Fund Commentary Q1 2021

SATURNA CAPITAL

SATURNA SUSTAINABLE FUNDS

2020 Impact Report

We are pleased to share our 2020 Impact Report. The Saturna Sustainable Funds continue to outperform the MSCI All Country World Index in exposure to carbon, gender diversity, and many other key performance indicators. We encourage investors to read the report for full details alongside case studies and a full detailing of our investment process.

Just over a year ago the World Health Organization declared the coronavirus a global pandemic.[1] Few would have predicted the returns experienced in global equity markets over the following 12 months. Our year-end 2020 commentary detailed some of the factors driving those returns. With widespread economic disruption, any company demonstrating growth — regardless of profitability — became a rare commodity, and investors bid prices higher. Further supporting rising multiples was a sharp decline in interest rates. The 10-year Treasury yield dropped as low as 0.50% on March 9, 2020, when investors were suffering from pandemic shell shock, and by August 4, 2020, still languished at 0.51%. Low risk-free rates drive terminal valuations higher in typical Discounted Cash Flow calculations.

Index	12 Month Return	Q1 2021 Return
S&P 500	56.35%	6.17%
NASDAQ	73.40%	2.95%
MSCI EAFE	45.15%	3.60%
MSCI Emerging Markets	58.39%	2.29%

Will higher economic activity and potential infrastructure spending prove to be an inflationary force?

Rates subsequently crept higher, receiving a boost in October with the news of a vaccine, but the real catalyst was when the election determined the Democratic Party's control of the government and the realization of likely aggressive fiscal action. Indeed, on March 11, 2021, President Biden signed the $1.9 trillion coronavirus relief package, and on March 31, 2021, he unveiled his $2 trillion infrastructure proposal. Meanwhile, the yield on the 10-year Treasury climbed from 0.91% on December 31, 2020, to 1.67% on March 31, 2021.

Investors might reasonably conclude that broad index performance would come under pressure as high valuation growth stocks reversed course. To an extent, that has been the case; year-to-date, Apple, Amazon, and Netflix all declined, as did highflyers Zoom Video and Shopify. For every FAANG,[2] however, there's a bank, industrial, or restaurant stock that was pummeled during 2020 and has started to recover in anticipation of re-opening. As illustrated in the Q1 2021 Return column in the table of yearly and quarterly returns, NASDAQ was the weakest performer, while the "real economy" S&P 500 led.

Investment commentators often fall back on "uncertainty" to describe almost any environment and provide an escape hatch should their prognostications fail to prosper. Looking ahead to the rest of the year, however, there are three things we can state with near-complete certainty:

1. Vaccine distribution will continue to accelerate in the United States and, as availability improves, will eventually gain momentum in continental Europe. By Labor Day, almost everyone in the developed world who wants to be vaccinated will have been.[3]

2. As a result, economic activity will leap higher on a year-on-year basis and inflation measures will jump.

3. Earnings will soar for many of the companies that were most punished during the pandemic, and for the market as a whole.

