Fund Commentary Q3 2024

SATURNA CAPITAL

SATURNA SUSTAINABLE FUNDS

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Goodbye to Summer. The US equity market demonstrated resilience and reached new heights, with the S&P 500 Index and Dow Jones Industrial Average both achieving record levels during September. Over the first nine months of 2024, the S&P 500 Index returned 22.08%. For the three months ended September 30, 2024, the S&P 500 Index returned 5.89%.

Positive changes in expectations for inflation, rate cuts, and the economic outlook hint at a "Goldilocks" scenario. Late in the quarter, revised economic data confirmed the positive momentum in expectations and suggest sustained growth into 2025. Looser fiscal policies apparently offset tighter monetary policy, yielding limited impact to labor conditions. Productivity growth trended higher with constrained wage inflation, making the Technology's sector outsized earnings growth and market-leading performance appear justified to some extent.

Composition of third quarter returns differed from the first half of the year as market breadth widened, reflecting confidence in US economic growth. During the quarter, mid and small caps dominated performance in July — and by enough of a margin to sustain out-performance for entire third quarter.

Total Return	July	August	September	Third Quarter 2024
Large cap	1.1%	2.5%	2.2%	5.8%
Mid-cap	5.9%	-0.1%	1.1%	6.9%
Small cap	11.0%	-1.6%	0.8%	10.1%

Returns of ETFs are based upon the S&P 500, S&P Mid-Cap, and S&P Small Cap Indices.

All eleven S&P 500 Index sectors appreciated during the first nine months of 2024. In order of descending performance, they were Utilities, Technology, Real Estate, Consumer Discretionary, Communication Services, Financials, Industrials, Materials, Health Care, Consumer Staples, and Energy. For the third quarter of 2024, all sectors except Energy posted positive returns.

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

Outlook

The US market's backdrop of continued economic growth, a solid labor market, moderating inflation, declining interest rates, and expectations of easing monetary policy combine to support risk assets. High equity valuations reflect confidence in 2025 earnings growth and a declining interest rate outlook.

US equity market volatility picked up in September, as participants struggled to reconcile economic growth and inflation outlooks. For now, a soft landing (or better) with inflation trending to the Fed target remains the consensus. US fixed-income volatility declined during the month as markets gained confidence in dovish global Central Bank policy intentions.

The US election looms near and may spur additional volatility as the market anticipates the outcome and accounts for policy changes. For example, further regulation and trade restrictions are known to be on the table. Inflation appears contained and any data challenging that assumption will be market-moving. One certainty will remain past the election: the growing US federal deficit. Sharp market moves are expected in the near-term with any new long-term trends requiring both time and data to establish.

Saturna Sustainable Equity Fund

In the third quarter of 2024, the Saturna Sustainable Equity Fund returned 4.51%, trailing the 6.35% return for the S&P Global 1200 Index. The Morningstar Global Large-Stock Blend category returned 6.61% for the period. The Fund returned 29.63% for the trailing 12-months ending September 30, 2024. This compared to 33.14% for the index and 28.28% for the category.

Stock market gains during the quarter masked underlying sectoral shifts and divergent performance trends. Many successful trades in the first half of the year faltered as laggards turned to outperformers. A popular hedge fund position was the carry trade, where an investor borrows money in a low-interest currency, converts it to a high-interest one and enjoys the differential. In this case, the trade was a bet on the continued depreciation of the Japanese yen. Another popular position was buying technology stocks exposed to artificial intelligence (AI) themes. These trades became overcrowded.

Hedge funds often become forced sellers when their positions decline, as they must cover margin calls on leveraged bets and satisfy their risk models. In this case, forced selling became a feedback loop, triggered by a rate hike from the Bank of Japan, causing volatility to surge as the world's most popular trades unwound at once. The crescendo was August 4, 2024, when the Cboe Volatility Index — Wall Street's notorious "fear gauge" — skyrocketed as much as 42 points, the greatest one-day jump since at least 1990.[1] Fortunately, these spasms were technical rather than fundamental and markets quickly recovered.

