



# Investment Philosophy







## About Saturna Capital

Saturna Capital, manager of the Amana, Saturna Sustainable, and Sextant 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 sustainable 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 sustainable 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.

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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 the Amana, Sextant, and Saturna Sustainable Funds in a current prospectus or summary prospectus, please visit [www.saturna.com](http://www.saturna.com) or call toll free 1-800-728-8762. Please read the prospectus or summary prospectus carefully before investing.***

*The Amana, Sextant, and Saturna Sustainable Funds are distributed by Saturna Brokerage Services, member FINRA / SIPC. Saturna Brokerage Services is a wholly-owned subsidiary of Saturna Capital Corporation, adviser to the Funds.*

## PHILOSOPHY

Saturna Capital views investing as a business partnership and seeks high-caliber performers operating with integrity and with a view toward the long term. Saturna's deep-rooted belief in value investing influences all of our investment decisions. We don't follow trends, we analyze opportunities through detailed research exploring geopolitical developments, industry themes, technology trends, competitive environments, and corporate leadership. We view consideration of sustainability 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 sustainability issues are more resilient and make better contributions to portfolios designed for patient investors.

We seek issuers that demonstrate financial characteristics such as strong free cash flows, attractive growth rates, increasing dividends, and low price volatility. We believe issuers with effective corporate responsibility policies are better positioned to avoid crises that could lead to reputational damage, higher costs, lost production, and fraudulent operations. We favor companies in which management has a meaningful stake. Because we are moderately risk averse, our performance may trail the averages in rising markets, as we seek to minimize losses during falling markets.

Saturna's research team conducts detailed due diligence in order to understand every aspect of a firm's operations. Saturna employs a disciplined buy-and-hold strategy with turnover that rarely exceeds 20% annually, an approach that fosters tax efficiency.

## PROCESS

Saturna Capital screens more than 5,000 global securities monthly. Roughly half receive a quantitative A rating based on financial metrics and business activities, making them potential investment candidates. Companies with marginal financial metrics receive rankings of B, C, & D. About one-tenth are rejected outright for the Amana Funds (ranked F), due to prohibited business activities.

After initial screening, Saturna's analysts begin the investment process with a thorough review of an issuer's fundamentals, both at the company and industry levels. Our analysts search for companies that feature financial sustainability and avoid excessive debt, which supports Saturna's long-term investment approach and helps to reduce risk. High debt can point to future problems such as increased risk of bankruptcy, quick fixes that lead to excessive risk taking, and lapses in governance.

## CULTURE

Superior ethical standards are a mainstay of Saturna Capital. For over 30 years, Saturna has provided clients with quality investment products that reflect their values while adhering to our own values every step of the way. Similarly, social responsibility is such an essential part of our culture that it is embedded throughout our core values.

As an asset manager, Saturna prioritizes the education and empowerment of our investors; as an employer, we prioritize crewmember ownership, wellness, and development. In the community, our excellent reputation for job creation and philanthropy helps define us as a responsible employer of choice and underscores our pursuit of long-term, sustainable success.

## AMANA FUNDS

Saturna Capital's first and largest client, the Amana Mutual Funds Trust, follows Islamic principles as well as sustainable investing principles among the equity funds.

Islamic principles require investors to share in profit and loss, to exclude investments in prohibited activities, and to avoid speculation in favor of long-term investment. Business sector and sustainability screens eliminate companies primarily involved in certain activities including:

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

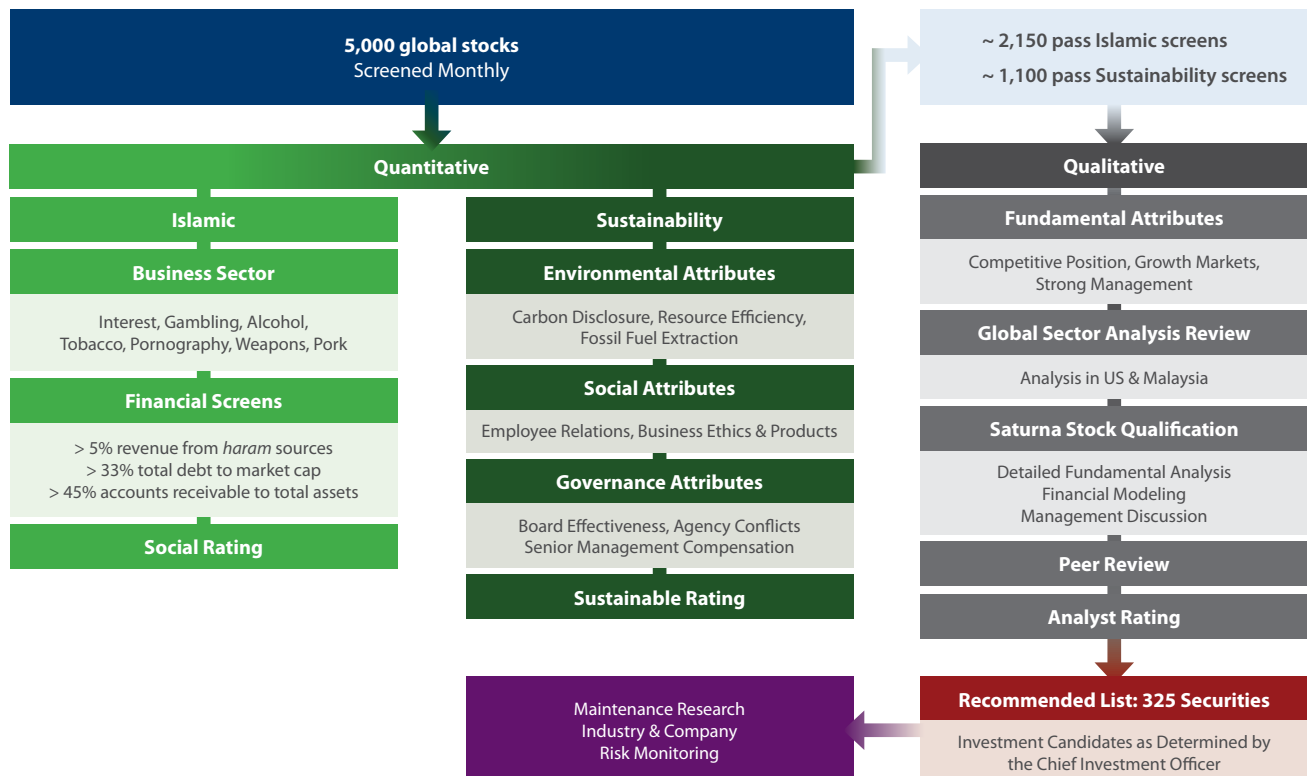
Financial screens eliminate companies with:

- Greater than 5% of their revenue coming from *haram*, or unacceptable, sources (such as those listed above).

- Greater than 33% total debt as compared to their market capitalization (trailing 12-month average).
- Greater than 45% accounts receivable as compared to their total assets (trailing 12-month average).

The guidelines developed for the Amana Funds help ensure that investments meet the requirements of the Islamic faith and were established by Saturna in collaboration with the Fiqh Council of North America (FCNA), a non-profit organization serving the Muslim community. To ensure that investments continue to meet the requirements of the Islamic faith, Saturna engages Amanie Advisors Sdn Bhd, a leading consultant specializing in Islamic finance.

Amana's equity funds also support the fossil fuel divestment campaign by excluding energy extraction and refining companies.



SUSTAINABLE FUNDS

At Saturna Capital, we view the consideration of sustainable factors as essential to identifying opportunities and forming portfolios of high-quality companies better positioned to reduce risk. We believe that a thorough review of how a company addresses sustainability issues provides an important indication of how that company will perform over time.

SUSTAINABILITY PROCESS

Saturna is committed to analyzing an issuer’s strength through a holistic lens and believes that sustainable investing must include identifying how a company addresses the key sustainability factors that materially impact its industry. We have developed a proprietary scoring system which provides an assessment of how well a company performs relative to a blend of its industry, sector, and country peers in each sustainability category. Using a combination of negative and positive screening, Saturna’s analysts seek issuers who outperform their peers on a variety of sustainability metrics.