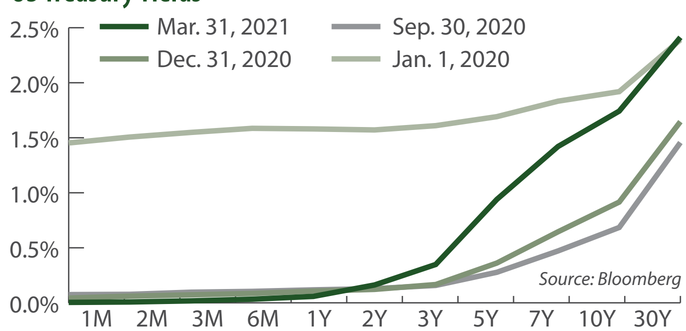
What these three truths imply for equity returns cannot be stated with the same degree of certainty, but it would be unusual for markets to languish during a period of ebullient economic performance. The more interesting questions surround relative sector performance and the staying power of the economic recovery. The former relies, to an extent, on the administration's success in passing some version of its infrastructure plan given the hundreds of billions of dollars targeted for road construction, bridge repair, electric grid development, and alternative energy. The latter will rely on the accuracy of Federal Reserve Chairman Jay Powell's belief that the combined effects of the recovery, the stimulus bill, and a possible spike in infrastructure spending will not lead to an inflationary spiral. Of course, one final piece of the puzzle relates to funding the infrastructure bill and the potential for increased corporate income tax rates. As we saw with the 2017 tax bill, benefits accrued to companies at varying degrees. We assume dispersion would be equally variable in the case of tax hikes, although the proposed global minimum tax would provide some consistency. Infrastructure and taxes present a much greater political challenge than pandemic stimulus, and while the stimulus bill was signed a mere seven weeks after the inauguration, the administration has set a July 4 target for passing an infrastructure bill. Our next quarterly commentary will provide a better opportunity to evaluate potential investment implications. On second thought, perhaps uncertainty still reigns.

Saturna Sustainable Bond Fund

For the quarter ended March 31, 2021, Saturna Sustainable Bond Fund returned -1.74%, relative to -4.69% for the FTSE WorldBIG Index. For the year ended March 31, 2021, the Fund posted a return of 7.00%, outperforming the benchmark, which returned 3.99%

The first quarter outperformance was primarily driven by the addition of a larger allocation to floating rate securities and lower-rated issuers. Thus far, 2021 has been defined by a dramatic rise in the Treasury yields. The steepening trend we first saw in November, coinciding with the election and the subsequent announcement of COVID-19 vaccines, continued through the quarter. As markets adjusted for the prospects of higher growth and potentially higher inflation on the back of the $1.9 trillion stimulus bill and wider distribution of vaccines, the long end of the Treasury curve moved significantly upward. Treasurys saw their worst quarter in 40 years, with the 30-year moving 77 basis points upward to 2.41%, in-line with pre-pandemic levels. The Bloomberg Barclays US Treasury Total Return Index, a long duration US Treasury benchmark that only includes US Treasurys with a duration of 10-years and longer, experienced a decline of -13.51% in just the first quarter of 2021!

US Treasury Yields



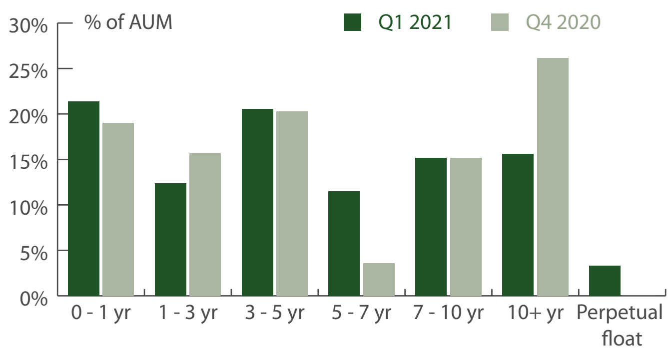
As of quarter-end, the Fund had an effective duration (price sensitivity to changes in interest rates) of 2.94 years. This is down from 5.3 years as of last quarter. The Fund moved out of maturities in the 10+ year space due to the steepening yield curve, and sold positions in long Treasurys. The Fund did not hold any positions in US Treasurys as of quarter-end, instead shifting its allocation among shorter duration securities. These purchases include adding selective floating rate securities due to dramatic adjustments in price from the beginning of last year and potential opportunity for upward movement. The 2066 position in Lincoln National, a floating rate bond, was the top-performing security in the Fund, returning 11.69% for the quarter.

As of March 31, 2020

Top 10 Holdings	Portfolio Weight
Lincoln National	6.00%
European Investment Bank	4.49%
Iron Mountain	4.38%
Mexico Bonos Desarrollo	4.16%
Bank of Nova Scotia	3.38%
International Finance Corporation	3.10%
Republic of Colombia	2.91%
MAF Sukuk	2.82%
Telecom Italia	2.77%
Koninklijke KPN	2.71%

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.