Our funds don't use leverage, and our process is to invest in high-quality companies through market cycles. This allows us to take the long view during volatile times.

In the second quarter of 2024, Technology and Communications were the top performing global sectors, returning 11.4% and 8.1% respectively — just 3 of 11 sectors produced total returns more than 1%.[2] In the third quarter ended September 30, 2024, Technology was the second worst performer at 1.5%, as Utilities (17.6%) and Real Estate Investment Trusts (REITs) (16.6%) led. Declining inflation in the US gave the US Federal Reserve confidence to cut interest rates in September, likely marking the end of an aggressive hiking cycle that began in March 2022.

As of September 30, 2024

10 Largest Contributors	Return	Contribution
Assa Abloy, ADR	19.32%	0.49
Lowe's	23.47%	0.49
Legrand	16.13%	0.40
Home Depot	18.43%	0.37
CGI	15.44%	0.37
Schneider Electric, ADR	9.53%	0.32
Accenture, Class A	17.01%	0.32
Servicenow	13.69%	0.30
Danone, ADR	19.09%	0.30
Apple	10.75%	0.28

10 Largest Detractors	Return	Contribution
Novo-Nordisk, ADR	-16.26%	-0.92
STMicroelectronics	-24.07%	-0.35
NXP Semiconductors	-10.41%	-0.23
Adobe	-6.80%	-0.14
Lululemon Athletica	-9.16%	-0.10
Microsoft	-3.55%	-0.08
Nvidia	-1.69%	-0.06
Murata Manufacturing	-4.13%	-0.05
Eli Lilly	-2.01%	-0.04
TE Connectivity	-0.67%	-0.01

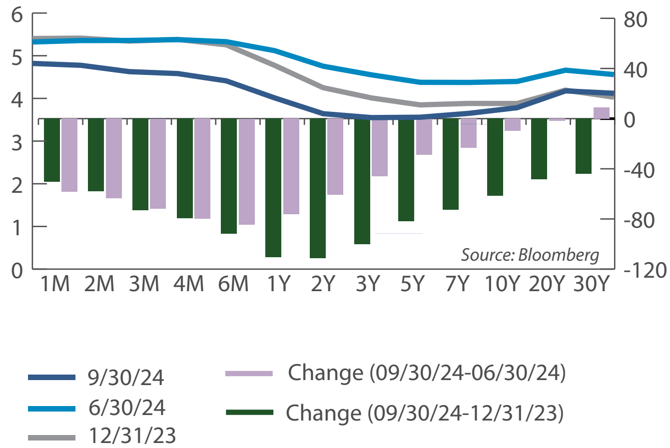
Top 10 Holdings	Portfolio Weight
Novo Nordisk, ADS	4.75%
Nvidia	4.74%
Taiwan Semiconductor, ADS	3.61%
Schneider Electric, ADR	3.52%
Wolters Kluwer	3.32%
Eli Lilly	3.12%
Nintendo, ADR	2.95%
Assa Abloy, ADR	2.92%
Legrand	2.80%
Apple	2.76%

Saturna Sustainable Bond Fund

For the third quarter ending September 30, 2024, Saturna Sustainable Bond Fund returned 3.17%, relative to 6.68% for the FTSE WorldBIG Index. The year-to-date performance for the Fund ending September 30, 2024, was 2.06%, relative to 3.64% for the index. The primary reason for the performance differential last quarter was the Fund's shorter duration relative to the index.

