# Fund Commentary

Q1 2020

Saturna Capital

Amana Mutual Funds Trust

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***Please consider an investment's objectives, risks, charges, and expenses carefully before investing. To obtain this and other important information about Amana Funds in a current prospectus or summary prospectus, please visit www.amanafunds.com or call toll free 1-800-728-8762. Please read the prospectus or summary prospectus carefully before investing. Distributed by Saturna Brokerage Services, a wholly-owned subsidiary of Saturna Capital Corporation, investment adviser to the Amana Funds.***

Common sense tells us markets are not linear, while the old joke tells us "common sense" is anything but. Until the fourth quarter of 2018, market volatility had become easy to forget amid steady gains and minimal drawdowns following the Global Financial Crisis (GFC). In the fourth quarter of 2018 we received a lesson in the lack of linearity, but the bull market of 2019 quickly healed wounds and the downturn faded from memory. The Amana Funds demonstrated their defensive characteristics in the fourth quarter of 2018, with each of the equity funds outperforming their respective benchmarks. This year, after a buoyant start to the new decade, investors suddenly woke to the realization that the novel coronavirus and associated COVID-19 illness are serious issues with unpredictable, yet hugely significant economic ramifications. This provided a renewed reminder that markets can fall as easily as rise, and often do so violently. Fortunately, the Amana Funds have again demonstrated defensive characteristics (see the Performance Summary on page 10).

Nerves of steel may be required . . . but we think opportunities in equities are especially good.

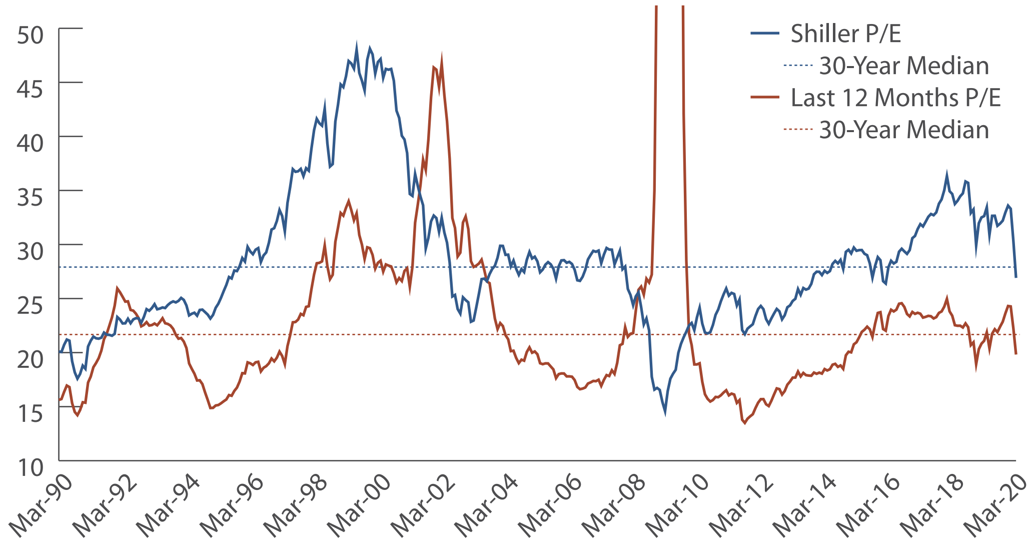
The sell-off has been jarring but one need only zoom out 15 months to find a market level lower than the first quarter S&P 500 Index close of 2584.59. The downturn in the fourth quarter of 2018 took the Index to a low close of 2351.10 on December 24, while the corona-crisis dropped the index to 2237.40 on March 23 before rebounding. The sell-off was fast and the recovery to date has been unpredictable, leading us to repeat a core maxim; we believe the best course of action is to remain invested. When markets are suffering double-digit single-day declines and breaking records set in the 1920s and 30s, nerves of steel may be required…but we think such drawdowns can present good opportunities in equities. Time and again, investors exit the market after it has already declined, thinking they'll get back in at a lower point, only to watch market indices rebound past their point of sale. It's difficult to remain invested today. It was also difficult to remain invested during the GFC but the S&P 500 Index was back above water within two years. Measured from the trading day before Lehman Brothers declared bankruptcy on September 15, 2008, through the pre-virus peak on February 19, 2020, the S&P 500 Index has enjoyed an 11.40% annualized return.