Maturity Breakdown



2020 was marked by a great deal of volatility, especially March. However, after the initial yield surge, corporate spreads tightened significantly throughout the year. This past quarter saw that trend reverse, especially in the long end, spurred by the steepening Treasury curve. Investment-grade corporate bonds were especially impacted, with 10-year yields in "AA", "A", and "BBB" bonds rising as many as 80 basis points. The best performing securities were lower-rated bonds, especially for those rated "B" across the curve or rated "BB" with maturities longer than five years, as improved economic prospects bolstered corporate credit expectations. The second-best performing bond in the Fund was the 2023 position in "BB" rated Macy's, which returned 4.90% in the quarter before it was called.

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Saturna Sustainable Equity Fund

In the first quarter of 2021 the Saturna Sustainable Equity Fund trailed the S&P Global 1200 Index, returning 0.92% versus 5.29%. In March the Fund gained back some ground lost in the first two months of the year, posting a one-month return of 3.36% versus 3.47% for the Index. At the end of March, the Fund completed its sixth year since inception, over which period it has provided an annualized return of 10.37% versus 10.99% for the Index.

The list of first quarter top performers illustrated the Funds's geographic and industry diversity; with European, Asian, and American companies all represented, as were the Consumer Durables, Financial, Industrial, and Technology industries. Sweden's Assa Abloy, which provides doors, locks, and security systems, provided the largest contribution to Fund returns. The strongest performer in terms of stock appreciation, however, was TPI Composites, a global leader in providing wind turbine blades. Despite Brexit, the UK provided the second and third best performers: Aviva and Johnson Matthey. Aviva has aggressively shaped its investment portfolios to focus on environmental, social, and governance (ESG) issues and on engaging with companies to improve their ESG performance. Johnson Matthey produces catalysts and catalytic systems to reduce emissions, serving customers in multiple markets.

As ESG investors, we were disappointed to see global wind power leader Vestas Wind Systems' strong performance reverse during the quarter as it ranked among the top detractors from Fund returns. Video game company Nintendo gave back some gains during the quarter as investors evaluated its post-pandemic prospects for revenue growth given the strong performance of the video game industry over the past year. Hartalega Holdings' dramatic and volatile performance in 2020 continued into the first quarter of 2021 as it was sharply sold off. The rising number of COVID-19 cases around the globe have given the the medical glove manufacturer's shares new life as of late.

As of March 31, 2020

10 Largest Contributors	Return	Contribution
Assa Abloy ADR	16.91%	0.58
Aviva ADR	28.12%	0.48
TPI Composites	32.93%	0.31
NXP Semiconductors	19.71%	0.30
Adobe	-4.95%	0.27
Novozymes ADR	12.63%	0.24
Home Depot	11.99%	0.23
Best Buy	15.77%	0.21
Johnson Matthey	28.30%	0.19
Taiwan Semiconductor ADR	7.93%	0.18

10 Largest Detractors	Return	Contribution
Hartalega Holdings	-29.59%	-0.36
Vestas Wind Systems	-13.15%	-0.35
Sony ADA	-11.48%	-0.27
Atlassian, Class A	-13.18%	-0.23
Unicharm ADR	-10.74%	-0.21
Nintendo ADR	-9.51%	-0.17
TJX Companies	-8.83%	-0.15
Siemens Gamesa Renewable Energy	-6.03%	-0.14
Iberdrola	-7.87%	-0.14
Murata Manufacturing	-8.02%	-0.13

Top 10 Holdings	Portfolio Weight
CGI Group Inc Class A	2.37%
Apple	2.32%
Adobe	2.25%
Home Depot	2.17%
Vestas Wind Systems	2.16%
Aviva ADR	2.14%
Accenture, Class A	2.10%
Siemens ADR	2.07%
Wolters Kluwer	2.06%
Taiwan Semiconductor ADS	2.05%

