Fund Commentary Q2 2020

Saturna Capital

Sextant Mutual Funds

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Environment & Outlook

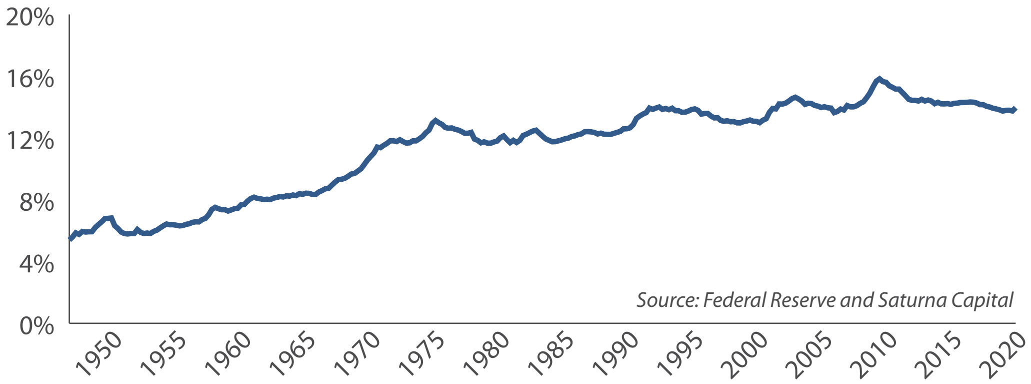
Despite the economic carnage afflicting the global economy since the outbreak of the coronavirus pandemic, by the end of the first quarter, the stock market had already plumbed its greatest depths, with March 23 marking a nadir on the S&P 500 Index of 2,237.40. Over the course of the second quarter, while not recovering all the lost ground from the February peak, the market roared back a stunning 37% from the March low, and registered the best quarterly performance for the S&P 500 Index since the fourth quarter of 1998.[1] In our first quarter commentary, referencing the extreme volatility, we opined that "…the best course of action is to remain invested…attempting to time such moves will likely diminish portfolio values." Prescient advice. Investors are sometimes thrown a curve by near-term stock market performance that's uncorrelated with economic conditions. In April, with businesses shuttering, unemployment soaring, retail sales collapsing, and travel nonexistent, the market staged a dramatic rebound. To an extent, the turnaround signaled that investors had come to terms with an unexpected and "novel" threat, as well as a willingness to look through the current disruption toward a normalized economy, spurred by hopes of a contained virus and businesses re-opening. More significantly, it reflected rapid fiscal and monetary action to support businesses and individuals through a $2 trillion stimulus bill (the CARES Act) enacted at the end of March, abetted by Federal Reserve action such as rate cuts, reserve ratio reductions, and a return to quantitative easing through (for all intents and purposes) unlimited purchases of Treasury bonds and government-backed mortgages. The bond buying was later extended to include even commercial paper. As has been the case since the Global Financial Crisis (GFC), the "Fed Put" remains in play. Milton Friedman's famous dictum that "Inflation is always and everywhere a monetary phenomenon" has a new corollary – stock market performance is often, if not always, a monetary phenomenon.

Stock market performance is often, if not always, a monetary phenomenon.

We now face the conundrum of how to approach the second half of the year. Unsurprisingly, our advice stays the same; a position we do not take casually. Poor policy decisions have accelerated the tragic progression of the coronavirus, and the moves among a number of states to reverse previous re-opening measures indicate the economy remains deeply in the woods. On June 30, Anthony Fauci, director of the National Institute of Allergy and Infectious Diseases, stated "We are now having 40-plus thousand new cases a day. I would not be surprised if we go up to 100,000 a day if this does not turn around and so I am very concerned."[2]

Disease spread of such a degree implies extended shutdowns and unavoidable concomitant damage to corporate profitability and to state and local budgets. Unlike the federal government, states and municipalities do not have the luxury of engaging in Modern Monetary Theory. Of the 50 states, 49 have balanced budget requirements[3] and the unprecedented declines in tax revenues imply equally unprecedented budget cuts absent federal relief. According to the Federal Reserve, state and local expenditures accounted for 14% of US GDP as of January 2020.[4]

State & Local Government Expenditures as a Percentage of US GDP

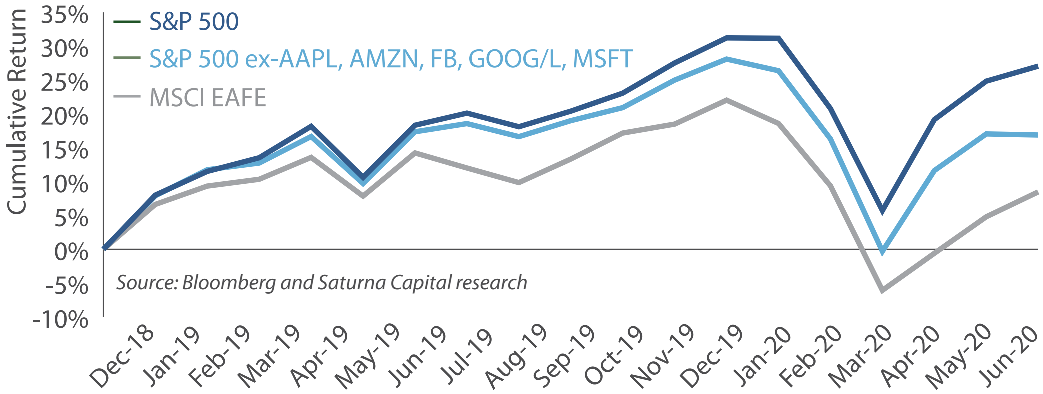


State budget distress carries significant ramifications for employment, education, healthcare, emergency services, and countless other activities. Counterintuitively, and related to our point above concerning monetary phenomena and stock market performance, dire finances at the state and local level could lead to further federal monetary and fiscal stimulus that ultimately supports equity prices, especially given the dearth of attractive investment alternatives in today's low-interest rate environment.

