Fund Commentary Q3 2022

SATURNA CAPITAL

SEXTANT MUTUAL FUNDS

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Excerpts from past Sextant Funds quarterly commentaries:

Q3 2019 – "Political tensions have been on the rise across the globe."

Q3 2020 – "Uncomfortably unpredictable . . ."

Q4 2020 – "Valuations continue to be a point of contention."

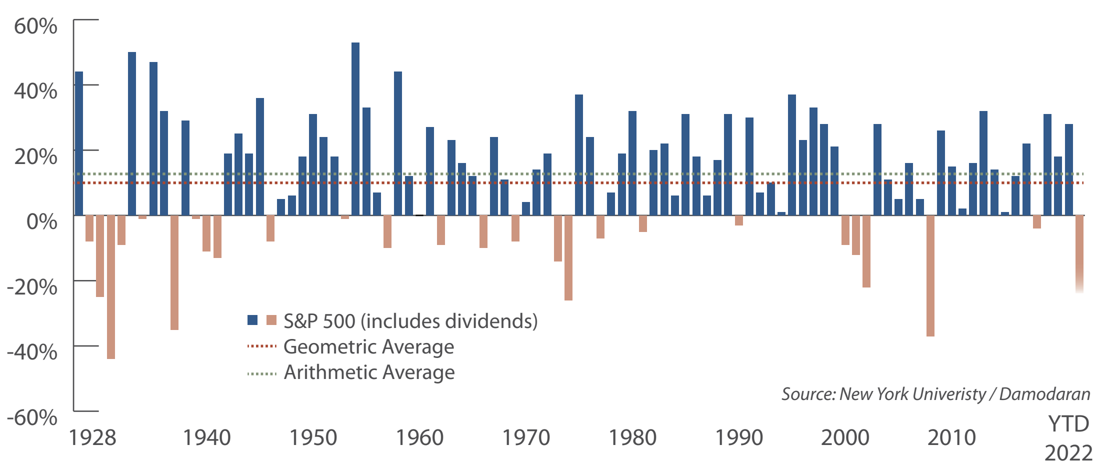
Q3 2021 – "It's reasonable to anticipate that these high energy prices will hamper future economic activity and slow the global recovery."

Q4 2021 – "We have little insight into inflation and interest rates in 2022. The removal of fiscal and monetary stimulus implies tightening conditions."

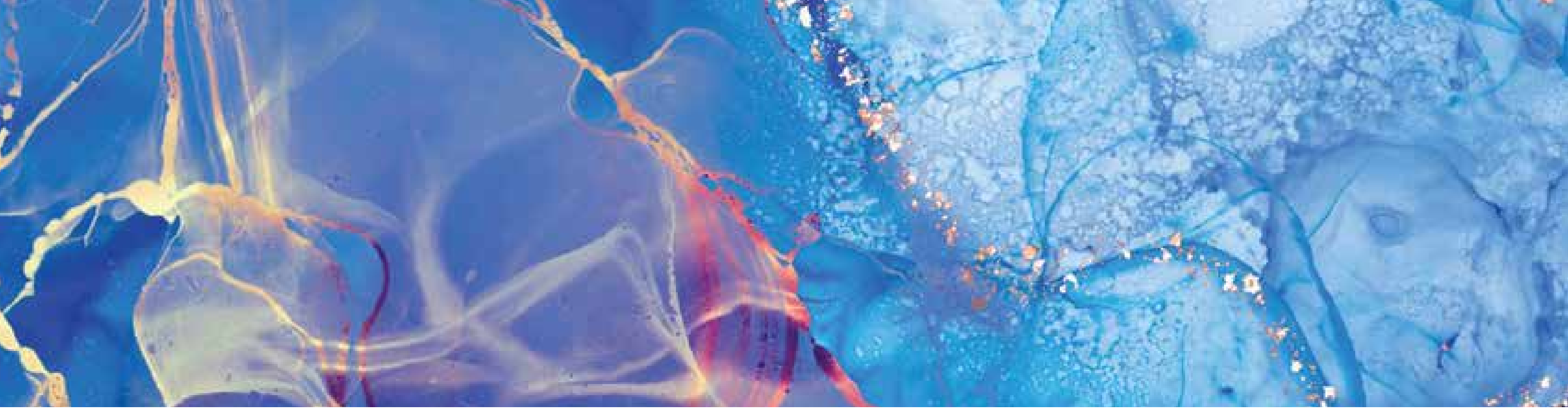
Times of tumult, such as we've seen this year, warrant reflection. The pandemic and the government's shifting focus to issues at home overshadowed the saber-rattling seen in 2019. Part of this shift included a flood of fiscal and monetary stimulus, which provided support to keep economies from succumbing to a microscopic agent, but eventually led asset prices to balloon and the economy to overheat.

