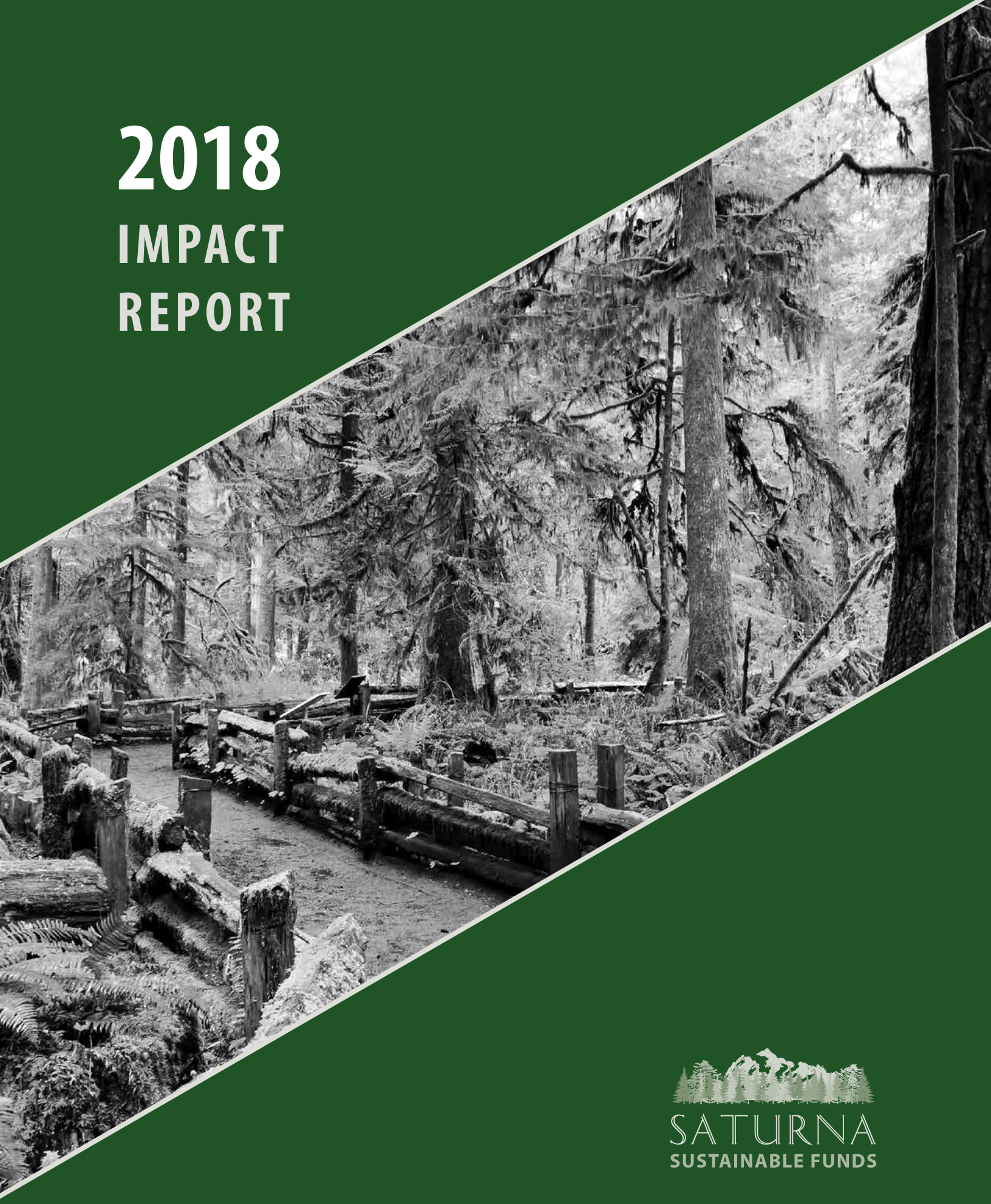
2018
IMPACT REPORT



SATURNA
SUSTAINABLE FUNDS

About Saturna

Saturna Capital, based in Bellingham, Washington State, has been dedicated to values-based investing for more than 25 years, focusing on the importance of sustainable financial management. Since 1989, Saturna has managed the Amana Mutual Funds, which invest according to faith-based values.

As an asset manager, Saturna Capital prioritizes the education and empowerment of its investors. As an employer, we are committed to worker ownership and employee wellness. As a community leader, Saturna promotes philanthropy through donations directed by employees as well as through corporate giving specifically aimed to promote the arts, education, and the environment.