International Opportunities

Many other countries, particularly those in Europe and Asia, have handled the coronavirus pandemic more competently than the United States, and transmission is diminishing. Others, such as Brazil, have been similarly ham-handed with prevention. Whether the former implies more attractive investment opportunities remains uncertain. For some time, investors have noted the outperformance of US markets versus their international counterparts. Index comparisons, however, can be misleading. In the chart below we compare the performance of the S&P 500; the S&P 500 absent Facebook, Apple, Amazon, Alphabet, and Microsoft; and the MSCI EAFE Index.

Impact of US Tech Companies on Equity Index Returns



As shown above, while the S&P 500 has led the way, stripping out the stocks named above leaves us with an S&P index that, while still outperforming international developed markets, has a much-reduced advantage. For anyone who wishes to own a portfolio consisting only of five technology/social media stocks, that information would be useless. For everyone else, the example illustrates that investment opportunities outside of the US may be just as attractive as domestic candidates.

Sextant Growth Fund

As of June 30, 2020

Following the outperformance experienced during the market's decline in the first quarter, we are gratified that the Sextant Growth Fund outperformed again during the impressive second quarter rally. During that time, the Fund's Investor Shares provided a return of 25.45% against an Index return of 20.54%. Year-to-date the Investor Shares have returned 6.47%, while the S&P 500 Index has shed -3.08%. The absence of energy and a light exposure to financials, along with significant technology holdings, contributed to the outperformance.

10 Largest Contributors	Return	Contribution
Amazon.com	41.50%	2.78
Apple	43.84%	2.48
Adobe	36.79%	2.38
Microsoft	29.40%	1.97
DocuSign	86.37%	1.47
Lowe's	57.96%	1.26
Mastercard, Class A	22.59%	1.17
Alphabet, Class A	22.04%	0.93
Stanley Black & Decker	40.15%	0.79
RPM International	26.86%	0.66

10 Largest Detractors	Return	Contribution
Ross Stores	-1.99%	0.04
Merck & Co	1.31%	0.04
TJX Companies	5.75%	0.07
Stryker	8.58%	0.11
Electronic Arts	11.78%	0.11
Bristol-Myers Squibb	6.35%	0.15
Newmont	11.18%	0.15
Virtu Financial, Class A	14.49%	0.19
Domino's Pizza	14.24%	0.20
Texas Instruments	28.10%	0.23

Top 10 Holdings	Portfolio Weight
Amazon.com	8.54%
Adobe	8.19%
Microsoft	7.79%
Apple	7.38%
Mastercard, Class A	5.33%
Alphabet, Class A	4.55%
Abbott Laboratories	3.85%
Lowe's	3.06%
Fidelity National Information Services	3.02%
Costco Wholesale	3.00%

Last quarter only two of our 10 Largest Contributors provided a positive return. For the second consecutive quarter Amazon was the top contributor, due to a larger position size than Apple, which was the better performer. Microsoft and Adobe are also making repeat appearances. Top performance awards in terms of stock price appreciation go to DocuSign and Lowe's. DocuSign was added to the portfolio in the first quarter due to its ideal positioning as a remote work solution for automating paper-based processes and transactions. We have written several times about Lowe's and its potential to outperform as it is now piloted by the highly skilled former Home Depot executive, Marvin Ellison. The fact that it is well-placed for stay-at-home repairs and renovations only increases its appeal. Indeed, we believe a key theme of summer 2020 could be the home repair "stay-cation." Stanley Black & Decker and RPM may be receiving similar tailwinds, while the recovery of Alphabet and Mastercard likely reflect businesses re-opening and rebounding consumer spending. Although we see a short-term risk given the accelerating pandemic, both remain compelling long-term investments.

Considering that only one of the "detractors" declined in value during the quarter, the table heading stands as a misnomer. Merck, Bristol-Myers, and Stryker were all modest performers, which has been true of most health care. The suspension of elective surgeries reduces demand for Stryker's reconstructive products and technologies. Avoiding the doctor for any reason other than COVID-19 reduces prescriptions demand, while major pharmaceutical companies have largely suspended recruitment for drug trials. Ross and TJX were forced to close stores across the country and will be at a disadvantage until we have a vaccine. Nonetheless, the financial struggles of Macy's and Neiman Marcus play right into TJX's wheelhouse of strong buyer skills and creating a "treasure hunt" experience for its customers. On the other hand, we have reduced our exposure to Ross. Newmont, arguably the world's preeminent gold miner, is a new position. Gold prices are rising, driving Newmont's earnings higher.

We believe the government will provide additional stimulus, supporting further gold price appreciation. Virtu and Domino's Pizza were both added in the first quarter. Virtu is a market maker and benefits from the wider spreads engendered by market volatility. Domino's sales are entirely take-out and delivery – it's even testing autonomous delivery – making it an ideal "stay-at-home" stock. With the pandemic accelerating across the US, we believe it remains well-placed.