Saturna’s negative screening excludes firms primarily engaged in:

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

We positively screen for issuers with low sustainability risk profiles which — in addition to material and non financial sustainability considerations, such as carbon emissions, water usage, renewable energy, and fair labor and supply chain practices — includes firms that show management stability and diversity, low debt, strong balance sheets, high-quality operations, and a long-term focus. The Saturna Sustainable Funds also support the fossil fuel divestment campaign by excluding energy extraction and refining companies.

In order to assess the relevance of the data used to generate our scores, we carefully examine the quantity and quality of reporting for each scoring factor, including how the reporting varies — both in response rates and the distribution of reported data — by industry, sector, country, and region.

Each sustainability category is built up from related subcategories:

Environment	Social	Governance
Energy	Community	Board quality
Climate	Labor	Corporate policies
Water		Executive
Waste		compensation
Sustainability		

We evaluate companies according to their transparency (i.e., whether they report data on a given factor) and their quality (i.e., how their reporting compares to their peers). Each factor is weighted by our assessment of its importance within its economic sector, or, when appropriate, by its importance relative to its country or regional peers.

While the quantitative sustainability scoring process provides an invaluable stock identification tool, we believe meaningful stock evaluation and portfolio inclusion requires active management — detailed fundamental analysis of industry, financial, managerial, and sustainability considerations.

Numerous pitfalls challenge quantitative sustainability scoring, such as a pronounced “large-capitalization bias” since smaller companies, even good actors, may lack the resources to provide detailed sustainability metrics. Key performance indicators determining executive pay present another area benefiting from qualitative review. Our belief in active management from a financial perspective applies equally to our sustainability analysis.

## SEXTANT FUNDS

Launched in 1995, the Sextant Funds provide the basic elements to build a low-expense, balanced investment program emphasizing a value approach to investing.

Value investing allows for longer holding periods which can lead to tax efficiency. The Sextant Funds' investment process focuses on fundamentals at both the issuer and industry level. Saturna Capital's research team further seeks issuers with sustainable competitive advantages, high-quality operations (including diverse and high-functioning management teams), strong free cash flows, attractive growth rates, increasing dividends, low price volatility, and low debt.

The Sextant bond funds employ rigorous comparative analysis that examines credit prices relative to credit default swaps from the same issuer, if available, as well as prices on comparable instruments with similar maturities. In general, for portfolio managers to consider a credit instrument for inclusion in a Sextant Fund, the security must be investment grade and be considered high-quality commercial paper.

Consistent with its objective of high income, the Global High Income Fund favors bonds of lower quality, but may have up to half of its investments in bonds rated A- or higher.

The Growth Fund and International Fund invest primarily in stocks, the Short-Term Bond Fund and Bond Income Fund invest in bonds, the Core Fund invests in both stocks and bonds, and the Global High Income Fund invests in common stocks, preferred stocks, and bonds. All Sextant Funds seek tax efficiency for their shareowners and reduced trading expenses by limiting portfolio trading.

The Funds do not purchase securities on margin or sell securities short or purchase or write put or call options; purchase "restricted securities" (those which are subject to legal or contractual restrictions on resale or are otherwise not readily marketable); or invest in oil, gas, or other mineral exploration leases and programs.





## INVESTMENT MANAGEMENT ACCOUNTS

Saturna Capital strives to deliver superior performance to our investors. We tailor our advisory service to the specific needs of each client by first conducting a thorough analysis of the client's financial situation, goals, and risk tolerance. We are primarily long-term investors, seeking to preserve and grow clients' capital over time. We believe that for the long-term investor equity securities are the investment of choice, but we recognize that bonds or cash equivalents may be better suited in certain circumstances. Therefore, we also offer advice on most securities commonly held in US investment accounts: domestic and foreign common and preferred stocks; government, corporate, and municipal bonds; mutual funds; convertible securities; warrants; exchange-traded options contracts; and partnership interests.



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*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. For municipal tax-exempt funds, taxation may depend on your state of residence and the alternative minimum tax may apply. These and other risks pertaining to specific funds are discussed in each fund's prospectus and summary prospectus.*

*On the cover: Paraglider over Samish Bay, Bow, WA.  
Page 7: Boats nestled in Cascade Bay, Orcas Island, WA.  
Photos by Nicole Trudeau.*

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