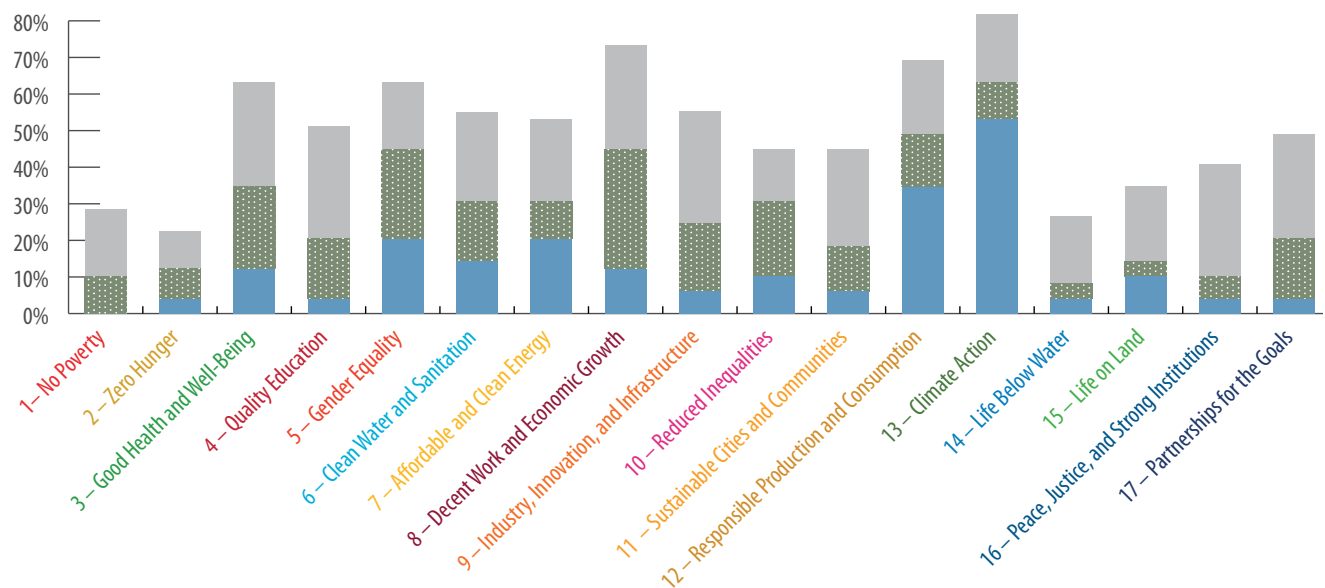
Percent of non-cash positions reporting by SDG

Sustainable Bond Funded

As of March 31, 2023



Sustainable Equity Fund



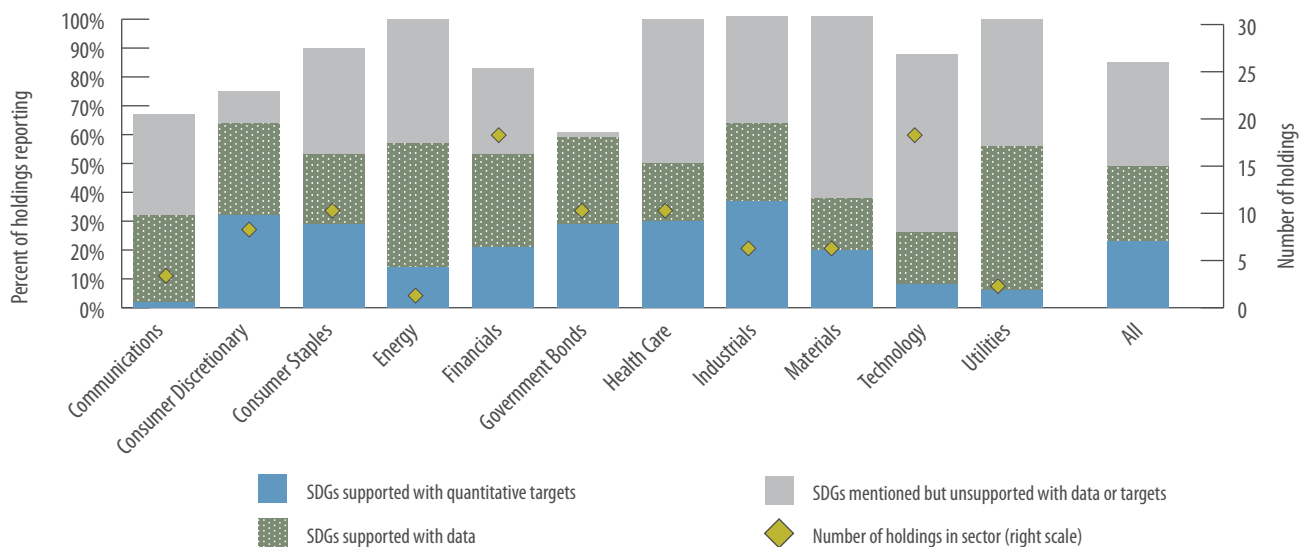
SDG Reporting Unsupported by Data or Targets
 SDG Reporting Specific Data
 SDG Reporting with Quantitative Target

The least-reported goals for the Sustainable Bond Fund were SDG 2 (Zero Hunger), SDG 4 (Quality Education), and SDG 14 (Life Below Water), which all had under 40% of holdings reporting. We would like to see more reporting on water quality, especially for the Bond Fund. Both SDG 6 (Clean Water and Sanitation) and SDG 14 had relatively low reporting in the Bond Fund. Unlike the Equity Fund, the Bond Fund can hold government green bonds, supranational bonds, and issues from municipalities. These entities have a great deal of potential impact, both positive and negative, on water quality and on issues such as quality education.

For the Sustainable Equity Fund, the goals with the lowest amount of reporting were SDG 2 (Zero Hunger), SDG 14 (Life Below Water), SDG 1 (No Poverty), and SDG 15 (Life on Land). Not every goal will be relevant to a company, and we prefer to see more thoughtful focus on a couple of goals rather than surface-level focus on many goals. While only 22% of holdings reported on SDG 2, the goal has a high amount of substantive reporting backed by targets or data. In general, the companies that are relevant to this goal reported on it well. On the other side of the spectrum, SDG 14 had low reporting at 27%, but only a small percentage of companies report on this goal with targets or data. According to the United Nations, SDG 14 is rarely identified as a priority for businesses even though many of them rely on maritime resources for inputs or transportation. The UN noted the importance of oceans across end-to-end operations, and that “companies in all sectors, from finance to industries with a direct impact on their environment, can play a role in allocating capital in a way that is commensurate with protecting and developing healthy oceans, seas, and marine resources.”¹²

When viewed by sector, other patterns emerge. *Sustainable Equity and Sustainable Bond Funds: Percent of holdings reporting on SDGs by sector* details how equal-weighted holdings across both Sustainable Funds reported on the SDGs. Each sector bar shows the total reporting for that sector, with the type of reporting further broken down within each sector. Five sectors had 100% SDG reporting this past year, up from only three last year. Note that Communications, Utilities, and

Sustainable Equity and Sustainable Bond Funds: Percent of holdings reporting on SDGs by sector



This chart represents the aggregated holdings of Sustainable Bond Fund and Sustainable Equity Fund. The funds have different investment objectives and may invest in different issuers from time to time. Because the percentage of holdings reporting on SDGs are derived from aggregate fund holdings, each Fund's actual percentage of holdings reporting on SDGs may differ from the data shown.

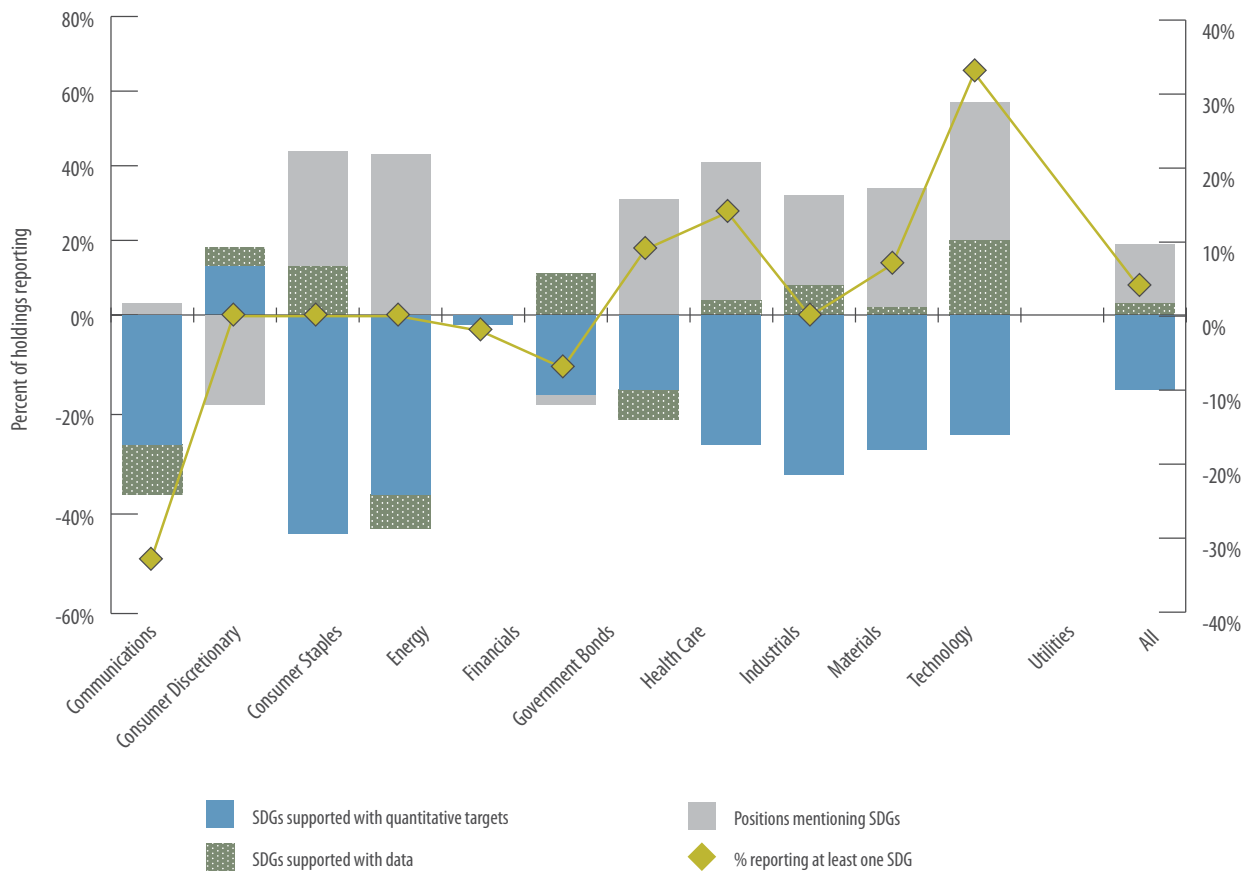
Energy have just a few holdings. Interesting results from this year include the high amount of substantive reporting from the Consumer Discretionary and Government Bond sectors. Those sectors have a high amount of supporting data and targets alongside stated SDG alignment. Materials and Technology had high percentages of reporting, but the reporting was less substantive in general.

Saturna Sustainable Equity and Saturna Sustainable Bond Funds: Percent of holdings reporting on SDGs by sector, 2022-2023, one-year change shows the reporting trends by sector from first quarter-end 2022 to first quarter-end 2023. Each bar represents the change in reporting by type. A positive teal bar means that more holdings reported quantitative targets for at least one goal in 2023 versus 2022, while a negative teal bar shows the opposite. In Saturna’s 2022 Impact Report, Consumer

Discretionary had some of the least substantive reporting; only 61% of the sector included data or targets. This year, the sector showed the largest change in holdings reporting a quantitative target; Consumer Discretionary had the highest amount of substantive reporting at 85%.

Industrials, Materials, and Technology all saw an increase in reporting, but most of those increases came from mentioning SDGs without supporting data or targets. We are hopeful that companies newly reporting on goals will deepen the quality of their reports next year.

Sustainable Equity and Sustainable Bond Funds: Percent of holdings reporting on SDGs by sector, 2022-2023, one-year change



This chart represents the aggregated holdings of Sustainable Bond Fund and Sustainable Equity Fund. The funds have different investment objectives and may invest in different issuers from time to time. Because the percentage of holdings reporting on SDGs are derived from aggregate fund holdings, each Fund’s actual percentage of holdings reporting on SDGs may differ from the data shown.

CASE STUDIES





Ensure healthy lives and promote well-being for all, at all ages

According to the Global Risks Report from the World Economic Forum (WEF), global health outcomes were weakened by the COVID-19 pandemic, and the effects are still reverberating around the world. The pandemic contributed to work absences, early retirements, a tighter labor market, and a decline in economic productivity. WEF noted that the resulting economic hit is estimated to be up to \$3.7 trillion in the United States alone, and up to \$5 billion AUD per year in Australia if current costs persist. This reflects the loss of quality of life, lost earnings and output, and higher spending on medical care. COVID-19 also diverted resources from other diseases, putting immunization campaigns on hold. Vaccination rates for polio fell to the lowest level seen in 14 years.¹³

Climate change is also expected to continue to affect global health. Heat-related deaths increased 68% between 2000-04 and 2017-21. Heat exposure led to 470 billion labor hours lost globally in 2021, with potential income losses equivalent to 0.72% of the global economic output, but as high as 5-6% of gross domestic product (GDP) in developing nations.¹⁴ At this critical point, we believe it is more important than ever to focus on SDG 3 and on the companies and issuers that contribute to this goal. This includes the health of employees and contributions to the health of those impacted by company operations. Research is increasingly showing that climate change disproportionately impacts women and girls by exacerbating existing gender inequalities, including disrupting access to sexual and reproductive health care. As part of this goal, we look for issuers and companies that contribute to universal access to sexual and reproductive health.¹⁵

One way we evaluate a company's contribution to this goal is by looking at the strength of its health and safety policies, programs, and reporting. To meet SDG 3, a company needs to have set targets to reduce health and safety incidents, robust monitoring and measurement protocols in place, and managerial responsibility for health and safety issues. Companies must also report on their performance. The Saturna Sustainable Funds both performed better on this goal than the MSCI All Country World Index.

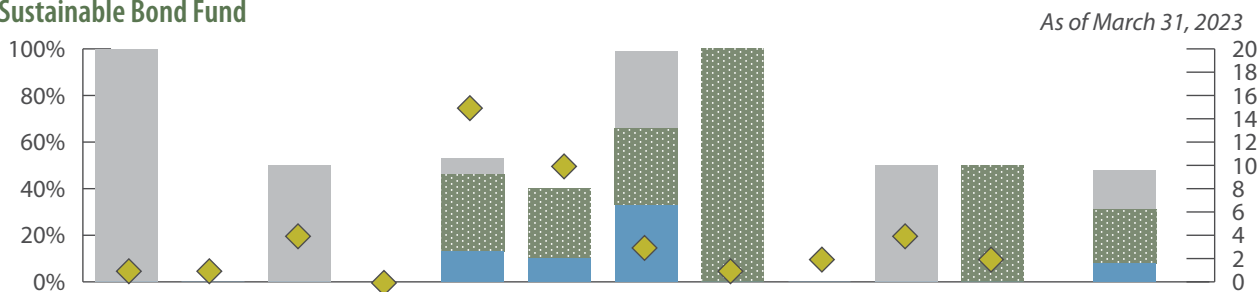


Percent of holdings / constituents reporting (by number of holdings)

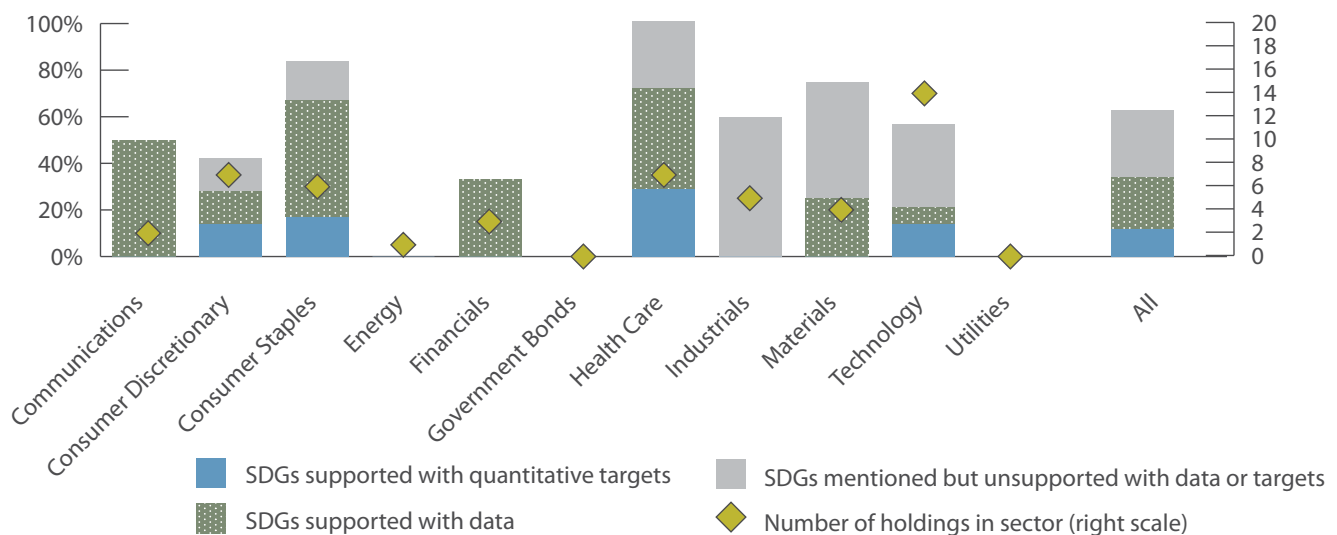
For periods ended March 31,		2022 to 2023 Change	2023	2022	2021	2020	2019
Strong health and safety management system	MSCI ACWI	0.8%	36.3%	35.5%	30.9%	27.1%	
	Sustainable Bond Fund	40.0%	100.0%	60.0%	40.0%	75.0%	
	Sustainable Equity Fund	10.1%	52.9%	42.9%	42.3%	45.5%	

SDG 3: Percent of holdings / constituents reporting (by number of holdings)

Sustainable Bond Fund



Sustainable Equity Fund



Target 3.b

Support the research and development of vaccines and medicines for the communicable and noncommunicable diseases that primarily affect developing countries. Provide access to affordable essential medicines and vaccines in accordance with the Doha Declaration on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and Public Health, which affirms the right of developing countries to the fullest use of the provisions in the TRIPS agreement regarding flexibilities to protect public health, and, in particular, provide access to medicines for all.