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. Distributed by Saturna Brokerage Services, a wholly-owned subsidiary of Saturna Capital Corporation, investment adviser to the Saturna Sustainable Funds.

Measuring Impact

Sustainability reflects a process of continual improvement. The Saturna Sustainable Funds seek to invest in companies whose management actively addresses material ESG concerns while emphasizing creditworthiness and financial performance. We view ESG criteria as essential touchstones in forming portfolios that are better positioned to weather risks, meet changes in the competitive marketplace, and face shifting regulatory environments. ESG integration can be viewed as an integral part of a responsible investment approach – as both a source of information for investment research as well as a means of understanding how companies address material risks that may affect enterprise value.

With our inaugural Impact Report we celebrate the milestone of the Funds reaching three years of operation and highlight some key statistics about the impact we're making as we vote with our dollars.

SATURNA'S APPROACH

Saturna Capital has been dedicated to values-based and sustainable investing for nearly 30 years. With a focus on sustainable financial management and an emphasis on long-term profitability, Saturna takes a holistic and future-oriented approach to each of its funds.

Saturna views investing as a business partnership and favors high-caliber performers who operate capably, with integrity, and with a view toward the long-term. The Saturna Sustainable Funds carefully consider a variety of environmental, social, and governance criteria, and seek to invest in issuers that demonstrate other sustainable characteristics such as management strength, risk consciousness, low debt, and strong balance sheets. Our investment team champions issuers that are leaders in ESG risk management and that provide solutions for a new economy that must address resource efficiency; these issuers have the potential to form an advantage relative to their peers in a competitive and evolving market.

As an asset manager, Saturna prioritizes the education and empowerment of its investors. As an employer, Saturna is committed to worker ownership and employee wellness. As a community leader, Saturna places a strong emphasis on philanthropic ventures aimed to promote the arts, education, and the environment.

In addition to 13 mutual funds advised by Saturna, we're proud to offer investors a variety of individual account options such as IRAs, ESAs, and HSAs, and employer plans including 401(k) Plans, SEP-IRAs, and SIMPLE Plans.

ENVIRONMENTAL HIGHLIGHTS

Saturna Sustainable Funds look for issuers who outperform their peers on a variety of ESG factors, with special attention paid to the most material issues among each sector and industry. A smart business recognizes the benefits of energy efficiency; they know that minimizing their carbon footprint can transform their bottom line.

	Equity Fund (SEEFX)	Bond Fund (SEBFX)	MSCI ACWI Index
More of the Funds' holdings have an energy efficiency policy.	93.8%	81.3%	76.7%
More of the Funds' holdings have a carbon emissions reduction policy.	87.5%	78.1%	74.7%
More of the Funds' holdings report their Scope 1 carbon emissions.[1]	66.7%	62.5%	45.5%

The Funds' have smaller carbon footprints[2] than the index.

61.5% *lower than MSCI ACWI*

33.5% *lower than S&P Global 1200*

66.8% *lower than MSCI ACWI*

[1] *Scope 1 carbon emissions are direct emissions from owned or controlled sources per the Greenhouse Gas Protocol (ghgprotocol.org).*

[2] *Carbon footprint is measured by carbon intensity: tonnes of carbon emitted per $1 million in sales or assets.*

SOCIAL AND GOVERNANCE HIGHLIGHTS

At Saturna, we believe that independent representation and diversity in a board room can strengthen a company. The Sustainable Funds pursue issuers of a similar mindset and consider board composition an important factor in the ESG scoring process.

	Equity Fund (SEEFX)	Bond Fund (SEBFX)	MSCI ACWI Index
More of the Funds' holdings have at least 75% independent board members.	56.3%	62.5%	46.7%
More of the Funds' holdings have three or more female board members.	58.3%	68.8%	41.9%
More of the Funds' holdings have at least 33.3% female board composition.	41.7%	34.4%	19.7%

It is important to note that while we use the S&P Global 1200 and FTSE WorldBIG as our financial performance benchmarks, we believe the MSCI All Country World Index may be better suited to measure comparative environmental, social, and governance metrics. The MSCI ACWI is primarily composed of corporate issuers, which better reflects the Sustainable Bond Fund's roughly 85% corporate bond allocation. The FTSE WorldBIG Index, on the other hand, has a much higher composition (over 80%) of sovereign government agency and securitized issues that pose challenges in obtaining environmental and governance information. Comparative ESG information for the S&P Global 1200 versus the Saturna Sustainable Equity Fund has been provided where available.

