2021 IMPACT REPORT

SATURNA
SUSTAINABLE FUNDS

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Environmental, social, and governance (ESG) investment options have been increasing significantly in terms of both popularity and visibility. Issuance of ESG-linked debt has been growing at an exponential pace with green, sustainable, and social bond issuance rising more than 60% for each of the past two years, to $495 billion issued in 2020. Additionally, corporations are disclosing more ESG data with 90% of S&P 500 companies publishing a sustainability report.[1]

At the same time, flows into US sustainable funds hit a new record in the first quarter of 2021 with nearly $21.5 billion in net inflows – more than double what was seen a year ago and five times greater than the first quarter flows in 2019.   Asset managers are responding to the demand with no fewer than 11 new sustainable funds launched in the first quarter alone, and several more existing funds repurposed with an ESG mandate.[2]

These trends highlight the increasingly important need for high quality, transparent, and in-depth reporting. What was once a niche market is going mainstream. The question can no longer be if a company reports or if a fund has a sustainable mandate. But rather, deeper scrutiny must be placed on the quality of reporting and how integrated ESG considerations are being incorporated into strategic decision making. The new flood of data and ESG investment options means that it can be even more difficult to differentiate these opportunities. There are yet to be actual standards of corporate disclosure on ESG, and even though 90% of the S&P 500 companies publish a CSR report, only 44% even reference climate change as a risk factor in their annual 10-K filings, highlighting a deep disconnect between ESG in marketing and ESG in strategy.[3]

With more than 30 years of experience in values-based investing, Saturna Capital recognizes the importance of transparency and in-depth analysis of securities in constructing resilient portfolios capable of withstanding market cycles. In the spirit of continuous improvement, we have deepened our own process and data scrutiny. Given the large inconsistencies and non-standardized ESG data prevalent in company reports, we do not rely on a single data or ratings provider. We instead use many data points in our internally-built ESG quantitative ratings model and we use qualitative analysis to build a story around the companies in which we invest.

Sustainable Development Goals

In the past two impact reports we have presented detailed reports on the United Nations' Sustainable Development Goals (SDG) for the companies in the Saturna Sustainable Funds. We believe this offers a compass, aiding understanding on how issuers and Saturna Capital's sustainable portfolios are addressing both risks and opportunities. We are excited to present an enhanced analysis for the 2021 report. Our team created a data set unique to Saturna Capital on how our investments align with the SDGs. We created this resource by examining every single corporate social responsibility or impact report for the holdings in the Saturna Sustainable Funds. We looked at not only which issuers are reporting specifically on each SDG, but also how they are reporting on each goal. We split company reporting into one of three categories, from most to least comprehensive.

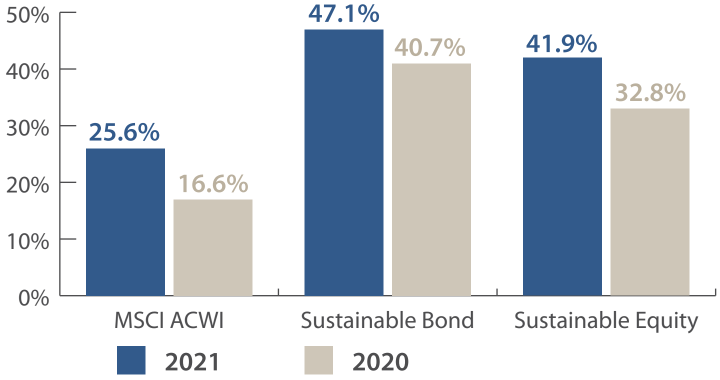
The categories include:

- Companies that assign data with quantitative targets for a specific goal
- Companies that provide supporting data regarding a specific goal
- Companies that mention they are aligned with a goal but don't provide data or targets to support the claim

In our last report, we highlighted how the specific nature of the goals, and the ambitious objectives and targets within those goals, can be a tool for investors. We can use a company's disclosure about their contribution to the SDGs as part of our process of determining which businesses are fully incorporating ESG considerations into their corporate strategy and culture – and which are possibly "greenwashing" their business activities. Enhancing the analysis to view which investments are supporting their claims with data or targets enables us to more effectively make this distinction. As more companies are finding the SDGs and including them in marketing, this is one additional data point we can use in our analysis.

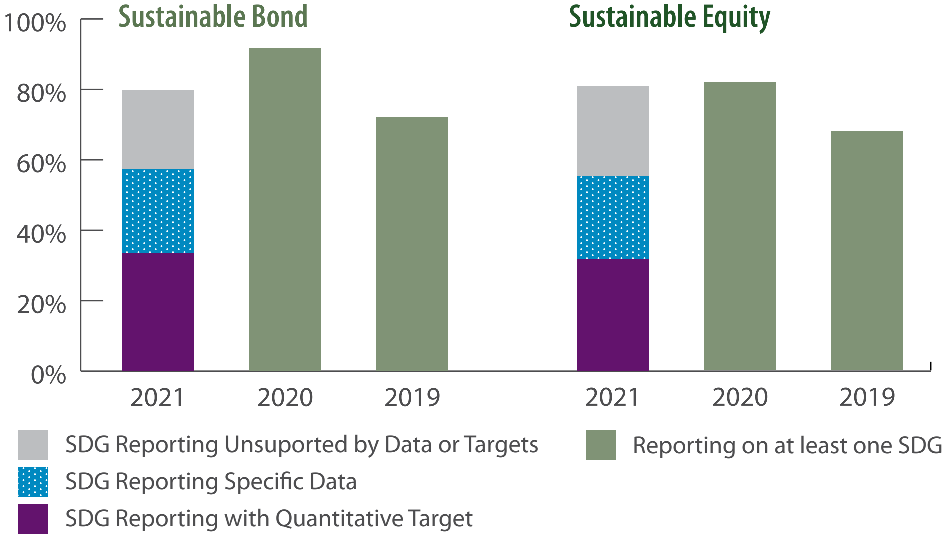
Awareness of the SDGs and their popularity continues to grow and 2021 marks the first year reporting can be included for government bonds for the Sustainable Bond Fund, as local government reporting improves and more sovereign ESG-linked bonds are available. Holdings with at least one quantitative target for an SDG grew across the board over the past year. We are pleased to share that the Saturna Sustainable Funds significantly outperformed the benchmark MSCI All Country World Index (MSCI ACWI) in terms of holdings that report on the SDGs.

Holdings reporting a quantitative target for at least one SDG



We find that issuers who provide SDG ambitions in conjunction with key performance indicators (KPIs) offer more meaningful reporting; often this indicates that management has integrated a particular goal into their business strategy, compared to aspirational references to an SDG topic.

Percent of holdings reporting on SDGs†



SUSTAINABLE DEVELOPMENT GOALS

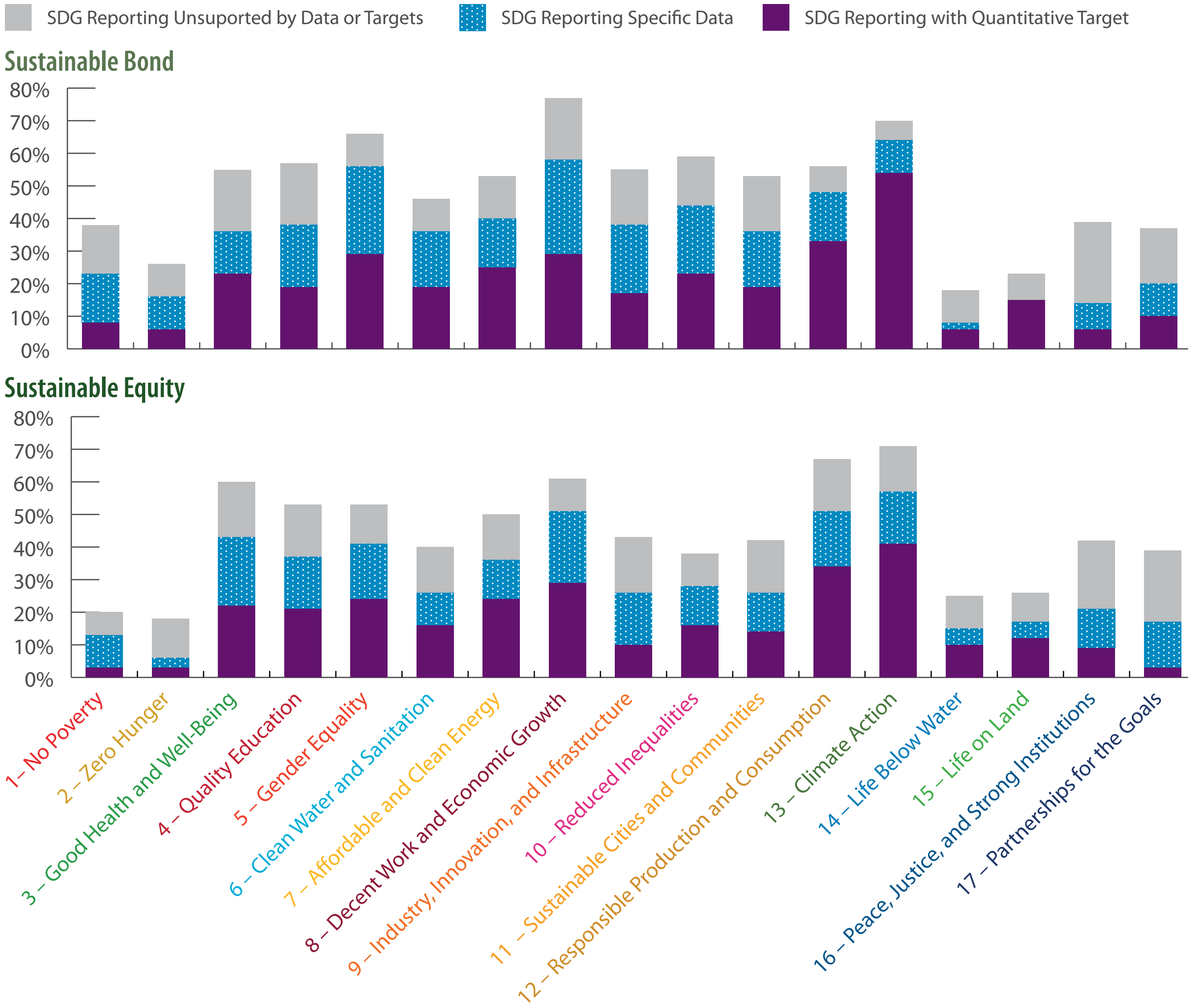
The Global Goals for Sustainable Development (SDGs), officially known as *"Transforming Our World: the 2030 Agenda for Sustainable Development"* are 17 goals and 169 targets that were created to end poverty, promote prosperity and well-being for all, and protect the planet. The SDGs set a course and framework to achieve these objectives. When evaluating our investments, we believe that this framework will be the new standard by which sustainability will be reported and measured. Contribution to these goals not only allows investors to identify areas of risk but also potential new opportunities.

Saturna is thoughtful about how we construct our portfolios and how we incorporate the SDGs. The inclusion of the SDGs represents an evolutionary extension of Saturna's proprietary ESG scoring model within our actively managed investments. We believe a truly value-added strategy requires active management with robust qualitative and quantitative analysis. As many investment companies rush to capture the growing market demand for sustainable strategies, we remind investors to exercise prudence in understanding the framework of how asset managers incorporate ESG considerations – substance matters more than just form and marketing.

This question of substance versus form extends beyond an asset manager's incorporation of ESG considerations and lends itself to the evaluation of individual companies and investments within a strategy. We are excited about the SDGs, in one respect, due to the specific nature of the goals and targets within those goals. Specific disclosures related to a company's contribution to a goal do not lend themselves as easily to "greenwashing." They can help investors identify opportunities that are substantive and companies that incorporate ESG as part of a holistic strategy.

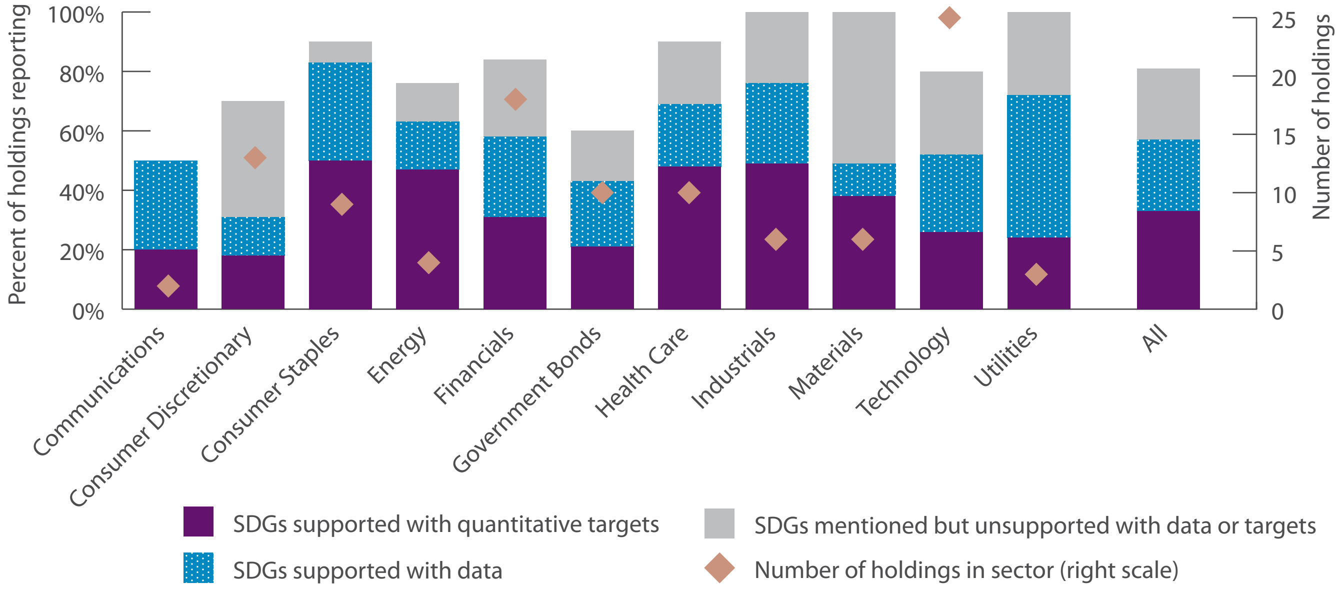
Through our analysis of SDG reporting, a clear picture emerged of which goals are popular, which are more difficult, and which tend to be unsupported. Unsurprisingly, many companies report on SDG 13 – Climate Action, with a greater portion of the reporting supported by quantitative targets. Surprisingly, we found in our analysis that SDG 16 – Peace, Justice, and Strong Institutions is largely unsupported by corporations claiming alignment with the goal. Targets within this goal focus on building effective and accountable institutions, including increasing transparency to ensure responsive, inclusive, participatory, and representative decision-making at all levels, as well as reducing corruption. Some goals, such as SDG 14 – Life Below Water and SDG 15 – Life on Land, are sparsely reported. We recognize that not every goal will be applicable to every institution.