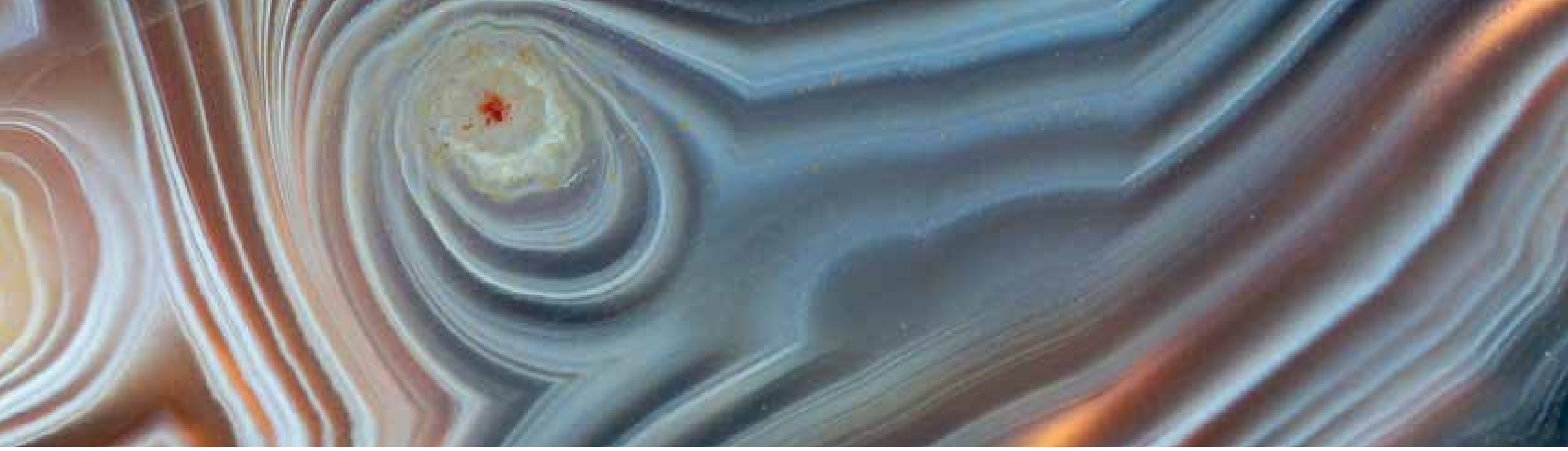
**S&P 500 Index** (September 12, 2008 - March 31, 2020)

## Valuation View

We cannot give any assurances that the market will not re-test the lows of March. With the widespread economic disruption caused by the virus and the unprecedented government actions taken to combat it, further swoons are, perhaps, inevitable. That, however, does not detract from our message that attempting to time such moves will likely diminish portfolio values. It may be easier for investors to maintain their market exposure when reviewing current valuations. Stretched valuations have been a source of concern for some time. Reduced tax rates, improving margins, and higher returns on capital from a tech-heavy market have all been rolled out as explanations. Of course, the current economic slowdown/shutdown will dramatically depress earnings for a time, but investors are likely to look through that to the day when conditions return to normal. In this sort of environment, the Shiller P/E ratio (also known as the CAPE ratio)[1] becomes the best lens through which to view valuations. As we can see in the chart below, the Shiller P/E ratio has returned to the 30-year median. While not representing the fire sale valuations of the GFC, one can make the case that the financial disruptions of that time raised legitimate questions regarding the survival of the system, while the coronavirus is an exogenous event from which we should be able to recover. Certainly, China has presented encouraging signs in that regard.

### Shiller and Last 12 Month P/E Ratios





## A Source of Resilience

We believe the Amana Funds are well-placed for the current environment, especially in light of concerns surrounding financial sustainability and liquidity.  The core investment philosophy of the Amana Funds has always been to seek companies demonstrating financial sustainability, which can be likened to a moat protecting against the slings and arrows of outrageous fortune.  We believe minimizing losses plays a key role in investment success.  When logistics grind to a halt, customers evaporate, and liquidity tightens, a strong balance sheet and skilled management can provide resilience and financial strength that has undoubtedly been a contributing factor to Fund performance.  Because of our debt guidelines, we rate companies based on the level of their total debt to market capitalization, assigning a letter grade to different levels, with A-rated stocks being the least indebted, D-rated stocks the most financially stretched, and F-rated stocks engaged in prohibited activities.  Over the first quarter of the year we see a clear correlation between debt levels and stock performance.

### Performance of US Equities with market capitalization greater than $5 bn as of 3/31/2020[2]

| Amana's Letter Grade | A | B, C or D | F | All |
|---|---|---|---|---|
| **Median Total Return YTD** | -18.69% | -24.63% | -28.86% | -21.74% |
| **Average Total Return YTD** | -17.17% | -25.44% | -27.72% | -21.50% |
| **Number of Companies** | 262 | 101 | 118 | 481 |
| **Median Mkt Cap (bn USD)** | $16.43 | $12.44 | $16.51 | $15.69 |

A wide range of variables determines how any stock performs but removing financial frailty from the equation makes intuitive sense.  We might also note, it accurately describes the approach Saturna Capital, adviser to the Amana Funds, takes to managing its own business.  Our balance sheet reflects our investment philosophy, with no debt and ample reserves.  He's no Shakespeare but Warren Buffet once observed, "It's only when the tide goes out that you learn who's been swimming naked."  Rest assured, Saturna Capital is appropriately attired.

## Amana Income Fund

As of March 31, 2020

We manage the Amana Funds to minimize risk, building defensive characteristics into the Funds through the selection of financially sustainable companies. Amana Income demonstrated that quality during the first quarter with the Investor Shares shedding -18.01%, compared to a -19.60% decline in the S&P 500 Index. Stock selection in Technology and Health Care contributed to the outperformance, slightly overcoming an allocation headwind from the Fund's large exposure to Industrials.