In the third quarter of 2024, the US Federal Reserve (Fed) made a pivotal shift in monetary policy by implementing its first interest rate cut in four years. At its September meeting, the Fed lowered the federal funds rate target range by 50 basis points (bps) to 4.75%–5%. This decision was driven by progress on inflation, which had decreased to 2.5% by August, and concerns about a slowing labor market, despite the unemployment rate remaining low at 4.1%.[3] The Fed described this move as a "recalibration" aimed at supporting economic growth and stabilizing the labor market while maintaining progress on inflation. Treasury yields shifted down over the quarter, especially the 2-year which reflected the Fed move. The third quarter generally saw strong performance for bonds, with longer duration driving stronger returns.

Treasury Curve Yields and Change in Yields



Maturity

The Fund had around an 11% exposure to bonds with maturities over 10 years — down from 14% in the second quarter. The Fund reallocated over the past few months to bonds with maturities between 5–7 years, growing the positions in that maturity bucket from 3.6% in the second quarter to around 7% at the end of the third quarter.

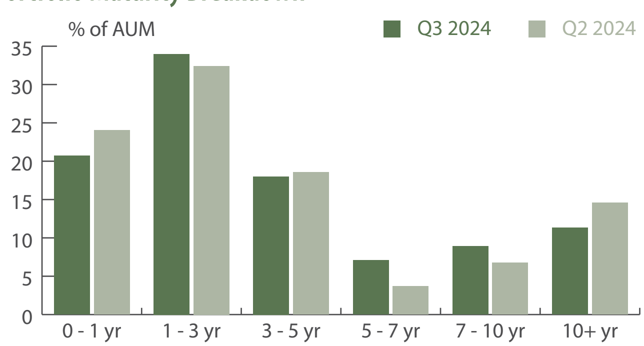
Overall effective duration extended from 2.65 years in the third quarter of 2024 to 2.9 years. The Fund continues to maintain a significantly shorter duration versus the benchmark, which had an effective duration of 6.54 years at quarter-end. This differential was the primary reason for the fund's underperformance last quarter as longer bonds generally outperformed shorter positions.

The bond with the highest total return was also the bond with the longest effective duration in the Fund. Indonesia's Green Sukuk matures in 2051 and had a duration of 15.75 years. This position returned 10.21% during the third quarter.

As of September 30, 2024

Top 10 Holdings	Portfolio Weight
AXA *(5.125% 01/17/2047)*	4.95%
Munich RE *(1.00% 05/26/2042)*	4.78%
Canadian Imperial Bank *(4.375% 10/28/2080)*	4.44%
United Utilities *(6.875% 08/15/2028)*	4.39%
State Street Corp *(6.60% 06/15/2047)*	4.39%
INTL BK RECON & DEVELOP *(5.00% 10/07/2026)*	3.86%
First Abu Dhabi Bank PJSC *(5.125% 10/13/2027)*	3.70%
MAF Global Securities *(7.875% 09/30/2072)*	3.62%
Starbucks *(2.45% 06/15/2026)*	3.38%
Nokia OYJ *(4.375% 08/21/2031)*	3.34%

Portfolio Maturity Breakdown



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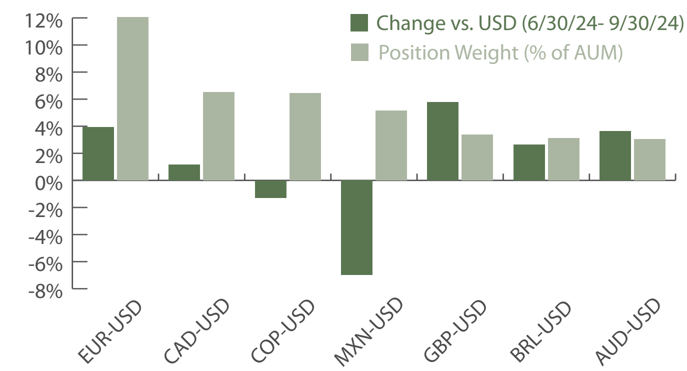
Currency

Currently the portfolio has a total exposure of 41.43% to bonds denominated in foreign currency, flat from the second quarter. The Mexican peso saw significant depreciations relative to the US dollar in the quarter ended September 30, 2024. These currency movements were the primary drivers of the lower-performing bonds in the Fund. The 2024 position in the Inter-American Development Bank denominated in the Mexican peso returned -4.14% in the third quarter. This was primarily driven by the 6.98% depreciation of the Mexican peso relative to the US dollar.