Percent of holdings reporting by SDG†



When viewed by sector, other patterns emerge. The *Percent of holdings reporting on the SDGs by sector* chart details equal-weighted holdings across both sustainable funds. Each sector bar shows the total reporting for that sector with the type of reporting further broken down within each sector. While the Materials sector has 100% reporting for SDGs, about half that reporting is unsupported by data or targets. The Consumer Discretionary sector is similar in that only 30% of the sector reports on sustainable development alignment in a way that's supported by data or targets. This can be contrasted with Health Care and Industrials, which generally have better supported SDG reporting. While this single data point doesn't necessarily mean a lack of ESG integration into corporate strategy, we can use this information to paint a larger portrait, gauging overall sector trends and how our holdings compare to their peers.

Percent of holdings reporting on SDGs by sector†



In addition to our in-depth analysis, we provide case studies of how some of our portfolio constituent holdings address some of the SDGs. We hope you find this useful: it represents a window into how we incorporate ESG considerations in our investment process. We have chosen six Sustainable Development Goals where we provide data and case studies.

CASE STUDIES

3 GOOD HEALTH AND WELL-BEING

5 GENDER EQUALITY

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

11 SUSTAINABLE CITIES AND COMMUNITIES

13 CLIMATE ACTION

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

3 GOOD HEALTH AND WELL-BEING

Ensure healthy lives and promote well-being for all, at all ages

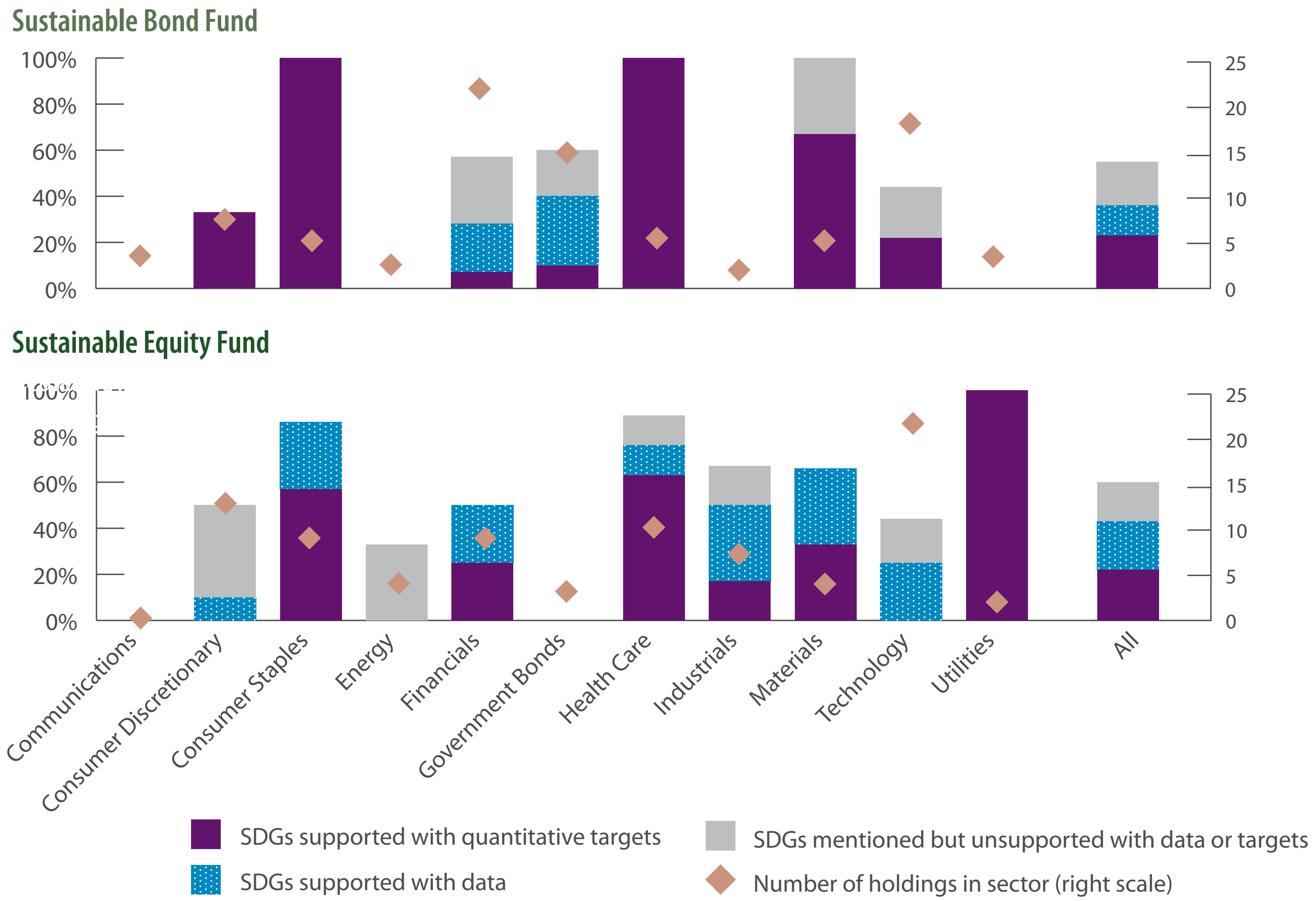
Throughout the coronavirus pandemic, the need for an intense focus on this goal has become more apparent than ever. The virus presents a humanitarian crisis that exposes the weaknesses in how employers address health and safety. As investors and global citizens, we believe it is of paramount importance to review the corporate response to this crisis, as poor management of employee safety is not only immoral but also can hurt the business.

One way we evaluate a company's contribution to this SDG is by looking at the strength of health and safety policies, programs, and reporting. In order to be counted as having a strong health and safety management system a company needs to have targets to reduce health and safety incidents, monitoring and measurement, and managerial responsibility for health and safety issues. Companies must also report on their performance. Both Funds do better than the MSCI ACWI in this category. The change from 2020 to 2021 in Saturna Sustainable Bond Fund reflects some new holdings, like Ball Corporation (which have adequate programs, as opposed to strong), but we expect to see improvement. Ball's Total Recordable Incident Rate showed a reduction of 31% from 2017 to 2020; as sustainable investors it's important to choose companies with strong programs, but also important to see positive trends reflecting good governance.[4]

Percent of holdings / constituents reporting (by number of holdings)

		Change	2021	2020
Strong health and safety management system	**Sustainable Bond Fund**	-35.0%	40.0%	75.0%
	Sustainable Equity Fund	-3.1%	42.3%	45.5%
	MSCI ACWI	3.8%	30.9%	27.1%

SDG 3: Percent of holdings / constituents reporting (by number of holdings)



Target 3.d

Strengthen the capacity of all countries, in particular developing countries, for early warning, risk reduction, and management of national and global health risks.

Case Study: Reckitt Benckiser Group

Reckitt is a British multinational consumer goods company headquartered in Slough, England. It is a producer of health, hygiene, and nutrition products including disinfectant brands such as Lysol.

As a major producer of disinfectants, the company was in a unique position during the pandemic to make an impact. In 2020, with the devastating effects of COVID-19 on health and livelihoods across the world, access to quality hygiene, wellness and nourishment took on a fresh urgency and significance. The pandemic naturally led to a huge increase in demand for the company's disinfectant brands like Dettol and Lysol – protection being the first step in stopping transmission of the virus. Reckitt raised £52.8 million from their Fight for Access Fund to address the fight against the spread of COVID-19. In March 2020, Dettol committed £6 million to frontline health workers in Wuhan, China, answering the urgent call for critical health care equipment. They also worked alongside national governments and national medical associations, delivering educational public service campaigns on the importance of handwashing and sanitation in more than 12 countries, including Bangladesh, Pakistan, Indonesia, Nigeria, and Vietnam.[5]

They also took additional measures to help stop the spread of COVID-19:

- Globally, Reckitt donated over 27 million products, including one million liters of Lizol and Harpic disinfectant for Indian hospitals, and 10 million bars of Dettol soap to vulnerable communities in India
- Donated over 15 million face masks to frontline workers across the world
- In the UK, they distributed 150,000 care packages to help frontline workers stay safe, and donated £1 million to help protect NHS workers with vital supplies
- Donated pre-purchased media space to the UK government to help amplify its public health messaging campaign
- Lysol provided $2 million (£1.4 million) in matched funding to the US Centers for Disease Control (CDC) Foundation

Achieve gender equality and empower all women and girls

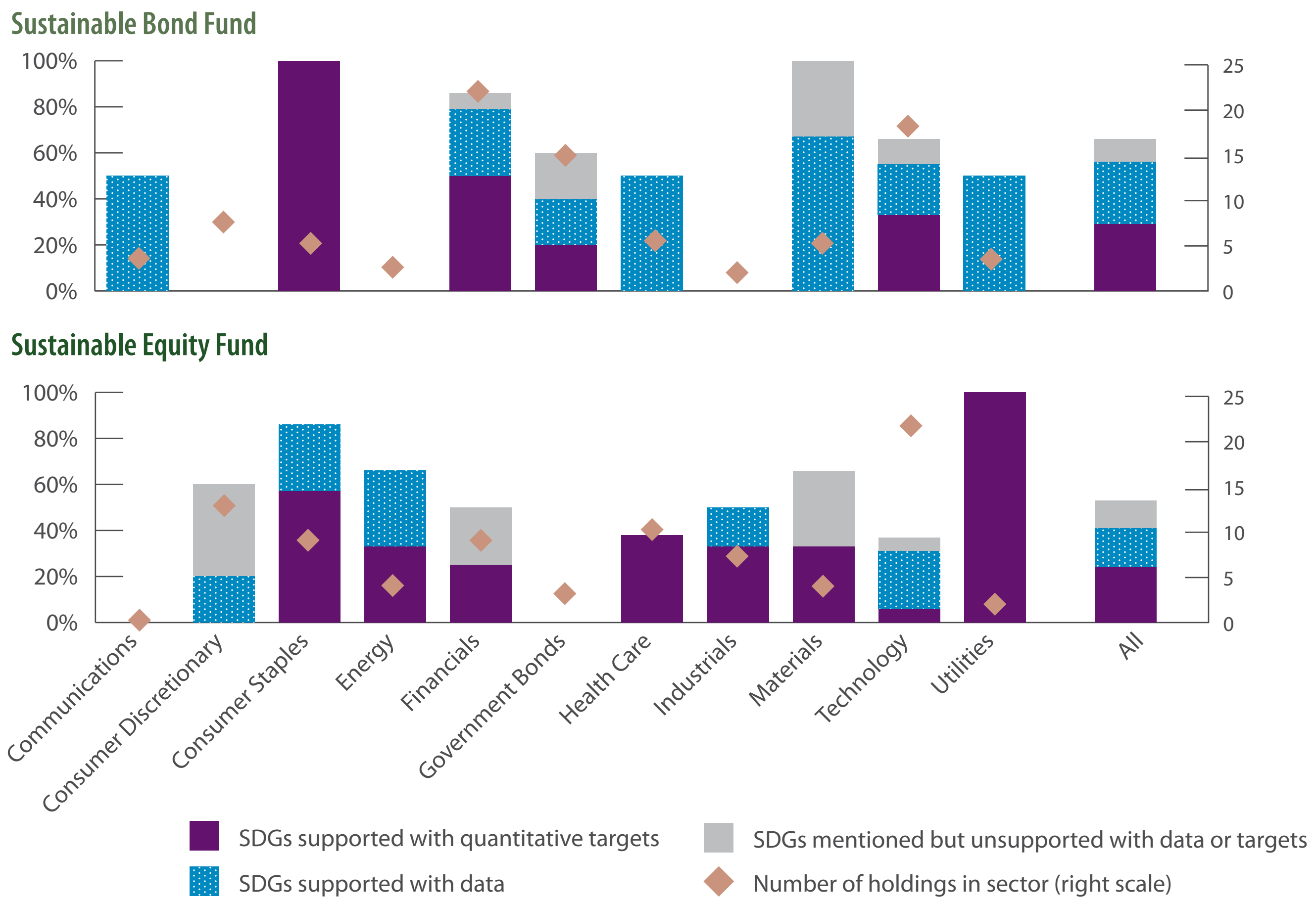
Globally, women's employment declined by 5% in 2020 versus 3.9% for men, with 90% of those women exiting the labor force. This means that more women have not only lost their jobs but are also not actively looking for re-employment. The result is that women's labor force participation hit a 33-year low in January of 2021.[6] There is a gap between female and male employment rates in every region of the world and the COVID-19 crisis has exacerbated this divide, with women affected by increases in the burden of unpaid care work. During lockdowns mothers provided childcare and homeschooling at the expense of their jobs, and COVID-19 highly impacted service sectors which generally have more female workers. In Canada, for example, single mothers of children under 6 incurred a 28% decline in working hours as a result of the crisis.[7]

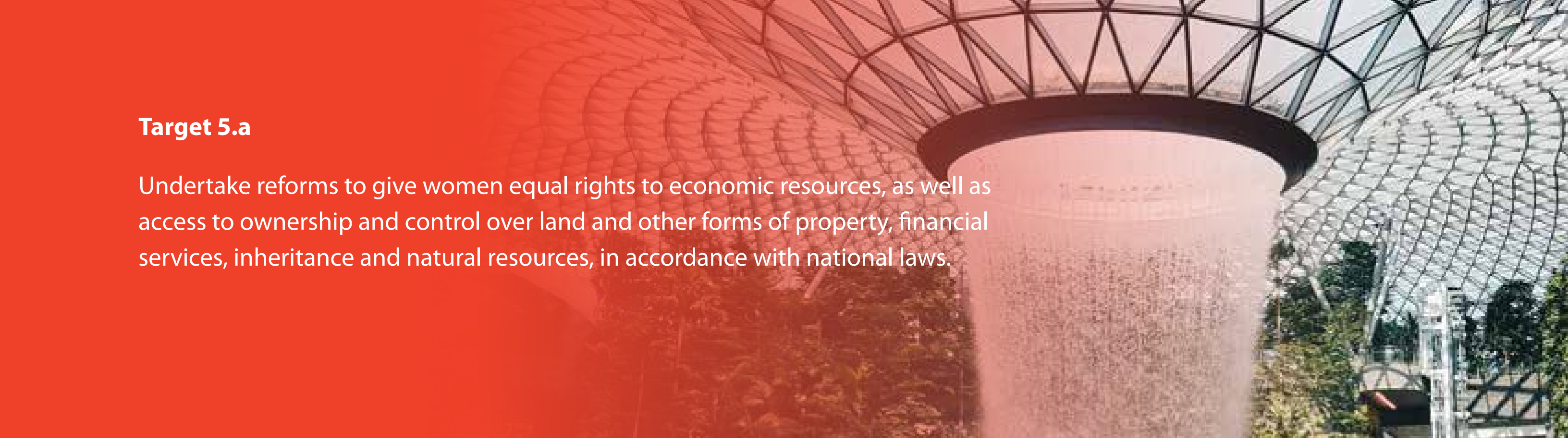
Saturna's gender equality KPIs demonstrate our focus on equality in a corporate setting. Research shows that a more gender-diverse board and management team correlates with better profitability, and the data presented is driven by that research.[8] However, with the aftermath of the pandemic showing such a devastating impact on the economic empowerment of women, we are excited to share an investment with more direct impact via the case study.