Among the Top 10 Holdings, Lowe's dramatic share price rise propelled it into the Top 10. Edwards Life Sciences, another health care company that has seen its business put on hold, managed only single-digit appreciation and dropped out.

Sextant International Fund

As of June 30, 2020

The Sextant International Fund Investor Shares appreciated 18.46% in the first quarter of 2020, compared to 15.08% for the benchmark MSCI EAFE Index over the same period. For the first half of 2020, the Investor Shares' return of -6.24% outperformed the -11.07% benchmark return.

Market volatility and economic disruption are likely to persist until the numerous shocks are addressed or lessen in severity. The Fund generally holds positions in larger companies with strong balance sheets; the average market capitalization of the positions exceeded $66 billion and the asset-weighted average debt to market cap (excluding financials) marked at 20% for the quarter-end. The second quarter of 2020 ended with the Fund in a defensive posture, holding a cash balance of 7.4%, higher than the typical level, which resulted in a performance drag.

MercadoLibre provided the largest positive contribution to performance in the second quarter of 2020 after rebounding sharply from the first quarter correction. Notably, the overweight technology sector produced the largest contribution during the period, while transportation sector holdings detracted during the quarter. The Top 10 Holdings increased from 48% to 60% from year-end 2019 to the end of the second quarter 2020.

At the end of the quarter, the two largest sector allocations were technology at 47.4% and health care at 12.2% of the portfolio. The Fund held 30 equity positions, a decrease of two versus the first quarter, with an average position size of 3.1%. Turnover will likely continue during the second half of 2020 as losses are realized for tax purposes and new positions are established.

10 Largest Contributors	Return	Contribution
MercadoLibre	101.76%	3.56
ASML Holding	41.37%	2.77
NICE Systems ADR	31.82%	2.69
Dassault Systemes ADR	17.47%	1.19
Wolters Kluwer	12.16%	1.07
Accenture, Class A	32.14%	0.68
Open Text	22.17%	0.56
SAP ADS	28.59%	0.56
Rio Tinto ADS	23.31%	0.53
Iberdrola	17.56%	0.42

10 Largest Detractors	Return	Contribution
Frontline	-21.00%	-0.17
ANA Holdings	-12.03%	-0.11
Nutrien Ltd	-5.99%	-0.07
Australia & New Zealand Banking Group ADA	-4.98%	-0.06
Copa Holdings, Class A	-2.38%	-0.04
BASF ADR	-0.91%	-0.01
Industria de Diseno Textil	1.95%	0.03
Barrick Gold	5.05%	0.04
CRISPR Therapeutics	5.08%	0.04
Nintendo	6.13%	0.06

Top 10 Holdings	Portfolio Weight
NICE Systems ADR	10.10%
Wolters Kluwer	9.38%
ASML Holding	8.84%
Dassault Systemes ADR	7.88%
MercadoLibre	6.57%
Novo Nordisk ADS	4.37%
Novartis ADS	3.84%
Unilever ADS	3.66%
Open Text	2.83%
BCE	2.79%

Sextant Global High Income Fund

As of June 30, 2020

The Sextant Global High Income Fund returned 8.41% in the second quarter of 2020, ending the period with $8.5 million in total net assets, including 20.26% of cash and equivalents. The Fund trailed both its equity benchmark, the S&P Global 1200, which returned 18.62%, and its fixed income benchmark, the Bloomberg Barclays Global High Yield Corporate Index, which returned 11.36%. It also underperformed in its Morningstar World Allocation peer group, which returned 11.37%.

After a tumultuous first quarter during which the coronavirus became a global pandemic and societies locked down to mitigate the spread, financial markets staged an unprecedented recovery in the second quarter. US equities markets flirted with all-time highs, and central bank stimulus helped compress credit spreads back to levels close to normal for the past several years. The second quarter witnessed a wide variation in countries' abilities to check the spread of the virus. Many Asian countries succeeded in suppressing infections to very low levels; most European countries have also suppressed the spread of the virus despite staggeringly high infection rates in March and April. But infection levels appeared to be expanding rapidly in many parts of the southern US and throughout Latin America as the quarter came to a close. Despite the variation in virus spread, and the associated economic uncertainty and vulnerability, financial markets have more or less shrugged off worries.

As an indication of the broad strength of financial markets in the second quarter, only two of the Fund's holdings experienced negative returns. The integrated oil company Royal Dutch Shell returned -5.31%, and a Texas taxable revenue bond returned -0.98%. The Fund's best performers included materials companies BHP Group, South 32, and Swedish Bank Skandaviska Enskilda. The Fund's relatively high cash position of 20.3% was a drag on performance.

Despite the vigorous recovery in financial markets, we continue to be concerned about deterioration in the prospects for the real economy. Governments have found the balancing act between public health measures to check the spread of the virus and measures to reopen economies to be challenging. The uncertainty combined with operating at a fraction of full capacity is agonizing, particularly for smaller businesses that lack the financial and operational resources of larger public companies. There is an unprecedentedly large gap between expectations embedded in financial markets and realistic appraisal of the global economy's trajectory.