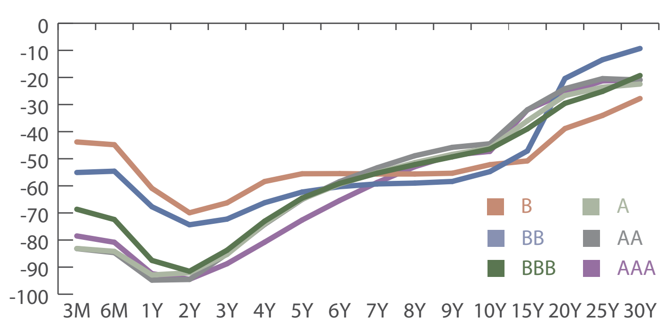
Currency Performance and Exposure



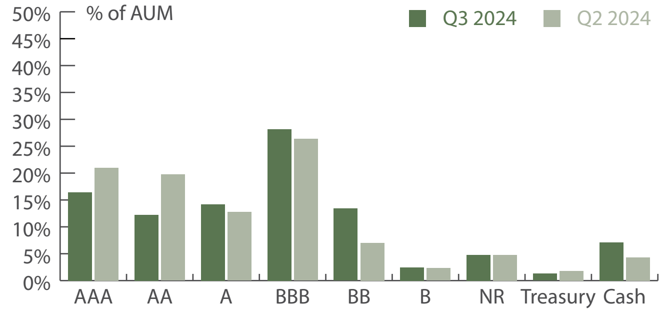
Credit Ratings

Corporate yields also saw strong performance, with 5-year AAA yields shifting down more than 80 bps inside of four years. Some of the strongest performers in the Fund were the highly rated corporate holdings with longer maturities. For example, Microsoft bonds for 2041, rated AAA, returned 10.21% in the third quarter. There were no bonds with a negative total return, but the lowest performers were the Treasury bills maturing in at the end of October 2024, which only returned 1.4%.

Change in Corporate Yield Curve 6/30/24 – 9/30/24



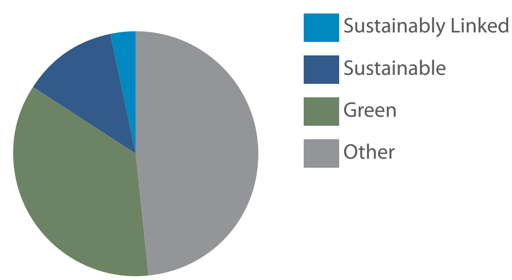
Credit Ratings Distribution



Green and Sustainable Bonds

As of the quarter ended September 30, 2024, the portfolio had 35.09% in green bonds, 12.39% in sustainable and social bonds, and 3.05% in sustainability-linked bonds. Green bonds are primarily used to support specific climate-related or environmental projects. Social bonds raise funds to address or mitigate a specific social issue and/or seek positive social outcomes. Sustainable bonds generally have a wider scope that simultaneously address environmental and social ambitions. Sustainability-linked holdings are issues where the failure to meet a target (such as a reduction in carbon intensity over a specific timetable) results in increased payments to the bondholder either through a higher payment upon the maturity of the security or through raising the bond's coupon payment.