Percent of holdings / constituents reporting (by number of holdings)

		Change	2021	2020	2019
Holdings with 3 or more female board members	**Sustainable Bond Fund**	13.1%	90.9%	77.8%	66.7%
	Sustainable Equity Fund	18.6%	82.4%	63.8%	70.4%
	MSCI ACWI	5.6%	42.3%	36.7%	47.7%
Holdings with 33% or more female board representation	**Sustainable Bond Fund**	-6.7%	56.3%	63.0%	46.7%
	Sustainable Equity Fund	0.0%	44.8%	44.8%	42.6%
	MSCI ACWI	1.3%	21.3%	20.1%	25.4%

SDG 5: Percent of holdings / constituents reporting (by number of holdings)





Target 5.a

Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws.

Case Study: Women's Livelihood Bond

The Impact Investment Exchange Asia (IIX) is a Singapore-based organization focused on the empowerment of women, the environment, and underserved communities. They structured a bond issue which provides an ESG investor fixed-income impact opportunities with portfolio diversification benefits; the Sustainable Bond Fund allocated 2.5% of its portfolio to the issue as of June 30, 2021. These cutting- edge bonds offer institutional investors the ability to invest in securities that fund loans for woman- owned enterprises and microfinance organizations in Cambodia, India, the Philippines, and Indonesia. These bonds offer diversification across geographies, beneficiaries, and organizations, as well as a partial- credit guarantee from the US Agency of International Development. The money helps create sustainable livelihoods for women across developing countries, and directly supports women to respond to, recover from, or rebuild their livelihoods from the coronavirus pandemic.[9]

It's exciting to see innovation in the debt markets that impact-oriented bonds can be available to mutual funds and institutional investors. The issuance purchased in the Saturna Sustainable Bond Fund is part of a $150 million bond series set to reach three million women beneficiaries by 2023.[10] The first issuance in the series in 2017 was the first impact investing instrument to be listed on a stock exchange.[11]

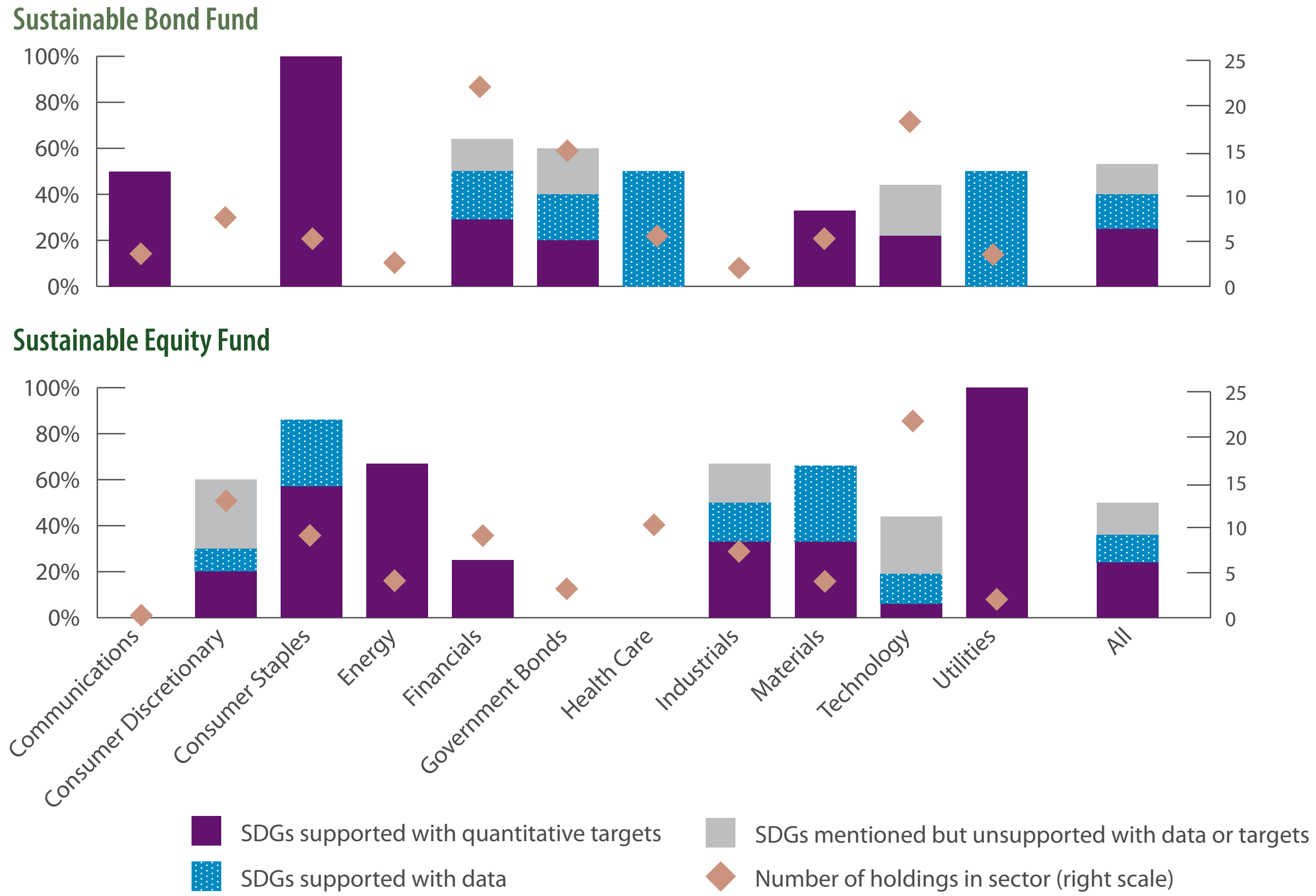
Ensure access to affordable, reliable, sustainable, and modern energy for all

Improvements in energy efficiency and use of renewable energy on a corporate level can not only improve operational cost savings but can also bolster the demand and production of renewable energy. One of the targets within this Goal is to double the global rate of improvement in energy efficiency by 2030. During portfolio selection, we consider a company's use of renewable energy and their renewable energy programs.

Percent of holdings / constituents reporting (by number of holdings)

		Change	2021	2020	2019
Implemented renewal energy program quantitative targets with clear deadline	**Sustainable Bond Fund**	-3.3%	66.7%	70.0%	41.2%
	Sustainable Equity Fund	18.1%	58.1%	40.0%	32.1%
	MSCI ACWI	4.5%	19.4%	14.9%	17.1%
More than 10% of company's primary energy use comes from renewable energy sources	**Sustainable Bond Fund**	0.0%	80.0%	80.0%	36.0%
	Sustainable Equity Fund	0.5%	53.8%	53.3%	45.8%
	MSCI ACWI	38.2%	54.1%	16.0%	22.3%

SDG 7: Percent of holdings / constituents reporting (by number of holdings)



Target 7.a

By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency, and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology.

Case Study: Microsoft

Microsoft is the largest renewable energy user in the Sustainable Funds' portfolios, sourcing 94.54% of their energy needs from renewable sources. They continue to be a leader in both setting ambitious targets and evaluating carbon risk. Microsoft is one of a handful of companies with a target to go carbon-negative by 2030: they pledged to remove or offset more carbon than they emit annually. Their target includes Scope 3 emissions such that all indirect emissions that occur in the value chain will also be recognized.[12] They have added credibility to their goals by obtaining third-party validation of their emissions trajectory from SBTi (the Science Based Targets initiative).[13]

In addition to ambitious emissions targets they have also placed an internal price on carbon, and unlike many other companies Microsoft published their current practices to encourage broader uptake in the market.[14] Setting a price on carbon can be used to reflect the price of generating or purchasing green power to avoid emissions, account for the cost of investing in carbon offset projects, and investments in internal efficiency.[15]

One such example of an innovative project is their investment in virtual power plants which aggregate distributed energy resources to de-carbonize operations and the grid. Microsoft partnered with SSE Airtricity, Ireland's largest provider of 100% green energy, to install and manage internet-connected solar panels. The panels are being installed on the roofs of schools throughout Dublin, and Microsoft's $1.1 million contribution to the project can be used to offset carbon emissions from the operation of its data centers.[16]

8 DECENT WORK AND ECONOMIC GROWTH

Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all

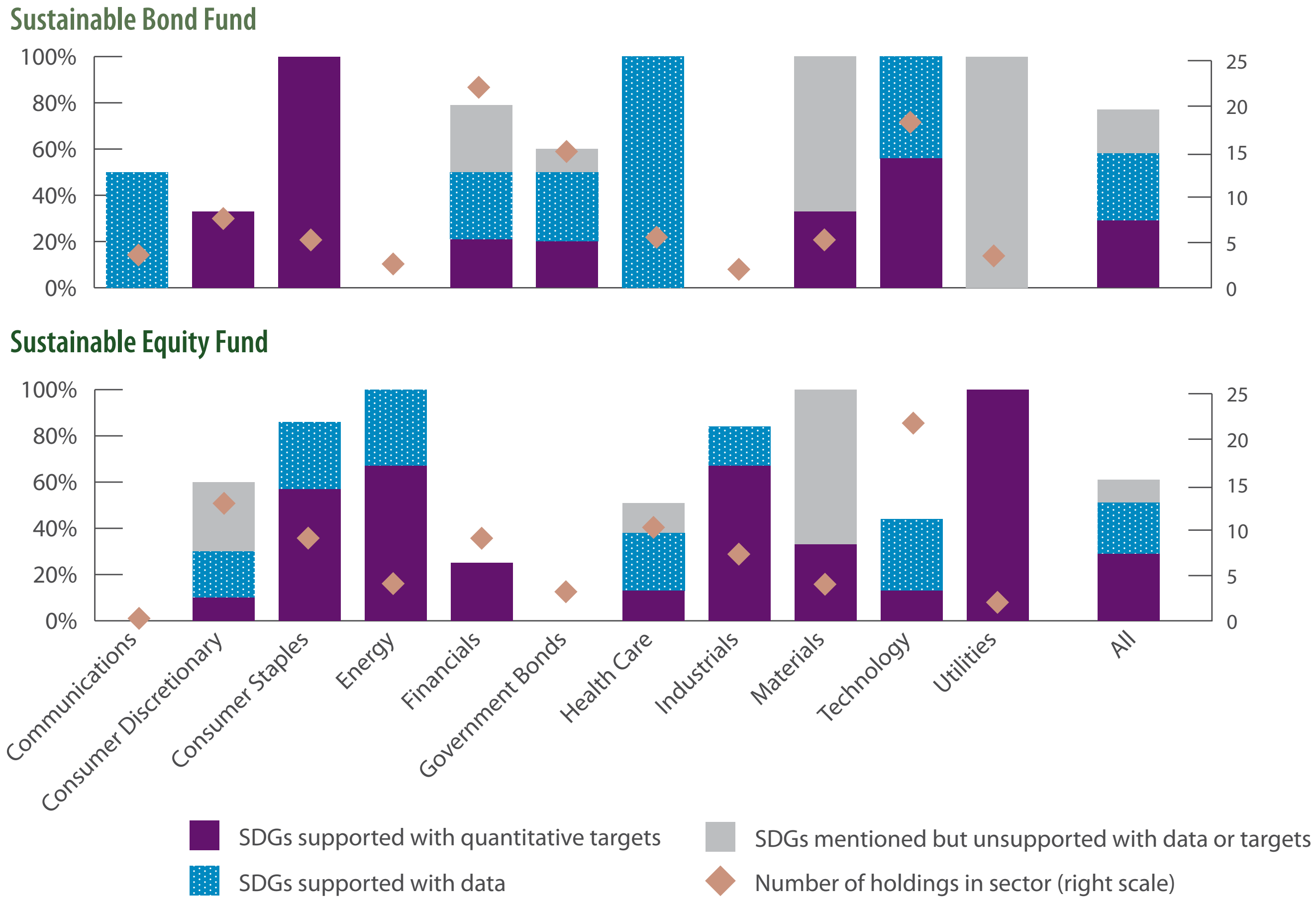
The coronavirus pandemic has disrupted billions of lives, as well as the hard-earned progress on global poverty and worker rights. In the two decades since 1999, the number of people living in extreme poverty (less than $1.90/day) has fallen by more than one billion. However, for the first time in 20 years, poverty is likely to increase with an estimated 88 million entering extreme poverty.[17] This is fueled in part by a global 8.8% working-hour loss or the equivalent to 255 million jobs.[18] Even as the world saw a decline in employment, the pandemic has been fueling child labor. With school closures and an unprecedented loss of jobs, many children have entered the workforce. This past year is the first out of the last 20 this number has risen.[19] Corporate initiatives to reduce social risks in their supply chain, monitor for child labor, and set a standard for working conditions are imperative.

The KPIs we report are geared toward reflecting good corporate actors for working conditions both inside their company and in their supply chains. Company initiatives to reduce social risks in the supply chain include explicitly stated efforts to combat issues such as poor working conditions, the use of child or forced labor, and lack of a living, fair, or minimum wage. The second KPI, company initiatives to train new and existing employees on career development available to employees at all levels, shows whether a company has implemented any initiatives to train new and existing employees on career development, education, or skills. These initiatives should apply to all employee levels, not just to those employees at management level.

Percent of holdings / constituents reporting (by number of holdings)

		Change	2021	2020
Company has initiatives to reduce the social risks in its supply chain	**Sustainable Bond Fund**	11.1%	100.0%	88.9%
	Sustainable Equity Fund	-1.0%	90.4%	91.4%
	MSCI ACWI	4.7%	78.1%	73.4%
Company initiatives to train new and existing employees on career development available to employees at all levels	**Sustainable Bond Fund**	2.9%	95.5%	92.6%
	Sustainable Equity Fund	-2.4%	92.3%	94.7%
	MSCI ACWI	3.7%	88.3%	84.6%

SDG 8: Percent of holdings / constituents reporting (by number of holdings)



Target 8.8

Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

Case Study: Assa Abloy

Assa Abloy develops, designs, and manufactures a range of door opening solutions including locking, access control systems, and entrance automation.

Assa Abloy has a supply chain that spans 7,800 direct material suppliers of which 49% is sourced from countries defined by the company as low-cost: India, China, Vietnam, Mexico, Brazil, and several others. One of their stated goals is labor rights, decent work with equal pay, health and safety, and gender balance throughout all levels of the supply chain.

The company reports on a robust audit procedure for their suppliers, with a focus on countries with local legislation that is less rigid than seen in higher-cost countries. Examples could be employees working too much overtime, using prohibited materials, poor safety equipment, or other unethical practices. In 2020, there were 940 sustainability audits of suppliers in low-cost countries, and 91% of the spend in those countries was represented by sustainability audited suppliers.[20] The audit procedure includes a site visit by a company auditor, with documentation of concerns. The audit report is sent to the supplier who must make changes and report back. A supplier who is unwilling to make changes to identified problems will ultimately be phased out. Saturna views Assa Abloy's reporting favorably since they also indicate a specific number (9) new suppliers were put on "new-business hold" due to sustainability concerns showing actual impacts from audits versus audits in name only. Policies against poor supplier working conditions or child labor are only as good as the enforcement behind them.