Health Care understandably held up well during the first quarter coronavirus-inspired sell-off. Even so, Lilly stood out as one, among a handful, of companies that registered a positive return for the first quarter. In January, Lilly reported excellent fourth quarter results, with revenue growing at a faster clip than over the first three quarters of the year. Lilly is also financially strong with debt equivalent to only two times EBITDA[3] and 12% of market capitalization. Johnson & Johnson, while trailing Lilly, shares many of the same characteristics and also outperformed. Microsoft led the major technology stocks, enjoying multiple advantages. Strong growth from its Azure Cloud Services business will almost certainly continue as stay-at-home accelerates the transition to buy online. Nor would we rule out a bump in Xbox sales! Along with growing e-commerce, another result of shelter-in-place will likely be a greater appreciation of the possibilities of video conferencing. As a company that sees itself as defining the future of the internet, while featuring negligible debt and an attractive dividend, Cisco has proven relatively resilient. Finally, Consumer Staples have held up well as consumers stock their larders and their bathroom cabinets. General Mills, perhaps benefiting from a surge in pet-related business, and Proctor & Gamble both outperformed.

The lockdown-enforced decline in economic activity hit Industrial stocks hard and they account for six of the 10 largest detractors. We see all of the Industrials as being negatively affected, rather than perceiving any major differences in vulnerability to the virus. Nor does being in the Technology sector help if you are making hardware, like semiconductor chips, as opposed to software. Microchip and Taiwan Semiconductor were not immune. Genuine Parts presents something of a conundrum. As a supplier of replacement automotive parts, the decline in new car sales would be good. On the other hand, people aren't driving nearly as much.

*Continued on page 12*

| 10 Largest Contributors | Return | Contribution |
|---|---|---|
| Eli Lilly | 6.10% | 0.30 |
| Microsoft | 0.28% | 0.06 |
| Alcon | -9.87% | -0.02 |
| Resideo Technologies | -59.43% | -0.03 |
| General Mills | -0.55% | -0.04 |
| Procter & Gamble | -11.40% | -0.05 |
| Cisco Systems | -17.44% | -0.08 |
| Corteva | -20.13% | -0.09 |
| Rio Tinto ADS | -19.41% | -0.09 |
| Johnson & Johnson | -9.52% | -0.12 |

| 10 Largest Detractors | Return | Contribution |
|---|---|---|
| PPG Industries | -37.11% | -1.46 |
| Microchip Technology | -35.04% | -1.30 |
| Parker Hannifin | -36.70% | -1.25 |
| Rockwell Automation | -25.16% | -1.14 |
| Genuine Parts | -36.03% | -1.13 |
| Honeywell International | -23.99% | -0.88 |
| Carlisle | -22.35% | -0.87 |
| Illinois Tool Works | -20.29% | -0.87 |
| McCormick | -16.80% | -0.77 |
| Taiwan Semiconductor ADS | -16.96% | -0.60 |

| Top 10 Holdings | Portfolio Weight |
|---|---|
| Eli Lilly | 7.07% |
| Microsoft | 6.46% |
| McCormick | 4.50% |
| Intel | 4.43% |
| Rockwell Automation | 4.12% |
| Illinois Tool Works | 3.88% |
| Taiwan Semiconductor ADS | 3.70% |
| Pfizer | 3.42% |
| Bristol-Myers Squibb | 3.30% |
| Honeywell International | 3.17% |

| 30-Day Yield | |
|---|---|
| Investor Shares (AMANX): | 1.29% |
| Institutional Shares (AMINX): | 1.54% |

**Asset-weighted average debt to market cap:** 16.6%

## Amana Growth Fund

In the first quarter, Amana Growth Fund Investor Shares fell -13.67% versus the -19.60% return in the S&P 500 Index. Stock selection within the Consumer Staples and Health Care sectors drove performance, while exposure to Technology in general and software specifically, provided resilience. The Fund also benefited from minimal exposure to Industrials.

With a double-digit return, Clorox was a true outlier in the first quarter as demand for its cleaning products, including disinfecting wipes and bleach, soared in the wake of the coronavirus pandemic. Whether this continues depends on a persistent increase in the use of these products, which we would not rule out. There's likely no shortage of demand for Pepsi's soft drinks and snacks with television viewing jumping higher. Novo Nordisk primarily serves the diabetes market and has enjoyed significant drug trial successes over the past few months. We note that Bristol-Myers stock declined while the value of the related CVR, or Contingent Value Right, instrument increased. These were issued with the purchase of Celgene and only hold value if three Celgene drugs in development are ultimately approved. Johnson & Johnson is one of the few stocks we hold in both the Amana Growth and Amana Income Funds. Finally, remote work does little to reduce the demand for products from Oracle and Adobe, both of which have held up well.