Dedicated Use of Proceeds Bonds



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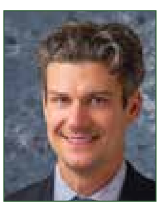

Will Jones CFA®
Equity Analyst

Performance Summary

As of September 30, 2024

Average Annual Total Returns *(Before Taxes, Net of Fees)*	**YTD**	**1 Year**	**3 Year**	**5 Year**	**Since Inception**[B]	**Expense Ratio**[A] *Gross*	*Net*
Sustainable Equity Fund (SEEFX)	14.42%	29.63%	4.37%	9.90%	8.29%	0.97%	0.75%
S&P Global 1200 Index	19.64%	33.14%	9.87%	13.42%	10.80%	n/a	
S&P 500 Index	22.08%	36.35%	11.90%	15.96%	13.45%	n/a	
Sustainable Bond Fund (SEBFX)	2.06%	7.82%	-0.44%	1.01%	1.46%	0.83%	0.65%
FTSE WorldBIG Index	3.64%	12.22%	-3.27%	-1.02%	0.79%	n/a	
MSCI All Country World Index	19.08%	32.35%	8.59%	12.70%	10.13%	n/a	

[A] *By regulation, expense ratios shown are as stated in the funds' most recent prospectus or summary prospectus, dated March 29, 2024, and incorporate results from the fiscal year ended November 30, 2023. Saturna Capital, the Funds' investment adviser, has voluntarily capped actual expenses of the Sustainable Equity Fund at 0.75% and actual expenses of the Sustainable Bond Fund at 0.65% through March 31, 2025.*

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

Performance data quoted herein represents past performance, which is no guarantee of future results. *Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance data quoted herein. Performance current to the most recent month-end can be obtained by visiting www.saturnasustainable.com or calling toll-free 1-800-728-8762.*

The S&P 500 is an index comprised of 500 widely held common stocks considered to be representative of the US stock market in general. The S&P Global 1200 Index is a global stock market index covering nearly 70% of the world's equity markets. The FTSE WorldBIG Index is a multi-asset, multi-currency benchmark, which provides a broad-based measure of the global fixed-income markets. The MSCI ACWI covers approximately 85% of the global investable universe, with large- and mid-cap representation across 23 developed market and 23 emerging market countries. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. When available, Saturna uses total return components of indices mentioned. Investors cannot invest directly in the indices.

Endnotes to commentary

[1] *Lee, Justina. Record VIX Spike Rocks Wall Street Traders All-In on Market Calm. Bloomberg. August 5, 2024. https://www.bloomberg.com/news/articles/2024-08-05/record-vix-spike-rocks-wall-street-traders-all-in-on-market-calm*

[2] *Utilities was the third sector, up 3.2%. Sectors measured by MSCI indices, net USD.*

[3] *Bureau of Labor Statistics. News Release. October 4, 2024. https://www.bls.gov/news.release/pdf/empsit.pdf*

Performance Summary

As of September 30, 2024

Morningstar Ratings™ [C]	Overall	1 Year	3 Year	5 Year	Sustainability Rating™ [D]
Sustainable Equity Fund (SEEFX)	★★★	n/a	★★	★★★	🌐🌐🌐🌐🌐
% Rank in Global Large-Stock Blend Category	n/a	45	83	66	*Percent Rank in Category: 3*
Number of Funds in Category	328	346	328	297	*Among 8,301 Global Equity Large Cap Funds*
Sustainable Bond Fund (SEBFX)	★★★★	n/a	★★★★	★★★★	🌐🌐🌐🌐🌐
% Rank in Global Bond Category	n/a	96	31	23	*Percent Rank in Category: 9*
Number of Funds in Category	163	164	163	142	*Among 2,463 Global Fixed Income Funds*

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

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[C] Morningstar Ratings™ ("Star Ratings") are as of September 30, 2024. The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance (not including the effects of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