With the S&P 500 down -23.87% year-to-date and negative news in abundance, investors have legitimate concerns; however, a longer-term view can be instructive. In 2020, the S&P 500 returned more than 18%, only to be outdone by returns exceeding 28% in 2021. Returns of this magnitude are not the norm. Since 1928, the S&P 500 has averaged returns between 10% and 12%. Despite this year's decline, at the end of the third quarter, the S&P 500 still stood 16% ahead of where it finished at year-end 2019.

S&P 500 Annual Returns



Investors may wonder if we've hit bottom; there have only been six instances in which the S&P 500 has fallen more than -20% since 1928. At Saturna, we're not in the business of timing market cycles, but we are in the business of managing risk. So, which of the risks highlighted in previous quarterly commentaries remain relevant?



Geopolitical Risks

Russia's invasion of Ukraine clearly shows that geopolitical risk remains in play. Ukraine's continued battlefield successes combined with Putin's desperation and annexation of Ukrainian territory raises the nuclear stakes. Any nuclear deployment almost certainly pulls NATO into the conflict. Meanwhile, economic challenges in China, Xi Jinping's confirmation for a third term as president, and US distraction in Ukraine raises the risks of China invading or blockading Taiwan. Political tail risks of this nature are impossible to predict, but peaceful solutions to either the Russian-Ukrainian war or China-Taiwan tensions are, at best, distant.

Valuation

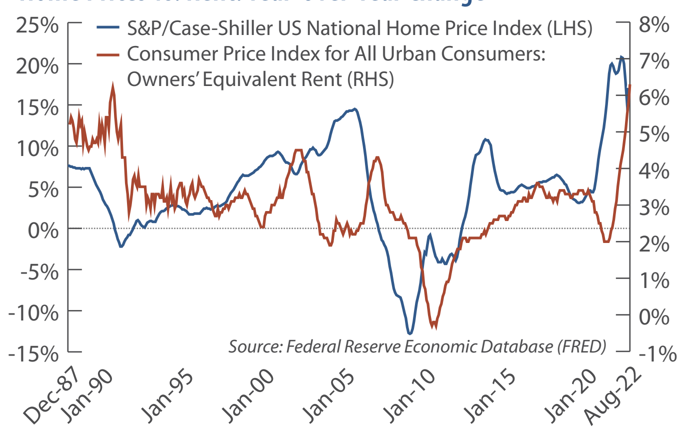
Valuations ballooned as central banks drove interest rates to zero. Naturally, with central banks pivoting from a race to the bottom to a summit quest, valuations have come back to earth. Still, valuations entail two data points: the price you pay and the earnings you expect. While prices have plummeted, analyst earnings expectations remain overly buoyant. Given concerns of looming recession and a strengthening dollar that diminishes overseas earnings for US companies, it's reasonable to expect further declines in near-term earnings estimates. While valuations are no longer eye-watering, they don't provide a tailwind either.

Inflation and Interest Rates

Speaking of recession, what of the economic outlook? The Federal Reserve's stance on "transitory" inflation damaged credibility. Chairman Jerome Powell has studied Fed history, including the on-again/off-again policy of the Burns/Miller tenure during the 1970s, which ultimately required crushing rate hikes by Paul Volker to bring inflation under control. Many forget that even Volker, with his inflation-fighting bona fides, initially erred in easing prematurely. Despite the blunt tool of rate hikes and lagging statistical effects from housing, the Fed has little choice but to increase rates until irrefutable evidence emerges that inflation has been brought under control and expectations are, again, anchored. Given continuing strength in employment, we refrain from predicting gross domestic product (GDP) trends, serving to illustrate the uncertainty that remains.

Forward Price / Earnings

Home Prices vs. Rent: Year-Over-Year Change



A New Risk – The Dollar

Whether the dollar's strength is the risk or the manifestation of the myriad global risks at play, we'd be remiss to ignore the warning signs presented by a surging greenback. A strong dollar compounds local stresses (such as ballooning government deficits in the UK) and fuels a troubling feedback loop. Investor flight to safety drives strong dollar demand, all while borrowers – who have been pushed to issue dollar-denominated debt because of the currency's citadel status – are forced to buy dollars at any price. The rapid ascent of interest rates has made refinancing a nasty proposition. These factors, and likely others, have driven the US dollar to levels not seen since the Asian Tiger Crises/Dotcom Bubble and the Volcker interest rate increases of the early 1980s, two volatile periods for investing.

Conclusion

With the year-to-date declines in global stock and bond markets, past developments including European war and rising rates have been discounted. We cannot claim, however, that markets have sufficiently discounted the potential future risks described above. Neither can we say with certainty that any of these risks will come to pass. Who can predict Putin, the Fed, or Xi Jinping? Given past evidence we can predict that those attempting to time their exit and entry into markets around such events will likely destroy value rather than enhance it. We may also reasonably observe that companies featuring modest valuations, strong cash generation, and minimal debt may endure potential future market disruption better than their less favorably-positioned peers.