10 Largest Contributors	Return	Contribution
BHP Biliton ADR	35.54%	0.88
Skandinaviska Enskilda Banken, Cl A	27.89%	0.58
South32 ADR	23.80%	0.56
Equinor ADR	21.26%	0.55
Grupo Bimbo *(4.875% 06/27/2044)*	20.95%	0.49
Virtu Financial, Class A	14.49%	0.48
Cisco Systems	19.72%	0.48
SK Telecom ADR	18.75%	0.39
Republic of Argentina *(7.5% 4/22/2026)*	41.85%	0.37
Jefferies Group *(5.125% 01/20/2023)*	7.90%	0.25

10 Largest Detractors	Return	Contribution
Royal Dutch Shell ADR, Class A	-5.31%	-0.08
Colony TX NFM Sales Tax Revenue *(7.625% 10/01/2042)*	-0.98%	-0.01
Orange ADR	0.23%	0.00
Colony TX NFM Sales Tax Revenue *(7.25% 10/01/2033)*	1.72%	0.01
AngloGold Ashanti Holdings *(5.375% 04/15/2020)*	0.77%	0.01
Goodrich Petroleum	69.01%	0.01
Colony TX NFM Sales Tax Revenue (7.00% 10/01/2027)	1.68%	0.02
T-Mobile *(6.50% 01/15/2026)*	1.16%	0.04
Shenzhen Investment Holdings	2.78%	0.04
Federal Republic of Brazil *(12.50% 01/05/2022)*	4.90%	0.06

Top 10 Holdings	Portfolio	Weight
Mexico Bonos Desarrollo *(6.50% 06/10/2021)*	*Bond*	4.43%
Virtu Financial, Class A	*Equity*	3.47%
BHP Biliton ADR	*Equity*	3.22%
Jefferies Group *(5.125% 01/20/2023)*	*Bond*	3.20%
Burlington Northern Santa Fe *(5.05% 03/01/2041)*	*Bond*	3.11%
T-Mobile *(6.50% 01/15/2026)*	*Bond*	3.08%
Netflix *(4.375% 11/15/2026)*	*Bond*	3.06%
Equinor ADR	*Equity*	2.90%
South32 ADR	*Equity*	2.87%
Orange ADR	*Equity*	2.80%

Sextant Core Fund

The Sextant Core Fund's second-quarter return of 11.65% underperformed the benchmark Dow Jones Moderate Portfolio Index return of 13.41% for the same period. For the first half of 2020, the Fund's return of -1.67% outperformed the -3.66% benchmark return. Coincident with the market rebound during the second quarter, most of the Fund's equity positions appreciated, as did a few corporate debt securities. In aggregate, the equity positions provided positive contribution while fixed income positions slightly detracted. The Fund held a defensive posture at the end of the quarter, holding a cash balance of approximately 8.32%, more than twice the typical level.

Equities

The Sextant Core Fund's mandate specifies a 60% allocation to equity securities, with two-thirds being US-domiciled companies and one-third foreign-domiciled companies. At the end of the second quarter, equities represented a 60.7% allocation. Positions with notable first-to-second quarter rebounds included German semiconductor company Infineon, US retailer Lowe's, and US semiconductor company Microchip. The Fund held 62 equity positions (decrease of one during the quarter) with an average market capitalization of $138 billion and an average position size of 1.0%. The number of bank positions declined, offset by an increase in industrials attributed to spin-offs. At quarter-end, the two largest equity sector allocations were health care at 18.42% and technology at 17.12% of the equity portion of the portfolio. The Fund generally holds positions in companies with strong balance sheets. The average net-debt to market cap was 14.5% at quarter-end.

Fixed Income

The Fund's defensive cash posture reflects a cautious approach toward its fixed income mandate in the current environment. With yields on government bonds well below 1% in maturities less than 10 years, there is less opportunity cost to holding cash. The upside case for longer-term bonds in this interest rate environment would likely involve a severe deterioration in economic conditions and subsequent deflation. However, high government indebtedness in the US combined with a presidential election later this year leaves open the possibility of policies that invite higher prices and even inflation, which would make the current level of interest rates decidedly unattractive.

Looking Forward

The outlook for the second half of 2020 looks a lot like how the first half ended: pandemic, economic, and geopolitical concerns balanced with government stimulus, with the added twist of a US presidential election. Market volatility and economic disruption are likely to persist until the numerous shocks are addressed or lessen in severity. Equity capital allocation remains at the 60% mandate level, and focus remains biased toward value and income characteristics with an emphasis on value.

10 Largest Contributors	Return	Contribution
Barrick Gold	47.48%	0.55
Newmont	36.96%	0.43
Lowe's	57.96%	0.42
Apple	43.84%	0.40
Parker Hannifin	42.07%	0.35
Alphabet, Class A	22.04%	0.31
Microsoft	29.40%	0.28
BlackRock	24.49%	0.26
Johnson Controls International	27.59%	0.25
Lowe's *(4.25% 09/15/2044)*	15.07%	0.24

10 Largest Detractors	Return	Contribution
L3Harris Technologies	-5.39%	-0.04
Raytheon Technologies	-4.08%	-0.03
Ross Stores	-1.99%	-0.02
Carrier Global	-5.65%	-0.01
Nextera Energy	0.36%	0.00
United States Treasury Note *(2.125% 08/31/2020)*	0.05%	0.00
United States Treasury Note *(1.50% 06/15/2020)*	0.06%	0.00
United States Treasury Note *(1.625% 04/30/2023)*	0.51%	0.00
Skagit SD #1 *(4.613% 12/01/2022)*	0.17%	0.00
United States Treasury Note *(2.00% 05/31/2024)*	0.61%	0.00

