

# 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 sustainability 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 sustainability factors.

At Saturna Capital, we view the consideration of sustainability 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
- Weapons
- Pornography
- Tobacco
- Gambling
- Fossil fuel extraction

We positively screen for issuers with low environmental, social, and governance 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 sustainable category is built up from related subcategories:

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

## About The Funds

### Saturna Sustainable Equity Fund (SEEFX)

seeks capital appreciation. The Fund seeks to achieve this objective by investing in a portfolio of global equities that meet financial, sustainable, and responsible investment criteria.



- Sustainable factors considered include resource efficiency, community and labor relations, board composition, and business ethics
- Characteristics of financial sustainability include management strength, low debt, and strong balance sheets
- Screens exclude security issuers primarily engaged in higher sustainability risk businesses; no alcohol, tobacco, pornography, weapons, gambling, or fossil fuel extraction
- Globally diversified
- Generally large and mid-cap, but can invest in any capitalization domestic and foreign stocks



*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*

### Saturna Sustainable Bond Fund (SEBFX)

seeks current income and capital preservation. The Fund seeks to achieve this objective by investing in a portfolio of global bonds that meet financial, sustainable, and responsible investment criteria.



- Investment-grade emphasis with the ability to invest across the credit spectrum, including high-yield
- Flexible selection of duration, currencies, and issuer types
- Globally diversified
- Screens exclude security issuers primarily engaged in higher sustainability risk businesses; no alcohol, tobacco, pornography, weapons, gambling, or fossil fuel extraction
- Positive sustainability factors considered include resource efficiency, community and labor relations, board composition, and business ethics
- Characteristics of financial sustainability include management strength, low debt, and strong balance sheets

*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.*

*Not all securities held in a Fund will be graded by the sustainability scoring process. The percentage of securities not graded by the sustainability 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.*

***Please consider an investment's objectives, risks, charges and expenses carefully before investing. For this and other important information about the Saturna Sustainable Funds, please obtain and carefully read a free prospectus or summary prospectus from [www.saturnasustainable.com](http://www.saturnasustainable.com) or by calling toll-free 1-800-728-8762.***

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