Case Study: GSK (GlaxoSmithKline)

Modern medicine and vaccines play a pivotal role in increasing lifespans, improving general population health, and lowering mortality rates from infectious disease. In high-income countries that have access to modern medicines, noncommunicable diseases have a larger impact on the population than pathogens. This is in sharp contrast to lower-income countries, where infectious diseases are one of the leading causes of death.¹⁶ More diverse pathogens, environments that amplify pathogen transmission, and a lack of access to medicine and vaccines are factors in this deviation. To help address this disparity, it is necessary to transfer resources from developed countries to developing countries.

GlaxoSmithKline, or GSK, is a global biopharmaceutical company that focuses on infectious disease, HIV, immunology/respiratory, and oncology therapeutics. Like many pharmaceutical companies, GSK faced public controversy in the past due to weak safety reporting standards, imprudent marketing of drugs, and sales incentives for doctors to sell their products.¹⁷ Since 2012, to improve their global reputation, the company removed all sales-based incentives for drug sales representatives, increased safety disclosures of their products, and added new efforts to develop medicines for low-income nations. GSK's pivot demonstrated material benefits to lower-income countries by improving health, livelihoods, and general well-being in previously underserved areas. By 2030, GSK intends to positively impact the health of 2.5 billion people worldwide, of which 1.3 billion would be living in low to lower-middle income countries.

GSK's contribution to SDG 3 began with significant investment in research and development (R&D)

targeting priority World Health Organization diseases including tuberculosis and malaria. In their 2023 ESG Performance Report, GSK committed €1 billion euros over the next 10 years in investment spending to the development of vaccines and medicines meant to primarily benefit lower-income countries.¹⁸ Currently, GSK has the largest R&D pipeline of any company targeting these detrimental diseases, and they also have the highest number of outstanding projects in these categories.¹⁹

GSK deploys a conscientious approach to pricing. They vary their prices based on the country of sale. In high-income countries, they use a values-based approach to balance reward for innovation and affordability. For lower-income countries, GSK prices their products based on the country's respective World Bank Income Classification. Using this pricing model, GSK improves access to medicine and vaccines in lower-income countries, subsidizing this effort with the improved margins realized from sales in higher-income countries. This allows for increased R&D spending and ensures the sustainability of their programs.

GSK has many international partnerships that help support their ability to enhance worldwide access to medicines and vaccines. They partnered with Gavi, a global alliance that seeks to improve vaccine accessibility to expand their reach in the lowest-income countries. GSK supplies Gavi with their lowest-priced vaccines, and if a country grows beyond the gross national income (GNI) eligibility threshold, GSK will implement a 10-year price freeze to sustain the program.²⁰ Since 2010, GSK has provided Gavi with over a billion vaccines.



ViiV Healthcare is another important partnership, a joint venture created by Pfizer and GSK to target HIV therapies. ViiV's mission is to widen global access to HIV medicines by providing nonprofit pricing to low-income, developing, and sub-Saharan African countries. GSK generally does not file patents or enforce historic patents in low-income countries, which allows external companies to manufacture and supply generic versions of GSK medicines. ViiV's voluntary license agreements provide a similar benefit by allowing manufacturers in low-income countries to produce and sell generic versions of ViiV's HIV medicines. As a result, around 21 million people in 122 countries have access to the same treatment compound present in ViiV's primary HIV therapeutic medicine.²¹

The Access to Medicine Index is a detailed performance breakdown of 20 leading global pharmaceutical companies, focusing on each company's contribution to increased access to medicine, vaccines, and diagnostics in low-income countries. The Index observes R&D projects, governance, pricing, and supply, while also identifying industry best practices. In 2022, GSK ranked first in the Index for the eighth consecutive time. The largest contributing factors were GSK's substantial R&D spending, combined with their flexible access strategies and pricing. By publicly committing to the control and elimination of the most impactful diseases and demonstrating their commitments through R&D spending, strategic access programs, and tangible positive utility, GSK is making a substantial contribution toward the goals of SDG 3.



Achieve gender equality and empower all women and girls

On average, a woman who works full-time earns 83 cents for every dollar paid to a man who works full-time. This adds up to about \$470,000 in lost wages over a 40-year career, or 12 years of extra work to match a man's earnings. Contemporary research continues to support the importance of gender diversity to investors. Research published in the *Journal of Business Ethics* studied the extent to which sexual harassment and discrimination impacted company performance and stock price. The researchers looked at complaints of sexual harassment, sifting through 1.5 million employee reviews on job sites such as Indeed and Glassdoor from 2011 to 2017.²² To quote professor Shiu-Yik Au of the University of Manitoba, "If you'd invested in sexually harassing firms, you would have actually suffered a loss of 20%, compared to an increase of about 150% for regular firms."²³ That's an underperformance of about \$2 billion dollars per year. What is innovative about this study is the focus on the impact of a toxic firm culture. Large sexual harassment lawsuits hit the news and the stock price, but investors must also be aware that discrimination can be insidious, less visible, and just as damaging to women and to the company. A culture of sexual harassment and discrimination for rank-and-file employees can drive labor costs up and operating profitability down.

For investors, looking at firm culture can be difficult from the outside. We use data points, including quantitative metrics, that are widely available – board diversity, number of women in managerial roles relative to the overall workforce, and trends of workforce demographics. Studying the culture of a company also necessitates qualitative analysis by looking at news stories, workplace policies, and company governance.

Saturna's gender equality key performance indicators (KPIs) demonstrate our focus on equality in a corporate setting while using data that is widely available. Corporate policies can have a huge impact on gender equality, not only in equal gender representation on the board, but also in closing the pay gap. The KPIs focus on the board, as research shows that a more gender-diverse board and management team correlates with better profitability, and the data presented is driven by that research.²⁴

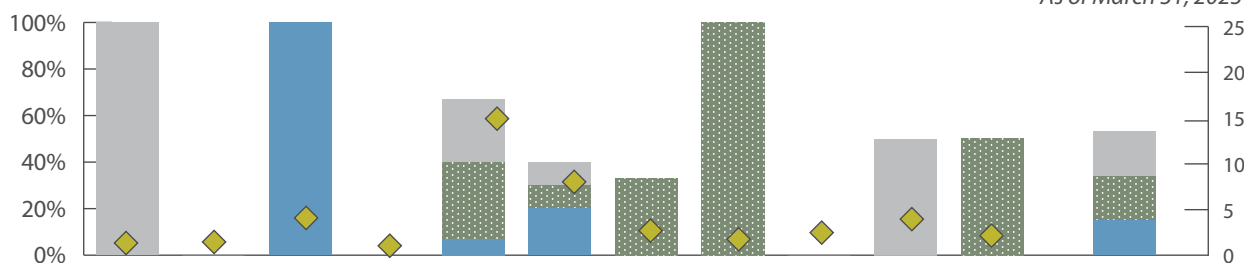


Percent of holdings / constituents reporting (by number of holdings)

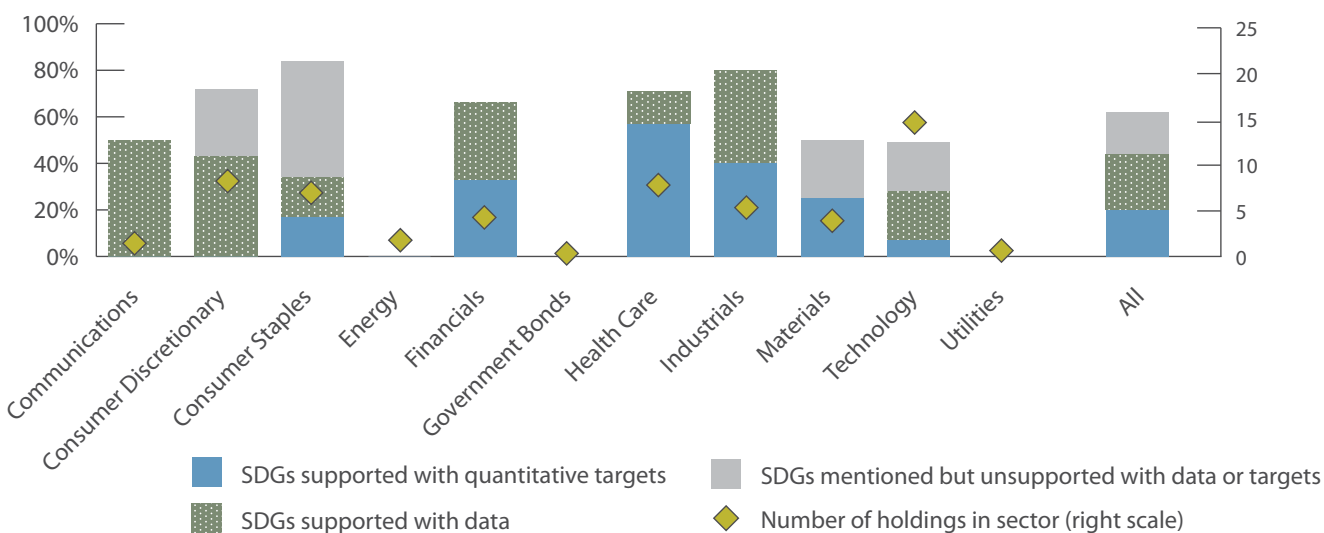
For periods ended March 31,		2022 to 2023 Change	2023	2022	2021	2020	2019
Holdings with 3 or more female board members	MSCI ACWI	3.0%	48.4%	45.4%	42.3%	36.7%	47.7%
	Sustainable Bond Fund	-4.0%	85.2%	89.2%	90.9%	77.8%	66.7%
	Sustainable Equity Fund	-0.7%	87.5%	88.2%	82.4%	63.8%	70.4%
Holdings with 33% or more female board representation	MSCI ACWI	3.6%	31.7%	28.1%	21.3%	20.1%	25.4%
	Sustainable Bond	4.4%	82.1%	77.8%	56.3%	63.0%	46.7%
	Sustainable Equity	-2.2%	62.5%	64.7%	44.8%	44.8%	42.6%

SDG 5: Percent of holdings / constituents reporting (by number of holdings)

Sustainable Bond Fund



Sustainable Equity Fund



Target 5.5

Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life.

Case Study: WLB²⁵

At an increasing rate, bonds are issued with a qualified use of proceeds designation – such as green, social, sustainable, or sustainability linked debt. Since these designations can be self-reported or come in varying degrees of quality, investors must use their own analysis to determine the quality of the issuer and the underlying projects. It is important that we evaluate the debt at issuance, including looking at the permitted use of funds and structure of the bonds. Surveilling the debt and its impact through the years is just as important. How impact is measured and reported continues to be a developing space. We chose the Women's Livelihood Bonds (WLB), issued by the Impact Investment Exchange Asia (IIX), as our case study for this report because IIX has shown strong innovation in the space of quality impact reporting.

IIX is a Singapore-based organization focused on the empowerment of women, the environment, and underserved communities. They issued bonds to provide ESG investors with fixed income impact opportunities that have portfolio diversification benefits. These cutting-edge bonds offer institutional investors the ability to invest in securities that fund loans for woman-owned enterprises and microfinance organizations in Cambodia, India, the Philippines, and Indonesia. The bonds offer diversification across geographies, beneficiaries, and organizations, as well as a partial-credit guarantee from the US Agency of International Development. The money helps create sustainable livelihoods for women across developing countries. The group's impact measurement process uses three distinct steps.

- 1) Establish an impact assessment framework focused on gender lens outcomes
- 2) Attach gender-specific metrics to ensure women have a voice and value
- 3) Identify financial proxies to project impact and link it with capital mobilized

We measure the financial impact of capital mobilized by using the social return on investment (SROI), which expresses how much social and environmental impact is created for every dollar invested into the organization. Monetizing social value creation can be done in two ways. The first is that outcomes such as productivity can be measured based on future cost avoidance or potential income increase due to time saved. The second is that outcomes such as increased financial resilience can be measured based on the value of savings or insurance coverage to which women have access.

Saturna Sustainable Bond Fund holds two issuances of Women's Livelihood Bonds. The WLB3 and WLB4 each have a unique mix of beneficiaries. Since the publication of our 2022 Impact Report, 51,593 women have directly benefited from the issuance of the WLB3 bond, with a SROI of \$4.63. We believe this sort of quantitative measurement, supported by a robust framework, adds a significant amount of credibility and transparency to the bonds. These metrics are supplemented by surveys given to the women beneficiaries about how the money has impacted their lives, and by continued financial and social surveillance of the organizations receiving the funding.



Ensure availability and sustainable management of water and sanitation for all

A quarter of the world’s population is experiencing extreme water stress and increasing periods of water shortages. Globally, one in three people do not have access to safe drinking water.^{26, 27}

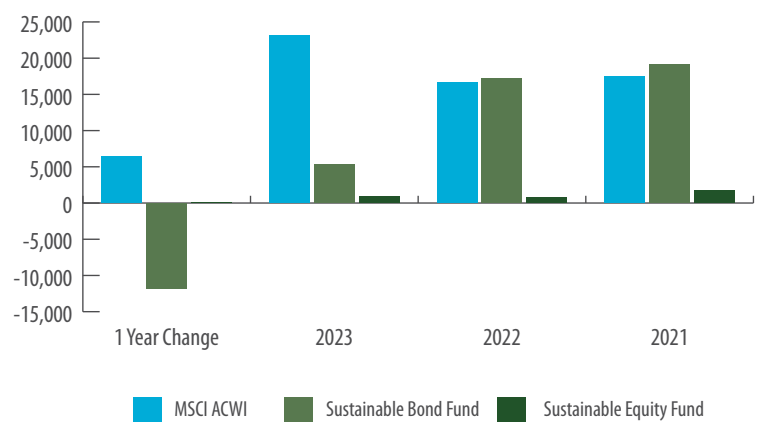
By 2030, the demand for fresh water is expected to exceed supply by over 40%. Water stress is likely to continue to intensify as climate change impacts weather patterns and the world population continues to grow.²⁸ As water scarcity intensifies, it’s critical for investors to understand water usage and the potential impacts a changing climate could have on their business operations.

Water scarcity can halt business operations, disrupt supply chains, and raise the cost of raw materials. This can include drought or flood-induced power outages, increased capital expenditure for water treatment and extraction, and even reduced water allocation during droughts, disrupting operations.²⁹ Major water scarcities impact policy and communities. The Colorado River supplies drinking water to 40 million people. In 2021, the federal government declared that the river was experiencing a water shortage for the first time ever. As of writing, the water level of the river was unsustainably low.³⁰

One of the ways we determine a company’s resilience to water issues is by looking at their water management program. To qualify as having a strong water management program, the company must report water use, set reduction targets and deadlines, and have initiatives to reduce freshwater use. There must also be managerial responsibility to reduce water use. The Sustainable Bond Fund holds two companies, United Utilities and Microsoft, which reported strong water management programs. The lowered percentage of reporting on this metric between 2022 and 2023 reflects that the Fund had more sovereign green bonds and emerging market holdings, which are less likely to report.

Water management is a dynamic topic with many aspects to consider, including water quality, mitigating exposure to water-stressed regions, water recycling, and consumption. Within this broad topic, we find that water consumption within a company’s own operations is the most standardized and widely reported measure.