10 REDUCED INEQUALITIES

Reduce inequality within and among countries

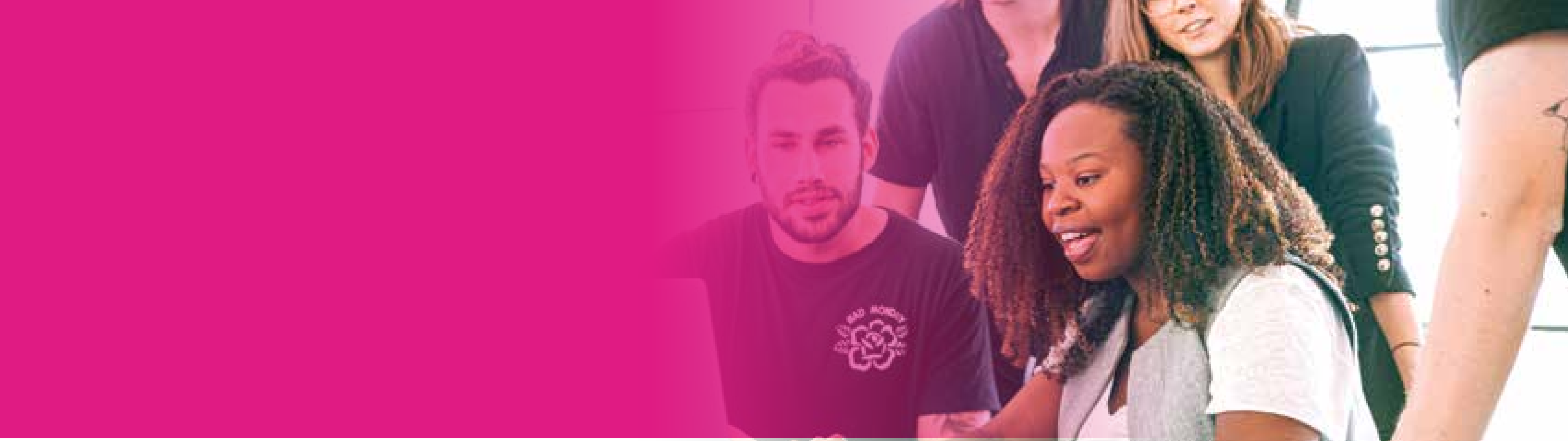
Economic disruptions due to the coronavirus pandemic have exacerbated inequalities as the most vulnerable groups have had to cope with the most damaging impacts. The switch to online learning highlighted the unequal access to knowledge and educational resources.[21] The pandemic has also highlighted racial inequalities and exacerbated economic insecurities that were already present before COVID-19 hit. Within the US, historically and currently, Black households were less economically secure than White households as Black workers have faced higher unemployment rates, lower wages, lower incomes, and less savings.[22]

As unemployment was spiking in May of 2020, Black and Hispanic workers saw far higher spikes in unemployment versus White workers.[23] This follows a historical trend where Black unemployment rates have been twice as high as those of their White counterparts, with differences at every level of education. While Black workers make up around 11.9% of the workforce, they represent higher percentages in industries such as grocery stores, public transit, postal service, health care, and social services. These jobs are more often on the front-line and categorized as "essential," forcing employees to risk infection.[24]

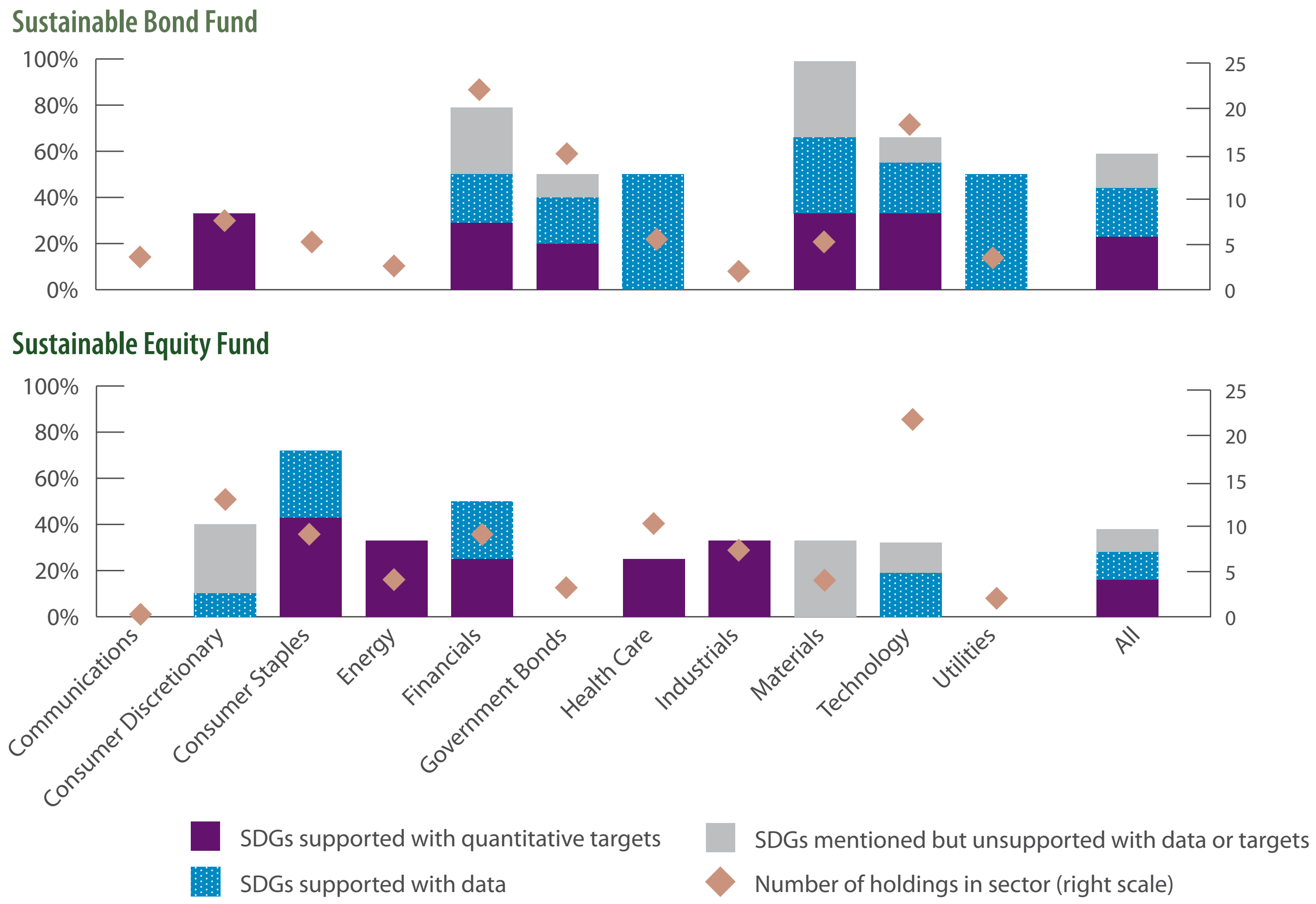
A robust economic recovery cannot be separated from the ability to secure the health and safety of communities and workplaces across the country. As investors, Saturna favors companies who have robust policies in place to prevent discrimination, who have transparency with data including gender wage gaps and workforce demographics, and goals in the future to reduce inequality. These are clear steps toward closing the benefit and wage gaps that Black and female workers have suffered, and will ultimately help achieve SDG 10 in reducing inequalities. The KPIs we present are focused on corporate policies concerning discrimination and diversity. In order to be included, a company must list the types of discrimination they are committed to eliminate, and in committing to ensure equal opportunity, they must also reference the International Labour Organization (ILO) conventions.

Percent of holdings / constituents reporting (by number of holdings)

		Change	2021	2020	2019
Company has a strong anti-discrimination policy	**Sustainable Bond Fund**	-4.9%	40.7%	45.6%	46.4%
	Sustainable Equity Fund	2.6%	57.1%	54.5%	45.3%
	MSCI ACWI	2.4%	19.9%	17.4%	21.2%
Company has a strong diversity program	**Sustainable Bond Fund**	4.7%	59.3%	54.5%	57.1%
	Sustainable Equity Fund	2.4%	37.5%	35.1%	34.0%
	MSCI ACWI	0.8%	18.1%	17.3%	22.2%



SDG 10: Percent of holdings / constituents reporting (by number of holdings)



Target 10.4

Adopt policies, especially fiscal, wage, and social protection policies, and progressively achieve greater equality.

Case Study: Iron Mountain

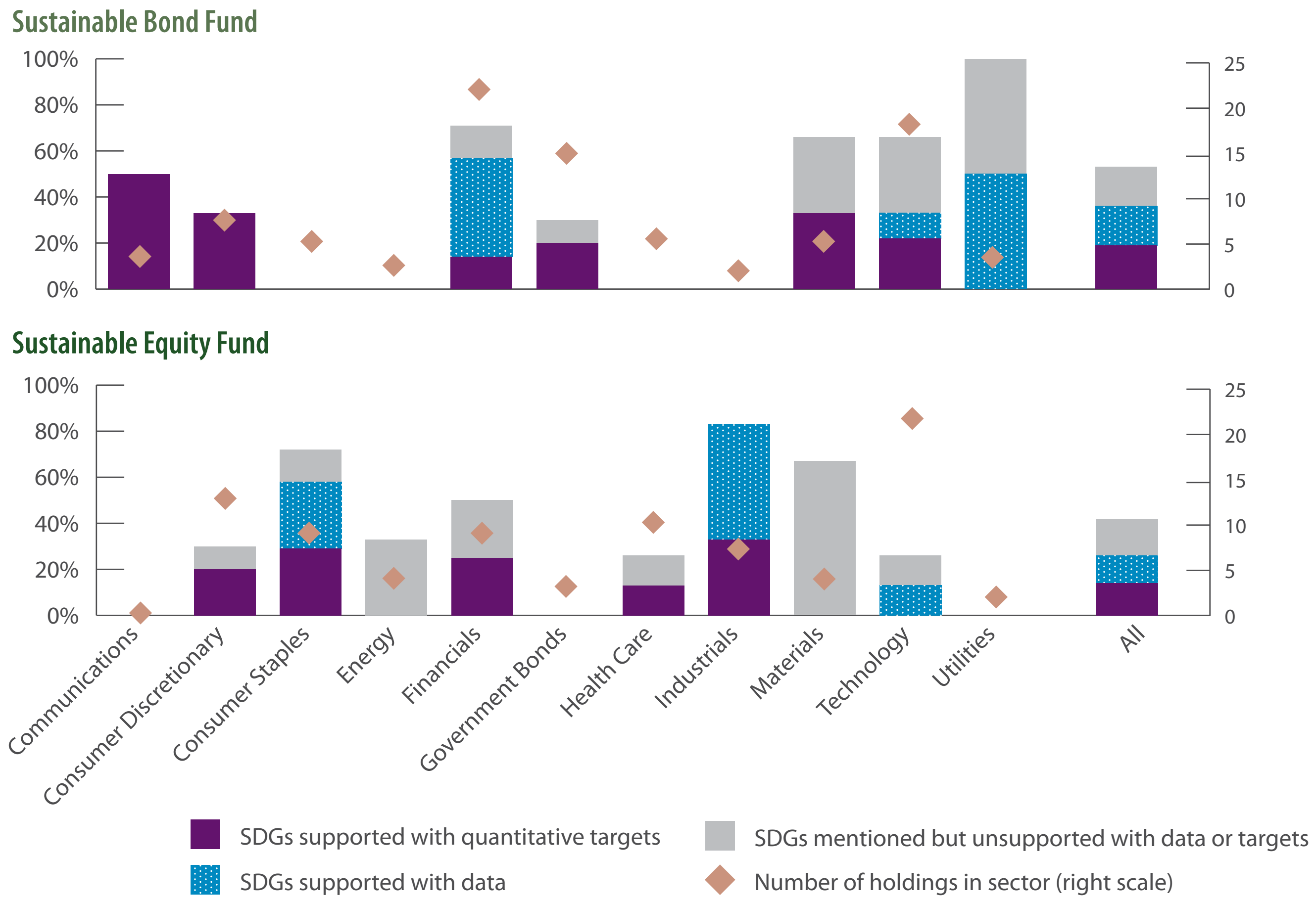
Policy, transparency, and quantitative goals related to reducing inequalities are some of the indicators investors can use to gauge the strength of corporate governance. While the US is planning on collecting data on pay by gender, race, and ethnicity, they will not make any of the data public or available to investors.[25] Studies have shown transparency can mitigate the unconscious bias of managers and human resources leaders who determine compensation, and can help to close the gap.[26] However, without a formal requirement to disclose pay gaps, few companies do so. Just Capital (a nonprofit providing research, rankings, and consulting services) found in 2019 that of the 850 largest companies in the US, only 65 of them released data on their gender pay discrepancies.[27] Firms in the US such as Iron Mountain, who are publicly disclosing pay gaps and setting diversity targets, stand out as thought leaders.

Iron Mountain has set ambitious goals: they plan to tighten their threshold for gender pay parity from +/- 10% to +/- 5% across all organizational levels by 2025 and expand pay parity reporting to cover all global operations by 2023. They currently disclose pay ratios for male and female employees categorized by geography and job type. They also set a goal to have 30% of their US leadership as people who identify as BIPOC[28] and 40% of their global leadership as women by 2025. Their stated goals, disclosure of workforce demographics, and racial composition of leadership positions through time are the building blocks needed to close the gaps and expand diversity.[29] We have added confidence in management's commitment to achieve these targets and foster change in corporate culture with the appointment of two new leadership positions, a diversity officer and a people officer. We look forward to tracking their outcomes.

11 SUSTAINABLE CITIES AND COMMUNITIES

Make cities and human settlements inclusive, safe, resilient, and sustainable

SDG 11: Percent of holdings / constituents reporting (by number of holdings)



Sustainable Bond Fund

Sustainable Equity Fund

Target 11.b

By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030[30], holistic disaster risk management at all levels.