Top 10 Holdings		Portfolio Weight
United States Treasury Bond *(6.25% 8/15/2023)*	*Bond*	3.01%
Welltower *(4.25% 4/15/2028)*	*Bond*	2.26%
United States Treasury Note *(2.75% 11/15/2023)*	*Bond*	2.19%
PacifiCorp *(6.00% 01/15/2039)*	*Bond*	2.12%
Lowe's *(4.25% 09/15/2044)*	*Bond*	1.70%
Alphabet, Class A	*Equity*	1.64%
Virtu Financial	*Equity*	1.64%
Union Pacific Corp *(3.375% 02/01/2035)*	*Bond*	1.62%
Gilead Sciences *(3.70% 04/01/2024)*	*Bond*	1.60%
Barrick Gold	*Equity*	1.56%

The Sextant Short-Term Bond Fund has returned 2.84% year-to-date, compared to its benchmark, the FTSE US BIG Govt/Corp 1-3 Year Bond Index, which returned 2.88%. For the second quarter the Short-Term Fund significantly outperformed the index, returning 2.99% versus 1.27%.

The Sextant Bond Income Fund has returned 6.87% year-to-date, compared to the 6.25% return of its benchmark, the FTSE US BIG Bond Index. For the second quarter the Bond Income Fund returned 5.35% versus 2.96% of the index.

The main driver of positive performance in the first quarter were the positions in US Treasury bonds. The US Yield Curve experienced a massive shift downward during the first three months of the year as investors flew to quality. However, the second quarter saw Treasury yields remaining relatively stable, and returns were driven by the strong recovery of corporate yields. Both Sextant Bond Income and Sextant Short-Term Bond have an exposure to Treasurys of 22.31%, relative to over 40% for the FTSE indices. The Funds' overweight to corporate bonds relative to the indices drove the significant outperformance during the second quarter.

The best performing security in Sextant Bond Income Fund was the 2033 Canadian Natural Resources position which produced a total return of over 57.10%, followed by the 2036 position in Lowe's which returned 19.00%. The worst performing security was the 2048 treasury bond which returned -1.77% in the second quarter as a result of the long-end of the Treasury curve rising around 9 basis points. In the Sextant Short-Term Bond Fund, the top performer was the 2025 position in Autozone which returned 10.63% followed by the 2023 position in Schlumberger which returned 9.17%. There were no bonds in the Fund that showed a negative total return for the second quarter. The diversity of both strong corporate bonds and government securities is geared to diversifying the portfolio for expected future volatility of both Treasury bonds and corporate bonds.

On March 23, credit spreads of corporate bonds hit their widest levels since the 2008 financial crisis.[5] Since that time, spreads have tightened significantly as the result of several factors. The Federal Reserve has provided a great deal of support to the market in the form of cutting interest rates, providing liquidity to money market funds, and importantly purchasing corporate bonds in the secondary market. This buying program includes corporate bond ETFs and recently was adjusted to also include individual corporate bonds with maturities of 5 years or less.[6] Market support has also come due to the fact that liquidations from leveraged investors who had to sell to meet margin calls have slowed, and we have not yet seen the feared tidal wave of defaults.

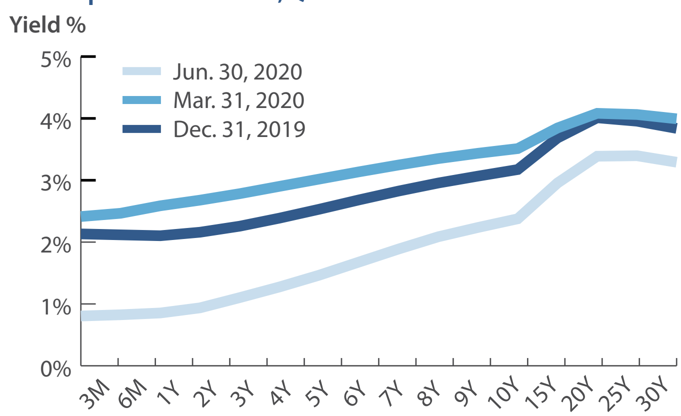
Sextant Short-Term Bond Fund Top 10 Holdings	Portfolio Weight
United States Treasury Note *(2.875% 04/30/2025)*	7.35%
United States Treasury Note *(3.625% 02/15/2021)*	7.12%
United States Treasury Note *(2.50% 08/15/2023)*	4.67%
McCormick & Co *(2.70% 08/15/2022)*	4.54%
Honeywell International *(4.25% 03/01/2021)*	4.03%
Gilead Sciences *(2.5% 09/01/2023)*	3.69%
Qualcomm *(2.60% 01/30/2023)*	3.66%
Burlington Northern Santa Fe *(3.05% 09/01/2022)*	3.66%
Costco Wholesale *(2.75% 5/18/24)*	3.62%
3M *(2.00% 06/26/2022)*	3.60%

Sextant Bond Income Fund Top 10 Holdings	Portfolio Weight
United States Treasury Bond *(4.25% 05/15/2039)*	8.71%
United States Treasury Bond *(5.375% 02/15/2031)*	4.35%
Apple *(4.50% 02/23/2036)*	3.38%
Microsoft *(4.20% 11/03/2035)*	3.33%
Intel *(4.00% 12/15/2032)*	3.24%
Burlington Northern Santa Fe (5.05% 03/01/2041)	3.00%
Praxair (Linde Ag) *(3.55% 11/07/2042)*	2.86%
United States Treasury Bond *(3.375% 11/15/2048)*	2.80%
United States Treasury Note *(3.625% 02/15/2021)*	2.77%
United Technologies *(6.05% 06/01/2036)*	2.59%

Both funds extended duration during the second quarter (price sensitivity to interest rates) to take advantage of opportunities in strong corporate bonds and anticipated price corrections. For the Sextant Short-Term Bond Fund, the effective duration was 2.30 years as of June 30, extended from 2.18 years last quarter. The effective duration of the Sextant Bond Income Fund as of June 30 was 8.84 years, up from 8.28 years last quarter.