[D] Morningstar Sustainability Ratings are as of August 31, 2024. The Morningstar Sustainability Rating™ is intended to measure how well the issuing companies of the securities within a fund's portfolio are managing their environmental, social, and governance ("ESG") risks and opportunities relative to the fund's Morningstar category peers. The Morningstar Sustainability Rating calculation is a two-step process. First, each fund with at least 67% of assets covered by a company-level ESG score from Sustainalytics receives a Morningstar Portfolio Sustainability Score™. The Morningstar Portfolio Sustainability Score is an asset-weighted average of normalized company-level ESG scores with deductions made for controversial incidents by the issuing companies, such as environmental accidents, fraud, or discriminatory behavior. The Morningstar Sustainability Rating is then assigned to all scored funds within Morningstar Categories in which at least ten (10) funds receive a Portfolio Sustainability Score and is determined by each fund's rank within the following distribution: High (highest 10%), Above Average (next 22.5%), Average (next 35%), Below Average (next 22.5%), and Low (lowest 10%). The Morningstar Sustainability Rating is depicted by globe icons where High equals 5 globes and Low equals 1 globe. A Sustainability Rating is assigned to any fund that has more than half of its underlying assets rated by Sustainalytics and is within a Morningstar Category with at least 10 scored funds; therefore, the rating is not limited to funds with explicit sustainable or responsible investment mandates. Morningstar updates its Sustainability Ratings monthly. Portfolios receive a Morningstar Portfolio Sustainability Score and Sustainability Rating one month and six business days after their reported as-of date based on the most recent portfolio. As part of the evaluation process, Morningstar uses Sustainalytics' ESG scores from the same month as the portfolio as-of date.

The Fund's portfolios are actively managed and are subject to change, which may result in a different Morningstar Sustainability Score and Rating each month.

The Saturna Sustainable Equity Fund was rated on 98% and the Saturna Sustainable Bond Fund was rated on 88% of Assets Under Management.

Percent Rank in Category is the fund's percentile rank for the specified time period relative to all funds that have the same Morningstar category. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top-performing fund in a category will always receive a rank of 1. Percentile ranks within categories are most useful in those categories that have a large number of funds.

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

The S&P 500 Equal Weight Index (EWI) is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

Investing involves risk, including possible loss of principal. *Generally, an investment that offers a higher potential return will have a higher risk of loss. Stock prices fluctuate, sometimes quickly and significantly, for a broad range of reasons that may affect individual companies, industries, or sectors. When interest rates rise, bond prices fall. When interest rates fall, bond prices go up. A bond fund's price will typically follow the same pattern. Investments in high-yield securities can be speculative in nature. High-yield bonds may have low or no ratings, and may be considered "junk bonds." Investing in foreign securities involves risks not typically associated directly with investing in US securities. These risks include currency and market fluctuations, and political or social instability. The risks of foreign investing are generally magnified in the smaller and more volatile securities markets of the developing world.*

*A fund's **30-Day Yield**, sometimes referred to as "standardized yield" or "SEC yield," is expressed as an annual percentage rate using a method of calculation adopted by the Securities and Exchange Commission (SEC). The 30-Day Yield provides an estimate of a fund's investment income rate, but may not equal the actual income distribution rate. Without the voluntary expense cap, the 30-Day Yield for Saturna Sustainable Bond Fund would have been 3.936% and the 30-Day Yield for Saturna Sustainable Equity Fund would have been 0.524%. Unsubsidized yield does not adjust for any fee waivers and/or expense reimbursements in effect.*

Effective duration *is a measure of a fund's sensitivity to changes in interest rates and the markets. 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.*

Variable rate securities risk: *Variable rate debt securities (which include floating rate debt securities) pay interest based on an interest rate benchmark. When the benchmark rate changes, the interest payments on those securities may be reset at a higher or lower rate and, as a result, such securities generally are less price-sensitive to interest rate changes than fixed-rate debt securities. However, the market value of variable rate debt securities may decline or not appreciate as quickly as expected when prevailing interest rates rise, particularly if their interest rates do not rise as much, or as quickly, as interest rates in general. Conversely, variable rate securities will not generally increase in market value if interest rates decline. However, when interest rates fall, there may be a reduction in the payments of interest received by the Fund from its variable rate securities.*