Water Use Intensity (cubic meters/\$ million in sales)



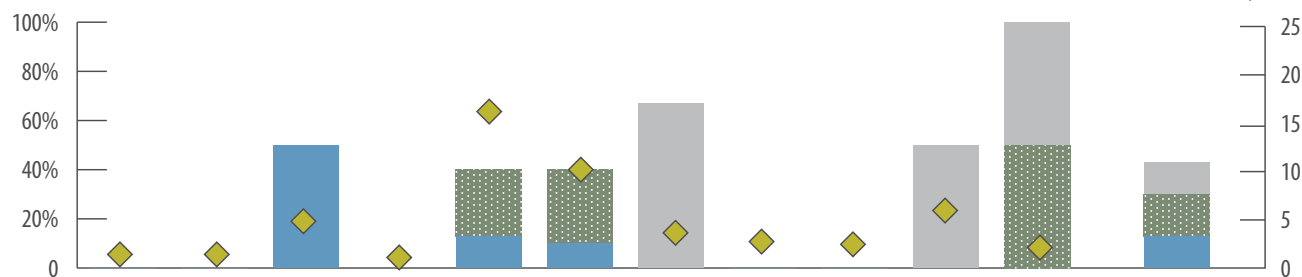
Percent of holdings / constituents reporting (by number of holdings)*

For periods ended March 31,		2022 to 2023 Change	2023	2022
Company has a strong water management program	MSCI ACWI	-0.7%	27.5%	28.2%
	Sustainable Bond	-11.1%	22.2%	33.3%
	Sustainable Equity	-6.5%	43.5%	50.0%

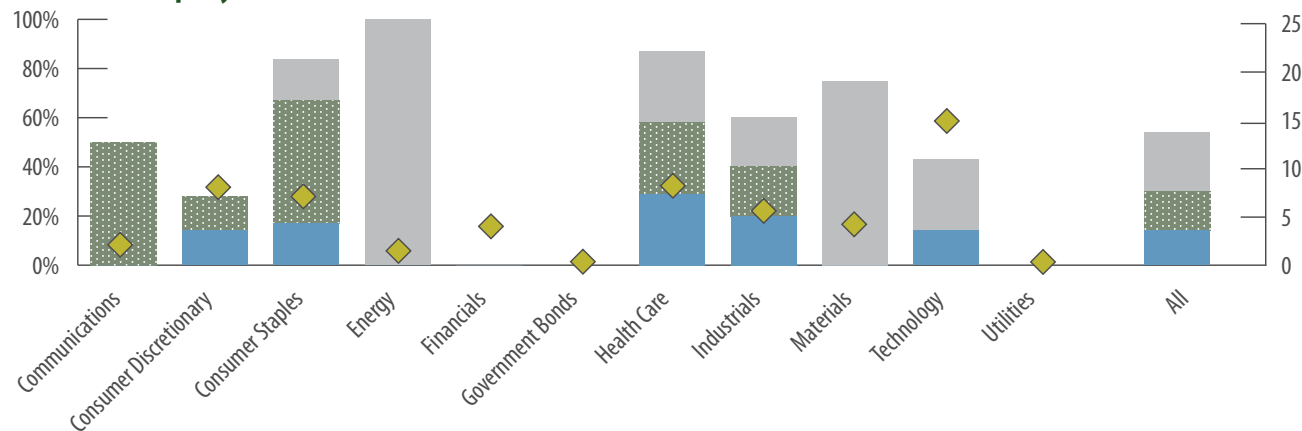
* Reporting only since 2022 due to change in Sustainalytics Criteria

SDG 6: Percent of holdings / constituents reporting (by number of holdings)

Sustainable Bond Fund



Sustainable Equity Fund



■ SDGs supported with quantitative targets ■ SDGs mentioned but unsupported with data or targets
■ SDGs supported with data ◆ Number of holdings in sector (right scale)

Target 6.4

By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.



Case Study: Ecolab

Ecolab is a clear choice for this case study. Their business is to develop and offer services, technology, and systems that specialize in the treatment, purification, cleaning, and hygiene of water in a wide variety of applications.³¹

Ecolab is among the numerous corporations advancing water stewardship. The company has outlined its own goals, which it hopes to reach by 2030. Ecolab focuses on restoring water withdrawal and safeguarding vulnerable watersheds where it operates. Some of these goals include achieving a net-positive water impact with their operations, which entails replenishing greater than 50% of water withdrawal and achieving Alliance for Water Stewardship certification at sites that operate in high-risk watersheds. Ecolab aims to reduce water withdrawal by 40% per unit of production. Thus far, they have reduced overall water impact by 10%.³² While they still have a long way to go on their outlined goals, we view it as a positive that they continue to publish progress on their goals in their annual reporting.

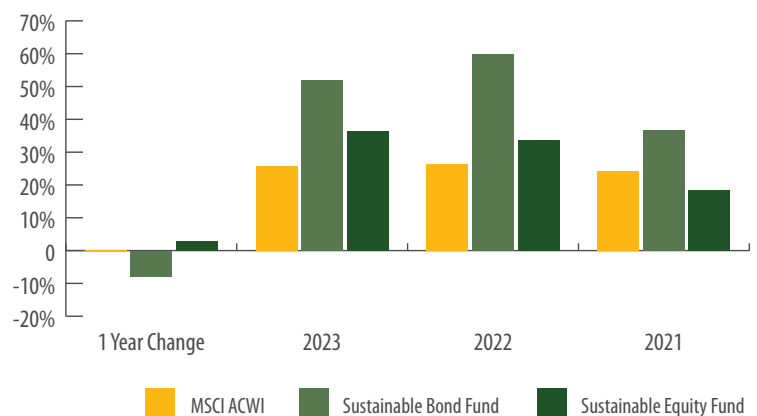
Ecolab created a new business offering, Ecolab Water for Climate, to help companies respond to the impacts of climate change. Ecolab Water for Climate aids businesses in developing a water management plan and equips them with consulting, engineering, advanced chemistry, digital technologies, and other resources to bring smart water use strategies across all aspects of the company. Ecolab notes that by better managing water in their operations, businesses can reduce their energy use and greenhouse gas (GHG) emissions. They found that more efficient water management in production processes can reduce water consumption by as much as 44%, energy use by as much as 22%, and GHG emissions by as much as 12%.³³



Ensure access to affordable, reliable, sustainable, and modern energy for all

Improvements in energy efficiency and renewable energy use on a corporate level don't just lower operational costs – they can also bolster the demand and production of renewable energy. One of the targets within this SDG is to double the global rate of improvement in energy efficiency by 2030. During portfolio selection, we consider a company's use of renewable energy and their renewable energy programs. The key performance indicators (KPIs) we use help us measure our holdings' overall progress toward using renewable energy sources. The portfolios performed very well relative to the MSCI All Country World Index for both renewable energy programs and use of renewable energy sources.

Average Renewable Energy Percentage



Percent of holdings / constituents reporting (by number of holdings)

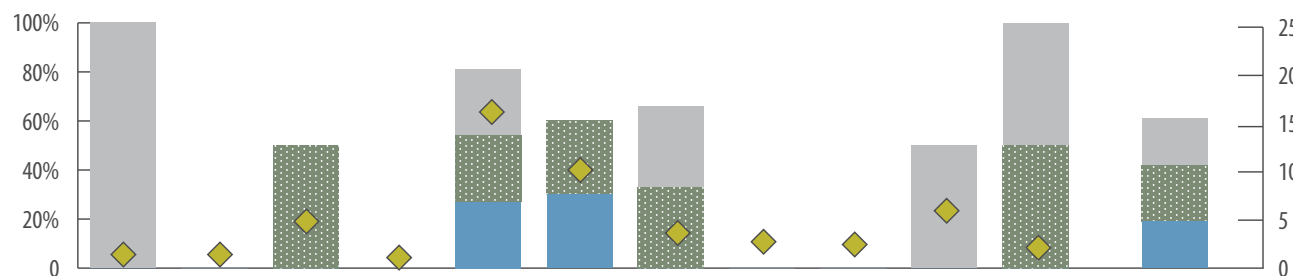
For periods ended March 31,		2022 to 2023 Change	2023	2022	2021	2020	2019
Implemented renewable energy program quantitative targets with clear deadline	MSCI ACWI	6.1%	34.1%	28.0%	19.4%	14.9%	17.1%
	Sustainable Bond	-13.0%	75.0%	88.0%	66.7%	70.0%	41.2%
	Sustainable Equity	-1.7%	76.3%	78.0%	58.1%	40.0%	32.1%
More than 10% of Company's primary energy use comes from renewable energy sources	MSCI ACWI	-1.4%	56.8%	58.2%	54.1%	16.0%	22.3%
	Sustainable Bond	-6.5%	88.2%	94.7%	80.0%	80.0%	36.0%
	Sustainable Equity	-4.1%	77.4%	81.5%	53.8%	53.3%	45.8%



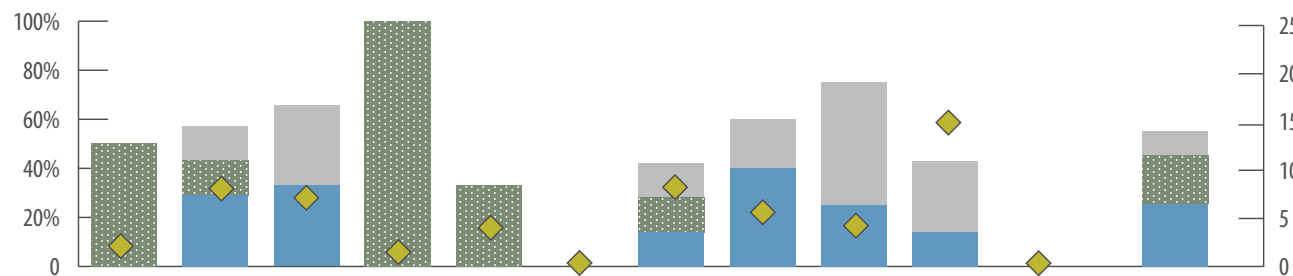
SDG 7: Percent of holdings / constituents reporting (by number of holdings)

Sustainable Bond Fund

As of March 31, 2023



Sustainable Equity Fund



- SDGs supported with quantitative targets
- SDGs mentioned but unsupported with data or targets
- SDGs supported with data
- Number of holdings in sector (right scale)

Target 7.a

By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency, and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology.

Case Study: Accenture and Microsoft – joint venture Avanade

Digital technologies will be a key component to the energy transition. Companies have transparency in their operations, be able to optimize operations in an efficient way, and have data to report and provide insights for good governance and capital allocation.

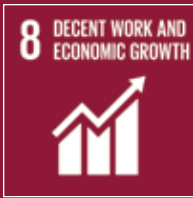
Avanade is a joint venture between Microsoft and Accenture. The companies combine their capabilities across the cloud, AI, and IoT (Internet of Things) to help energy companies decarbonize the supply of energy. Goals include reducing the cost of renewable generation by 25% and improving electricity balancing and fluctuation management with tools such as digital twins. In manufacturing, a digital twin is the use of technology to provide a comprehensive, real-time view of physical assets, products, and processes from initial design to final assembly. Digital twins can also be used to test new ideas or processes.

Through the expanded strategic partnership, Microsoft and Accenture collaborate to extend existing capabilities and develop new joint offerings across four areas:

- **Digital Manufacturing Transition** – Manufacturing organizations need to rapidly establish and scale the digital foundation of individual production sites and factory networks. The companies note the joint venture will help improve asset utilization and deploy business models that enable circularity. They will also apply digital twin technology to help reduce emissions, waste, the consumption of materials, water and other resources in production and operations, and improve transparency across the value chain. An Accenture and UN Global Compact study found that 44% of CEOs said digital twins will make a significant impact on sustainability in their

industry over the next five years.

- **Low-Carbon Energy Transition** – In a global survey conducted by IBM, 72% of CEOs reported feeling increased pressure to act on sustainability over the next three years.³⁴ To do so, businesses need to transform operations across the energy value chain. Joint offerings will help companies in the transition to a net-zero economy by connecting and integrating energy infrastructure to develop carbon intelligence and transform customer offers and business models that can support low-carbon energy experiences.
- **Sustainable IT with Microsoft Azure and Green Software Engineering** – Organizations seek energy-efficient infrastructure along with greater flexibility and business agility. Research by Accenture noted that having data centers on the premises shifted to the public cloud can reduce an enterprise's energy usage by 65% and cut carbon emissions by more than 84%.
- **ESG Measurement, Analytics, and Performance with Microsoft Cloud for Sustainability** – Organizations face increasing regulatory and stakeholder demands, and they need information to innovate and embed sustainability into the design of new products and services. Joint solutions will focus on providing sustainability data so companies can report and act on those insights. Companies that consistently demonstrate high ESG performance score 2.6x higher on total shareholder return than their counterparts.³⁵



Promote inclusive and sustainable economic growth, employment, and decent work for all

Over the past five years, the COVID-19 crisis, Russia-Ukraine conflict, trade wars, and other economic hurdles strained international supply chains and exposed crucial vulnerabilities, diminishing global economic growth. The recovery from these events was dampened by an environment of high inflation, volatile demand, and labor shortages. In many countries, economic growth has since rebounded. However, developing countries are less resilient to economic disruptions, and these recent events have led to a widening of inequalities and a retracing of previous progress. The persisting result of these events was an increase in child labor, fewer youth in school or workforce training, and a decline in workforce productivity that disproportionately affected smaller companies and developing countries.³⁶

When companies manage their supply chains with sustainability and adaptability at the forefront of their goals, they mitigate the impact of international events and crises. This leads to better work for employees and increased employment stability, two important drivers of sustainable economic growth. Positive change in sustainable business practices is often led by social and environmental factors. Key social factors include a diverse workforce, restrictions on child labor, fair pay, and safe environments that reduce employee turnover and promote the development of skills. From an environmental perspective, targeting supply networks with initiatives to track and reduce greenhouse gas (GHG) and pollutant emissions can lead to more robust supply chains, lowering legal and regulatory risks. When these efforts are combined, companies can mitigate ESG risks, improve public perception, and ameliorate working conditions for employees. The benefits of such initiatives are tangible in the present and in the long term.

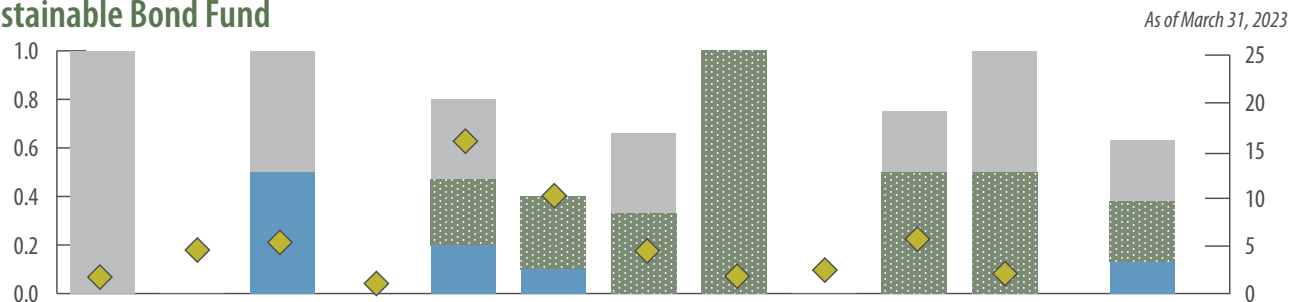
We report on key performance indicators (KPIs) that are geared toward identifying good corporate actors for working conditions, both inside their company and in their supply chains. The first KPI, "Company has initiatives to reduce the social risks in the supply chain" includes explicitly stated efforts to combat issues such as poor working conditions, the use of child labor or forced labor, and lack of a living, fair, or minimum wage. The second KPI, "Company initiatives to train new and existing employees on career development available to employees at all levels," can show whether a company has implemented any initiatives to train employees on career development, education, or skills. These initiatives should apply to all employee levels, not just to employees at management level.

Percent of holdings / constituents reporting (by number of holdings)

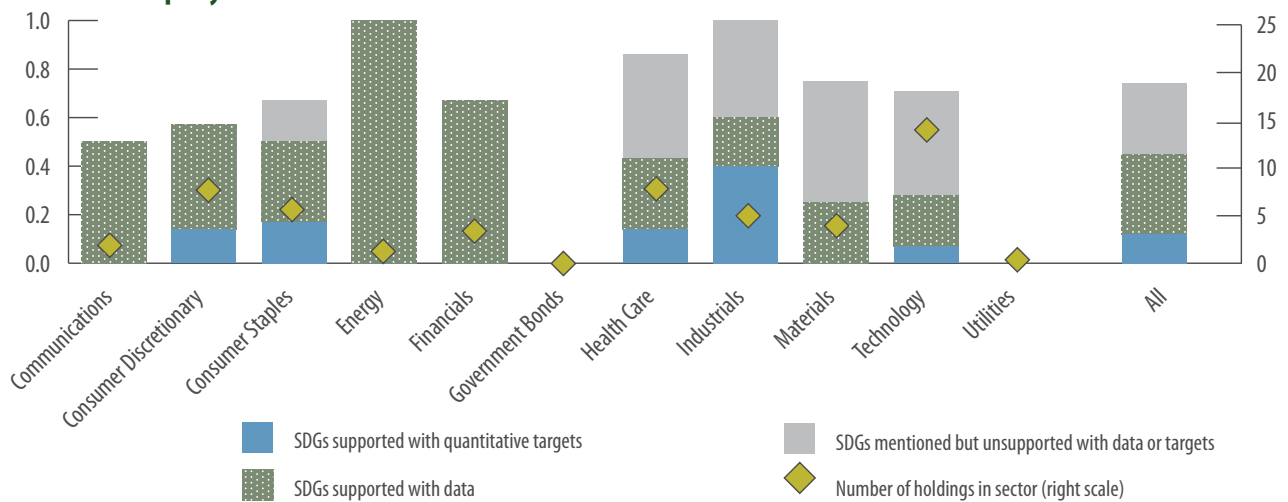
For periods ended March 31,		2022 to 2023 Change	2023	2022	2021	2020
Company has initiatives to reduce the social risks in its supply chain	MSCI ACWI	-0.9%	82.2%	83.1%	78.1%	73.4%
	Sustainable Bond Fund	-1.5%	93.1%	94.6%	100.0%	88.9%
	Sustainable Equity Fund	-0.2%	95.8%	96.1%	90.4%	91.4%
Company initiatives to train new and existing employees on career development available to employees at all levels	MSCI ACWI	0.0%	93.8%	93.9%	88.3%	84.6%
	Sustainable Bond Fund	2.0%	96.6%	94.6%	95.5%	92.6%
	Sustainable Equity Fund	1.7%	95.8%	94.1%	92.3%	94.7%

SDG 8: Percent of holdings / constituents reporting (by number of holdings)

Sustainable Bond Fund



Sustainable Equity Fund



Target 8.4

Through 2023, progressively improve global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation, in accordance with the 10-Year Framework of Programs on Sustainable Consumption and Production with developed countries taking the lead.