INVESTMENT PROCESS

The **Saturna Sustainable Funds** seek to invest in sustainable and responsible issuers. The Funds' adviser, **Saturna Capital**, 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. By using a combination of negative and positive screening, along with financial analysis and an emphasis on low debt, the Funds seek issuers who outperform their peers on a variety of ESG factors.

Saturna uses negative screening to exclude companies primarily engaged in activities that the analysts believe present higher ESG risks, including issuers engaged in:

- **Alcohol**
- **Weapons**
- **Pornography**
- **Tobacco**
- **Gambling**
- **Carbon-Based Fuels**

Saturna Capital ESG Scoring

Saturna Capital's environmental, social, and governance (ESG) scores provide our assessment of how well a company performs relative to a blend of its industry, sector, and country peers in each ESG category. 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 in the distribution of reported data, by industry, sector, country, and region.

Saturna's ESG analysts routinely review and assess aggregated data measures to evaluate the relevance of various data sources and factors in contributing to our scoring.

Each ESG category is built up from related subcategories:

Environment
- Energy
- Climate
- Water
- Waste
- Sustainability

Social
- Community
- Labor

Governance
- Board quality
- Corporate policies
- Executive compensation

Each of these subcategories, in turn, is based on related factors collected from each company. We separately 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.

After scoring each relevant factor for each subcategory, we aggregate the subcategory scores into the relevant E, S, or G category, and score each company within its sector, normalized to a decile (1-10) scale where 1 is the best and 10 is the worst.

Finally, we apply weights to the E, S, and G category totals and again score each company within its sector to determine the overall ESG score (quintile: A, B, C, D, or F).

A portfolio manager may assign or override a score based on available information when a security issuer does not report on these factors or for other reasons, including material ESG events.

Application and Evolution

We expect our scoring methodology to evolve and improve over time for a couple of reasons. First, we note the increasing consideration companies are giving to ESG issues, and we expect companies to increase the breadth and quality of their ESG reporting. Second, we continually assess the relationship between our scoring results and companies' subsequent results along various dimensions, such as financial results, market returns, stakeholder relations, and changes in the quality of their ESG reporting. As we learn more, we will apply our insights to both our scoring process and our investment process.

Equity Fund SEEFX

ESG Integration

The Saturna Sustainable Equity Fund focuses on investments that we believe exhibit long-term sustainability characteristics. Based on our research, we believe issuers with superior environmental, social, and governance records tend to have lower volatility and a greater chance for success in the long term. In fact, the recent volatility we have seen in the stock market has only reinforced our firm belief in the advantages and necessity of sustainable investing. Companies that have fully embraced corporate responsibility emerge as leaders in our screening process, and those are the investments we select for the Fund; we also add an additional financial stability score during our screening process, which we believe improves the probability of achieving superior and sustainable returns.

We've seen ESG incorporation gain momentum among investment products in the last couple of years, coinciding with several positive shifts we've seen in corporate behavior. Strides toward gender equality certainly became front and center in the public conversation this past year, and we've seen a number of trends toward progress in other areas, as well. It seems that the political upheaval we are currently experiencing is encouraging business leaders to step up and take initiative; CEOs are paying more attention than ever before to the opportunities they have to play a part in progress, and are beginning to understand that they, through their businesses, are stewards of a better future.

At the end of the first quarter of 2018, the Fund was diversified across 20 countries, including 39% allocated to the US.

Bond Fund SEBFX

Sustainability Integration

Credit rating agency Standard & Poor's (S&P) conducted a two-year review that assessed how environmental and climate (E&C) factors can affect a corporation's credit rating. Published in 2017, their assessment supported the importance of ESG integration into fixed-income portfolios. S&P found 717 cases where E&C concerns were relevant to an issuer's rating, with 106 of these incidents resulting in a change of rating, revised outlook, or a CreditWatch action (which puts an issuer's rating in surveillance status and subjects it to additional scrutiny). S&P determined that of the 106 cases, 56% of the credit outcomes had an adverse impact on the issuer's credit rating status, with the remaining 44% being credit positive. S&P noted that their 2017 assessment was different from their two-year lookback published in 2015, in which 21% of E&C-driven actions resulted in a change in the positive direction and 79% resulted in a change in the negative direction.