Yields on BBB corporate bonds rose during the first quarter but fell lower than even in the beginning of the year. Tightening corporate spreads and falling interest rates lead to strong performance in the second quarter. It is important to note that the significant shift downward in yields does not always reflect the credit story and is instead influenced by technical factors such as intervention by the Fed.[7] We do expect a possible reversal, especially given the trends in COVID-19 infections in the US.

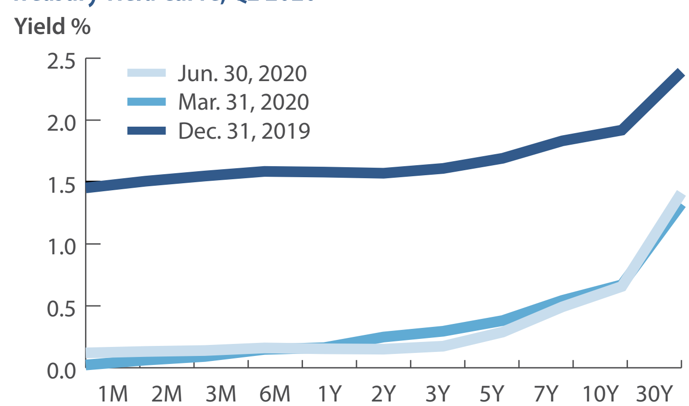
BBB Corporate Yield Curve, Q2 2020



We believe that corporate credit will continue to erode, especially with the extended timeframe the US is facing to get the coronavirus under control. Going into the second quarter, BBB-rated debt will still be viewed with increased scrutiny due to the heightened risk of downgrades. As the crisis has been unfolding, we have been focusing our credit research in this space, paying special attention to corporate liquidity and flexibility. Our goal has always been to choose good companies and invest through cycles. However, with such extraordinary events, new factors must be evaluated with relation to corporate credit. We are evaluating both the risk to credit and also a potential increase in credit spread if a holding were downgraded below investment-grade.

Changes in the US Treasury curve over the course of the year provide a telling depiction of events. On January 2, investors were presented with an upward-sloping yield curve with 30-year U.S. Treasury bonds yielding 2.3%, 0.8% higher than the 1-month Treasury bill. This supported the then-narrative of a strong economy. By the end of February, investors had learned of and were concerned with the spread of the coronavirus. On February 28, much of the yield curve had become inverted, with 30-year U.S. Treasury bonds now only 0.2% higher than the 1-month Treasury bill. By June 30, the yield curve sloped upward and has continued to steepen with the long-end rising slightly from the end of last quarter while yields on the short-end have fallen. This has come as we have seen some signs of economic recovery as states move to re-open. However, there still remains much uncertainty due to the resurgence of the coronavirus in those areas that moved forward too quickly.

Treasury Yield Curve, Q2 2020



Volatility made its mark in the first part of the year including a massive shift in the Treasury curve, with a severe widening and then tightening of corporate spreads. Heading into the second half of 2020, uncertainty remains, but there also lay opportunities. The Sextant Bond Income Fund is positioned with 8.91% in cash as a result of a recent bond call which will enable the Fund to take advantage of select opportunities. The focus has been on choosing sectors and companies that can generate cash flow even in a situation where the US mitigation of the coronavirus takes significantly longer than expected.

Performance Summary

As of June 30, 2020

Average Annual Total Returns *(before taxes)*	**YTD**	**1 Year**	**3 Year**	**5 Year**	**10 Year**	**15 Year**	**Expense Ratio**[A] *Gross*	*Net*
Sextant Growth Fund Investor Shares (SSGFX)	6.47%	18.72%	16.90%	11.58%	12.97%	9.29%	1.20%	
Sextant Growth Fund Z Shares (SGZFX)[B]	6.62%	19.04%	17.17%	n/a	n/a	n/a	0.90%	
S&P 500 Index	-3.08%	7.51%	10.72%	10.72%	13.98%	8.82%	n/a	
Morningstar Large Growth Category	7.84%	17.34%	15.95%	12.84%	15.12%	9.96%	n/a	
Sextant International Fund Investor Shares (SSIFX)	-6.24%	-1.85%	8.59%	6.62%	5.83%	6.06%	1.07%	
Sextant International Fund Z Shares (SIFZX)[B]	-6.18%	-1.62%	8.87%	n/a	n/a	n/a	0.85%	
MSCI EAFE Index	-11.07%	-4.73%	1.29%	2.54%	6.22%	4.57%	n/a	
Morningstar Foreign Large Growth Category	-1.60%	6.44%	6.05%	5.58%	7.79%	5.74%	n/a	
Sextant Core Fund (SCORX)	-1.67%	4.62%	6.38%	5.45%	6.25%	n/a	0.90%	
Dow Jones Moderate US Portfolio Index	-3.66%	1.99%	5.14%	5.46%	7.51%	6.12%	n/a	
Morningstar Allocation – 50% to 70% Equity Category	-3.58%	2.30%	5.04%	5.22%	7.88%	5.92%	n/a	
Sextant Global High Income Fund (SGHIX)[C]	-9.88%	-8.55%	2.15%	3.94%	n/a	n/a	1.11%	0.75%
S&P Global 1200 Index	-5.95%	3.17%	7.17%	7.56%	10.44%	7.22%	n/a	
Bloomberg Barclays Global High Yield Corp Index	-3.78%	-0.12%	2.99%	4.45%	6.37%	6.74%	n/a	
Morningstar World Allocation Category	-8.02%	-3.32%	1.54%	2.70%	5.44%	5.12%	n/a	
Sextant Short-Term Bond Fund (STBFX)	2.84%	3.96%	2.57%	2.00%	1.60%	2.43%	0.87%	0.60%
FTSE USBIG Govt/Corp 1-3 Year Index	2.88%	4.19%	2.85%	2.08%	1.60%	2.57%	n/a	
Morningstar Short-Term Bond Category	1.69%	3.09%	2.59%	2.18%	2.08%	2.74%	n/a	
Sextant Bond Income Fund (SBIFX)	6.87%	9.67%	5.89%	4.79%	4.33%	4.33%	0.71%	0.65%
FTSE US Broad Investment-Grade Bond Index	6.25%	8.96%	5.39%	4.34%	3.82%	4.47%	n/a	
Morningstar Long-Term Bond Category	8.07%	14.05%	8.53%	7.92%	7.30%	6.60%	n/a	