Case Study: Unilever - Leveraging technology to gain transparency into the indirect supply chain

Unilever is a leader and first mover in supply chain transparency and information. They were the first consumer goods company to publish a full list of the palm oil suppliers and third-party mills in their supply chain. They were also the only company to publish a public grievance report so that issuers associated with their direct and indirect palm oil suppliers could be identified and addressed.

Sourcing information for indirect supply chain components is notoriously difficult due to lack of transparency. It is challenging to track whether a commodity was grown on deforested land or is associated with controversies or human rights violations. Unilever has taken several steps toward improving their transparency and oversight for their complex supply chain.

Unilever, after starting with palm oil, launched a Gender Equity Framework designed to address gender discrimination in agriculture, manufacturing, and women-led last-mile distribution networks. They are actively monitoring the remediation of cases where supply chain workers were expected to pay recruitment fees, with the goal of eliminating those fees. They commissioned independent Human Rights Impact Assessments in Brazil and the US as part of their due diligence processes.³⁷

However, if a company has little visibility, the best due diligence on the supply chain still won't impact indirect sourcing. To combat this, Unilever uses digital tools to assess social risks in their supply chain including land rights, deforestation, and forced labor. In a collaboration with Orbital Insight, Unilever launched a pilot program that uses geolocation data to identify the specific farms and plantations in its extended supply chain that are most likely supplying mills with palm oil. Through this technology, Unilever can see exactly where its crops are sourced, and can even identify possible issues such as deforestation.³⁸



Reduce inequality within and among countries

A target of SDG 10 is to empower and promote the social, economic, and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion, or economic or other status. There are countless individuals globally that experience discrimination, and according to the UN, one in five people have experienced discrimination on at least one of the grounds prohibited under international human rights law.³⁹

According to the World Economic Forum, 1.3 billion people live with a disability, representing 17% of the population – one of the largest minority groups worldwide. However, only 4% of businesses are focused on making offerings inclusive of disability. Disabled people are often disregarded as customers or are unable to get employment. The employment rate for disabled people is half that of non-disabled people. Disability inclusion has a strong business case. Excluding disabled people represents a loss of up to 7% of gross domestic product (GDP) in some countries, and “a disability-inclusive business strategy promises a significant return on investment.”⁴⁰

Beyond the well-established business case for diversity and inclusion, there is a stunning lack of transparency concerning data related to equality. According to research from Just Capital, only 6% of the companies they surveyed disclosed both demographic data and race/ethnicity pay ratios.⁴¹ Only 32% of the largest US companies analyzed their gender pay gaps, and only 14% reported the results.⁴² Out of the 38 countries in the Organisation for Economic Co-operation and Development (OECD), 20 collected no racial or ethnic identity data. These countries include some of the world’s wealthiest nations such as Japan, Germany, France, and Italy. In many cases the collection of this type of data is illegal.⁴³ In the Annual Report of the United Nations High Commissioner for Human Rights in 2021, the UN encouraged the collection of demographic and race/ethnicity data while also recognizing that the collection of such data is historically complex due to the abuses enacted during World War II. The report noted that the collection of these kinds of data would require “strict safeguards...in accordance with international human rights law,” and that the “cumulative effects of laws, policies and practices on specific racial and ethnic groups” should be analyzed.⁴⁴ Ultimately, transparency and visibility will be key to achieving SDG 10.

Saturna Capital favors companies who have robust policies in place to prevent discrimination, transparency with data including gender wage gaps and workforce demographics, and goals to reduce inequality. These are clear steps toward closing the benefit and wage gaps that Black and female workers have suffered and will ultimately help achieve SDG 10. The key performance indicators (KPIs) we present are focused on corporate policies concerning discrimination and diversity. To meet these KPIs, a company must list the types of discrimination they are committed to eliminate, and they must also reference the International Labour Organization conventions to ensure equal opportunity.

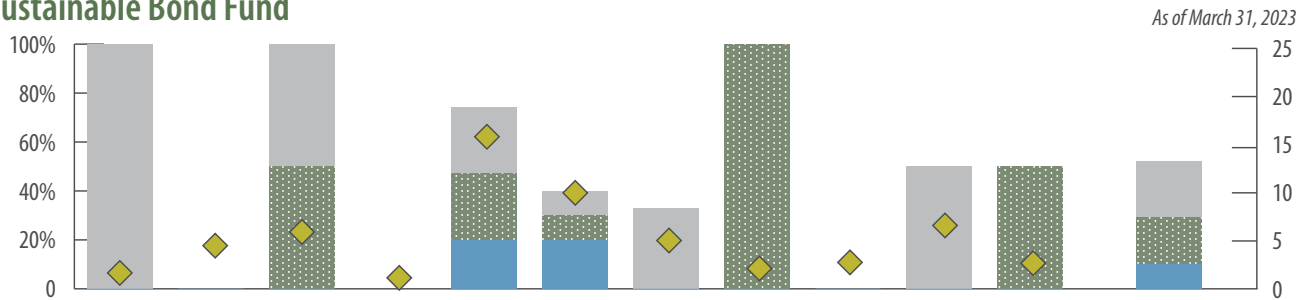


Percent of holdings / constituents reporting (by number of holdings)

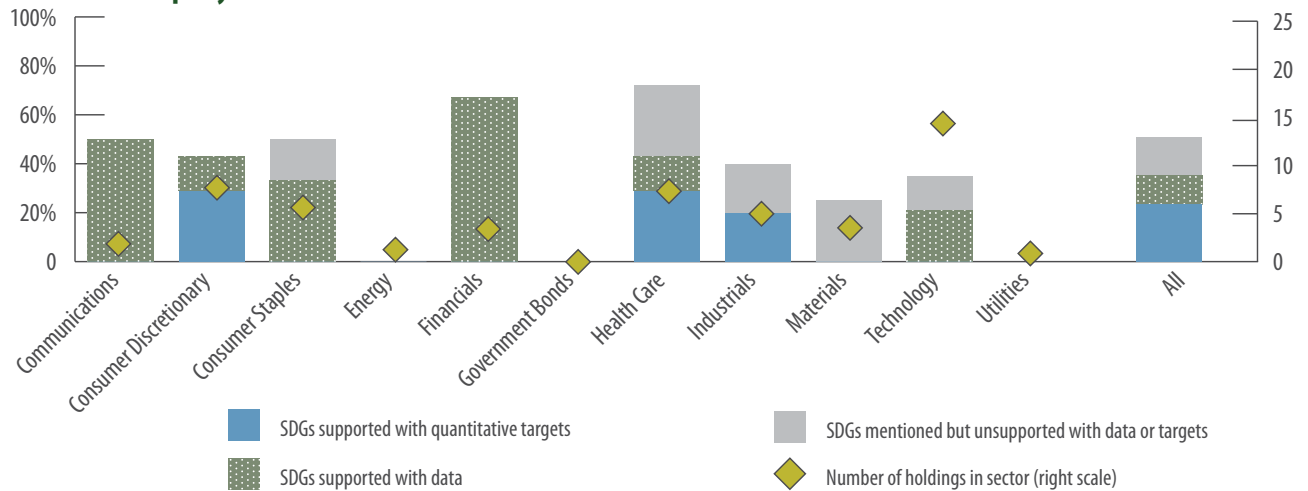
For periods ended March 31,		2021 to 2022 Change	2023	2022	2021	2020	2019
Company has a strong anti-discrimination policy	MSCI ACWI	3.2%	29.3%	26.1%	19.9%	17.4%	21.2%
	Sustainable Bond Fund	8.8%	53.6%	44.7%	40.7%	45.6%	46.4%
	Sustainable Equity Fund	-4.4%	59.6%	64.0%	57.1%	54.5%	45.3%
Company has a strong diversity program	MSCI ACWI	0.0%	19.3%	19.3%	18.1%	17.3%	22.2%
	Sustainable Bond Fund	-4.9%	46.4%	51.3%	59.3%	54.5%	57.1%
	Sustainable Equity Fund	-10.2%	29.8%	40.0%	37.5%	35.1%	34.0%

SDG 10: Percent of holdings / constituents reporting (by number of holdings)

Sustainable Bond Fund



Sustainable Equity Fund



Target 10.2

By 2030, empower and promote the social, economic, and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion, or economic or other status.

Case Study: Lululemon

Lululemon is a multinational retailer that focuses on apparel for healthy lifestyle activities including yoga, running, and fitness. We chose Lululemon as a case study to show how controversies can spur positive change.

Lululemon's company culture has a controversial reputation stemming from events that breached cultural insensitivity, a lack of awareness surrounding body positivity, and ironic marketing. Founder Chip Wilson's tenure was riddled with blunders, including stating that the name Lululemon was chosen because Japanese people could not pronounce the "L" sound, and later that his company's yoga pants "just don't actually work" for larger women's bodies.⁴⁵ More recently, Lululemon promoted an event with the message "resist capitalism," sparking widespread ridicule due to the company's exorbitant prices and narrow target demographic.⁴⁶ Lululemon's turnover of key employees, initiation of new programs, and better tracking of equity statistics have demonstrated their commitment to improvement, slowly ameliorating public perception.

Lululemon now employs a comprehensive approach to identifying, reviewing, and implementing policies and practices that promote diversity, equity, and inclusion (DEI). Lululemon differentiates itself from its competitors by setting DEI standards within their organization and then applying these standards throughout their value chain. Lululemon's IDEA (Inclusion, Diversity, Equity, and Action) Supplier Inclusion and Diversity Program was created with the intention to empower underrepresented and disadvantaged organizations.⁴⁷ To accomplish this goal, IDEA identifies and addresses gaps in diversity and inclusion within supplier networks, and simultaneously seeks out suppliers with the following traits: racial diversity, people with disabilities, veterans, members of

the LGBTQ2IA+ community, and women. IDEA narrows down potential suppliers based on their commitment to inclusivity and sets standards for all suppliers including fair pay, safe work, and equal opportunity regardless of race, gender, or other traits. The program was launched in the US and is expanding globally.

Lululemon employs a workforce showing growth in racial diversity. In 2020, the company set a goal to increase representation of racially diverse employees to 30% of assistant store managers, directors, and above by 2023. The company also set a 40% target for racially diverse employees across their entire workforce by 2023. In 2021, they made progress toward both goals. With these goals maturing in 2023, Lululemon plans to expand the scope of its goals and set new targets for 2026. By establishing quantitative goals related to racial diversity, Lululemon holds itself accountable to make tangible improvement, setting an example for competitors to follow.

US companies that meet certain conditions are required to report employee demographic data on their EEO-1 form. In 2022, Lululemon released their EEO-1 data for their US employees following a 2021 shareowner resolution that urged the company to report on workforce demographic data.⁴⁸ In the last year, the proportion of Russell 1000 companies that released EEO-1 data rose from 11% to 34%. Over the same period, companies who chose to disclose EEO-1 or equivalent data outperformed companies that did not disclose this data by 7.9%.⁴⁹ This substantial outperformance demonstrates that DEI initiatives and tracking may benefit companies both publicly and internally. In 2021 and 2022, Lululemon achieved 100% pay equity, and they plan to maintain this achievement going forward.



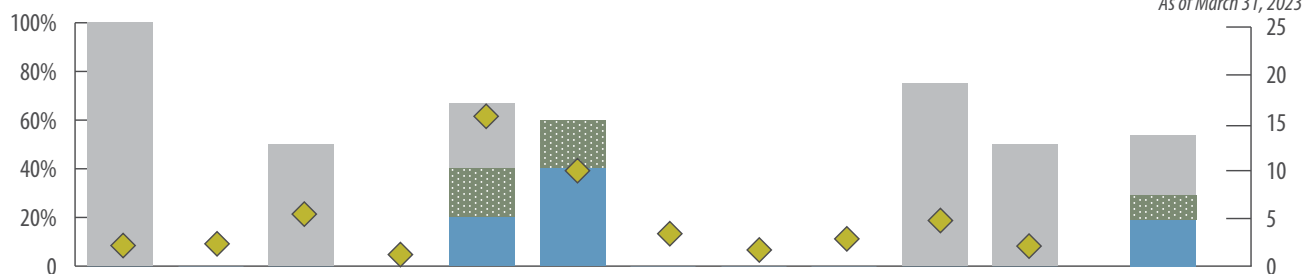
Make cities and human settlements inclusive, safe, resilient, and sustainable

Municipalities have a tremendous role to play in achieving SDG 11. Individual cities, counties, and states make critical decisions on infrastructure spending and design. The municipal market provides funding and access for so many aspects of building cities, from affordable housing to waste and water management to education. Within the United States alone there are over one million municipal securities outstanding from 50,000 unique state and local governments and other issuing authorities.⁵⁰ Schools, roads, universities, and hospitals are all part of this unique market. Currently, about 22,000 individual securities are labeled green, social, or sustainable in the municipal market, or 2.22%. Most municipal debt securities that would contribute to SDG 11 remain unlabeled.

The Sustainable Bond Fund primarily invests in the municipal market through variable rate demand notes (VRDNs). Municipal VRDNs always trade at 100 and they have built-in daily or weekly put features. This helps stabilize the Fund's net asset value (NAV), provides excellent liquidity, and is more in line with the Fund's sustainable objective versus a pure cash position. We aim to choose positions in the municipal market that have elements of sustainability, including affordable housing.

SDG 11: Percent of holdings / constituents reporting (by number of holdings)

Sustainable Bond Fund



Sustainable Equity Fund



Target 11.1

By 2030, ensure access for all to adequate, safe, and affordable housing and basic services, and upgrade slums.



Case Study: New York City Housing – Sustainable Development Bonds

The New York City Housing Development Corporation (HDC) is a public benefit corporation founded in 1971 to finance affordable multi-family rentals for low-income, moderate-income, and middle-income residents. Its mission is to increase affordable rental supply, preserve affordability, revitalize neighborhoods, and stimulate economic growth.

This new category of bonds was introduced in 2019 to highlight the socially beneficial attributes and environmental benefits of financing affordable housing. These bonds were the first of their kind for affordable housing in the United States. The proceeds primarily go toward new construction and preservation of affordable housing projects.

In addition to the affordability and holistic community development components, these bonds address environmental benefits which build upon HDC's work under Enterprise Green Communities Criteria (EGCC), the only comprehensive green building framework designed for affordable housing. The bonds directly focus on SDG 11, making human settlements inclusive, safe, resilient, and sustainable.⁵¹

The HDC issued the Sustainable Development Bonds to allow for direct investment in bonds that finance socially beneficial projects. In 2022, \$400 million was issued to reimburse spending on projects, including the construction of 2,442 units at 12 affordable housing multi-family developments in Brooklyn, the Bronx, Manhattan, and Queens. For the housing built, 80% of the units were priced at low-income rents, and had to be affordable for households that earned no more 80% of the area median income (AMI). For a family of four in New York City in 2022, the AMI was \$133,400. Up to 20% of the units had to be affordable for tenants who earned up to 100% of the AMI. In most cases, 15% of the units were set aside for formerly homeless tenants.⁵²



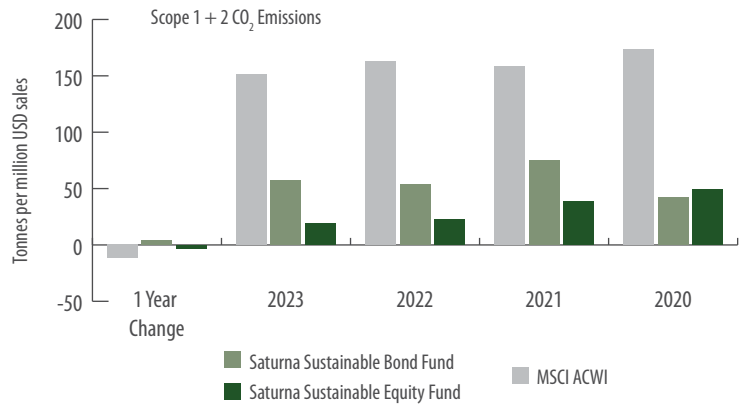
Take urgent action to combat climate change and its impacts

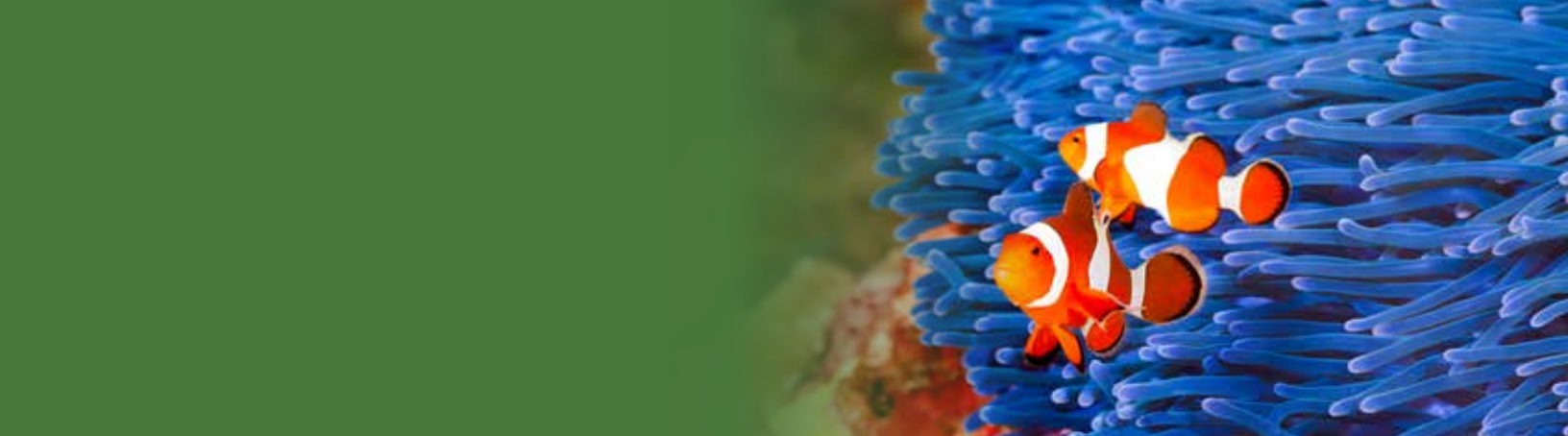
Climate change impacts almost every part of life on this planet. From the ecosystems that support us, to our health and the health of our economy, almost nothing is left unscathed. In 2022, the US experienced 18 disasters with costs exceeding a billion dollars each, resulting in 474 deaths and at least \$165 billion in damages. It was the third most costly year on record.⁵³ In Pakistan, a third of the country flooded in August 2022, killing 15,000 people and displacing eight million more. Agriculture, homes, and infrastructure were destroyed, with millions of people forced into poverty as a result.⁵⁴

When choosing investments for Saturna Sustainable Funds, we evaluate the issuer resilience to climate change risks on multiple levels. Climate and carbon risks are a major focus for both the Sustainable Bond Fund and the Sustainable Equity Fund. Sector, physical, and transition risks, as well as overall governance, are considered. We also look at the issuer’s ability to participate in opportunities related to the transition to a low-carbon economy. There is a large and growing body of literature on pricing climate risks into financial markets. While there has been some adjustment for climate factors, several studies indicate that current prices don’t fully reflect the risks.^{55, 56}

Weighted average carbon intensity and the following tables provide a snapshot of the risk of the Sustainable Funds relative to the MSCI All Country World Index.