Performance Summary

As of March 31, 2021

Average Annual Total Returns *(Before Taxes)*	**YTD**	**1 Year**	**3 Year**	**5 Year**	**Since Inception**[B]	**Expense Ratio**[A] *Gross*	*Net*
Sustainable Equity Fund (SEEFX)	0.92%	47.16%	15.28%	14.03%	10.37%	0.78%	0.75%
S&P Global 1200 Index	5.29%	53.49%	13.09%	14.04%	10.99%	n/a	
S&P 500 Index	6.17%	56.35%	16.73%	16.28%	13.77%	n/a	
Sustainable Bond Fund (SEBFX)	-1.74%	7.00%	2.75%	2.99%	2.37%	0.85%	0.65%
FTSE WorldBIG Index	-4.69%	3.99%	2.82%	2.64%	2.90%	n/a	
MSCI All Country World Index	4.68%	55.31%	12.65%	13.80%	10.63%	n/a	

[A] *By regulation, expense ratios shown are as stated in a Fund's most recent prospectus or summary prospectus, dated March 30, 2021 and incorporate results from the fiscal year ended November 30, 2020. Saturna Capital, the Funds' investment adviser, has voluntarily capped actual expenses of the Sustainable Equity Fund at 0.75% and actual expenses of the Sustainable Bond Fund at 0.65% through March 31, 2022.*

[B] *Saturna Sustainable Equity Fund and Saturna Sustainable Bond Fund began operations on March 27, 2015.*

Performance data quoted herein represents past performance, which is no guarantee of future results. *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. Current performance may be higher or lower than the performance data quoted herein. Performance current to the most recent month-end can be obtained by visiting www.saturnasustainable.com or calling toll-free 1-800-728-8762.*

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 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. The Bloomberg Barclays US Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. When available, Saturna uses total return components of indices mentioned. Investors cannot invest directly in the indices.

Footnotes to commentary

[1] *Adhanom, Tedros. Transcript: WHO Director-General's opening remarks at the media briefing on COVID-19. World Health Organization, March 11, 2020. https://www.who.int/director-general/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19---11-march-2020*

[2] *Facebook, Apple, Amazon, Netflix, Google.*

[3] *The developed world, however, represents a minority of the global population. Absent an aggressive global distribution effort supported by the US and Europe, we run the risk of providing the virus an opportunity to mutate into a more dangerous variant.*

Performance Summary

As of March 31, 2021

Morningstar Ratings™ C	Overall	1 Year	3 Year	5 Year	Sustainability Rating™ D
Sustainable Equity Fund (SEEFX)	★★★★	n/a	★★★★	★★★★	🌐🌐🌐🌐🌐
% Rank in World Large Stock Category	n/a	75	21	29	*Percent Rank in Category: 2*
Number of Funds in Category	762	866	762	645	*Among 764 World Large Stock Funds*
Sustainable Bond Fund (SEBFX)	★★★	n/a	★★★★	★★★	🌐🌐🌐🌐🌐
% Rank in World Bond Category	n/a	67	38	44	*Percent Rank in Category: 3*
Number of Funds in Category	181	204	181	168	*Among 181 World Bond Funds*

The Morningstar Sustainability Rating is not based on fund performance and is not equivalent to the Morningstar Rating ("Star Rating").

[C] Morningstar Ratings™ ("Star Ratings") are as of March 31, 2021. 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.