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.sextantfunds.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.*

[A] By regulation, expense ratios shown are as stated in a Fund's most recent prospectus or summary prospectus, dated March 27, 2020, and incorporate results from the fiscal year ended November 30, 2019. Higher expense ratios may indicate higher returns relative to a Fund's benchmark. The Adviser has voluntarily capped actual expenses of Sextant Global High Income at 0.75%, Sextant Short-Term Bond at 0.60% and actual expenses of Sextant Bond Income at 0.65% through March 31, 2021.

[B] Z Shares of Sextant Growth and Sextant International Funds began operations June 2, 2017.

[C] Sextant Global High Income Fund began operations March 30, 2012. Its annualized since inception return as of March 31, 2020, was 2.95%.

The S&P 500 Index is an index comprised of 500 widely held common stocks considered to be representative of the US stock market in general. The MSCI EAFE Index is an international index focused on Europe, Australasia, and the Far East. The MSCI ACWI Ex-US Index, produced by Morgan Stanley Capital International, measures equity market performance throughout the world excluding US-based companies. The S&P Global 1200 Index is a global stock market index covering nearly 70% of the world's equity markets. The Bloomberg Barclays Global High Yield Corporate Bond Index is a rules-based, market-value weighted index engineered to measure the non-investment grade, fixed-rate, taxable, global corporate bond market. The Dow Jones Moderate Portfolio Index is a broad-based index of stock and bond prices. The FTSE Gov./Corp. Investment Grade Index 1-3 Years is a broad-based index of shorter-term investment grade US government and corporate bond prices. The FTSE US Broad Investment-Grade Bond Index is a broad-based index of medium and long-term investment grade bond prices. Investors cannot invest directly in the indices.

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.

Performance Summary

As of June 30, 2020

Morningstar Ratings™ A	Overall	1 Year	3 Year	5 Year	10 Year
Sextant Growth Fund – "Large Growth" Category					
Investor Shares (SSGFX)	★★★	n/a	★★★	★★★	★★
% Rank in Category	n/a	45	41	64	82
Z Shares (SGZFX)	☆☆☆	n/a	☆☆☆	☆☆☆	☆☆
% Rank in Category	n/a	43	40	63	81
Number of Funds in Category	1,237	1,343	1,237	1,084	809
Sextant International Fund – "Foreign Large Growth" Category					
Investor Shares (SSIFX)	★★★	n/a	★★★★	★★★★	★★
% Rank in Category	n/a	91	18	29	95
Z Shares (SIFZX)	☆☆☆☆	n/a	☆☆☆☆	☆☆☆☆	☆☆
% Rank in Category	n/a	90	15	27	92
Number of Funds in Category	421	477	421	344	246
Sextant Core Fund – "Allocation – 50% to 70% Equity" Category					
(SCORX)	★★★	n/a	★★★★	★★★	★★
% Rank in Category	n/a	35	30	47	88
Number of Funds in Category	636	684	636	558	412
Sextant Global High Income Fund – "World Allocation" Category					
(SGHIX)	★★★★	n/a	★★★	★★★★	n/a
% Rank in Category	n/a	80	49	27	n/a
Number of Funds in Category	399	471	399	342	n/a
Sextant Short-Term Bond Fund – "Short-Term Bond" Category					
(STBFX)	★★★	n/a	★★★	★★★	★★
% Rank in Category	n/a	36	55	66	79
Number of Funds in Category	510	571	510	448	285
Sextant Bond Income Fund – "Long-Term Bond" Category					
(SBIFX)	★	n/a	★★	★	★
% Rank in Category	n/a	85	90	95	100
Number of Funds in Category	36	39	36	32	25

[A] Morningstar Ratings™ ("Star Ratings") are as of June 30, 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 Sextant Growth and Sextant International Funds offer two share classes – Investor Shares and Z Shares, each of which has different expense structures.