Weighted average carbon intensity





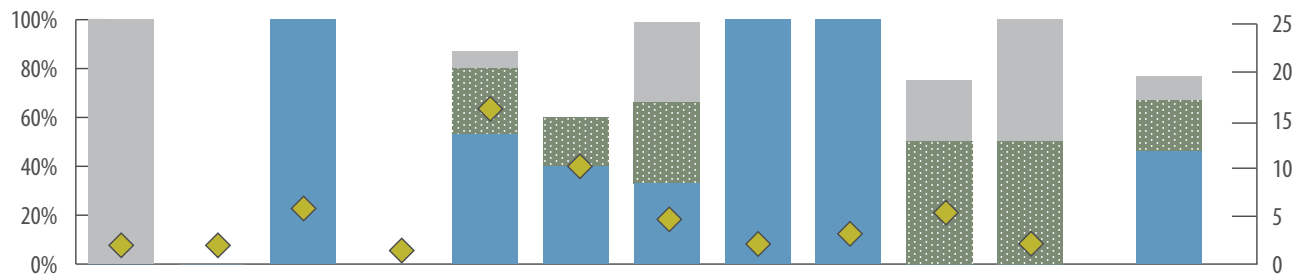
Percent of holdings / constituents reporting (by number of holdings)

<i>For periods ended March 31,</i>		2022 to 2023 Change	2023	2022	2021	2020	2019
Discloses Scope 1 and either Scope 2 or Scope 3	MSCI ACWI	1.1%	44.6%	43.5%	44.8%	64.2%	73.0%
	Sustainable Bond Fund	15.8%	100.0%	84.2%	83.3%	100.0%	88.2%
	Sustainable Equity Fund	4.4%	76.3%	71.9%	78.1%	90.3%	89.7%
Company has strong greenhouse gas reduction program	MSCI ACWI	-2.0%	43.0%	45.0%	49.7%	48.6%	57.5%
	Sustainable Bond Fund	-14.8%	69.2%	84.0%	100.0%	81.8%	76.5%
	Sustainable Equity Fund	-1.3%	73.7%	75.0%	93.8%	74.2%	79.3%
Carbon intensity is below industry mean	MSCI ACWI	1.6%	32.6%	31.1%	30.9%	25.6%	30.2%
	Sustainable Bond Fund	19.0%	76.9%	57.9%	75.0%	72.7%	56.0%
	Sustainable Equity Fund	10.0%	63.2%	53.1%	59.4%	48.4%	45.8%
Carbon intensity decline is more than 10% in past 3 years	MSCI ACWI	1.1%	43.9%	42.8%	41.5%	27.5%	31.7%
	Sustainable Bond Fund	11.7%	53.8%	42.1%	25.0%	72.7%	48.0%
	Sustainable Equity Fund	20.7%	89.5%	68.8%	65.6%	48.4%	39.6%

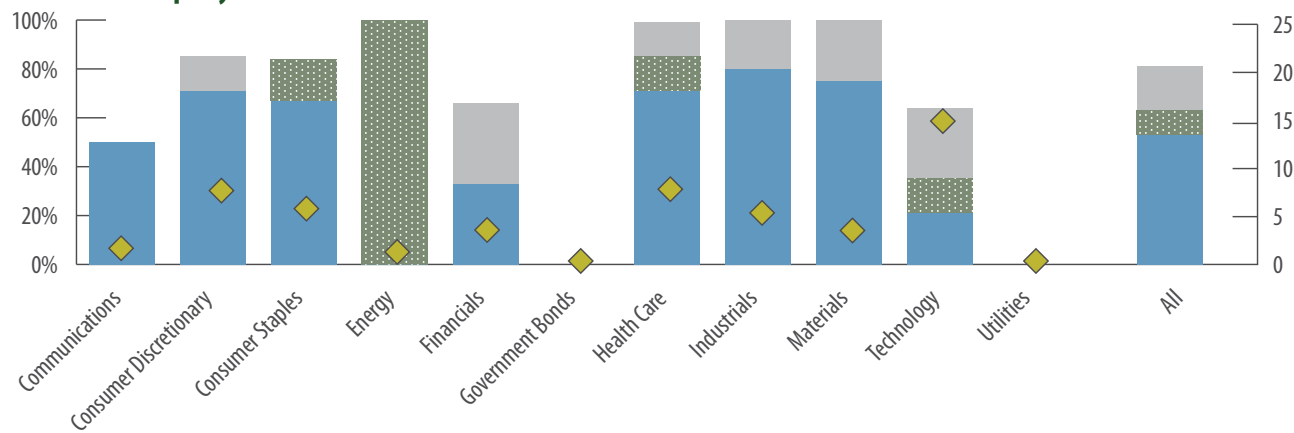
SDG 13: Percent of holdings / constituents reporting (by number of holdings)

Sustainable Bond Fund

As of March 31, 2023



Sustainable Equity Fund



Target 13.1

Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.



Case Study: Chile Sustainability Linked Bond

Saturna Sustainable Bond Fund actively seeks to own issuers using bold and innovative strategies that address climate change risks while adhering to the Fund's investment objective of capital preservation and current income. The risks of climate change continue to mount, and fixed income can be part of the solution.

Finding solutions to finance climate change merits attention, particularly after the release of the latest report from the Intergovernmental Panel on Climate Change (IPCC). The IPCC is a scientific body that was assembled by the United Nations in 1998 to monitor and assess global science related to climate change. On March 20, 2023, the IPCC released their sixth report, which was an updated assessment on the state of the planet's global warming trends.⁵⁷

The IPCC report provided a grim assessment on the state of climate change trends. The average annual greenhouse gas (GHG) emissions between 2010 and 2019 were higher than in any previous decade on record. Global net anthropogenic GHG emissions were estimated to be 59 ± 6.6 gigatons of carbon dioxide (GtCO₂-eq) in 2019, about 12% higher than in 2010 and 54% higher than in 1990, with the largest share and growth in gross GHG emissions occurring in CO₂ from fossil fuel combustion and industrial processes.⁵⁸ Approximately 3.3 billion to 3.6 billion people (about 42% to 46% of the world's population) live in contexts that are highly vulnerable to climate change, including acute food and water insecurity, extreme weather conditions, and disease.^{59, 60} The IPCC report warned that if global surface temperatures rise 1.5°C above normal levels, natural and human systems face higher climate-related risks; in terrestrial ecosystems, 3% to 14% of the tens of thousands of species assessed face a very high risk of extinction, coral reefs are projected to decline by 70% to 90%, and many low-elevation and small glaciers around the world would lose most of their mass or even disappear within decades to centuries.⁶¹

The government of Chile, recognizing the importance of mitigating climate change risks, issued the first sovereign sustainability linked bond on March 2, 2022, which established clear targets for reducing GHG emissions.⁶² When an issuer offers a sustainability linked bond, they commit to specified sustainability outcomes on a predefined timeline.⁶³ If the issuer fails to meet these sustainable outcomes, investors are compensated with a higher coupon rate, or the bond is redeemed above par. With a sustainability linked bond, the issuer has financial skin in achieving the objectives. Sustainability linked bonds differ from green bonds, in which the issuer makes a voluntary, non-financial commitment, and the investor bears the risk if the issuer fails to achieve their targets. This is called a "green default" and can adversely affect the bond's performance.⁶⁴

Chile set two Sustainable Performance Targets (SPTs) within their sustainability linked bond. The first SPT has two parts:

- 1a) Reduce Chile's annual GHG emissions to 95 MtCO₂e by 2030, down from its baseline of 112.33 MtCO₂e reported in 2018.
- 1b) Keep total GHG emissions to 1,100 MtCO₂e between 2020 and 2030.⁶⁵

The second SPT also has two parts:

- 2a) The government of Chile seeks to achieve 50% electricity generation derived from non-conventional renewable sources by 2028.
- 2b) The government of Chile seeks to further increase renewable power generation to 60% by 2032.⁶⁶

If both SPTs are met, the coupon price will remain unchanged at maturity. If one of the two SPTs are not met, the coupon of the bond will rise by 12.5 basis points (bps). If neither of the SPTs are met, the coupon of the bond will rise by 25 bps.⁶⁷

We find that investing in bonds issued by countries taking bold initiatives, such as Chile, offers our investors a great way to make a positive impact in emerging market communities that offer attractive yields while obtaining the protection offered by their investment-grade credit rating.



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable and inclusive institutions at all levels

Targets within SDG 16 include developing effective, accountable, and transparent institutions at all levels, and to substantially reduce corruption and bribery in all forms. Good governance and effective policies are some of the most powerful tools corporations can use to combat corruption and provide transparency. Saturna Sustainable Funds seek to invest in companies with quality boards, and often that includes those with strong anti-bribery and anti-corruption policies. Good governance is the foundation upon which good corporate decisions are made and where the full integration of environmental, social, and governance factors starts.

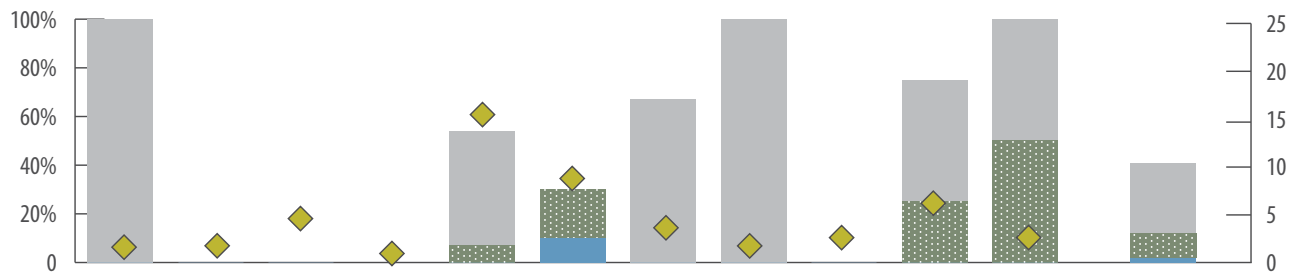
Percent of holdings / constituents reporting (by number of holdings)

<i>For periods ended March 31,</i>		2022 to 2023 Change	2023	2022	2021	2020	2019
Holdings with more than 75% board independence	MSCI ACWI	1.5%	38.9%	37.3%	37.7%	39.3%	44.4%
	Sustainable Bond Fund	3.2%	89.3%	86.1%	78.1%	75.0%	68.8%
	Sustainable Equity Fund	2.1%	68.8%	66.7%	67.2%	60.3%	55.3%
Has adequate anti-bribery and anti-corruption policies	MSCI ACWI	3.0%	51.9%	48.9%	45.6%	41.1%	64.2%
	Sustainable Bond Fund	-7.5%	76.7%	84.2%	85.7%	87.0%	92.9%
	Sustainable Equity Fund	0.8%	84.4%	83.7%	80.0%	74.5%	84.9%

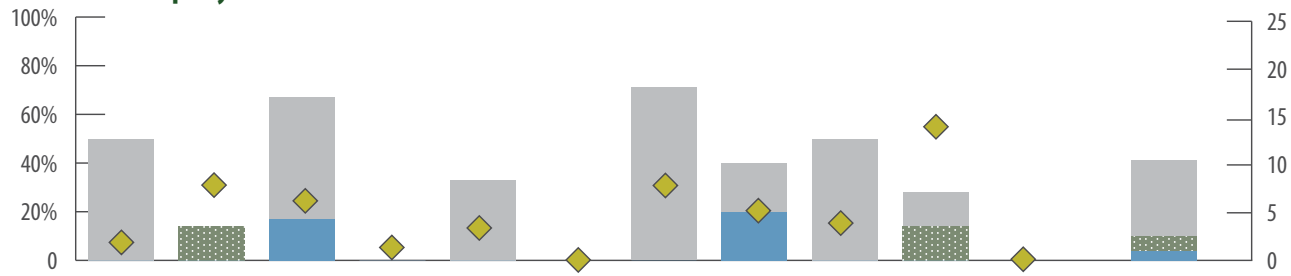
SDG 16: Percent of holdings / constituents reporting (by number of holdings)

Sustainable Bond Fund

As of March 31, 2023



Sustainable Equity Fund



- SDGs supported with quantitative targets
- SDGs mentioned but unsupported with data or targets
- SDGs supported with data
- Number of holdings in sector (right scale)



**INVESTMENT STEWARDSHIP
+
PROXY VOTING**

Saturna believes that proxy voting is an important duty of a fund's management team. Research analysts and portfolio managers should be exceedingly familiar with the implications of proposed corporate actions among the companies they cover, as well as the potential gaps in ESG-related policies. Indeed, we believe this expertise is one way active management can distinguish itself from other methods of investing. The experience, careful analysis, and depth of knowledge our analysts bring to the investment selection and monitoring process is a key component of responsible investment stewardship — and is a process that leaves no room for one-size-fits-all proxy voting.

Instead, Saturna has always viewed investing like a business partnership; we build portfolios with a view toward long-term investment and a bias against frequent turnover. These principles require us to seek issuers who we believe have superior practices in the areas of corporate governance and employee welfare, and who demonstrably value the long-term sustainability of their business and the environments in which the business operates. Our principles require that we maintain a close eye on management's decision-making and the company's unique ESG risks. While we tend to support and trust the management of the companies in which we choose to invest, we also know that each company has unique opportunities to do better and grow.

For these reasons, Saturna's longstanding approach to active management has always included voting proxies of fund portfolio securities in-house according to our own proxy voting guidelines, while holding thoughtful dialogue among research analysts and portfolio managers when it comes to ESG-related shareowner proposals. The proxies of each fund are voted by the research analyst covering the sector in which an issue falls, and the analyst is encouraged to bring any proxy proposal to the Investment Committee for discussion.

Vote tracking and analysis is another important part of our process, and Saturna's proxy voting duties include an annual review of our funds' voting records — in effect, an audit of how we've voted on different measures. This can sometimes look like supporting a specific type of management or shareowner proposal at one company but voting against it at another. We know that our analysts understand the nuances unique to each company, and our proxy voting review provides a chance for our extended team to see those nuances in action.

Saturna's proxy voting guidelines outline our views on a variety of ESG issues and are available at www.saturna.com/about/proxy-voting

ESG Debates

While a fund whose vote record is 100% in favor of all ESG-themed shareowner proposals is not necessarily “more sustainable” than a fund with mixed votes, consistent votes against ESG proposals suggest that a fund is not considering ESG factors in their investment process. There are some issues where Saturna’s analysts uniformly agree, such as having an independent board chair and for requests for greater transparency around the environmental impacts of a business. We believe in looking at issues company-by-company, and within the unique environment of each business, our analysts’ votes reflect nuance. In cases where our analysts’ votes differ on a specific topic, we encourage discussion among the investment committee. To that end, in late 2020, Saturna’s investment team organized a series of more formal ESG debates on a range of topics presented as shareowner proposals during the 2020 proxy voting year. The debates covered 15 different ESG-themed proposals filed with 31 different issuers. Saturna’s investment analysts were paired up at random and assigned a topic, with priority placed on those topics where analysts had mixed votes. Each team was asked to prepare both an affirmative case (in favor of the shareowner resolution) and a negative case (against the shareowner resolution). The “for” and “against” sides were then chosen at random immediately before the debate began.