Case Study: Perusahaan Penerbit (Indonesian Sovereign Sukuk)

Emerging markets provide an important venue to make a meaningful difference: 85% of the world's population lives in developing and underdeveloped countries.[31] It is concerning to note that many in these regions live in impoverished circumstances. Almost half the world's population – 3.4 billion people – lives on less than $5.50 a day, according to The World Bank's 2018 report.[32,33]

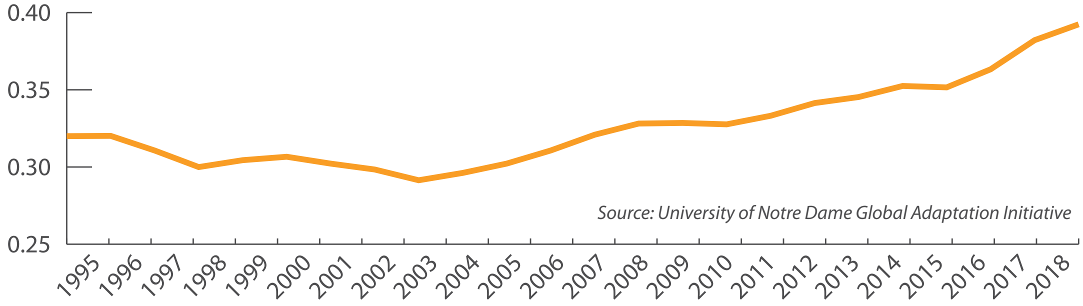
Investing in these regions can serve a dual-mandate – to provide valuable diversification benefits for investors and also to provide means for issuers in these regions to bring about impactful changes. Fixed-income investors are well positioned to accrue the financial benefits while addressing real world challenges that exist on the local level. Among these venues are qualified proceeds use debt offerings, such as sovereign issued green bonds or sustainable bonds. Some emerging market countries have established a broader framework for sustainable debt securities than those outlined by International Capital Market Association's (ICMA) Green Bond Principles framework.[34] For example, the Securities Commission Malaysia (SC) launched the Sustainable & Responsible Investment Sukuk Framework to permit eligible projects to be characterized as "green proceeds use" if the proceeds are deemed to "improve the quality of life for society."[35,36]

The Saturna Sustainable Bond Fund has an allocation to the very first US dollar-denominated green *sukuk* issued by the government of Indonesia. This five-year green *sukuk* was issued in March of 2018, raising US$1.25 billion, with proceeds being allocated among numerous areas such as renewable energy, resilience to climate change, and sustainable agriculture.[37] The *sukuk* obtained a second-party opinion from Cicero Group, a strategy consulting firm, and later was awarded the green bond of year in 2019 by online news and analysis service Environmental Finance.[38]

Indonesia is among the few countries that employ favorable transparency practices to evaluate their efforts aimed at improving the well-being of their communities and building resilient and sustainable communities. Indonesia has identified their goal of eradicating extreme poverty, defined as those living with less than $1.90 a day. As of 2021, Indonesia reports that 2.42% of its population lives below the extreme poverty threshold, down from 3.65% in 2020 and 8.30% in 2015.[39] This is a material improvement when one considers that Indonesia has a population of over 276 million, which is approximately 83% of the United States' population of 332 million.[40,41]

Other measures can be used to evaluate Indonesia's efforts to improve its resilience to climate change: the University of Notre Dame Global Adaptation Initiative (ND-GAIN) Country Index measures both a country's vulnerability and readiness. The readiness portion of the Index measures overall readiness by considering three components – economic readiness, governance readiness, and social readiness.[42] The country with the highest overall readiness rating is Singapore, posting a score of 0.83, with Central African Republic falling in last place of 192 nations with a score of 0.12. Indonesia's readiness has steadily improved over the years – rising to 0.39 for 2019, up from 0.35 in 2015 (reflecting an 11.6% improvement), and 0.32 in 2010.

Indonesia's Readiness Score



Source: University of Notre Dame Global Adaptation Initiative

Lastly, Indonesia has demonstrated improved sovereign credit characteristics along with improved governance metrics relative to the rest of Southeast Asia and its neighboring countries, based upon our independent research. Indonesia has dramatically improved its deficit through rule of law by imposing a deficit ceiling along with various other progressive fiscal agendas. This slow process has resulted in an improvement in the country's governance framework and improved the quality of its institutions. The byproducts of these legislative changes have also improved broad ESG metrics as they relate to the rule of law and political freedom. For example, when comparing political rights and freedom of expression, Indonesia ranks above its neighbor, Malaysia, and the region's average over the last five years. As a result of Indonesia's positive credit and institutional governance trajectory, we believe the risk/return framework offers an appropriate exposure. We acquired the green *sukuk* in June of 2019.

Take urgent action to combat climate change and its impacts

Building a low-carbon economy is one of the most important challenges we must face. As an investor, Saturna factors repercussions of climate change and carbon risks into our portfolios. Tracking trends in carbon intensity, greenhouse gas (GHG) reduction programs, and how a company compares with its peers are all part of the analysis. As the world begins to recover from the coronavirus pandemic, forward-thinking companies will be better positioned to thrive in the new economy.

Climate and carbon risks are a major focus for both the Sustainable Bond and Equity Funds. Sector, physical and transition risks, as well as overall governance is considered. The data presented is designed to give a snapshot of our risk relative to the MSCI ACWI. Saturna Sustainable Bond Fund saw an increase in carbon intensity this year reflecting the position in NextEra Energy. Electric utilities typically have a higher intensity versus other sectors and the industry in general is exposed to additional carbon risks, making security selection and internal analysis within the industry very important. With an intensity of 2,517 Tonnes CO_2/sales it performs better than the utility sector as a whole, which averages 2,952 Tonnes CO_2/sales for the MSCI ACWI. However, as the largest solar and wind generator in the world, NextEra's corporate strategy of focusing intensely on renewables means they are poised to take advantage of the opportunities associated with de-carbonization.[43]

Percent of holdings / constituents reporting (by number of holdings)

		Change	2021	2020	2019
Discloses Scope 1 and either Scope 2 or Scope 3	**Sustainable Bond Fund**	-16.7%	83.3%	100.0%	88.2%
	Sustainable Equity Fund	-12.2%	78.1%	90.3%	89.7%
	MSCI ACWI	-19.4%	44.8%	64.2%	73.0%
Company has strong greenhouse gas reduction program	**Sustainable Bond Fund**	18.2%	100.0%	81.8%	76.5%
	Sustainable Equity Fund	19.6%	93.8%	74.2%	79.3%
	MSCI ACWI	1.1%	49.7%	48.6%	57.5%
Carbon intensity is below industry mean	**Sustainable Bond Fund**	2.3%	75.0%	72.7%	56.0%
	Sustainable Equity Fund	11.0%	59.4%	48.4%	45.8%
	MSCI ACWI	5.3%	30.9%	25.6%	30.2%
Carbon intensity declined more than 10% in past 3 years	**Sustainable Bond Fund**	-47.7%	25.0%	72.7%	48.0%
	Sustainable Equity Fund	17.2%	65.6%	48.4%	39.6%
	MSCI ACWI	14.0%	41.5%	27.5%	31.7%

SDG 13: Percent of holdings / constituents reporting (by number of holdings)

Sustainable Bond Fund

Sustainable Equity Fund

Target 13.1

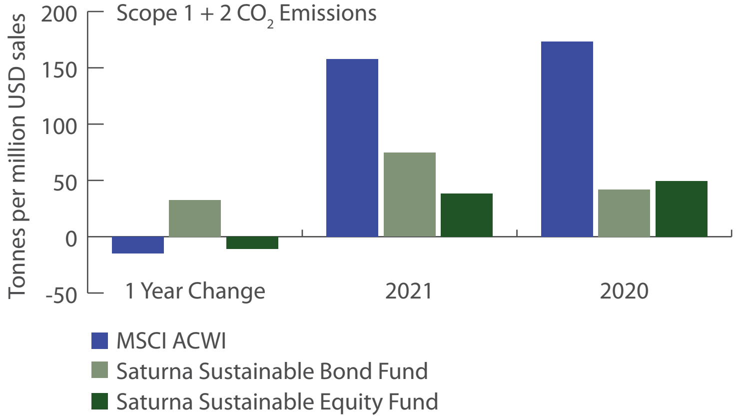
Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

Case Study: Tabreed, National Central Cooling Company

Within the Gulf Cooperation Council (GCC) countries, there are compelling ESG opportunities relating to the environment and the transition toward a low-carbon economy. The region is known for its extremely hot summers, where temperatures can rise above 120 degrees Fahrenheit (49 degrees Celsius)! Demand for air conditioning during the summer accounts for up to 70% of the overall electricity consumption in the UAE.[44] The National Central Cooling Company, often referred to as Tabreed, offers a unique solution to reduce carbon emissions and energy demand.

Tabreed builds and operates utility-sized central plants to cool water, which is then distributed through a dedicated network of insulated pipes to customers' buildings, known as a cooling district. The company has a 30-year operating history and currently runs 86 cooling plants in five countries.[45] As of year-end 2020, management reported a reduction in CO_2 emissions by 1.35 million tons, which is equivalent to removing 293,192 passenger vehicles off the road for an entire year.[46]

Weighted Average Carbon Intensity



16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable and inclusive institutions at all levels

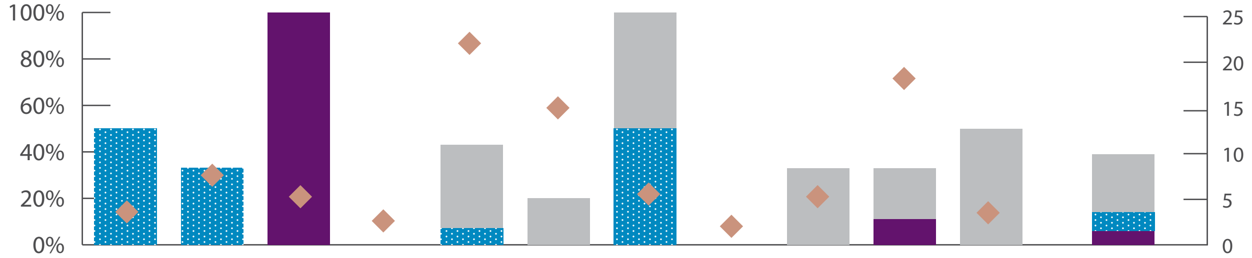
Targets within this Goal include developing effective, accountable, and transparent institutions at all levels, and to substantially reduce corruption and bribery in all their forms. Good governance and effective policies are some of the most powerful tools that corporations have to combat corruption and provide transparency. The Saturna Sustainable Funds seek to invest in companies with quality boards, and often that includes those with strong anti-bribery and anti-corruption policies. Good governance is the foundation upon which good corporate decisions are made and where the full integration of ESG factors starts.

Percent of holdings / constituents reporting (by number of holdings)

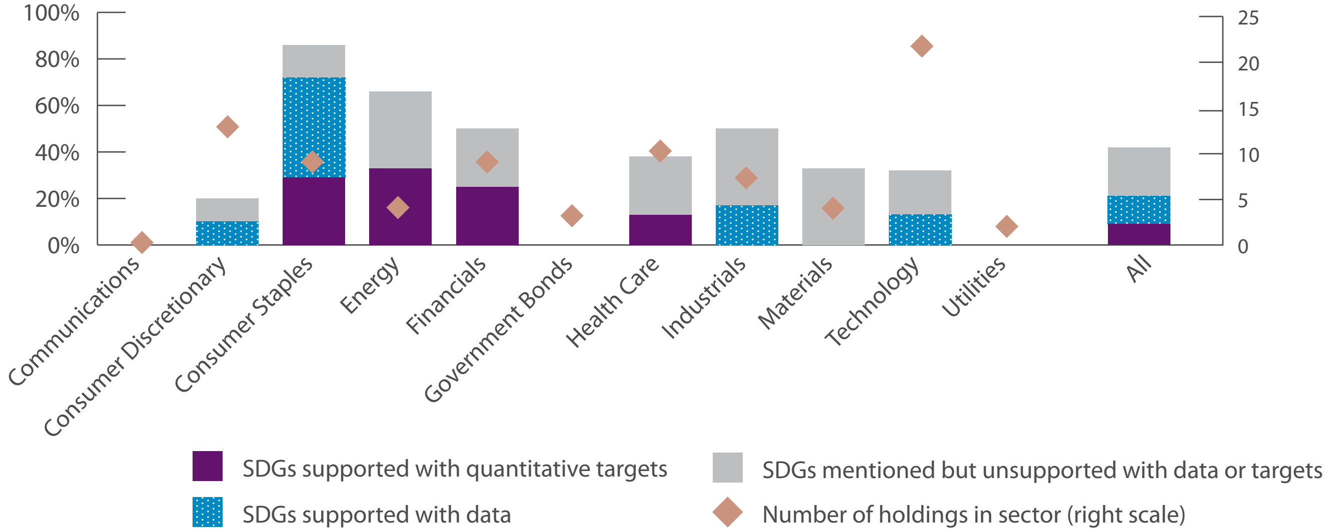
		Change	2021	2020	2019
Holdings with more than 75% board independence	**Sustainable Bond Fund**	3.1%	78.1%	75.0%	68.8%
	Sustainable Equity Fund	6.9%	67.2%	60.3%	55.3%
	MSCI ACWI	-1.6%	37.7%	39.3%	44.4%
Has adequate anti-bribery and anti-corruption policies	**Sustainable Bond Fund**	-1.2%	85.7%	87.0%	92.9%
	Sustainable Equity Fund	5.5%	80.0%	74.5%	84.9%
	MSCI ACWI	4.5%	45.6%	41.1%	64.2%

SDG 16: Percent of holdings / constituents reporting (by number of holdings)

Sustainable Bond Fund



Sustainable Equity Fund



Target 16.6

Develop effective, accountable, and transparent institutions at all levels.

Case Study: Aviva

Aviva is a British multinational insurance company headquartered in London, England. With 33 million customers across 16 countries, Aviva is the largest general insurer in the United Kingdom and a leading life and pensions provider.

As mentioned previously, many companies don't connect their stated alignment with SDG 16 directly with supporting data or quantitative targets. However, Aviva excelled at this connection, setting clear targets for governance issues and adding a number of new KPIs and indicators to support their alignment. They set targets on the percentage of suppliers who have agreed to their code of behavior, women in senior management (30% goal with 32% as of 2020), and employees who read and understand their ethics code.

The new KPIs included reporting on board members who have had training in ESG issues, the percent of customers covered by their Data Governance, Data Privacy, and Business Protection Standard, and the percent of their markets which have conducted a human rights due diligence review.[47] Their indicators also detail the number of governance issues per year raised through an independent malpractice reporting service, as well as results of their employee survey. Transparent and clear indicators directly related SDG 16 help investors gauge the strength of governance.