Minimal exposure to Industrials, apart from the railways, such as Norfolk Southern, and construction and engineering firm EMCOR Group, helped Fund performance. Stryker, maker of the Mako knee-replacement surgical robot, was a relatively poor performer despite being in Health Care, since elective surgeries have largely been canceled. We believe home improvement will see a strong recovery but that was not evident from Lowe's performance in the quarter. Intuit seems like it should be resilient since government often chooses to effect policy through the tax code, and future changes to support consumers, businesses, and the economy seem likely. With its App Store, Apple Music, Apple TV, etc., Apple has businesses to cushion the blow, but phone and computer sales are certain to slow with stores closed. 5G investments are going to be delayed, leading to Qualcomm's drop. TJX clearly suffers from the closing of retail outlets, since it is not

*Continued on page 12*

**As of March 31, 2020**

| 10 Largest Contributors | Return | Contribution |
|---|---|---|
| Clorox Company | 13.60% | 0.22 |
| Novo Nordisk ADS | 5.44% | 0.14 |
| Eli Lilly & Co | 6.10% | 0.11 |
| Bristol-Myers Squibb, CVR | 26.25% | 0.01 |
| Bristol-Myers Squibb | -12.55% | -0.09 |
| Oracle | -8.37% | -0.12 |
| Synnex | -43.09% | -0.12 |
| PepsiCo | -11.52% | -0.20 |
| Adobe | -3.51% | -0.22 |
| Johnson & Johnson | -9.52% | -0.28 |

| 10 Largest Detractors | Return | Contribution |
|---|---|---|
| Estée Lauder, Class A | -22.65% | -1.03 |
| Apple | -13.20% | -0.99 |
| TJX Companies | -21.42% | -0.94 |
| EMCOR Group | -28.88% | -0.83 |
| Intuit | -12.02% | -0.78 |
| Qualcomm | -22.74% | -0.76 |
| Trimble | -23.65% | -0.71 |
| Norfolk Southern | -24.46% | -0.68 |
| Lowe's | -27.82% | -0.65 |
| Stryker | -20.42% | -0.63 |

| Top 10 Holdings | Portfolio Weight |
|---|---|
| Apple | 6.92% |
| Adobe | 6.87% |
| Intuit | 5.59% |
| ASML Holding | 4.35% |
| Church & Dwight | 4.16% |
| Estée Lauder, Class A | 3.94% |
| Amgen | 3.88% |
| Agilent Technologies | 3.48% |
| Novo Nordisk ADS | 3.26% |
| Cisco Systems | 3.18% |

**Asset-weighted average debt to market cap:** 10.0%

## Amana Developing World Fund

With the coronavirus starting in China, emerging markets felt the effects first, but we have also seen some recovery and resilience in those countries that have successfully capped the spread of the virus, at least to date. We have historically been underexposed to China relative the benchmark. Our cash position was also somewhat elevated. As a result, the Amana Developing World Fund Investor Shares significantly outperformed the benchmark, falling -17.50% against a -23.60% decline for the MSCI Emerging Markets Index.

Tencent, China's leading purveyor of mobile games, held up strongly during the quarter, which is to be expected in a lockdown. Its WeChat service is also an important messaging tool in China and other countries throughout Asia. Prosus represents another holding in Tencent. Taiwan has been one of the most successful countries in keeping the virus under wraps, which certainly contributed to the outperformance of power integrated circuits firm Silergy, as well as waste management company Sunny Friend. Unicharm is a new entrant to the Fund. The Japanese company has a strong position in adult incontinence and a majority of its business in emerging markets. We have exited South African cable firm Multichoice, as well as Barrick Gold, which no longer had the majority of its operations in emerging market countries. Regardless of economic conditions, people are still likely to brush their teeth, reflected in the performance of Colgate during the quarter.

Emerging markets' volatility was on display in the first quarter, led by Indonesian retailer Ramayana. Although the stock definitely performed poorly, its returns, as well as those for stocks in Brazil (Fleury), Turkey (Ford Otomotive), the Philippines (SM Prime), and South Africa (Clicks Group), were weighed down by sharply deteriorating foreign exchange values relative to the US dollar. Clothing manufacturer VFC undertakes a large portion of its business in China, which was shut for much of the quarter. Even though China is opening, stores in Europe and the US are not. Copa Holdings is a Panamanian airline, which we have sold from the Fund. Like VFC, Hong Kong-based ASM Pacific suffered from the shutdown of operations in China.

We reduced our position in SM Prime and sold Barrick Gold, while VFC's price decline pushed it out of the Top 10. These stocks were replaced by Colgate-Palmolive, Sunny Friend, and HK & China Gas.