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

About The Authors

Scott Klimo CFA®
Vice President and Chief Investment Officer

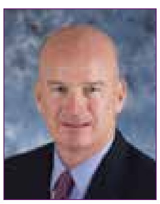
Sextant Growth, Portfolio Manager

Scott Klimo CFA, 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.

Bryce Fegley MS, CFA®, CIPM®

Sextant Global High Income, Sextant Core Fund, Portfolio Manager

Bryce Fegley MS, CFA, CIPM, Senior Investment Analyst, joined Saturna Capital in 2001 and worked in brokerage/trading and later as an investment analyst. Beginning in 2010, he spent two years as President of our Malaysian subsidiary, Saturna Sdn Bhd, directing its research and fund management operations. In 2012 he returned to Saturna Capital headquarters. Prior to joining Saturna, Mr. Fegley worked in brokerage operations in Seattle from 1997-2000. Originally from upstate New York, he earned a BA in English Literature from the University of Colorado at Boulder. Mr. Fegley earned an MS in Computational Finance and Risk Management from the University of Washington in December 2017. His volunteer activities include a board role with the Whatcom Family YMCA.



Christopher E. Paul MBA, CFA®

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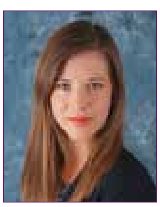
Christopher E. Paul MBA, CFA, Senior Investment Analyst, joined Saturna Capital in August 2016. He earned an MBA Finance from New York University and a BS in Computer Science from Syracuse University. His experience includes research and management positions at asset management firms and investment banks, as well as finance and operations roles at technology companies.



Elizabeth Alm CFA®

Sextant Bond Income, Portfolio Manager

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

Levi Stewart Zurbrugg MBA, CPA®

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Levi Stewart Zurbrugg, Senior Investment Analyst, joined Saturna in June 2019. He graduated from Western Washington University with a BA in Business Administration and has an MBA from the University of Washington's Foster School of Business. Prior to Saturna, Levi worked at the Sustainability Accounting Standards Board as a Sector Analyst for the Consumer Staples sector. He is a Certified Public Accountant and is currently a Level III candidate in the Chartered Financial Analyst (CFA) program.

Footnotes

[1] *Elder, Bryce, Adam Samson, Joshua Oliver, and Hudson Lockett. Wall Street stocks seal best quarter since 1998, Financial Times, June 30, 2020. https://www.ft.com/content/6d09858e-6dc8-4e74-bbcb-9f837e4aa7c8*

[2] *Ehrlich, Jamie and Claire Foran. Fauci warns Congress that new US coronavirus could raise to 100,000 a day, CNN, June 30, 2020. https://www.cnn.com/2020/06/30/politics/fauci-redford-testimony-senate-coronavirus/index.html*

[3] *State Balanced Budget Requirements, National Conference of State Legislatures, NCSL.org, 2020. https://www.ncsl.org/research/fiscal-policy/state-balanced-budget-requirements-provisions-and.aspx*

[4] *US Bureau of Economic Analysis. State and local government current expenditures, FRED Economic Data, June 25, 2020. https://fred.stlouisfed.org/series/SLEXPND*

[5] *Sekera, Dave. Corporate Bonds Stand Out in Second Quarter, Morningstar, July 8, 2020. https://www.morningstar.com/articles/991119/article*

[6] *Cox, Jeff. The Fed is buying some of the biggest companies' bonds, raising questions over why, CNBC, June 29, 2020. https://www.cnbc.com/2020/06/29/the-fed-is-buying-some-of-the-biggest-companies-bonds-raising-questions-over-why.html*

[7] *Wirz, Matt. Fed Backstop Fueled Corporate Bond Surge, The Wall Street Journal, June 30, 2020. https://www.wsj.com/articles/fed-backstop-fueled-corporate-bond-surge-11593515309*

Important Disclaimers and Disclosure

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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 *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.*

A Few Words About Risk

The ***Growth Fund*** *may invest in smaller companies, which involve higher investment risks in that they often have limited product lines, markets and resources, or their securities may trade less frequently and have greater price fluctuation than those of larger companies.*

The ***International Fund*** *involves risks not typically associated with investing in US securities. These include fluctuations in currency exchange rates, less public information about securities, less governmental market supervision, and lack of uniform financial, social, and political standards.*

The ***Core Fund*** *involves the risks of both equity and debt investing, although it seeks to mitigate these risks by maintaining a widely diversified portfolio that includes domestic stocks, foreign stocks, short and long-term bonds, and money market instruments.*

Investment in the ***Global High Income Fund*** *entails the risks of both equity and debt securities, although it seeks to mitigate these risks through a widely diversified portfolio that includes foreign and domestic stocks and bonds. Issuers of high-yield securities are generally not as strong financially as those issuing higher quality securities. 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."*

The risks inherent in the ***Short-Term Bond*** *and* ***Bond Income Funds*** *depend primarily on the terms and quality of the obligations in their portfolios, as well as on bond market conditions. When interest rates rise, bond prices fall. When interest rates fall, bond prices rise. Bonds with longer maturities (such as those held by the Bond Income Fund) usually are more sensitive to interest rate changes than bonds with shorter maturities (such as those held by the Short-Term Bond Fund). The Funds entail credit risk, which is the possibility that a bond will not be able to pay interest or principal when due. If the credit quality of a bond is perceived to decline, investors will demand a higher yield, which means a lower price on that bond to compensate for the higher level of risk.*