INVESTMENT PROCESS

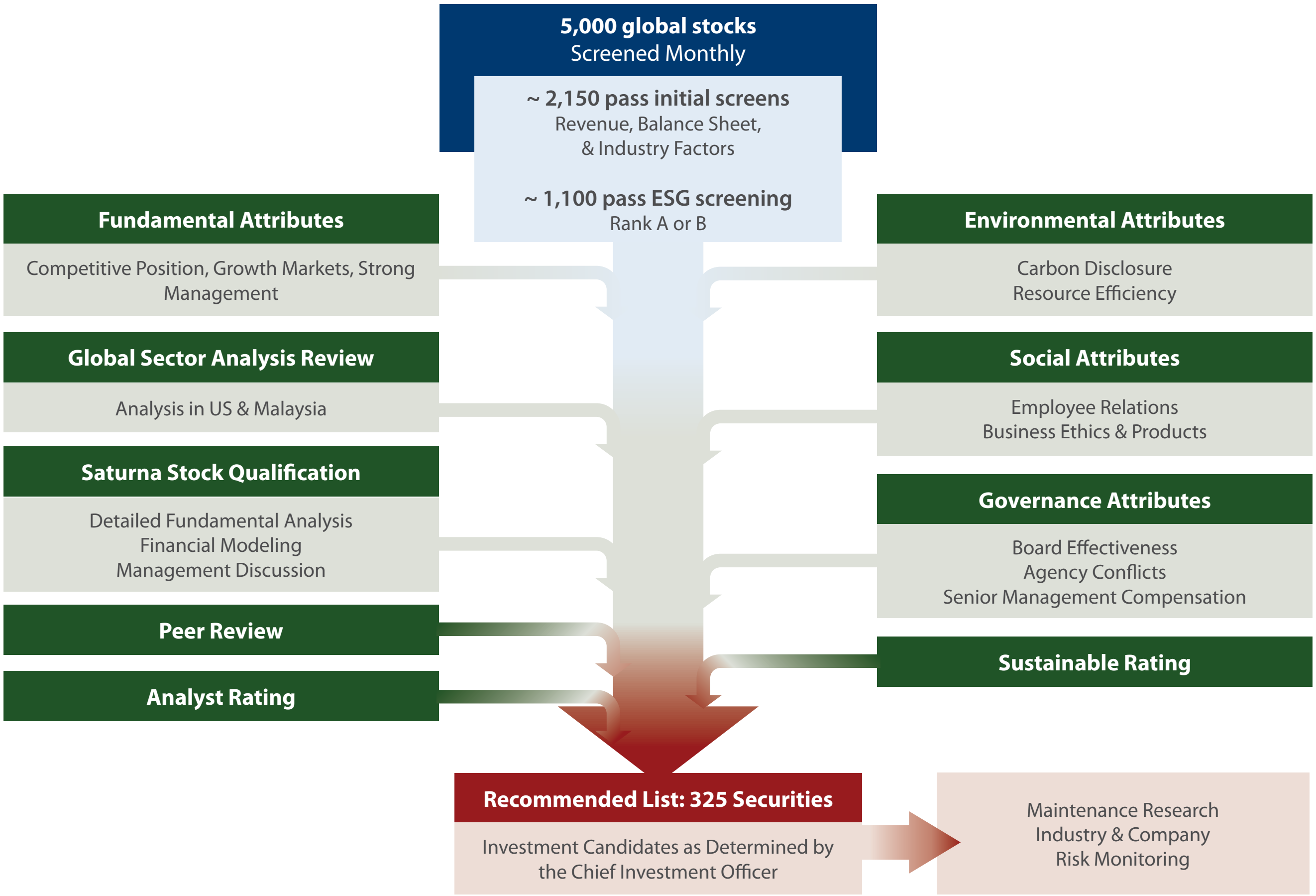
SATURNA SUSTAINABLE INVESTMENT PROCESS

Saturna seeks investments that exhibit long-term sustainability characteristics. 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. We think that companies proactively managing business risks related to ESG issues are more resilient and make valuable contributions to society and the global economy. We prefer issuers demonstrating financial sustainability as measured through management strength and strong balance sheets.

Investment Process - Equity

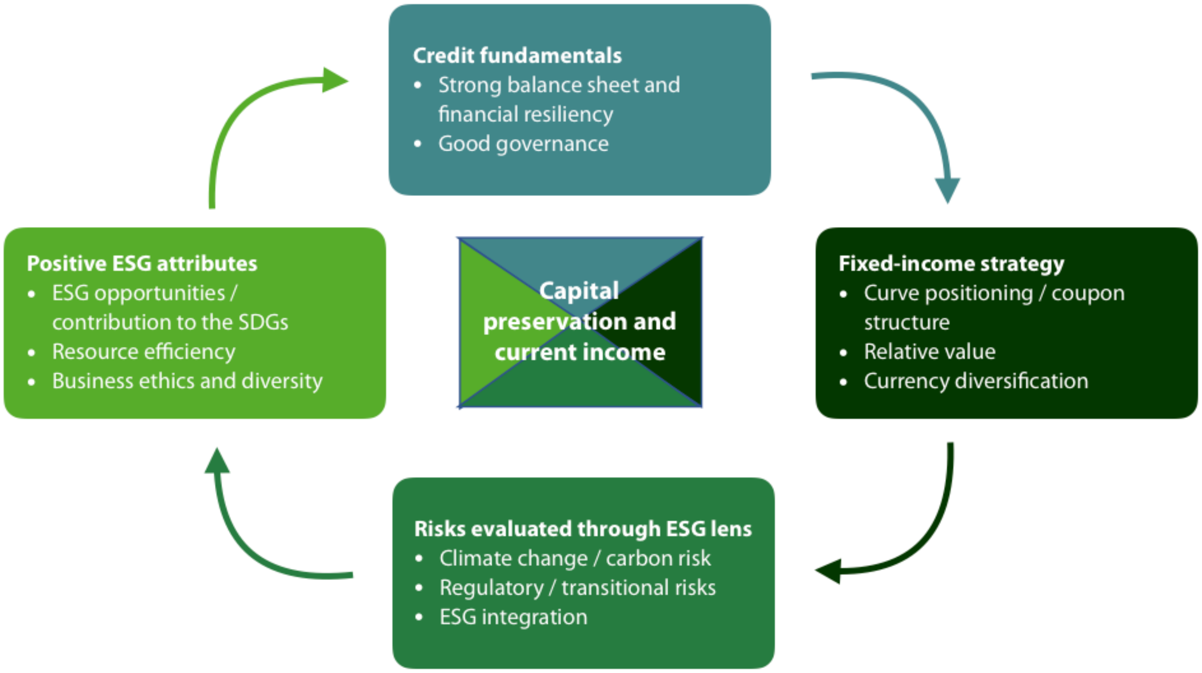
As part of the integrated ESG investment process specialized for equities, Saturna seeks to invest in issuers that demonstrate sustainable characteristics. Sustainable issuers are generally larger, more established, consistently profitable, financially strong, and with low risks to ESG. Issuers generally have sustainable profits, strong balance sheets, management strength, high quality operations, risk consciousness, low debt, and established business.

The graphic below details the equity research process.



Investment Process - Fixed Income

Within the fixed-income strategy, ESG is integrated into a holistic analysis that includes positive and negative ESG characteristics, credit fundamentals, and overall portfolio strategy. All factors are considered with a central goal of capital preservation and current income. Ultimately, we believe issuers who excel when viewed through the lens of environmental, social, and governance standards will contribute to portfolio risk reduction and long-term value for investors.



Risks of Investing

Investing in securities involves a variety of risks including market risk (fluctuation and volatility of the value of securities), currency fluctuation risk, liquidity risk, and investment strategy risk. We think that sustainable investing may mitigate security-specific risk, but the screens used in connection with sustainable investing reduce the investable universe, which limits opportunities and may increase the risk of loss during market declines.

However, Saturna believes that traditional barometers by which investment risk is measured have expanded by necessity to include risks related to environmental, social, and governance practices. The threat of climate risk is intricately linked to more familiar forms of risk including regulatory and reputational risk.

As environmental issues (like wildfires) and social and governance issues (like data security and customer privacy) continue to grab headlines and weigh on the minds of consumers, financial markets will see upheaval. Consumers will become savvier, choosing to vote with their dollars by moving toward less impactful products and activities. Saturna Capital's analysts are committed to identifying trends, top performers, and solutions providers among industries, so that we can be sure our investments are well-positioned for the long-term, new normal.

ACTIVE MANAGEMENT & INVESTMENT STEWARDSHIP

Saturna believes that prudent asset management constitutes our greatest duty to investors. We view investing as a business partnership, and we seek to invest only in high-caliber performers who demonstrate integrity and a view toward the long-term. We manage portfolios with annual turnover that rarely exceeds 25%. Because of our long-term approach to investing, we specifically seek issuers with superior practices in the areas of corporate governance and employee welfare, and who demonstrably value the long-term sustainability of their business and the environments in which it operates.

Our analysts' familiarity with the companies and sectors we evaluate distinguishes active management from other methods of investment. We believe that the experience, careful analysis, and depth of knowledge our analysts bring to the investment selection process plays a critical role in responsible investment stewardship.

As an asset manager, Saturna Capital has consistently sought to go above and beyond the highest standards for ethics and transparency — our deep commitment to putting shareowners' interests ahead of our own insists upon it. For more than 30 years we have provided our customers quality products that allow them to reflect their values, while still adhering to our own, every step of the way. We know there are no promises or guarantees in this industry, but we believe our strong values and commitment to transparency set us apart.

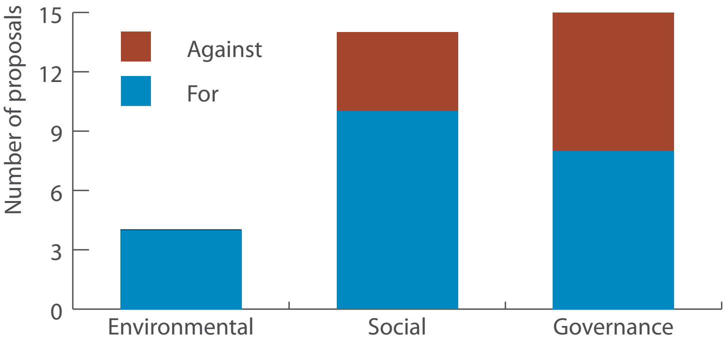
Proxy Voting

Saturna's longstanding approach to active management has always included voting proxies of fund portfolio securities in-house, according to our own proxy voting guidelines, while holding thoughtful dialogue among research analysts and portfolio managers when it comes to ESG-related shareholder proposals. Proxies are voted by the research analyst covering the sector in which an issue falls, and the analyst is encouraged to bring any potentially controversial proxy proposal to the Investment Committee for discussion.

Saturna's proxy voting guidelines outline our views on a variety of environmental, social, and governance issues; we believe that how we vote is important and that we owe a duty to thoroughly evaluate management and shareholder resolutions alike, as well as monitor the issuer's response. Saturna also believes it has an ongoing responsibility to encourage issuers toward greater transparency and responsibility.

Over the past two years, we have bolstered our commitment to the proxy voting process by improving our vote tracking and analysis. In late 2020, we organized a series of ESG debates to be held among our investment analysts on a range of topics presented as shareholder proposals during the 2020 fiscal year. The ESG debate series, which began in the first quarter of 2021, encourage deeper thought and discussion on these topics at all levels of our company, not just among investment analysts and portfolio managers. The debates are held virtually and all Saturna employees are encouraged to dial in to watch.

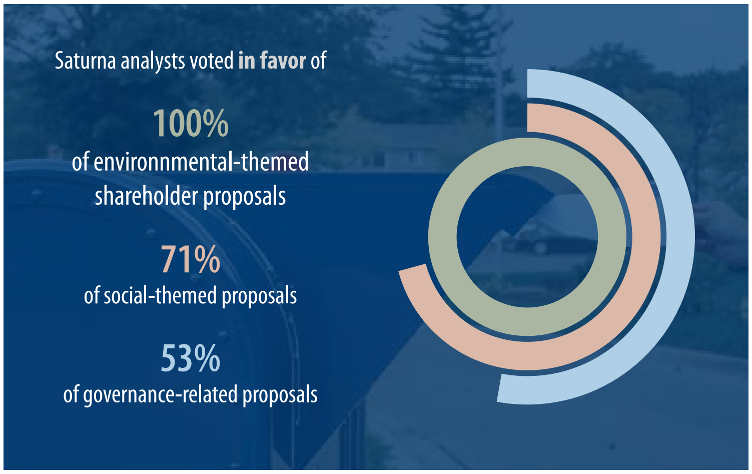
Saturna Sustainable Equity: Shareholder Proposal Votes



During the 2020 fiscal year, we voted on 33 shareholder proposals among the Saturna Sustainable Equity Fund's holdings. Four of those were shareholder proposals on environmental issues, including:

- A request for adopting quantitative, time-bound targets for reducing GHG emissions associated with underwriting activities (TD Bank)
- A request for a report on reducing chemical footprint (TJX Companies)
- A request for a report on the effects of food waste (Amazon)
- A report on the effects of pollution on communities of color (Amazon)

Saturna's analysts voted in favor of each of these proposals. Additionally, Saturna's analysts voted in favor of 71% of the social-themed shareholder proposals, and in favor of 53% of governance-related proposals brought forward to Sustainable Equity Fund holdings.



Saturna analysts voted **in favor** of

100%
of environnmental-themed shareholder proposals

71%
of social-themed proposals

53%
of governance-related proposals

Investor and Industry Education

A commitment to quality products and no-nonsense education is at the heart of Saturna's mission. We strive toward greater transparency in our approach to investing with the goal of making values-based and sustainable investing straightforward and accessible to individual investors, financial advisors, and to our industry more broadly. This means that we are always fine-tuning our process and the resources we provide.

Since 2015, we have published numerous white papers and reference materials to help our industry learn more about SRI and ESG investing, and have sponsored and hosted a wide variety of educational seminars. During the 2020 fiscal year we hosted 10 educational webinars dedicated to ESG and sustainable investing topics.

Industry Memberships

Saturna Capital participates in several organizations that seek to advance socially responsible and sustainable principles within the investment industry. We have been signatories to the United Nations Principles of Responsible Investing (UNPRI) since 2013, are members of the US Forum for Sustainable and Responsible Investment (US SIF), and are public supporters of the Task Force on Climate Related Financial Disclosures (TCFD).

Additionally, Jane Carten sits on the Board of Governors for the Investment Company Institute, where she is Chair of the Small Funds Committee, and she is on the SEC's Asset Management Advisory Committee, where she participates in the ESG subcommittee.

UNPRI Assessment Score and Engagement

Over the years, Saturna has been proud to receive high marks from the United Nations Principles of Responsible Investing annual assessment scorecard, specifically in the areas of strategy and governance, and in incorporation of responsible principles in our equity funds.

When it comes to engaging companies in dialogue around ESG issues, we believe in asking questions of the companies in which we invest – and our portfolio managers seek thorough, transparent responses to their requests for greater detail. Formal engagement campaigns are not a tool that Saturna Capital has traditionally used, however, as we prefer instead to focus on prudent asset management for our investors. This means that our analysts closely watch how the companies in which we invest make business decisions. When we begin to see indicators that management is operating in ways we deem irresponsible – environmentally, socially, with their governance, or financially – it is our preference to divest rather than engage. On issues where there is more latitude to influence management decision making, we use our voice with our proxy votes.

Investing, for us, is like a business partnership. We believe we can deliver the greatest value to our investors by seeking responsible and sound business partners.

UNPRI:

2020 Scorecard

Module	Median	Saturna
Strategy & Governance	A	A+
Equity – Incorporation	A	A
Equity – Active Ownership	B	C

Two Segments:

Proxy Voting – B
Engagement – E

FUND STRATEGY OVERVIEWS

Environment

The end of the first quarter of 2021 marked the sixth anniversary of the launch of Saturna Capital's Sustainable Funds on March 27, 2015. Since the Funds' inception, we have observed tremendous growth in this market. At the onset of 2014, it was estimated that the total assets aligned with a sustainable investment mandate exceeded $6.57 trillion—one out of every six invested dollars in the United States, according to the US SIF Foundation.[47] US SIF estimated that by 2020, sustainably-aligned investments grew to $17.1 trillion, or one out of every three invested dollars in the US, a staggering 160% increase over those six years.[48]

For Saturna, the growing desire among investors to seek investments that deliver competitive returns while addressing a broader framework of risk that also align with making a difference is confirmation that we set upon the right path years ago. This accomplishment reflects a concerted team commitment. We want to sincerely thank our investors as we build upon our successes to serve you in attaining your personal investment objectives.