The exercise of having our analysts prepare arguments both for and against a topic was a critical component to the ESG debate process. Exploring these arguments demonstrates the value that Saturna’s team puts on thoughtful examination of an issue from all angles. The dissection of issues reveals their nuances, which should be the goal of any proxy voting process. It is this deeper thinking and closer looking, we believe, that is the value active management brings to investors.

Saturna Capital's Proxy Voting Record

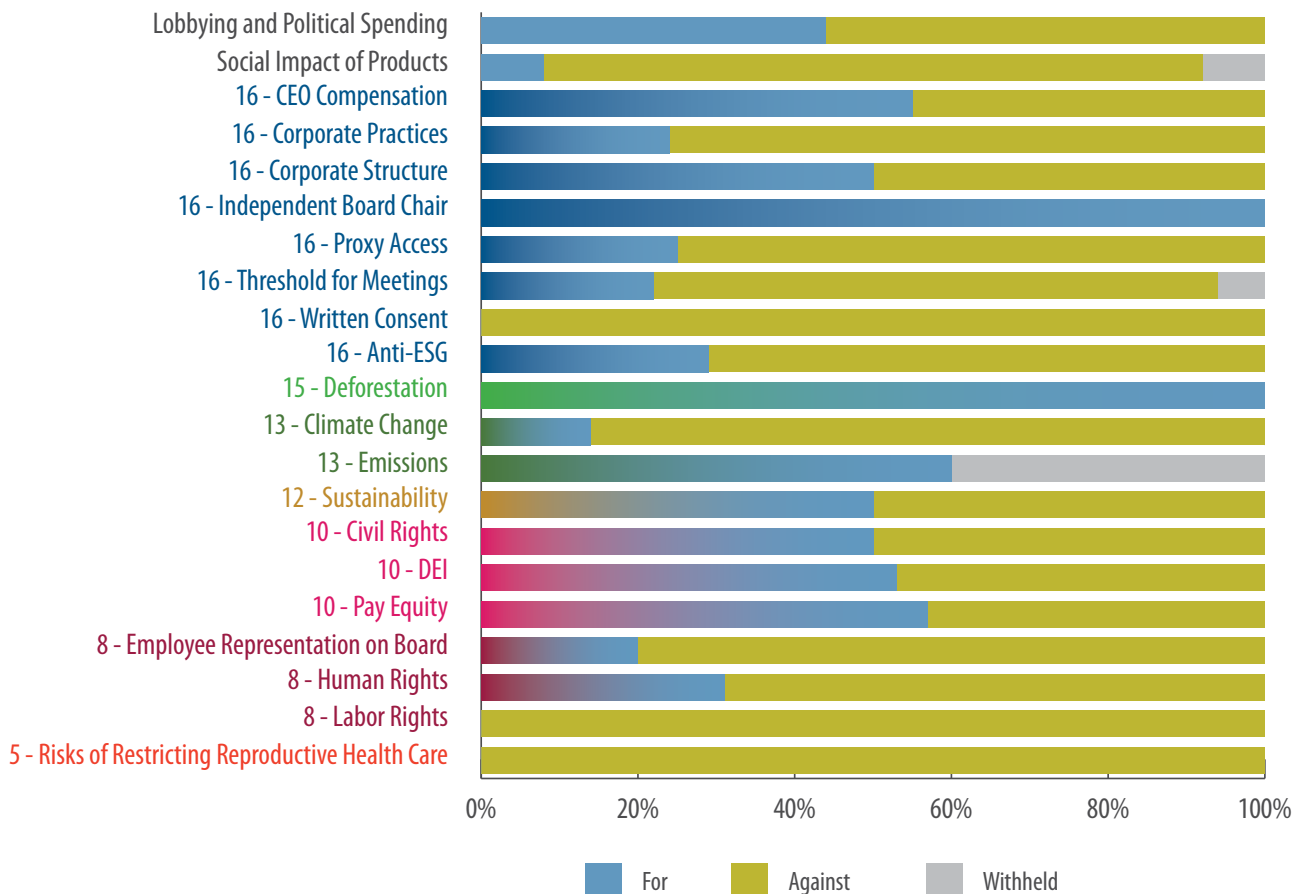
Each year, Saturna's analysts vote on a variety of environmental, social, and governance-themed shareowner proposals. These shareowner proposals can sound an alarm bell for investors on specific ESG risks that company management may not be proactively addressing. Saturna reviews proposal one-by-one and evaluates each based on their individual merits, rather than procuring a proxy service. Saturna believes that ESG labeled proposals aren't created equally, choosing instead to take a qualitative and in-depth approach to reviewing them. The graphs show the voting results for all Saturna Capital's funds, not just the Sustainable Equity Fund.

Saturna Capital: ESG Proxy Voting

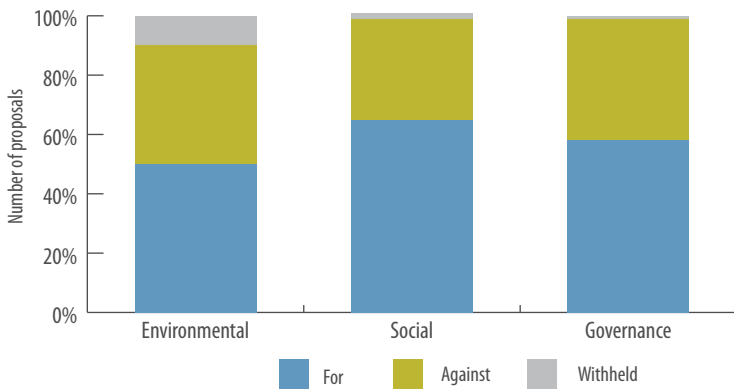


Proxy Voting Record

As of March 31, 2023

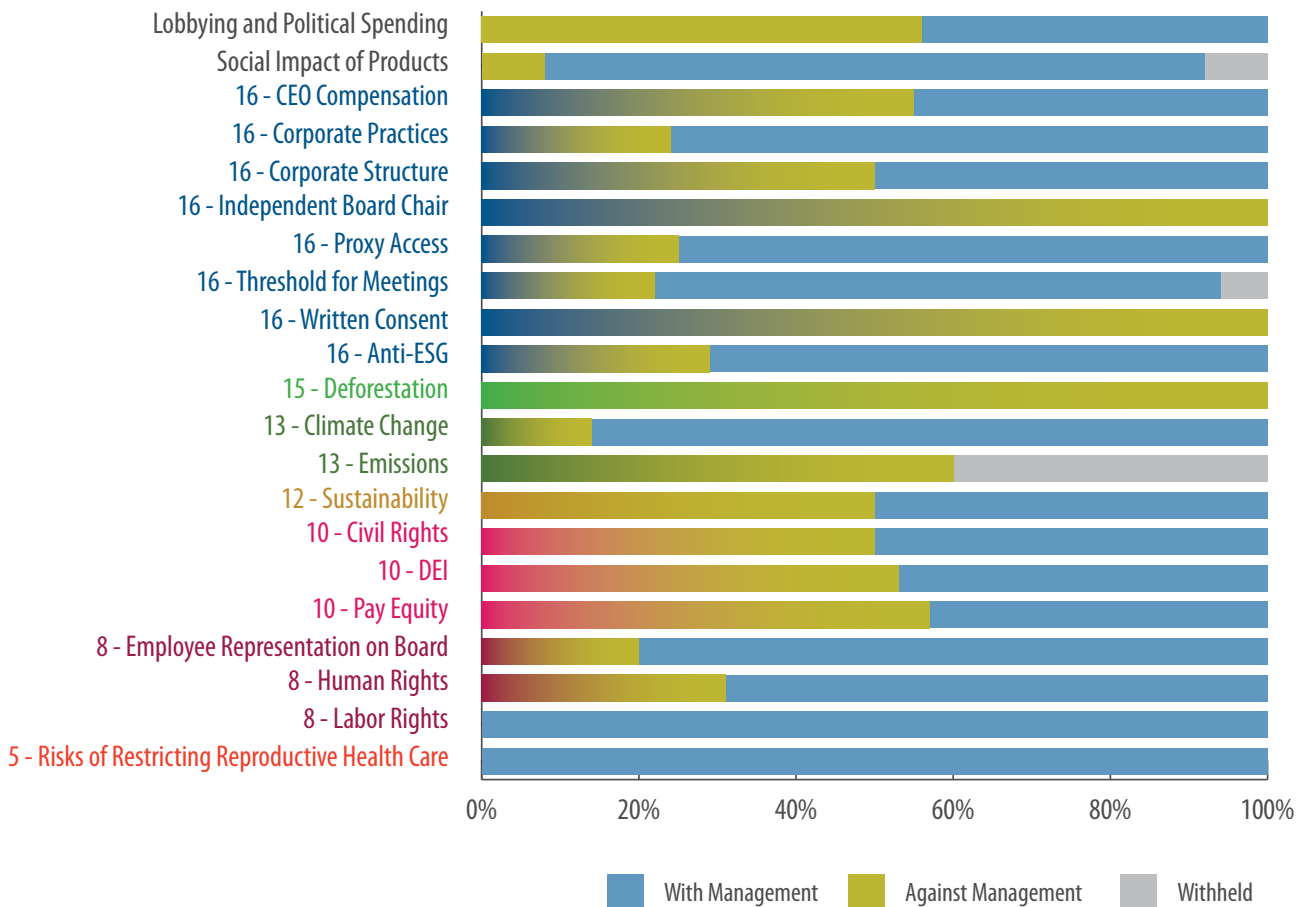


Saturna Capital: ESG Voting - With vs. Against Management



Against vs. With Management

As of March 31, 2023



Saturna believes that prudent asset management constitutes our greatest duty to investors. We view investing as a business partnership, and we seek to invest only in high-caliber performers who demonstrate integrity and a view toward the long term. We manage portfolios with tax efficiency in mind and endeavor to keep portfolio turnover low. Because of our long-term approach to investing, we specifically seek issuers with superior practices in the areas of corporate governance and employee welfare, and who demonstrably value the long-term sustainability of their businesses and the environments in which they operate.

Our analysts' familiarity with the companies and sectors we evaluate distinguishes active management from other methods of investment. We believe that the experience, careful analysis, and depth of knowledge our analysts bring to the investment selection process all play a critical role in responsible investment stewardship.

As an asset manager, Saturna Capital has consistently sought to go above and beyond the highest standards for ethics and transparency — our deep commitment to putting shareowners' interests ahead of our own insists upon it. For more than 30 years we have provided our customers quality products that allow them to reflect their values, while still adhering to our own, every step of the way. We know there are no promises or guarantees in this industry, but we believe our strong values and commitment to transparency set us apart.



A scenic view of a rocky coastline with a large boat in the blue sea. The image shows a steep, layered rock cliff on the left side, meeting the sea. The water is a deep blue, with a smaller boat visible in the distance. The sky is clear and blue. The text 'INVESTMENT PROCESS' is overlaid in a white box in the center.

INVESTMENT PROCESS

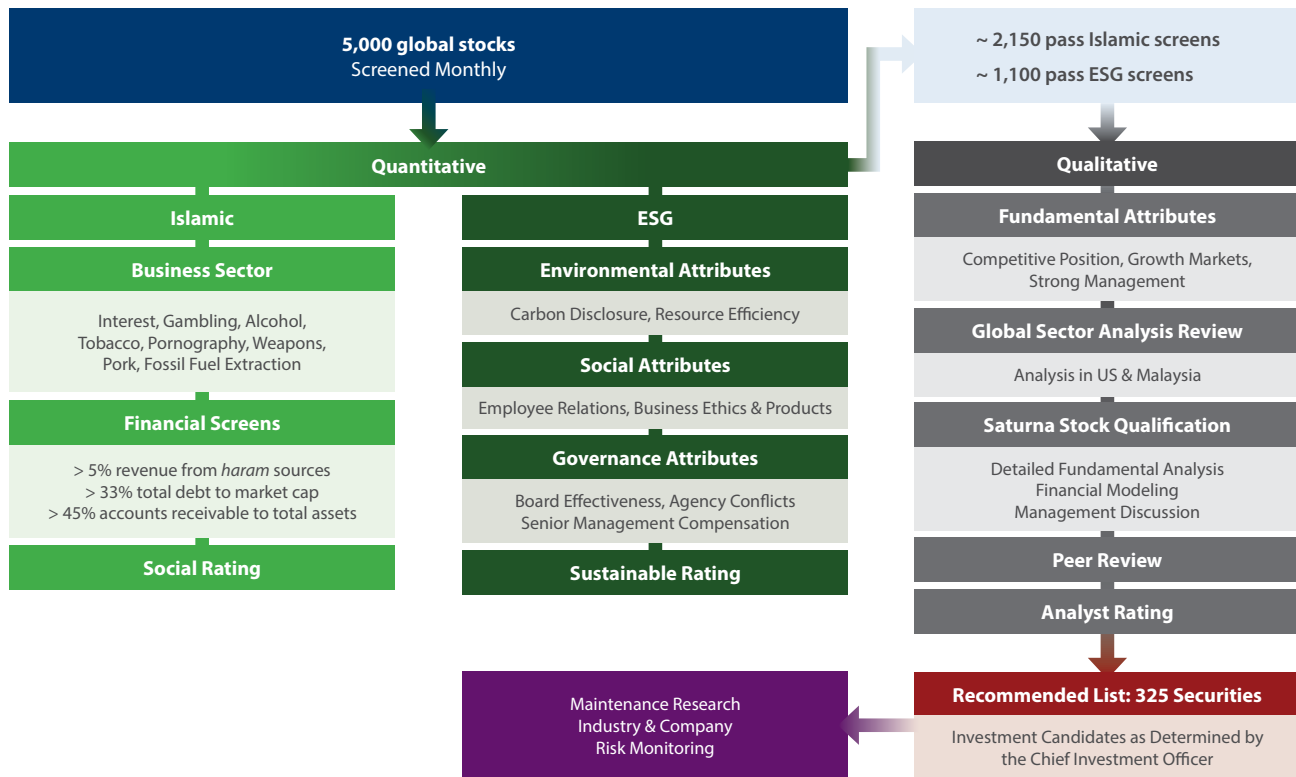
SATURNA SUSTAINABLE INVESTMENT PROCESS

Saturna seeks investments that exhibit long-term sustainability characteristics. We believe issuers with superior environmental, social, and governance (ESG) records tend to have lower volatility and a greater chance for success in the long term. We also believe that companies that proactively manage business risks related to ESG issues are more resilient and make valuable contributions to society and the global economy. We prefer issuers that demonstrate financial sustainability as measured through management strength and strong balance sheets.

Investment Process – Equity

As part of the integrated ESG investment process specialized for equities, Saturna seeks to invest in issuers that demonstrate sustainable characteristics. Sustainable issuers are generally larger, more established, consistently profitable, and financially strong, with low risks to ESG. Issuers generally have sustainable profits, strong balance sheets, management strength, high-quality operations, risk consciousness, low debt, and established business.

Saturna sustainable equity investment research process



Investment Process – Fixed Income

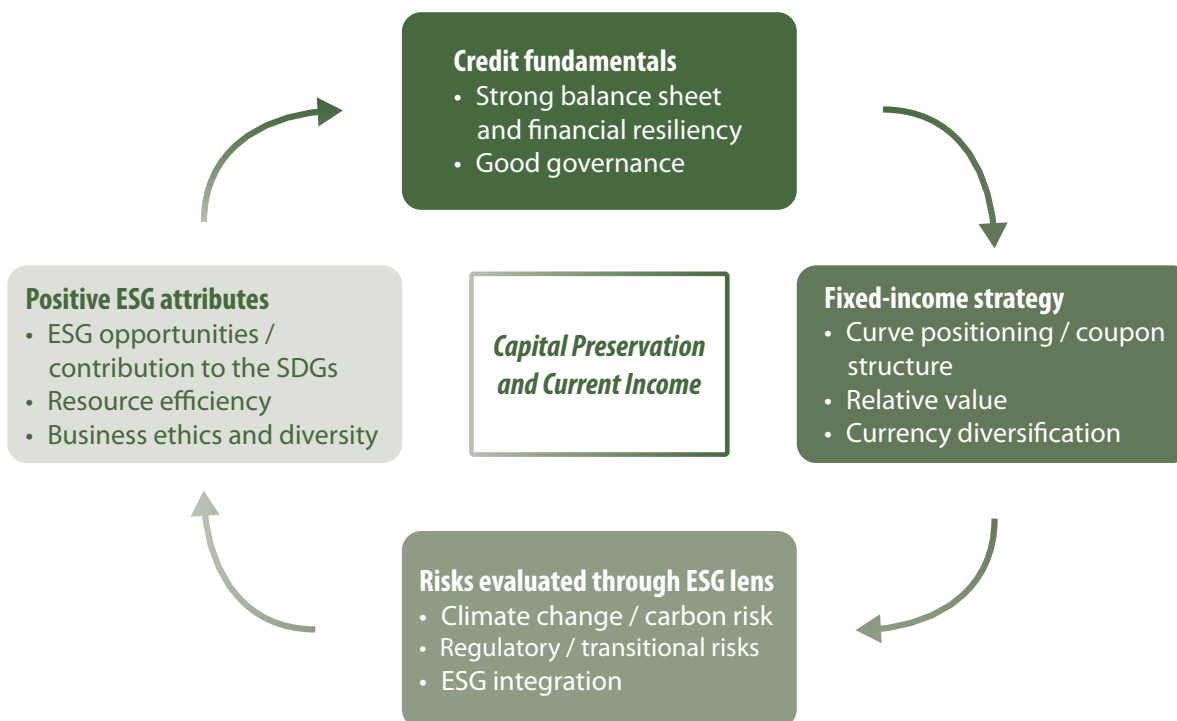
We believe the integration of ESG considerations is critical to risk reduction and value creation for investors. We view ESG considerations as crucial to assessing an issuer’s creditworthiness. Our investment process enables us to focus on risk reduction in areas such as climate change, biodiversity, and governance, while also taking advantage of opportunities in growing markets. A strong internal process for ESG integration is necessary given the data challenges, changing markets, and lack of uniform standards governing what can be defined as “green,” “sustainable,” “social,” or “sustainability linked” bonds.