**As of March 31, 2020**

| 10 Largest Contributors | Return | Contribution |
|---|---|---|
| Tencent Holdings ADR | 2.25% | 0.21 |
| Silergy | 3.31% | 0.18 |
| Unicharm | 8.63% | 0.11 |
| Multichoice Group ADR | -42.75% | -0.03 |
| Prosus ADS | -8.12% | -0.03 |
| Barrick Gold | -2.05% | -0.04 |
| Sunny Friend Environmental Technology | -1.49% | -0.05 |
| KPJ Healthcare | -5.53% | -0.09 |
| Colgate-Palmolive | -3.01% | -0.10 |
| Kontoor Brands | -53.50% | -0.11 |

| 10 Largest Detractors | Return | Contribution |
|---|---|---|
| VFC | -45.32% | -1.51 |
| SM Prime Holdings | -32.61% | -1.33 |
| Fleury | -47.30% | -1.02 |
| Ramayana Lestari Sentosa | -62.80% | -0.89 |
| Telekomunik Indonesia ADS | -32.46% | -0.83 |
| Clicks Group | -20.37% | -0.80 |
| Techtronic Industries | -20.44% | -0.73 |
| Copa Holdings, Class A | -57.68% | -0.70 |
| ASM Pacific Technology | -32.50% | -0.67 |
| Ford Otomotiv Sanayi | -32.90% | -0.65 |

| Top 10 Holdings | Portfolio Weight |
|---|---|
| Tencent Holdings ADR | 5.85% |
| Silergy | 4.45% |
| Clicks Group | 3.73% |
| Taiwan Semiconductor ADS | 3.32% |
| Samsung Electronics | 3.06% |
| Techtronic Industries | 2.95% |
| Colgate-Palmolive | 2.77% |
| Kansas City Southern Industries | 2.74% |
| Sunny Friend Environmental Technology | 2.53% |
| Hong Kong & China Gas | 2.52% |

**Asset-weighted average debt to market cap:** 17.2%

## Amana Participation Fund

"In like a lion, out like a lamb" appropriately characterizes the volatility that descended upon the markets in March and its impact on Q1 2020's investment performance and the outlook for the remainder of the year. The onset of the coronavirus, COVID-19, and its subsequent effect of "shelter-at-home" has nearly shut down the global economy with commensurate damage to markets. The oil market added to global disruptions. The price per barrel fell -24.59% overnight after the Saudi Arabian government opted to flood the crude market on March 9, 2020, in response to OPEC and non-OPEC producers' failure to come to an agreement to cut production. Since their announcement, Saudi Arabia has been ramping up its oil production to 12.3 million barrels per day (bpd), or 300k bpd above its maximum production capacity,[4] and above OPEC's previously agreed production levels of 10.5 million bpd.[5] This increase in supply caused Brent crude prices to fall to a 17-year low of $23.03 on March 30, 2020.[6]

Anticipating disruption from the novel coronavirus we began taking proactive measures in late February to insulate investors from market volatilty. This included reducing exposures to procyclical industries such as hydrocarbon extraction firms and real estate development operators, and shifting our emphasis to countercyclical sectors that are better positioned to weather the storm, such as utilities, telecommunications, and consumer staples.

Despite the challenges, it is important to note that there are considerable tailwinds to support a constructive outlook for the *sukuk* market. First, to be considered *halal, sukuk* must conform to Islamic investing principles which require these investment certificates to represent an "undivided share in ownership of tangible assets, usufruct and services or (in the ownership of) the assets."[7] This means the investment certificates have underlying tangible assets – and the expectation of steady income from them – and can help reduce short-term price volatility relative to energy commodities and other asset classes, such as the broader equity and bond markets. Some Islamic scholars are comfortable with a face value threshold of at least 33% physical assets underlying *sukuk* structures; other scholars require between 51% and 70%.[8] The result is that Islamic-compliant investment certificates typically have a significant asset-backed component as part of their underlying investment structure. Second, sovereign

*Continued on page 12*

**As of March 31, 2020**

| Top 10 Holdings | Portfolio Weight |
|---|---|
| SOQ Sukuk A | 5.09% |
| DIFC Sukuk | 4.53% |
| QIB Sukuk | 4.50% |
| Almarai Sukuk | 4.45% |
| ICD Sukuk | 4.35% |
| DIB Sukuk | 4.12% |
| EIB Sukuk | 4.10% |
| DP World Crescent | 3.94% |
| KSA Sukuk | 3.72% |
| Noor Sukuk | 3.66% |

| 30-Day Yield | |
|---|---|
| Investor Shares (AMAPX): | 2.34% |
| Institutional Shares (AMIPX): | 2.63% |

| Credit Profile | |
|---|---|
| AAA | 1.00% |
| AA | 5.09% |
| A | 17.46% |
| BBB | 34.00% |
| Not rated | 24.02% |
| Cash and equivalents | 18.44% |

*Credit ratings are the lesser of S&P Global Ratings or Moody's Investors Service. If neither S&P nor Moody's rate a particular security, that security is categorized as not rated (except for US Treasury securities and securities issued or backed by US agencies which inherit the credit rating for the US government). Ratings range from AAA (highest) to D (lowest). Bonds rated BBB or above are considered investment grade. Credit ratings BB and below are lower-rated securities (junk bonds). Ratings apply to the creditworthiness of the issuers of the underlying securities and not the Fund or its shares. Ratings may be subject to change.*