At Saturna Capital, we view the integration of environmental, social, and governance (ESG) factors as critical components in providing a holistic assessment of an issuer's creditworthiness. We see ESG considerations as a multidimensional framework that help us determine what factors may inhibit an issuer's ability to meet its obligations to bondholders and assess how management is approaching material risks to its enterprise while addressing its broad stakeholder relationships. The integration of material ESG factors not only helps us to identify veiled risks but also opportunistically identify issuers better positioned, relative to their peers, in serving our clients.

Shifting landscapes, altered rankings with new opportunities

More than 85% of the world's population lives outside of North America and Europe. In 1900, Europe was home to a quarter of the world's population. Today, it accounts for about 7%. By 2030, emerging market economies are projected to represent 70% of global GDP.[49]

The expanding populations of developing countries combined with the higher economic growth rates of emerging markets are expected to alter the developed world's dominance in the near future. By 2030, the United States is anticipated to lose its first place ranking as the largest economy to China, according to investment banking and research firm HSBC. In their report, HSBC anticipates India will rise from its seventh place ranking in 2018 to third place by 2030, dislocating Japan and Germany's third and fourth place rankings and moving them both down by one notch.

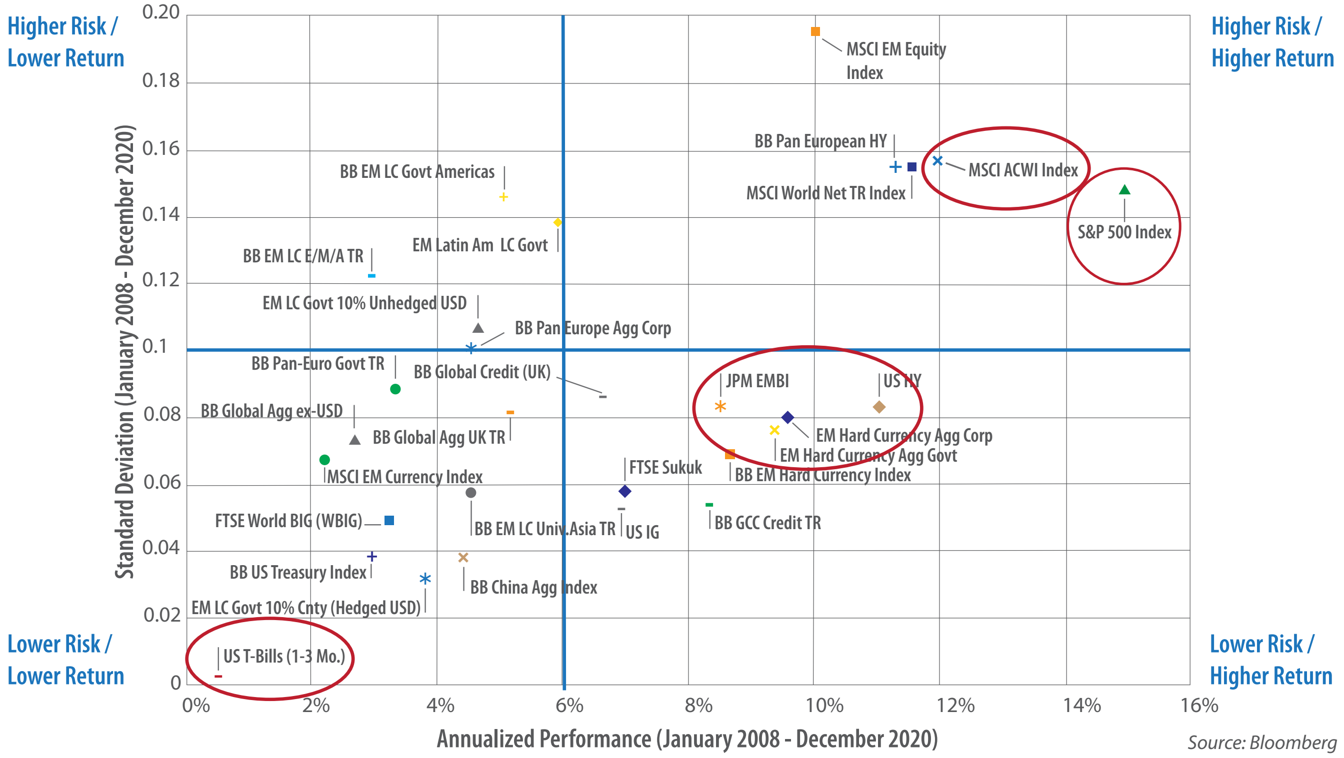
Investors may be surprised to hear that global fixed-income securities offer some of the most favorable risk-adjusted returns. By examining the risk and return characteristics of a large basket of global security benchmarks, we found that global and emerging market bonds offer a compelling investment option. Furthermore, these favorable risk-adjusted return metrics, as measured by the Sharpe ratio, appear to retain some consistency over multiple time intervals including three-year, five-year, 10-year, and 12-year periods. As shown in the *Global asset classes: risk relative to return* chart, seven of the top 10 benchmarks include global and emerging market bond benchmarks over the trailing 12-year period ending 2020.

Investors in the US may have some limiting misconceptions related to the investment opportunities of emerging markets. This is caused, in part, by how this category is assessed. Investors tend to see the emerging markets as an asset allocation sleeve in which risk and performance attributes are aggregated. In fact, global and emerging market fixed-income securities expand an investors' diversification options while achieving sustainability goals that could lead to meaningful positive outcomes for communities.

Global asset classes: risk relative to returns

Asset Class	Rank	Asset Class Benchmark	Sharpe Ratio			
			12-year	10-year	5-year	3-year
Global Bond	1	Bloomberg Barclays GCC USD Credit Total Return Index	1.46	1.14	0.97	0.94
US Bond	2	Bloomberg Barclays US Corporate High Yield Total Return Index	1.27	0.88	0.95	0.50
US Bond	3	Bloomberg Barclays US Corporate Bond Index	1.24	0.99	0.96	0.79
Global Bond	4	Bloomberg Barclays Emerging Markets Hard Currency Aggregate Index	1.18	0.82	0.83	0.48
Global Bond	5	Bloomberg Barclays Emerging Markets Hard Currency Aggregate Government Related Total Return Index	1.16	0.85	1.00	0.61
Global Bond	6	Bloomberg Barclays Emerging Markets Hard Currency Aggregate Corporate Total Return Index	1.14	0.73	0.95	0.58
Global Bond	7	FTSE IdealRatings Sukuk Index	1.12	1.30	1.12	0.75
Global Bond	8	Bloomberg Barclays Emerging Markets Local Currency Government 10% Country Capped	1.04	0.93	1.15	1.17
Global Bond	9	Bloomberg Barclays China Aggregate Index (CNY Denominated)	1.01	0.94	0.46	0.75
Equity	10	S&P 500 Index	0.97	0.98	0.92	0.67
Global Bond	11	J.P. Morgan EMBI Global Core	0.96	0.68	0.64	0.32
Equity	12	MSCI All-Country World Index	0.73	0.65	0.78	0.49
Global Bond	13	Bloomberg Barclays Global Credit - United Kingdom TR Index Unhedged USD	0.72	0.62	0.62	0.49
Equity	14	MSCI World Net Total Return USD Index	0.71	0.66	0.73	0.49
Global Bond	15	Bloomberg Barclays EM Local Currency Universal Asia Total Return Index	0.71	0.66	0.78	0.75
Global Bond	16	Bloomberg Barclays Pan-European High Yield (USD) Total Return Index Unhedged US	0.70	0.40	0.51	0.18
US Bond	17	Bloomberg Barclays US Treasury Index	0.63	0.76	0.67	0.85
Global Bond	18	Bloomberg Barclays Global Agg - United Kingdom TR Index Unhedged USD	0.57	0.51	0.43	0.51
Global Bond	19	FTSE World Broad Investment-Grade Bond (WBIG) Index USD	0.56	0.54	0.80	0.80
Equity	20	MSCI Emerging Markets Index	0.49	0.19	0.69	0.25
Global Bond	21	Bloomberg Barclays Pan European Aggregate Corporate TR Index Unhedged USD	0.40	0.33	0.49	0.24
Global Bond	22	Bloomberg Barclays Emerging Markets Latin America Local Currency Government Country Capped Total Return Index	0.39	0.13	0.50	0.19
Global Bond	23	Bloomberg Barclays Emerging Markets Local Currency Government 10% Country Capped Index	0.39	0.19	0.55	0.24
Global Bond	24	Bloomberg Barclays Pan-European Government Total Return Index Unhedged USD	0.32	0.39	0.57	0.44
Global Bond	25	Bloomberg Barclays Emerging Markets Local Currency Government Index: Americas	0.31	0.05	0.41	0.04
Global Bond	26	Bloomberg Barclays Global Aggregate ex-USD Index	0.30	0.22	0.56	0.47
Currency	27	MSCI Emerging Markets Currency Index	0.26	0.00	0.40	-0.12
Global Bond	28	Bloomberg Barclays EM Local Currency Europe/Mideast/Africa Total Return Index	0.20	0.06	0.32	0.13
US Bond	29	Bloomberg Barclays US Treasury Bills 1-3 Months Index	0.00	0.00	0.00	0.00

Asset Class Performance and Risk Attributes (January 2008 - December 2020)



Source: Bloomberg

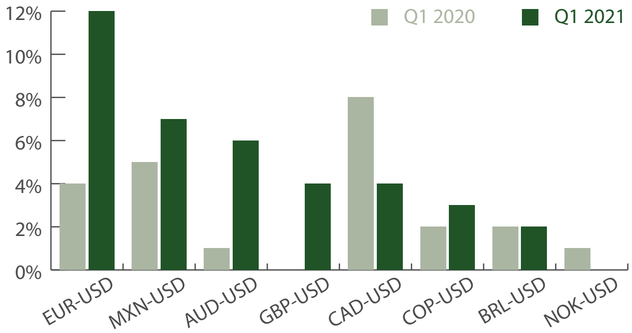
Investment landscape

The coronavirus vaccine rollout around the globe is well underway, and it looks like we might just be on the path back to normalcy. While we are far from being out of the woods in the case of completely stopping the spread of the coronavirus, more progress is being made with each passing month. Countries have launched massive stimulus programs to restore economic activities. The knock-on-effects of these large fiscal programs include a significant increase in deficit spending and debt levels that, in some cases, have never been seen before. In the United States, public debt, expressed as a percentage of GDP, hit an all-time high of 135.6% in September of 2020.[51] According to the Congressional Budget Office's (CBO) most recent projections, the US federal budget will experience a deficit of $2.3 trillion by year-end 2021, representing 10.3% of GDP, and would be the second largest deficit since 1945.[52] Unfortunately, the trajectory of these trends are not expected to change anytime soon; the CBO estimates that US debt will grow to 202% of GDP by 2051.[53]

This dramatic change in US fiscal policy in conjunction with long-standing loose momentary policies has motivated an increase in non-US dollar-denominated securities in the Sustainable Bond Fund. When a country simultaneously engages in accommodative fiscal and monetary policies, it can lead to supply-demand imbalances of its currency. This can lead to devaluation of that currency. The last time the US dollar experienced a meaningful currency devaluation started in the second half of 2001 and lasted through mid-2008. That decline can largely be attributed to the United States racking up large and unpreceded trade deficits, growing to more than 5.5% of GDP in 2006.[54] The US dollar experienced a -39.3% decline, otherwise a seven-year compounded annual growth rate (CAGR) of -6.9%. During this period, US consumers experienced a meaningful decline in purchasing power as inflation rose. The Sustainable Bond Fund's increased exposure to non-US dollar securities can provide a means of protection for the purchasing power of our investors, thus providing capital preservation and current income.

At first quarter-end 2021, the Fund's exposure to non-US dollar-denominated securities grew to 38.8%, up from 24.0% reported at first quarter-end 2020. Exposures to the United States' key trade partners, including Canada and Mexico, represented 10.9% of the Fund's non-US dollar exposure, down from 13.6% last year. The lower weighting reflects a timing issue; a Canadian dollar bond matured just before the end of the first quarter. We anticipate retaining a similar if not a slightly larger exposure to both countries. The Fund's increased exposure to the euro rose from 4.0% to 12.0% over the period to reflect a constructive outlook in Europe and to better harmonize against the FTSE WorldBIG benchmark's 31.9% weighting. The increased exposures to the Australian dollar and the British pound reflect a bullish view on both the recovery outlook as well as the reflation trade.

Currency Allocation



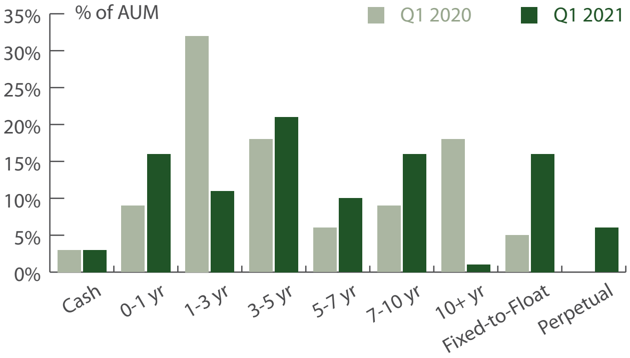
Duration and yield curve management

There has been a dramatic rise in interest rates with the anticipation of President Biden's $1.9 trillion fiscal program; the 10-year Treasury note rose from its low of 0.508% on August 4, 2020, to 1.742% on March 31, 2021, a 242.9% rise in just seven months! This abrupt rise in interest rates reflects the outlook for a potential paradigm shift reflecting higher GDP growth prospects and larger US Treasury issuance due to the large fiscal program. The Sustainable Bond Fund took proactive measures and reduced duration before year-end 2020 in anticipation of a further rise in interest rates.

The price of bonds, particularly those with longer maturities, are sensitive to the changes in interest rates. Bloomberg's long-duration US Treasury benchmark, an index that only includes US Treasurys with a duration of 10 years or more, experienced a decline of -13.51% in just the first quarter of 2021! The Sustainable Bond Fund is likely to retain a lower duration over the rest of 2021 than it did in the first quarter.

As shown in the *Duration Profile* chart, the Sustainable Bond Fund has reintroduced a greater weighting to fixed-to-floater bonds, often referred as hybrids—bonds that transition from paying a stated fixed-rate coupon to having coupon payments that are tied to a floating interest rate benchmark. These securities help position the portfolio to benefit from higher interest rates that are anticipated later in time.

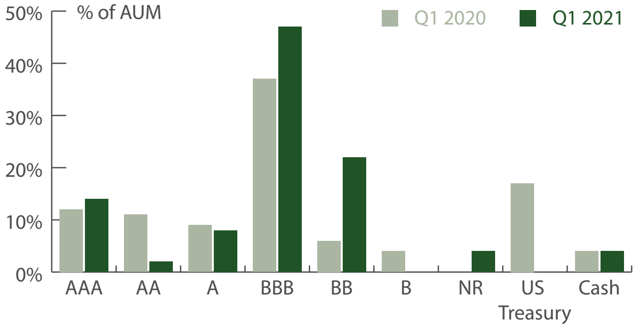
Duration Profile



Credit ratings

The improved economic outlook has shifted the balance of risk and return toward that of riskier assets. While the credit rating profile is lower when compared to last year, the Sustainable Bond Fund's investment process emphasizes the ownership of high-quality securities, led by issuers with management teams that exercise prudence and demonstrate sound, long-term financial practices.