[D] Morningstar Sustainability Ratings are as of February 28, 2021. The Morningstar Sustainability Rating™ is intended to measure how well the issuing companies of the securities within a fund's portfolio are managing their environmental, social, and governance ("ESG") risks and opportunities relative to the fund's Morningstar category peers. The Morningstar Sustainability Rating calculation is a two-step process. First, each fund with at least 67% of assets covered by a company-level ESG score from Sustainalytics receives a Morningstar Portfolio Sustainability Score™. The Morningstar Portfolio Sustainability Score is an asset-weighted average of normalized company-level ESG scores with deductions made for controversial incidents by the issuing companies, such as environmental accidents, fraud, or discriminatory behavior. The Morningstar Sustainability Rating is then assigned to all scored funds within Morningstar Categories in which at least ten (10) funds receive a Portfolio Sustainability Score and is determined by each fund's rank within the following distribution: High (highest 10%), Above Average (next 22.5%), Average (next 35%), Below Average (next 22.5%), and Low (lowest 10%). The Morningstar Sustainability Rating is depicted by globe icons where High equals 5 globes and Low equals 1 globe. A Sustainability Rating is assigned to any fund that has more than half of its underlying assets rated by Sustainalytics and is within a Morningstar Category with at least 10 scored funds; therefore, the rating it is not limited to funds with explicit sustainable or responsible investment mandates. Morningstar updates its Sustainability Ratings monthly. Portfolios receive a Morningstar Portfolio Sustainability Score and Sustainability Rating one month and six business days after their reported as-of date based on the most recent portfolio. As part of the evaluation process, Morningstar uses Sustainalytics' ESG scores from the same month as the portfolio as-of date.

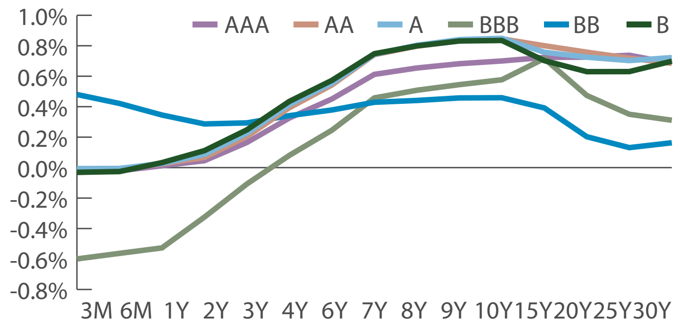
The Fund's portfolios are actively managed and are subject to change, which may result in a different Morningstar Sustainability Score and Rating each month.

The Saturna Sustainable Equity Fund was rated on 100% and the Saturna Sustainable Bond Fund was rated on 75% of Assets Under Management.

Percent 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.

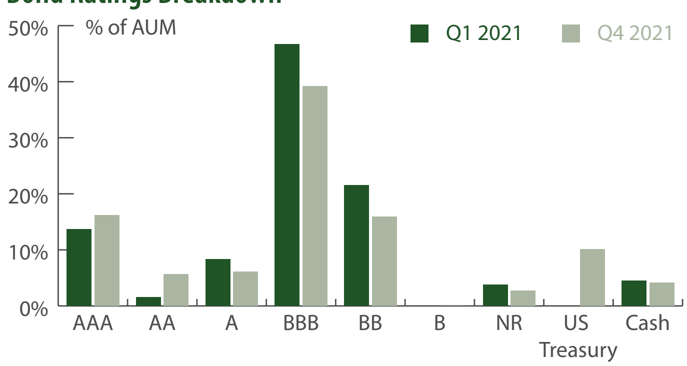
Saturna Sustainable Bond Fund *Continued from page 6*