## Performance Summary

As of March 31, 2020

| Average Annual Total Returns *(Before Taxes)* | YTD | 1 Year | 3 Year | 5 Year | 10 Year | 15 Year | Expense Ratio |
|---|---|---|---|---|---|---|---|
| **Income Fund** Investor Shares (AMANX) | -18.01% | -8.01% | 3.67% | 4.74% | 8.09% | 7.97% | 1.06% |
| **Income Fund** Institutional Shares (AMINX) | -17.98% | -7.80% | 3.91% | 4.99% | n/a | n/a | 0.82% |
| S&P 500 Index | -19.60% | -6.98% | 5.10% | 6.72% | 10.52% | 7.57% | n/a |
| **Growth Fund** Investor Shares (AMAGX) | -13.67% | -2.19% | 11.55% | 9.88% | 10.65% | 10.02% | 1.03% |
| **Growth Fund** Institutional Shares (AMIGX) | -13.62% | -1.95% | 11.83% | 10.14% | n/a | n/a | 0.79% |
| S&P 500 Index | -19.60% | -6.98% | 5.10% | 6.72% | 10.52% | 7.57% | n/a |
| **Developing World Fund** Investor Shares (AMDWX) | -17.50% | -9.16% | -2.15% | -2.68% | -1.33% | n/a | 1.31% |
| **Developing World Fund** Institutional Shares (AMIDX) | -17.46% | -9.07% | -1.99% | -2.51% | n/a | n/a | 1.14% |
| MSCI Emerging Markets Index | -23.60% | -17.69% | -1.62% | -0.37% | 0.68% | n/a | n/a |
| **Participation Fund** Investor Shares (AMAPX) | -3.41% | 0.68% | 1.33% | n/a | n/a | n/a | 0.88% |
| **Participation Fund** Institutional Shares (AMIPX) | -3.44% | 0.82% | 1.53% | n/a | n/a | n/a | 0.64% |
| FTSE Sukuk Index | -3.32% | 3.30% | 3.19% | n/a | n/a | n/a | n/a |

*Expense ratios shown are as stated in the Funds' most recent Prospectus dated September 27, 2019.*

***Performance data quoted represents past performance, is before any taxes payable by shareowners, and is no guarantee of future results.*** *Current performance may be higher or lower than that stated herein. Performance current to the most recent month-end is available by calling toll-free 1-800-728-8762 or visiting www.amanafunds.com. Average annual total returns are historical and include change in share value as well as reinvestment of dividends and capital gains, if any. The 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. Shares of a Fund may only be offered for sale through the Fund's prospectus or summary prospectus.*

*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 MSCI Emerging Markets Index, produced by Morgan Stanley Capital International, measures equity market performance in over 20 emerging market countries. The FTSE Sukuk Index measures the performance of global Islamic fixed income securities, also known as sukuk. The CBOE Volatility Index, known by its ticker symbol VIX, is a popular measure of the stock market's expectation of volatility implied by S&P 500 index options. When available, Saturna uses total return components of indices mentioned. Investors cannot invest directly in the indices.*

*Institutional Shares of the Amana Funds began operations September 25, 2013.*

*The Amana Participation Fund began operations September 28, 2015.*

***Income**, **Growth**, **Developing World**, and **Participation** Funds: The value of the shares of each of the Funds rises and falls as the value of the securities in which the Funds invest goes up and down. The Amana Mutual Funds limit the securities they purchase to those consistent with Islamic principles. This limits opportunities and may affect performance. Each of the Funds may invest in securities that are not traded in the United States. Investments in the securities of foreign issuers may involve risks in addition to those normally associated with investments in the securities of US issuers. 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.*

***Growth Fund**: The smaller and less seasoned companies that may be in the Growth Fund have a greater risk of price volatility.*

***Participation Fund**: While the Participation Fund does not invest in conventional bonds, risks similar to those of conventional nondiversified fixed-income funds apply. These include: diversification and concentration risk, liquidity risk, interest rate risk, credit risk, and high-yield risk. The Participation Fund also includes risks specific to investments in Islamic fixed-income instruments. The structural complexity of sukuk, along with the weak infrastructure of the sukuk market, increases risk. Compared to rights of conventional bondholders, holders of sukuk may have limited ability to pursue legal recourse to enforce the terms of the sukuk or to restructure the sukuk in order to seek recovery of principal. Sukuk are also subject to the risk that some Islamic scholars may deem certain sukuk as not meeting Islamic investment principles subsequent to the sukuk being issued.*