Our process includes both a top-down macroeconomic outlook and a bottom-up investment approach, integrating a deep, credit-driven review with a relative value framework that assimilates ESG attributes aimed to reduce risk while seeking opportunities.

We begin our investment process by assessing the macroeconomic environment and how the market prices in expectations about economic growth, inflation, and interest rates. This process is applied to our global allocations in both US dollar and non-US dollar securities. We use a long-term strategic view while recognizing that we may need to make tactical adjustments regarding the outlook on interest rates and other important economic factors. The framework helps us to construct and position the portfolio.

The full details for our fixed-income investment process can be found at www.saturna.com//insights/white-papers/beneath-waves-fixed-income-overview.

Saturna sustainable fixed-income investment research process



Risks of Investing

Investing in securities involves a variety of risks including market risk (fluctuation and volatility of the value of securities), currency fluctuation risk, liquidity risk, and investment strategy risk. We think that sustainable investing may mitigate security-specific risk, but the screens used in connection with sustainable investing reduce the investable universe, which limits opportunities and may increase the risk of loss during market declines.

However, Saturna believes that traditional barometers by which investment risk is measured have expanded by necessity to include risks related to ESG practices. The threat of climate risk is intricately linked to more familiar forms of risk, including regulatory and reputational risk.

As environmental issues (like wildfires) and social and governance issues (like data security and customer privacy) continue to grab headlines and weigh on the minds of consumers, financial markets will see upheaval. Consumers will become savvier, choosing to vote with their dollars by moving toward more impactful products and activities. Saturna Capital's analysts are committed to identifying trends, top performers, and solutions providers among industries so that we can be sure our investments are well positioned for the long-term new normal.

FUND STRATEGY OVERVIEWS





Investment Landscape: Dominos

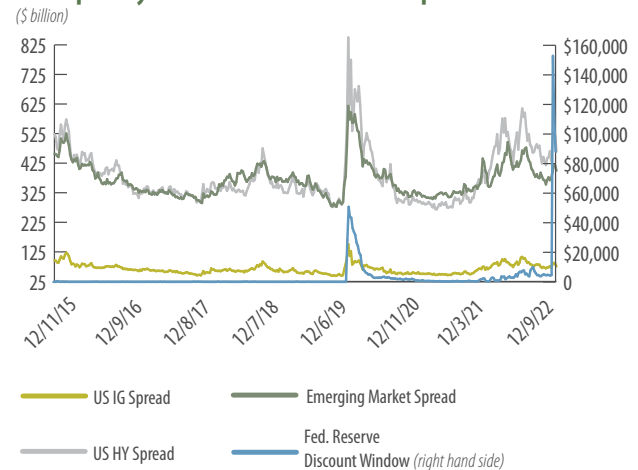
The publication of our annual impact report is an opportunity for our valued investors and readers to obtain an update on the investment strategy of Saturna Sustainable Bond Fund. The spirit of this communication is to help offer added context on how we are viewing market conditions and how we have positioned the Fund since last year’s report. This report is published annually at the end of the first quarter to correspond with the anniversary of the Sustainable Funds’ launch on March 27, 2015.

Since the publication of our 2022 Impact Report, financial conditions have continued to tighten, with global central banks raising benchmark interest rates to quell inflationary pressures. In that time, we have observed interest rates we had not seen since the 2008 Global Financial Crisis (GFC). The two-year Treasury yield exceeded 5.0% on March 8, 2023, for the first time since June 11, 2007. As a result of this high-yield environment, we find that fixed-income securities (particularly global fixed income) offer investors a compelling return profile. Yields on fixed-income asset classes have grown substantially. The Bloomberg Emerging Market USD Aggregate Yield to Worst Index returned 7.36% for the quarter ended March 31, 2023, up from 3.50% at year-end 2020 – a staggering 386 basis points (bps). For the same period, the Bloomberg US Corporate High Yield Index and the Bloomberg US Aggregate Corporate Yield to Worst Index yields rose 8.52% and 5.17%, respectively.

Several high-profile banking failures marked the first quarter of 2023, aggravating the already challenged economic environments in Europe and the US. It should be noted that the current banking crisis is liquidity-based, rather than an industry-based solvency crisis like the GFC was. *US Liquidity & Fixed Income Credit Spreads* shows that commercial bank borrowing from the Federal Reserve’s Discount Window (in yellow) rose over \$150 billion on March 17, 2023.⁶⁸ This amount exceeded the withdrawals that banks made in response to the pandemic in March of 2020 (\$50 billion) and during the GFC (\$110 billion). During periods of excessive commercial bank borrowing, fixed income credit spreads tend to widen out in sympathy. Historically, the spreads of US investment-grade bonds, high-yield bonds, and emerging market bonds widen during periods of liquidity stresses. Fixed income spreads did widen during the first quarter, but not to the extent seen during the height of the COVID-19 pandemic. We anticipate that fixed income credit spreads will likely experience widening pressures due to tightening financial conditions and decelerating economic growth.

What makes this liquidity crisis different from prior episodes is that the financial conditions in the US are tighter than ever before. Between first quarter-end 2022 and first quarter-end 2023, the

US Liquidity & Fixed Income Credit Spreads

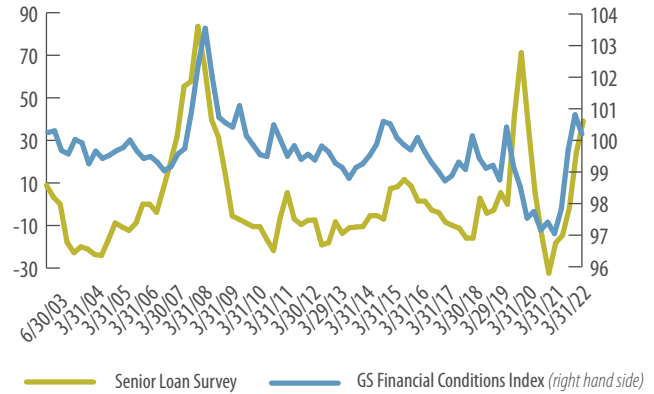


Federal Reserve raised its benchmark interest rates by 475 bps to 5.0%. The chart *US Financial Conditions* shows the Senior Loan Survey (which measures bank lending practices – a higher number indicates a more conservative stance) and the Goldman Sachs Financial Conditions Index (a composite index of multiple metrics including the risk-free rate, the exchange rate, equity valuations, and credit spreads – a higher number indicates a tightening of financial conditions) rising from -18.20 and 97.05 at year-end 2021, respectively, to 39.10 and 100.20 at year-end 2022. This represents a significant change.

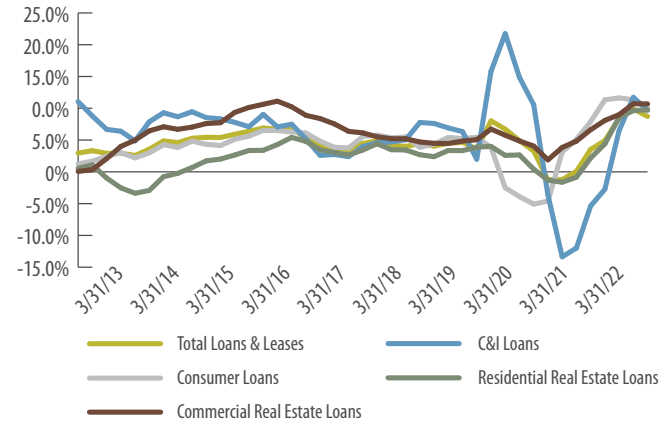
We anticipate that the banking liquidity crisis in the US will lead to a slowdown in bank lending in response to increased regulatory oversight and concerns of continued outflows of deposits to money market funds. During the month of March 2023, more than \$286 billion in cash flooded into money market funds, the highest inflow since April 2020.⁶⁹ Small- to mid-size banks face further pressures as almost \$1.5 trillion in US commercial real estate debt must be refinanced before year-end 2025. Nearly 70% of US commercial real estate debt was originated by small- to mid-size banks.^{70,71} The combination of customer deposit flight, large refinancing of commercial real estate loans, growing office vacancy trends, and large loan portfolio concentrations is likely to further motivate management of these banks to employ conservative measures to ensure they retain sufficient capital buffers. Such measures include increasing the cash balances held on the bank’s portfolio and reducing lending activities. These actions could increase the likelihood of an economic slowdown in the United States.

Loan growth slowed in response to rising interest rates. According to the Federal Deposit Insurance Corporation (FDIC), growth trends declined for the past 12 months across all types of loans.⁷² Typically, when interest rates are higher and financial conditions are tight, leading economic indicators signal deterioration, such as the United States Manufacturing Purchasing Managers Index (PMI) and gross domestic product (GDP). The PMI surveys 19 industries and measures economic activity on a scale of 0 to 100. A PMI above 50 signals positive economic growth compared

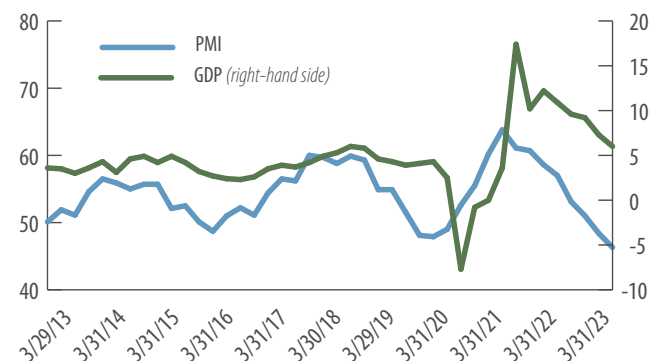
US Financial Conditions



12-Month Loan Growth Rates



US PMI and GDP



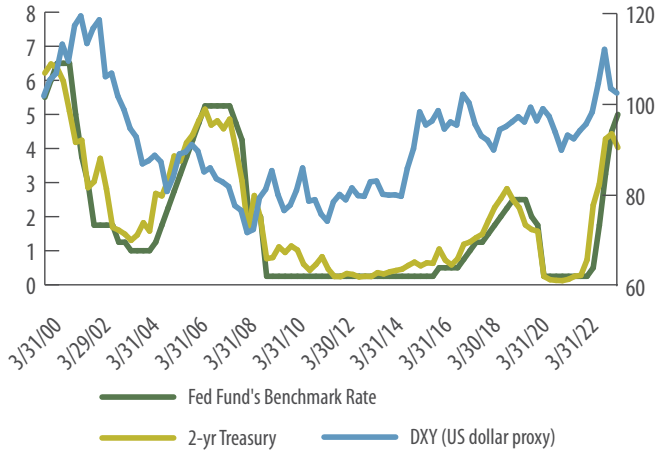
to the previous month. When the PMI is below 50, it indicates an economic contraction. During periods when the PMI falls below 50, we typically find GDP growth also declines, albeit with a lag. At first quarter-end 2022, the PMI and the annualized GDP growth rate were 57.1 and 10.9%, respectively. At first quarter-end of 2023, the PMI and annualized GDP growth rate declined to 46.3 and 7.2%.

The Fed and other global central banks seek to slow down economic activity to help cool pervasive inflationary pressures. However, not all inflationary pressures can be addressed by slowing demand with monetary policy tools. Some inflationary pressures are a result of supply imbalances caused by geopolitical issues. The Russian invasion of Ukraine, for example, has adversely affected the prices of energy and agriculture.

The two-year Treasury note tends to act as a proxy for future policy rates. In *Relationship: US 2-yr. Treasury, Fed Benchmark Rate, and US dollar*, the two-year Treasury seems to anticipate changes in the Fed benchmark interest rate. The US Dollar Index (DXY) declined in value against other currencies,

in sympathy with the two-year Treasury. This relationship tends to hold but is not guaranteed. The two-year Treasury closed the first quarter of 2023 at 4.03%, 97 bps below the federal funds benchmark rate of 5.0%, and the DXY came in at 102.506. This is a marked change compared to first quarter-end of 2022; the two-year Treasury was 121 bps higher than the federal funds benchmark rate, and the DXY reached 112.117, a 20-year high.

Relationship: US 2-Year Treasury, Fed Benchmark Rate, and US Dollar



Currency Performance: T6M as of 1Q2023

Mexican Peso	18.20%	Swedish Krone	7.94%
New Zealand Dollar	14.30%	Australian Dollar	6.22%
Brazilian Real	13.91%	Colombian Peso	5.85%
British Pound	12.67%	Norwegian Krone	5.62%
Euro	11.87%	Canadian Dollar	4.59%
Japanese Yen	8.87%		

We believe that for the remainder of 2023, the US dollar is likely to weaken against developed — and some developing — country currencies. For the six-month period ended March 31, 2023, the New Zealand dollar, the English pound, and the euro all appreciated in value relative to the US dollar. Emerging market currencies, such as the Mexican peso and the Brazilian real, also appreciated relative to the US dollar.

Investment Landscape: Positioning

Considering the macroeconomic landscape, we have provided a summary overview of the Sustainable Bond Fund’s positioning as of first quarter-end 2023.

Duration & Yield Curve Management

The Sustainable Bond Fund experienced a notable adjustment in its weighting to long-duration bonds and retained a significant weighting to shorter-duration bonds. As of March 31, 2023, the Fund’s exposure to bonds with a maturity of 10+ years was 19.0%, an increase of 18.2% over the trailing one-year period. The Fund’s larger exposure to long-duration bonds reflects our view that interest rates, at least on the long end, are likely to experience a decline in yields (appreciation in price) due to the potential of a recession. The Fund’s allocation to longer-duration bonds is primarily focused on high investment-grade issues.

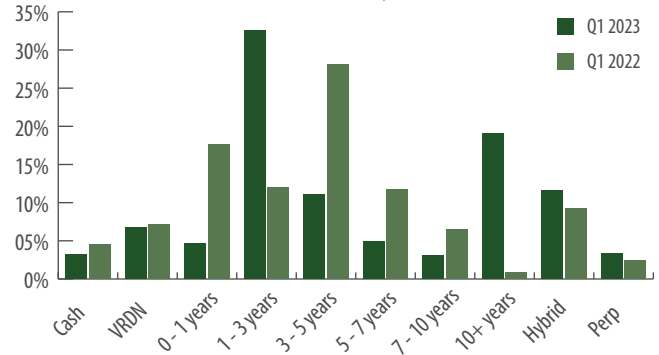
Details on the Fund’s credit profile will be provided later in this report.

The Saturna Sustainable Bond Fund retained a large exposure to short-duration bonds. The Fund’s exposure to bonds with maturities of less than three years, including cash, was 47.1%, an increase of 5.9% over the trailing one-year period. Part of this increase can be attributed to bonds in the three- to five-year bucket “rolling” on down into the one- to three-year bucket. The Fund’s retention of short-duration bonds reflects defensive positioning that is designed to protect the Fund during market volatility.

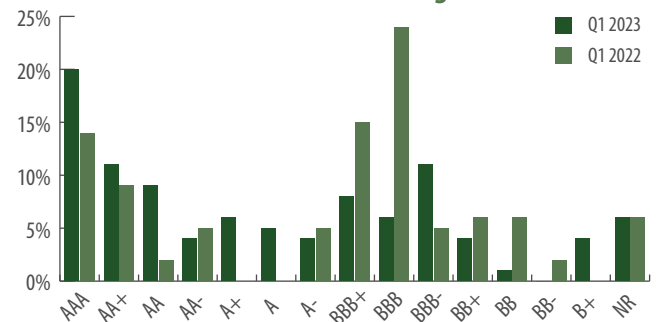
Credit Ratings

As part of the Sustainable Bond Fund’s overall defensive positioning, we focused on purchasing issuers with a higher credit profile. We believe that the change in the Fed’s monetary policy, which tightened financial conditions, warrants this prudence. As of March 31, 2023, the Fund’s exposure to issuers rated “AA-” and higher was 44.2% of the Fund’s assets, a 14.3% increase over the one-year period. The Fund’s exposure to issuers rated “A-” and higher was 59.9% of the Fund’s assets, a 24.5% increase over the year. The increase in issuers with higher credit ratings was largely funded through a reduction in issuers with credit ratings of “BBB+/-” and high-yield issuers. The Fund’s exposure to “BBB+/-” and high-yield bonds, excluding non-rated issues, was 25.5% and 8.6%, decreasing by -18.5% and -5.9%, respectively, since first quarter-end 2022. The Fund’s exposure to non-rated issues was unchanged over the year. Two of the non-rated issuers were separate tranches of the Women’s Livelihood Bond (WLB), issued by Impact Investment Exchange (IIX). These “qualified proceeds use” issues have strong structural credit enhancements that would arguably increase their non-rated status. However, IIX opted to not to obtain a credit rating review by the major credit rating agencies.