Duration Management

The Sustainable Bond Fund is constructed very differently than its FTSE WorldBIG® Index benchmark with respect to attributes such as its exposure to issuers, currency allocation, credit ratings, and coupon structure. The Fund owns a diverse range of income payment schemes, including floating rate and step-up coupons that, unlike a fixed-rate coupon note, can offer different investment rates of return over a security's tenure – unlike the index, which does not track step-up or fixed-to-floating rate securities. The Fund currently retains a strategic allocation of 75% fixed-rate securities, 20% fixed-to-floating rate securities, and 5% step-up securities. This allocation may change as market conditions change.

The rationale for owning a diverse allocation of coupon payment schemes is that it permits investors to obtain current market rates of income without having to engage in active rebalancing of the portfolio or taking what could be considered as duration bets. For example, as interest rates rise, floating-rate income payments will also rise as the coupon payment is usually tied to some reference rate, such as the 3-month LIBOR. This permits investors to retain a shorter duration profile because the duration

of the security becomes, in effect, the length of time until the next reference rate reset. In the case of a three-month LIBOR reset, the security has a duration of that rate for one quarter of the year.

On the other side of the spectrum, step-up securities feature scheduled interest payment increases to retain investors' willingness to own longer-tenured notes. For example, the Fund owns a Toyota step-up security, rated AA- by S&P, with a March 20, 2030 maturity. The security will pay an annual coupon rate of 3.00% until March 20, 2021, at which time the rate increases to 3.50%. In March 2026, the coupon rate rises to 4.00%, then to 4.50% through March 2027, 4.50% in 2028, 6.00% in 2029, and finally 10.00% in the last year. This strategy permits investors to obtain exposure to securities that offer a rising income payment scheme.

Currency Management

A diversified portfolio of securities denominated in different currencies can help investors preserve the purchasing power of their domestic currency if it depreciates relative to foreign currencies. Broadly speaking, the Sustainable Bond Fund emphasizes a bias for US dollar denominated securities while permitting diversified exposure to non-US dollar denominated debt. Although the allocations will change, the Sustainable Bond Fund at the end of the first quarter of 2018 allocated 71.64% to US dollar denominated debt. The Fund's remaining currency exposures include: 7.36% in the Canadian dollar, 6.58% in the Mexican peso, 4.32% in the New Zealand dollar, 4.32% in the Australian dollar, 3.16% in the euro, and 2.63% in the Norwegian krone.

The Sustainable Bond Fund is also constructed differently from a currency allocation perspective with respect to the FTSE WorldBIG® Index benchmark. The Index tracked a comparatively lower 48.10% exposure to the US dollar and concentrated exposure to currencies that have appreciated strongly against the US dollar, which accounts for some of the Fund's relative underperformance. For example, at the quarter-end, the Index's exposure to the euro was 31.81%, offering a weighted average yield to maturity of 0.54% and a modified duration of 6.89 years. The Index's 11.49% allocation to Japanese yen offered a yield to maturity of 0.16% with a modified duration of 10.44 years. Over the past year, the euro and the Japanese yen have appreciated relative to the US dollar 15.47% and 4.66%, respectively. Over the trailing three-year period, the euro and the Japanese yen have appreciated relative to the US dollar 14.62% and 12.87%, respectively. Strategically, the Sustainable Bond Fund is unlikely to mirror the Index's large concentrated currency allocations to the euro and Japanese yen because of the extraordinary low-yielding environment of these respective markets.

Important Disclaimers and Disclosure

This publication should not be considered investment, legal, accounting, or tax advice or a representation that any investment or strategy is suitable or appropriate to a particular investor's circumstances or otherwise constitutes a personal recommendation to any investor. This material does not form an adequate basis for any investment decision by any reader and Saturna may not have taken any steps to ensure that the securities referred to in this publication are suitable for any particular investor. Saturna will not treat recipients as its customers by virtue of their reading or receiving the publication.

The information in this publication was obtained from sources Saturna believes to be reliable and accurate at the time of publication.

Not all securities held in a Fund will be graded by the ESG scoring process. The percentage of securities not graded by the ESG scoring process or that received an overridden grade will fluctuate over time and may be a significant portion of a Fund. Any particular security's grade will fluctuate over time.

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.

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

The S&P Global 1200 Index is a global stock market index covering nearly 70% of the world's equity markets. The FTSE WorldBIG Bond Index is a multi-asset, multi-currency benchmark, which provides a broad-based measure of the global fixed income markets. The MSCI ACWI covers approximately 85% of the global investable universe, with large- and mid-cap representation across 23 developed market and 23 emerging market countries. Investors cannot invest directly in the indices.

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