## Performance Summary

**As of March 31, 2020**

| Morningstar Ratings™ [A] | Overall | 1 Year | 3 Year | 5 Year | 10 Year |
|---|---|---|---|---|---|
| **Amana Income Fund – "Large Blend" Category** | | | | | |
| **Investor Shares (AMANX)** | ★★★ | n/a | ★★★ | ★★★ | ★★★ |
| % Rank in Category | n/a | 40 | 48 | 55 | 76 |
| **Institutional Shares (AMINX)** | ★★★ | n/a | ★★★ | ★★★ | ☆☆☆ |
| % Rank in Category | n/a | 39 | 43 | 51 | 72 |
| Number of Funds in Category | 1,214 | 1,372 | 1,214 | 1,048 | 800 |
| **Amana Growth Fund – "Large Growth" Category** | | | | | |
| **Investor Shares (AMAGX)** | ★★★★ | n/a | ★★★★ | ★★★★ | ★★★ |
| % Rank in Category | n/a | 45 | 26 | 25 | 60 |
| **Institutional Shares (AMIGX)** | ★★★★ | n/a | ★★★★ | ★★★★ | ☆☆☆ |
| % Rank in Category | n/a | 44 | 23 | 22 | 56 |
| Number of Funds in Category | 1,231 | 1,358 | 1,231 | 1,086 | 812 |
| **Amana Developing World Fund – "Diversified Emerging Markets" Category** | | | | | |
| **Investor Shares (AMDWX)** | ★★★ | n/a | ★★★★ | ★★★ | ★★★ |
| % Rank in Category | n/a | 5 | 35 | 75 | 91 |
| **Institutional Shares (AMIDX)** | ★★★ | n/a | ★★★★ | ★★★ | ☆☆☆ |
| % Rank in Category | n/a | 5 | 33 | 73 | 89 |
| Number of Funds in Category | 707 | 825 | 707 | 580 | 237 |
| **Amana Participation Fund – "Emerging Markets Bond" Category** | | | | | |
| **Investor Shares (AMAPX)** | ★★★★★ | n/a | ★★★★★ | n/a | n/a |
| % Rank in Category | n/a | 3 | 5 | n/a | n/a |
| **Institutional Shares (AMIPX)** | ★★★★★ | n/a | ★★★★★ | n/a | n/a |
| % Rank in Category | n/a | 2 | 3 | n/a | n/a |
| Number of Funds in Category | 231 | 275 | 231 | n/a | n/a |



*[A] Morningstar Ratings™ ("Star Ratings") are as of March 31, 2020. 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.*

*% 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.*

*Unshaded stars indicate extended performance. Extended performance is an estimate based on the performance of a Fund's oldest share class, adjusted for fees.*

*The Amana Mutual Funds offer two share classes – Investor Shares and Institutional Shares, each of which has different expense structures.*

## Amana Income Fund *Continued from page 6*

Genuine Parts also has exposure to businesses more directly tied to economic activity. Spice merchant McCormick has held up reasonably well, but we thought it might do better given the surge in home cooking. Of course, the restaurant and institutional business has fallen off.

Given the sharp share price declines, PPG Industries, Microchip, and Carlisle all dropped out of the Top 10 Holdings with Health Care companies Bristol-Meyers and Pfizer stepping in, along with semiconductor foundry Taiwan Semiconductor.

## Amana Participation Fund *Continued from page 9*

issuers from the Gulf Cooperative Council (GCC)[9] have considerable capital savings to help offset a decline in hydrocarbon prices. For example, as of August 2018, GCC members' sovereign wealth funds held assets in excess of $3.0 trillion.[10] This will help the region, with an estimated population of 54 million people, to weather the oil price decline, as they did during the previous oil downfall in 2014-2016 when crude prices fell from a high of $107.26 a barrel on June 20, 2014, to a low of $26.21 on February 11, 2015.[11]

For the first quarter of 2020, the Amana Participation Fund Institutional Shares returned -3.44% and Amana Participation Fund Investor Shares returned -3.41%. Comparatively, the FTSE Sukuk Index returned -3.32% for the same period. For the trailing 12-months, the Amana Participation Fund Institutional Shares and Amana Participation Investor Shares returned 0.82% and 0.68%, respectively. The Fund's performance can be attributed to our investment process that emphasizes the ownership of high-quality issuers led by management teams who exercise prudence and demonstrate sound, long-term financial practices.

As of March 31, the Amana Participation Fund Institutional Shares provided a 30-day yield of 2.63% while the Fund's Investor Shares provided a 30-day yield of 2.34%. The Amana Participation Fund reported an effective duration of 3.14 years. The Fund is diversified among twenty-eight, US-dollar denominated issues.

## Amana Growth Fund *Continued from page 7*

known for online prowess, while Estée Lauder presents an interesting question. How much make-up will consumers continue to buy for their virtual gatherings?

Relative outperformance pushed Novo Nordisk and Cisco into the Top 10 holdings list.

## About The Authors

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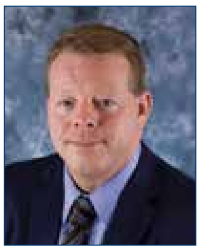
**Amana Developing World Fund** Portfolio Manager
**Amana Income Fund** and **Amana Growth Fund** Deputy Portfolio Manager

Scott Klimo, Chief Investment Officer and Portfolio Manager, joined Saturna Capital in May 2012. He received his BA in Asian Studies from Hamilton College in Clinton, NY and also attended the Chinese University of Hong Kong and the Mandarin Training Center in Taipei, Taiwan. Mr. Klimo has over 30 years experience in the financial industry with the first several years of his career spent living and working in a variety of Asian countries and the past 20 years working as a senior analyst, research director, and portfolio manager covering global equities. Mr. Klimo is a chartered financial analyst (CFA) charterholder. He is a supporter of various environmental organizations and served for several years on the Board of Directors of the Marin County Bicycle Coalition.