Change in Corporate Yield Curve 12/31/20 vs. 3/31/21



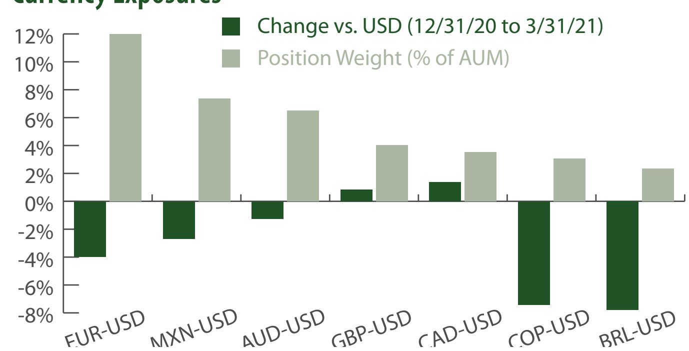
Even with stronger economic growth on the horizon, we continue to focus on purchasing holdings that are well-positioned with strong cash flow and financial flexibility. We have geared our defensive positioning in the portfolio to withstand an uneven economic recovery and the possible challenges of emerging variants of the coronavirus. In conjunction with extensive credit reviews, we increased allocation to "BBB" and "BB" rated bonds, anticipating stronger cash flows in sectors such as Retail. The Fund is also putting cash to work in unique opportunities in the sustainable space. In December, the Fund purchased a 2.75% position in a Women in Leadership bond, our first holding directed specifically toward the empowerment of women. The bond provides loans to female entrepreneurs and microfinance opportunities in India, Cambodia, Indonesia, and the Philippines.

Bond Ratings Breakdown



At the quarter-end, the portfolio had a total exposure to foreign currency of 38.79%. Foreign currency movements were the primary drivers of lower-performing securities over the quarter. The Brazilian real depreciated -8.75% relative to the dollar during the quarter. The "AAA" rated IFC bond of 2023 and the Brazilian sovereign bond of 2022 are Brazilian real-denominated and returned -9.76% and -8.26%, respectively. As of quarter-end the Fund had an 11.99% allocation to the euro relative to the FTSE WorldBIG Index which had an allocation around 31%. Through March 31, the euro depreciated -3.92% relative to the dollar, and this underweight was a contributor to outperformance.

Currency Exposures



Looking to the rest of 2021, there is no shortage of events that could threaten current stability or bring back volatility. Even with a vaccine, there are many hurdles in the way of a full recovery from the pandemic, including the expiration of eviction moratoriums and a surge in infections due to easing restrictions. In the longer-term, we also have to consider the potential for inflation. With the Federal Reserve's stance that it will let the curve steepen and won't be reactive to inflation, there could be room for further steepening of the curve. We will be vigilant for opportunities that remain obscured below the surface and will continue to help our clients navigate these obstacles.

About The Authors

Jane Carten MBA
President and **Saturna Sustainable Equity Fund** Portfolio Manager

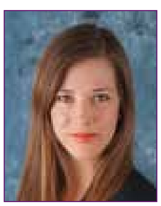
Jane Carten, President and Director, joined Saturna Capital in June 1997. Ms. Carten graduated from Western Washington University with an MBA and undergraduate degree in Computer Science and Business. As President, Ms. Carten oversees Saturna's daily operations and directs Saturna's internal and external information systems, managing the technology and marketing activities. She also directs Saturna's continuing education program and the philanthropic efforts of the firm. Ms. Carten is active in the Bellingham Bay Rotary and is a member of the Young Presidents' Organization; she is a former member of the Whatcom Museum Children's Advisory Board. She is a founder and former director of the nonprofit OpenAccess Internet Services and is a Bellingham Sister Cities member and contributor.

Scott Klimo CFA®
Vice President, Chief Investment Officer, and **Saturna Sustainable Equity Fund** Deputy 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.

Patrick Drum MBA, CFA®, CFP®
Senior Investment Analyst and **Saturna Sustainable Bond Fund** Portfolio Manager

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.



Elizabeth Alm CFA®
Senior Investment Analyst and **Saturna Sustainable Bond Fund** Deputy Portfolio Manager

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.

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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.*

A Fund's ***30-Day Yield****, sometimes referred to as "standardized yield" or "SEC yield," is expressed as an annual percentage rate using a method of calculation adopted by the Securities and Exchange Commission (SEC). The 30-Day Yield provides an estimate of a Fund's investment income rate, but may not equal the actual income distribution rate. Without the voluntary expense cap, the 30-Day Yield for Saturna Sustainable Bond Fund would have been 1.80%. Unsubsidized yield does not adjust for any fee waivers and/or expense reimbursements in effect.*

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.*