Credit Ratings Distribution



The pandemic caused a slew of credit downgrades that led some of these issuers to be mis-rated to the downside, given the strength of their business model. For 2020, Standard & Poor's issued a total of 1,739 credit downgrades, a 142% year-over-year increase compared to the 720 downgrades of 2019. It is usually during periods of significant disruption that credit rating agencies engage in wholesale ratings adjustments. The Sustainable Bond Fund has carefully increased its exposure among higher yielding and lower credit rated securities.

Qualified proceed use bonds

At the first quarter-end of 2021, 25.0% of the Sustainable Bond Fund's assets under management (AUM) held bonds deemed "qualified proceeds use," of which 21.4% were green bonds and 3.6% were sustainable bonds. This is slightly higher compared to last year, when the Fund held 23.9% of qualified proceeds bonds, 22.1% being green bonds and 1.8% identified as social bonds.

We carefully review an issuer's adherence to best practices as it relates to qualified proceeds bonds. An issuer's observance of these best practices is voluntary; there is generally no compensation offered or issuer-imposed penalty for failure to comply. We carefully examine all attributes of the bond and the issuer to include the issuer's qualified proceeds use framework, independent opinions, audits, and annual reporting, as well placing a heightened priority on the entity's financial strength. Our analysis is comprehensive and holistic. Our priority is to deliver competitive returns that adhere to the investment objectives of capital preservation and current income. At times we may find a compelling risk-adjusted return opportunity among non-qualified proceeds bonds offered by a green bond issuer with strong ESG characteristics. Our aim is to strike a balance instead of just acquiring issuers with self-proclaimed qualified proceeds bonds that may not be demonstrating a commitment to form a meaningful long-term ESG strategy.

Strategic outlook

We retain a constructive outlook on the investment climate while prioritizing flexibility for unexpected shocks and disruptions that may be on the horizon. The coordinated fiscal programs by countries around the world to spur economic growth and aid in humankinds' recovery from the pandemic has led the IMF to revise its world GDP forecast to 6% in 2021, up from its 5.5% projection in January.[55] Time will show how effective these measures will be. The full extent of economic damage caused by the pandemic is still unclear; however, we know that it has exacted a tragically high toll of deaths and illness, as well impairing many businesses.

The Sustainable Bond Fund is well-positioned to benefit from these global opportunities while prioritizing capital preservation and current income. Our focus of owning high quality issuers led by management teams aimed at addressing material risks and broad stakeholders' consideration is among our top priorities. We continue to find great opportunities that make a difference in communities around the world that are typically considered off the radar for most US-based investors. It is through Saturna Sustainable Funds that we can serve our investors' needs in attaining their investment objectives while also helping the communities that are affiliated by these issuers.

Our progress can be tracked with our quarterly commentaries.

Saturna Sustainable Equity Fund: Strategy Overview

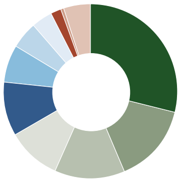
Investment strategy

Under normal conditions, the Sustainable Equity Fund invests at least 80% of its net assets in equities of issuers located throughout the world that the Fund's adviser believes demonstrate sustainable characteristics.

The Saturna Sustainable Equity Fund diversifies its investments across industries, companies, and countries, and generally follows a large and mid-cap value investment style. The Fund prefers seasoned companies that are expected to grow revenue and earnings, favoring equities of companies trading for less than the adviser's assessment of their intrinsic value, which typically means companies with low price / earnings multiples, strong balance sheets, and higher dividend yields. The Fund principally invests in securities of companies with market capitalizations of greater than $5 billion. The Fund may invest up to 30% of net assets in companies with headquarters in countries with developing economies and/or markets.

Sector allocation

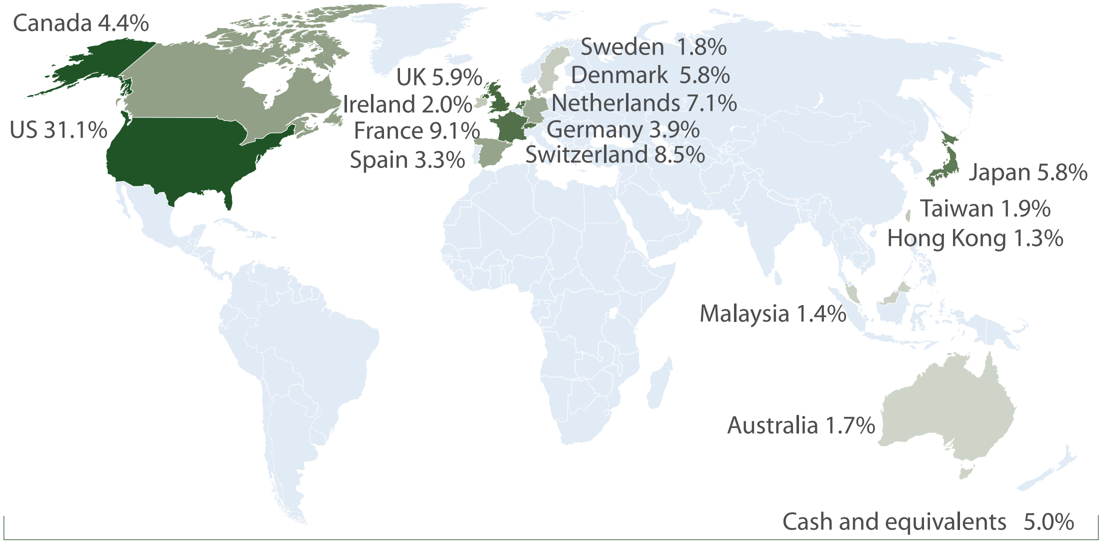
Technology	28.93%	■
Consumer Discretionary	14.68%	■
Health Care	12.94%	■
Consumer Staples	10.10%	■
Industrials	9.99%	■
Financials	6.99%	■
Energy	5.31%	■
Materials	4.41%	■
Utilities	1.67%	■
Communications	0.38%	■
Cash and equivalents	4.99%	■



Top 10 holdings

	% of Net Assets
Adobe	2.52%
Apple	2.36%
CGI Group, Class A	2.34%
Wolters Kluwer	2.16%
Novozymes ADR	2.13%
Adidas ADS	2.09%
L'Oreal ADR	2.08%
Legrand	2.08%
Home Depot	2.06%
Accenture, Class A	2.03%
Total	**21.85%**

Country allocation



Data as of June 30, 2021. Country and sector weightings are shown as a percentage of total net assets.

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Index Definitions

(1) The Bloomberg Barclays Emerging Markets Hard Currency Aggregate Index is a flagship hard currency emerging markets debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers. This includes the Bloomberg Barclays Emerging Markets Hard Currency Aggregate Index. This index includes the Bloomberg Barclays GCC USD Credit Total Return Index.

(2) The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

(3) The Bloomberg Barclays US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility, and financial issuers.

(4, 5, 6) The Bloomberg Barclays Emerging Markets Hard Currency Aggregate Index is a flagship hard currency emerging markets debt benchmark that includes USD, EUR, and GBP-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers. This includes the EM Hard Currency Aggregate: Corporate, and the EM Hard Currency Aggregate: Other Government Related.

(7) The FTSE Sukuk Index measures the performance of global Islamic fixed-income securities, also known as sukuk. Investors cannot invest directly in the Index.

(9) The Bloomberg Barclays China Aggregate Index tracks the performance of the CNY-denominated fixed-income market. It contains fixed-rate Treasury, government-related (including policy banks), and corporate securities that are listed on the China Interbank market. This includes the Bloomberg Barclays China Aggregate Index (CNY Denominated).

(10) 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.

(11) The J.P. Morgan EMBI Global Core Index is composed of US dollar-denominated government bonds issued by emerging-market countries. The Index is a broad, diverse US dollar-denominated emerging markets debt benchmark that tracks the total return of actively traded external debt instruments in emerging market countries.

(12) The MSCI All Country World Index is produced by Morgan Stanley Capital International (MSCI). It is a broad measure of equity market performance throughout the world.

(13, 18) The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment-grade debt from twenty-four local currency markets. This multi-currency benchmark includes Treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging markets issuers. This includes the Bloomberg Barclays Global Agg - United Kingdom TR Index Unhedged USD, and the Bloomberg Barclays Global Credit - United Kingdom TR Index Unhedged USD.

(14) The MSCI World Net Total Return Index Futures are cash settled upon expiration. The underlying index is the MSCI World Net Total Return Index denominated in USD. This index covers approximately 85% of the free float-adjusted market capitalization across the World Developed Markets equity universe (large and mid cap).

(15, 28) The Bloomberg Barclays Emerging Markets Local Currency Government Universal Index is the broadest Barclays benchmark tracking the performance of fixed-rate local currency emerging-markets debt. Classification as an emerging market (EM) is rules based and reviewed annually using World Bank income group and International Monetary Fund (IMF) country classifications. This includes the Bloomberg Barclays EM Local Currency Universal Asia Total Return Index and the Bloomberg Barclays EM Local Currency Europe/Mideast/Africa Total Return Index.

(16) The Bloomberg Barclays Pan-European High Yield Index measures the market of non-investment grade, fixed-rate corporate bonds denominated in the following currencies: euro, pounds sterling, Danish krone, Norwegian krone, Swedish krona, and Swiss franc. Inclusion is based on the currency of issue, and not the domicile of the issuer. This includes the Bloomberg Barclays Pan-European High Yield (USD) Total Return Index Unhedged US.

(17) The Bloomberg Barclays US Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index. STRIPS are excluded from the Index because their inclusion would result in double-counting.

(19) The FTSE WorldBIG Bond Index is a multi-asset, multi-currency index, which provides a broad-based measure of the global fixed-income markets.

(20) The MSCI Emerging Markets Index, produced by Morgan Stanley Capital International, measures equity market performance in over 20 emerging market countries.

(21, 24) The Bloomberg Barclays Pan-European Aggregate Index tracks fixed-rate, investment-grade securities issued in the following European currencies: EUR, GBP, NOK, DKK, SEK, CHF, CZK, HUF, PLN, RUB, and SKK. Inclusion is based on the currency of the issue, and not the domicile of the issuer. This includes the Bloomberg Barclays Pan European Aggregate Corporate TR Index Unhedged USD and the Bloomberg Barclays Pan-European Government Total Return Index Unhedged USD.

(25) The Bloomberg Barclays Emerging Markets Local Currency Government Index is a flagship index that measures the performance of local currency emerging-markets (EM) debt. Classification as an EM is rules-based and reviewed annually using World Bank income group, International Monetary Fund (IMF) country classification and additional considerations such as market size and investability. This includes the Bloomberg Barclays Emerging Markets Local Currency Government Index: Americas.

Index Definitions *(continued)*

(26) The Bloomberg Barclays Global Aggregate ex-USD Index is a measure of investment-grade debt from 24 local currency markets. This multi-currency benchmark includes treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging markets issuers. Bonds issued in USD are excluded. This includes the Bloomberg Barclays Global Aggregate ex-USD Index.

(27) The MSCI Emerging Markets (EM) Currency Index tracks the performance of twenty five emerging-market currencies relative to the US dollar.

(29) The Bloomberg Barclays US Treasury Bills 1-3 Month Index is designed to measure the performance of public obligations of the US Treasury that have a remaining maturity of greater than or equal to 1 month and less than 3 months. The Index includes all publicly issued zero coupon US Treasury Bills that have a remaining maturity of less than 3 months and at least 1 month, are rated investment grade, and have $300 million or more of outstanding face value.

Investors cannot invest directly in the indices.

Ownership of Securities Mentioned

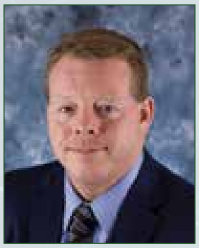
As of June 30, 2021, the Funds held the following percentages of securities in their portfolios (% of net assets):

	Saturna Sustainable Bond	Saturna Sustainable Equity
Assa Abloy ADR		1.78%
Aviva ADR		1.93%
Iron Mountain	3.96%	
Microsoft	1.00%	1.68%
Perusahaan Penerbit	0.98%	
Reckitt Benckiser		1.29%
Women’s Livelihood Bond	2.22%	

About the Authors

Elizabeth Alm CFA®
Senior Investment Analyst and Deputy 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, Elizabeth 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.



Patrick Drum MBA, CFA®, CFP®
Senior Investment Analyst and Portfolio Manager

Patrick T. Drum, Research Analyst and Portfolio Manager, joined Saturna Capital in October 2014.

He is a former adjunct professor of finance for the Sustainable MBA Program at the Bainbridge Graduate Institute (BGI) currently known as Presidio Graduate School. Mr. Drum 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 and a Certified Financial Planner®.

Prior to joining Saturna Capital, Mr. Drum led environmental, social, and governance (ESG) research and was director of fixed-income portfolio management since 2007 with a private account group at UBS Institutional Consulting Services specializing in investment management for global conservation and national wildlife park endowments as well as sustainable-social screened client portfolios. He is a former Chair of the United Nation’s Principles for Investment (UNPRI) Fixed Income Outreach Subcommittee and a current member of the UNPRI's Bondholder Engagement Working Group (BEWG), an advisory committee working to elevate important ESG considerations and best practices among issuers and investors.

Mr. Drum's past experience also includes business valuation at Moss Adams and portfolio management at Washington Mutual Bank. Mr. Drum is a member of the Board of Trustees to the Museum of Glass in Tacoma and a member of Rotary.

Jane Carten MBA
President and 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 degrees 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.

Stephanie Ashton MBA
Manager of Corporate Social Responsibility

Stephanie Ashton joined Saturna Capital in 2012. As Manager of Corporate Social Responsibility she develops Saturna's internal sustainability initiatives, manages sustainability reporting, and contributes to overall sustainability strategy.

Ms. Ashton graduated from Western Washington University in 2006, majoring in English (Creative Writing emphasis) and minoring in French. Her professional background includes eight years in legal support as well as nonprofit experience. She is passionate about a number of sustainability issues—notably sustainable agriculture and local food—and currently serves on the Board of Directors for the Bellingham Food Bank.

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.

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Effective maturity *is the average amount of time until receipt of all interest and principal payments due. When call options and other security-specific covenants can add uncertainty about the timing of payments, observed market prices may be used to determine the implied timing when calculating effective maturity.*

Effective duration *and* ***modified duration*** *are measures of a fund's sensitivity to changes in interest rates and the markets. A fund's modified duration is a dollar-weighted average length of time until principal and interest payments must be paid. Longer maturities typically indicate greater sensitivity to interest rate changes than shorter maturities. Effective duration differs from modified duration in that it accounts for the optionality embedded in call options and other security specific covenants that can change expected cash flows as the result of the movement of interest rates. Longer durations tend to indicate greater sensitivity to interest rate changes than shorter durations.*

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