Sustainable Bond Fund Maturity Distribution



Sustainable Bond Fund Credit Rating Distribution



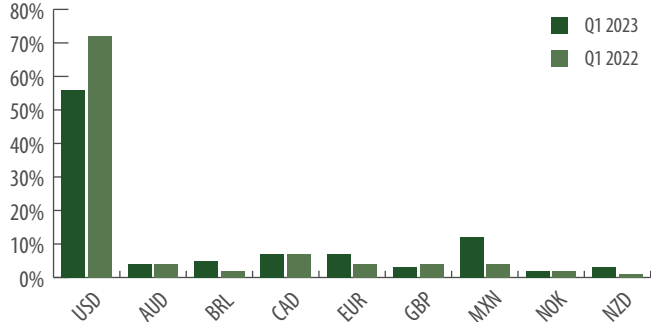
The WLB credit enhancements are a pari-passu guarantee by the United States Agency for International Development (USAID) on 50% of the bonds’ principal. The USAID is a government agency backed by the full faith and credit of the United States government. USAID’s mission is to “advance the economic, political, social, and environmental well-being of the world’s most vulnerable people.”⁷³ The Sustainable Bond Fund’s exposure to the WLB series provides funding for the world’s first gender-lens impact security in southeast Asia.⁷⁴ We are proud of our ability to make a positive contribution while obtaining competitive returns for our investors with its unique credit enhancements. We are delighted by our partnership with IIX, whose efforts have generated a social return on investment (SROI) of \$4.63 for its WLB3 bond tranche. The Fund also owns the bond tranche WLB4, which targets an SROI of \$4.00.⁷⁵

The third non-rated bond held by the Sustainable Bond Fund is Odfjell, a specialized Norway-based liquid and bulk shipping company. In January 2021, Odfjell issued a sustainability linked bond. If Odfjell does not meet its Sustainable Performance Target to reduce its controlled fleet emissions by 50% between 2008 and 2030, bondholders will be provided an additional payment of 1.50% of the bond’s par value.⁷⁶ Odfjell’s Sustainable Performance Target exceeds the International Maritime Organization’s mandate, which requires shipping companies to reduce carbon emissions by 40% between 2008 and 2030.⁷⁷

Currency Positioning

Both 2021 and 2022 were largely characterized by a strong US dollar, relative to other currencies. Given the current weakening of the US dollar, the Sustainable Bond Fund reallocated the portfolio to other currencies that offer compelling bond yields in addition to favorable currency performance. The Fund’s exposure to the US dollar was 55.8% as of March 31, 2023, a decline of -16.3% over the one-year period. The Fund reported a 12.3% exposure to the Mexican peso, 7.0% to the euro, and 4.7% to the Brazilian real – increasing its exposures over the one-year period by 8.7%, 3.3%, and 2.7%, respectively.

Sustainable Bond Fund Currency Allocation



We believe that the US dollar will demonstrate weakness for the remainder of 2023. However, we are cognizant that there may be periods when the dollar gains intermittent strength. Such periods may occur during material “risk off” events, marked by periods of global distress in the financial markets or increased geopolitical turmoil. With this in mind, we don’t believe that potential intermittent periods of US dollar strength will alter its trajectory of general weakness.

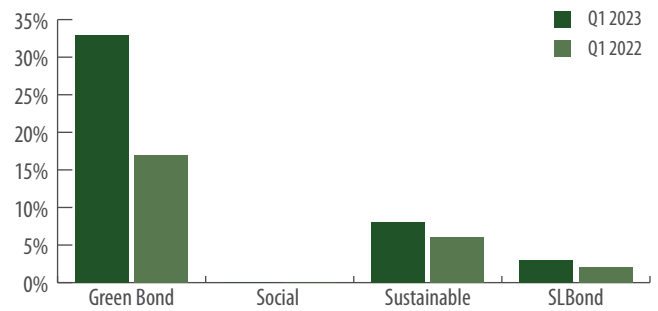
Qualified Proceed Use Bonds

On March 31, 2023, 44% of the assets under management (AUM) of the Saturna Sustainable Bond Fund were deemed “qualified proceeds use” bonds. One year earlier, the Fund reported only 24.9% of its holdings to be qualified proceeds use bonds.

We carefully review an issuer’s adherence to best practices regarding qualified proceeds use bonds. An issuer’s observance of these best practices is voluntary, and there is no compensation offered or issuer-imposed penalty for failure to comply unless it is a sustainability linked bond. We carefully examine all attributes of the bond and the issuer, including the issuer’s qualified proceeds use framework, independent opinions, audits, annual reporting, and especially the entity’s financial

strength. Our analysis is comprehensive and holistic. Our priority is to deliver competitive returns that adhere to the investment objective of capital preservation and current income. At times, we may find a more compelling risk-adjusted return opportunity among non-qualified proceeds bonds that have strong ESG characteristics. Our aim is to strike a balance rather than to just acquire issuers with self-proclaimed qualified proceeds use-labeled bonds that do not demonstrate a commitment to forming a meaningful, long-term ESG strategy.

Sustainable Bond Fund Qualified Proceeds Use Bonds



Strategic Outlook

While the conditions for 2023 look challenging, we retain a constructive outlook on the investment climate while prioritizing flexibility for unexpected shocks and disruptions that may be on the horizon. We have positioned the Sustainable Bond Fund defensively to navigate these challenges by reducing duration, improving the credit quality of issuers held, and increasing non-US dollar exposures. The Fund is well positioned to take advantage of opportunities that we see evolving over the upcoming year as we focus on being stewards for our investors while prioritizing capital preservation and current income.

Our progress can be tracked with our quarterly commentaries at <https://www.saturna.com/sustainable/commentary>.



Investment Strategy

Under normal conditions, the Sustainable Equity Fund invests at least 80% of its net assets in equities of issuers around the world that the Fund's adviser believes demonstrate sustainable characteristics.

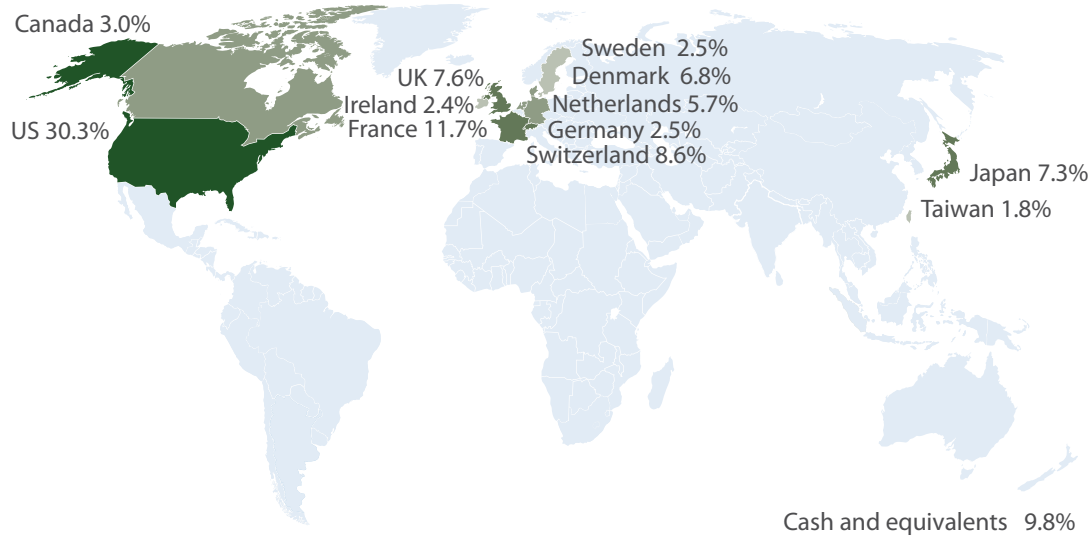
The Saturna Sustainable Equity Fund diversifies its investments across industries, companies, and countries, and generally follows a large and mid-cap value investment style. The Fund prefers seasoned companies that are expected to grow revenue and earnings, favoring equities of companies trading for less than the adviser's assessment of their intrinsic value, which typically means companies with low price/earnings multiples, strong balance sheets, and higher dividend yields. The Fund principally invests in securities of companies with market capitalizations of greater than \$5 billion. The Fund may invest up to 30% of net assets in companies with headquarters in countries with developing economies and/or markets.

The Funds' adviser believes that companies proactively managing business risks relating to environmental, social, and governance (ESG) issues make better contributions to the global economy and are more resilient. The Funds' adviser uses negative screening to exclude companies primarily engaged in activities that the adviser believes present higher ESG risk, including issuers engaged in:

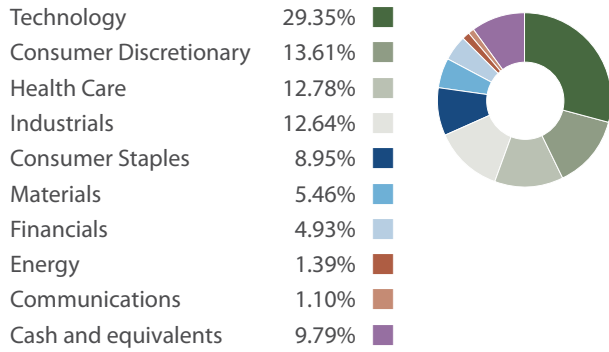
- Alcohol
- Gambling
- Tobacco
- Pornography
- Weapons
- Fossil fuel extraction

Saturna employs a sustainable rating system based on its own, as well as third-party, data to identify issuers believed to have robust policies in the areas of the environment, social responsibility, and corporate governance. Saturna's proprietary scoring system assesses how well a company performs relative to a blend of its industry, sector, and country peers in each ESG category. In addition to material and non-financial ESG considerations, such as carbon emissions, water usage, renewable energy, and fair labor and supply chain practices, Saturna positively screens for issuers that show management stability and diversity, low debt, strong balance sheets, high-quality operations, and a long-term focus.

Country Allocation



Sector Allocation



Top 10 Holdings

Company	% of Net Assets
Nintendo ADR	3.92%
Novo Nordisk ADS	3.06%
Apple	3.01%
Reckitt Benckiser Group ADR	3.00%
GlaxoSmithKline ADS	2.95%
Johnson Matthey	2.92%
Tractor Supply	2.79%
Wolters Kluwer	2.62%
CGI Group Inc Class A	2.57%
Assa Abloy ADR	2.54%
Total	29.38%

Data as of June 30, 2023. Country and sector weightings are shown as a percentage of total net assets.

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Index Definitions

The MSCI All Country World Index is produced by Morgan Stanley Capital International (MSCI). It is a broad measure of equity market performance throughout the world.

The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high-yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

The Bloomberg Emerging Markets USD Aggregate Bond Index is a flagship hard currency Emerging Markets debt benchmark that includes fixed and floating-rate US dollar-denominated debt issued from sovereign, quasi-sovereign, and corporate emerging market issuers. This index was previously called Bloomberg US EM Index.

The US Dollar Index is a measure of the value of the United States Dollar relative to a basket of foreign currencies.

The Manufacturing Purchasing Managers' Index (PMI) measures the activity level of purchasing managers in the manufacturing industry.

The Goldman Sachs Financial Conditions Index is a weighted average of short-term interest rates, long-term interest rates, the trade-weighted dollar, an index of credit spreads, and the ratio of equity prices to the 10-year average of earnings per share.

The Access to Medicine Index ranks the world's 20 largest pharmaceutical companies according to their ability to make their pharmaceutical drugs more available, affordable, accessible, and acceptable in 106 low- to middle-income countries.

The Bloomberg US Aggregate Bond Index is a broad-based, market capitalization-weighted bond market index representing intermediate-term, investment-grade bonds traded in the United States.

Investors cannot invest directly in the indices.

Ownership of Securities Mentioned

As of June 30, 2023, the Funds held the following percentages of securities in their portfolios (% of net assets):

	Saturna Sustainable Bond	Saturna Sustainable Equity
GlaxoSmithKline	-	1.56%
Women's Livelihood Bonds	1.86%	-
Impact Investment Exchange Asia	-	-
Ecolab	-	1.33%
Accenture	-	2.34%
Microsoft	3.61%	2.32%
Lululemon	-	1.35%
Chile Sustainability Linked Bond	-	-
Avanade	-	-

About the Authors



Elizabeth Alm CFA®

Senior Investment Analyst and Deputy Portfolio Manager

Elizabeth Alm, Senior 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.



Patrick Drum MBA, CFA®, CFP®

Senior Investment Analyst and Portfolio Manager

Patrick T. Drum, Senior Investment Analyst and Portfolio Manager, joined Saturna Capital in October 2014.

He is a former adjunct professor of finance for the Sustainable MBA Program at the Bainbridge Graduate Institute (BGI) currently known as Presidio Graduate School. Mr. Drum 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 and a Certified Financial Planner®.

Prior to joining Saturna Capital, Mr. Drum led environmental, social, and governance (ESG) research and was director of fixed-income portfolio management since 2007 with a private account group at UBS Institutional Consulting Services specializing in investment management for global conservation and national wildlife park endowments as well as sustainable-social screened client portfolios. He is a former Chair of the United Nation's Principles for Investment (UNPRI) Fixed Income Outreach Subcommittee and a current member of the UNPRI's Bondholder Engagement Working Group (BEWG), an advisory committee working to elevate important ESG considerations and best practices among issuers and investors.

Mr. Drum's past experience also includes business valuation at Moss Adams and portfolio management at Washington Mutual Bank. Mr. Drum is a member of the Board of Trustees to the Museum of Glass in Tacoma and a member of Rotary.



Pierce McCrerey

Junior Fixed Income Analyst

Pierce McCrerey, Junior Fixed Income Analyst, joined Saturna in June 2021. He graduated from Montana State University in Bozeman with a BS in Business Finance and a minor in Entrepreneurship. Prior to Saturna, he worked in custom home construction and renovation. He is currently a CFA Level II Candidate. Outside of the office, Pierce enjoys skiing, mountain biking, and traveling around the world.



Jane Carten MBA

President and 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 degrees 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.

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.

The Saturna Sustainable Bond Fund limits the securities it purchases to those consistent with sustainable principles. This limits opportunities and may affect performance. Fund share prices, yields, and total returns will change with market fluctuations as well as the fortunes of the countries, industries, and companies in which it invests. The risks inherent in the Sustainable Bond Fund depend primarily on the terms and quality of the obligations in its portfolio, as well as on bond market conditions. When interest rates rise, bond prices fall. When interest rates fall, bond prices go up. Bonds with longer maturities usually are more sensitive to interest rate changes than bonds with shorter maturities. The Fund entails credit risk, which is the possibility that a bond will not be able to pay interest or principal when due. If the credit quality of a bond is perceived to decline, investors will demand a higher yield, which means a lower price on that bond to compensate for the higher level of risk. Issuers of high-yield securities are generally not as strong financially as those issuing higher quality securities. High-yield bonds may have low or no ratings, and may be considered "junk bonds." Foreign investing involves risks not normally associated with investing solely in US securities. These include fluctuations in currency exchange rates, less public information about securities, less governmental market supervision, and the lack of uniform financial, social, and political standards. Foreign investing heightens the risk of confiscatory taxation, seizure or nationalization of assets, establishment of currency controls, or adverse political or social developments that affect investments. The risks of foreign investing are generally magnified in the smaller and more volatile securities markets of the developing world. Liquidity risk exists when particular investments are difficult to sell. Investments by the Funds in foreign securities and those that are thinly traded, such as lower quality issuers, tend to involve greater liquidity risk. The market for certain investments may become illiquid under adverse market or economic conditions.

The Saturna Sustainable Equity Fund limits the securities it purchases to those consistent with sustainable principles. This limits opportunities and may affect performance. Fund share prices, yields, and total returns will change with market fluctuations as well

as the fortunes of the countries, industries, and companies in which it invests. Foreign investing involves risks not normally associated with investing solely in US securities. These include fluctuations in currency exchange rates, less public information about securities, less governmental market supervision, and the lack of uniform financial, social, and political standards. Foreign investing heightens the risk of confiscatory taxation, seizure or nationalization of assets, establishment of currency controls, or adverse political or social developments that affect investments. The risks of foreign investing are generally magnified in the smaller and more volatile securities markets of the developing world.

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Effective maturity is the average amount of time until receipt of all interest and principal payments due. When call options and other security-specific covenants can add uncertainty about the timing of payments, observed market prices may be used to determine the implied timing when calculating effective maturity.

Effective duration and **modified duration** are measures of a fund's sensitivity to changes in interest rates and the markets. A fund's modified duration is a dollar-weighted average length of time until principal and interest payments must be paid. Longer maturities typically indicate greater sensitivity to interest rate changes than shorter maturities. Effective duration differs from modified duration in that it accounts for the optionality embedded in call options and other security-specific covenants that can change expected cash flows as the result of the movement of interest rates. Longer durations tend to indicate greater sensitivity to interest rate changes than shorter durations.

About Saturna

Saturna Capital, manager of the Amana, Saturna Sustainable, Sextant, and Idaho Tax-Exempt Funds, uses years of investment experience to aid investors in navigating today's volatile markets. Founded in 1989 by professionals with extensive experience, Saturna has helped individuals and institutions build wealth, earn income, and preserve capital.

We are long-term, values-based, and socially responsible investors. We view consideration of environmental, social, and governance (ESG) factors as essential in forming portfolios of high-quality companies that are better positioned to reduce risk and identify opportunities. We believe that companies proactively managing business risks related to ESG issues make better contributions to the global economy and are more resilient.

At Saturna, we believe in making your investment dollars work hard for you and that your interests always come first. Saturna strives to not only offer the best investment opportunities from mutual funds to IRAs, but to match those sound investments with superior customer service.

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.

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