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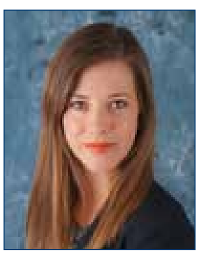
Patrick T. Drum, Research Analyst and Portfolio Manager, joined Saturna Capital in October 2014. He is a former select member of the United Nations Principles for Responsible Investment (UNPRI) Fixed Income Outreach Subcommittee and a former adjunct professor of finance at Pinchot University, formerly known as Bainbridge Graduate Institute (BGI). Mr. Drum has over 10 years of experience integrating ESG considerations into fixed income portfolio management. He holds a BA in economics from Western Washington University and an MBA from Seattle University Albers School of Business. He is a Chartered Financial Analyst Charterholder (CFA) and a Certified Financial Planner®. Mr. Drum has more than 20 years of investment experience in serving institutions and private clients.



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

## *Important Disclaimers and Disclosures*

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***Asset-weighted average debt to market capitalization**: This ratio represents the average debt to market capitalization of the portfolio. It is calculated by taking the debt to market capitalization for each company (its debt divided by its market capitalization), then weighting these values (multiplying each by the company's percent share of total portfolio assets), then totaling the weighted values.*

***Effective maturity**, **modified duration,** and **effective duration** are measures of a fund's sensitivity to changes in interest rates and the markets. A fund's effective maturity is a dollar-weighted average length of time until principal payments must be paid. Longer maturities typically indicate greater sensitivity to interest rate changes than shorter maturities. Modified duration differs from effective maturity in that it accounts for interest payments in addition to the length of time until principal payments must be paid. Longer durations tend to indicate greater sensitivity to interest rate changes than shorter durations. Call options and other security specific covenants may be used when calculating effective maturity and modified duration.*

*A Fund's **30-Day Yield**, sometimes referred to as standardized yield, current yield, or SEC yield, is based on methods of computation prescribed in SEC Form N-1A. Calculated by dividing the net investment income per share during the preceding 30 days by the net asset value per share on the last day of the period, the 30-Day Yield provides an estimate of a Fund's investment income rate, but may not equal the actual income distribution rate.*

*We note that unlike many funds, the Amana Funds' expenses are not subsidized by its adviser, Saturna Capital, therefore the 30-Day Yields presented are actual, according to the SEC's calculation methodology.*

## *Footnotes to commentary:*

*[1] The price-to-earnings (P/E) ratio is the share price of a company's stock divided by its reported earnings per share. The P/E ratio is also referred to as the "multiple" of a company's earnings. The cyclically adjusted price-to-earnings (CAPE) ratio uses a 10-year moving average to smooth out variations in corporate profits that can occur during business cycles. Popularized by Yale University professor Robert Shiller, the CAPE ratio is also known as the Shiller P/E ratio.*

*[2] Total return for each company calculated from December 31, 2019 through March 31, 2020. Letter grades are calculated based on proprietary score using financial statement data from Thomson Reuters as available on December 31, 2019, including total debt, total assets, accounts receivable, and average month-ending market capitalization for each company during calendar year 2019.*

*[3] EBITDA is an acronym for Earnings Before Interest, Tax, Depreciation & Amortization.*

*[4] El Gamal, Rania; Astakhova, Olesya. Saudi Arabia, Russia raise stakes in oil production standoff, Reuters, March 10, 2020. https://www.reuters.com/article/us-oil-opec-saudi/saudi-arabia-russia-raise-stakes-in-oil-production-standoff-idUSKBN20X13Q*

*[5] Organization of the Petroleum Exporting Countries (OPEC) undated Press Release. https://www.opec.org/opec_web/static_files_project/media/downloads/press_room/OPEC%20agreement.pdf*

*[6] Tan, Weizhen. Oil prices fall to 17-year low as Saudi Arabia-Russia standoff continues, coronavirus hits demand , CNBC, March 30, 2020. https://www.cnbc.com/2020/03/30/oil-falls-amid-saudi-arabia-russia-price-war-coronavirus-hits-demand.html*

*[7] The Sukuk Handbook, A Guide to Structuring Sukuk, Second Edition, Latham & Watkins, 1. https://www.lw.com/thoughtLeadership/guide-to-structurings-sukuk-2015*

*[8] Ibid, 6.*

*[9] Gulf Cooperation Council (GCC) members include Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.*

*[10] Alandejani, Dr. Maha. The Development of GCC Sovereign Wealth Funds, November 19, 2018, Global Risk Intel. https://www.globalriskintel.com/insights/development-gcc-sovereign-wealth-funds*

*[11] Mead, David; Siger, Porscha. The 2014 plunge in import petroleum prices: What happened? US Bureau of Labor Statistics, May 2015. https://www.bls.gov/opub/btn/volume-4/the-2014-plunge-in-import-petroleum-prices-what-happened.htm*

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