Sextant Growth Fund

As of September 30, 2022

The Federal Reserve's initial 75 basis point hike in June 2022 sparked a counterintuitive stock market rally that persisted through mid-August, until Federal Reserve Chair Jerome Powell gave a speech in Wyoming disabusing investors of any notion the Fed would call an early truce in its war against inflation. As a result, by the end of the third quarter, the S&P 500 Index had sunk below its mid-June lows. Over the course of the quarter the Sextant Growth Fund lost ground to the benchmark due to higher-than-typical levels of cash. With the market downturn, some of those losses were recouped, but the Investor Shares of the Fund still trailed the S&P 500, dropping -5.82% against the Index return of -4.88% for the quarter. Year-to-date the Investor Shares lost -29.22% while the S&P 500 fell -23.87%. Given the Fund's growth mandate, the NASDAQ Composite Index may be a more representative benchmark; year-to-date it tumbled -31.99%.

In a departure from the carnage of the second quarter, all the Sextant Growth Fund's 10 Largest Contributors provided a positive return. The e-commerce share of total retail sales has declined since the height of the pandemic, but Amazon has other levers to pull, including its cloud services business. Lowe's has demonstrated admirable execution since the arrival of CEO Marvin Ellison in 2018 and operating margins have expanded significantly. Higher interest rates will certainly affect the home sales market, but renovation and DIY projects may provide a cushion as homeowners are forced to stay put. RPM may benefit from the same trends. Apparel retailer TJX has long demonstrated industry leading competence in inventory management. An environment in which multiple retailers find themselves overstocked plays perfectly into TJX's buyer wheelhouse and the "treasure hunt" mentality of its customers. Motorola Solutions has performed well since the pandemic and has been relatively defensive in this year's weak market. While we view several aspects of the business favorably, the devastation of Hurricane Ian demonstrated the growing need for Motorola's land mobile radio communications and public safety applications. Although Apple's performance during the quarter was modest, the large position boosted its contribution to returns, and it has outperformed versus its mega-cap peers for the year. With agricultural production alternately damaged by drought and floods, Corteva's crop science competence will play a key role in addressing the effects of climate change. Johnson Controls' building solutions business benefited from the passage of the Inflation Reduction Act.

10 Largest Contributors	Return	Contribution
Amazon.com	6.39%	0.35
Lowe's	8.12%	0.29
TJX Companies	11.75%	0.17
Motorola Solutions	7.20%	0.15
RPM International	6.35%	0.15
Apple	1.22%	0.13
Corteva	5.82%	0.12
Johnson Controls	3.51%	0.06
Stryker	2.16%	0.05
Texas Instruments	1.38%	0.03

10 Largest Detractors	Return	Contribution
Microsoft	-9.12%	-0.76
Adobe	-24.82%	-0.71
Alphabet, Class A	-12.22%	-0.67
Mastercard, Class A	-9.73%	-0.48
Horizon Therapeutics	-22.40%	-0.47
Newmont	-24.12%	-0.47
Abbott Laboratories	-10.55%	-0.42
Nike, Class B	-18.43%	-0.36
Stanley Black & Decker	-17.75%	-0.29
Oracle	-12.20%	-0.27

Top 10 Holdings	Portfolio Weight
Apple	10.03%
Microsoft	9.01%
Amazon.com	6.23%
Alphabet, Class A	6.20%
Mastercard, Class A	5.18%
Lowe's	4.30%
Abbott Laboratories	4.12%
Costco Wholesale	3.39%
Corteva	3.21%
RPM International	3.07%

Unsurprisingly, the negative contributions from the portfolio's weakest performers outweighed the positive returns discussed above. The diversity of the sectors appearing among the poor performers was more surprising. Technology led with Microsoft, Adobe, and Oracle (we consider Alphabet more of a media/consumer company). That's to be expected in a rising rate environment that boosts the discount rate applied to future cash flows. In the case of Adobe, its performance was further damaged by a large acquisition at a lofty valuation.

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Sextant International Fund

As of September 30, 2022

The Sextant International Fund Investor Shares declined -6.67% in the third quarter of 2022 while the MSCI EAFE Index declined -9.29% over the same period. Year-to-date, the Investor Shares' loss of -30.86% trailed the benchmark's return of -26.76%. The overweight Technology exposure led to the Fund's underperformance. The third quarter of 2022 ended with the Fund in a somewhat defensive posture, holding a cash balance of 10.77%, an increase since the end of the second quarter.

The Sextant International Fund generally holds positions in larger companies with strong balance sheets. The average market capitalization portfolio exceeded $75 billion, and the trailing 12-month average debt to market capitalization was 15.8% at quarter-end.

Industrial companies (Nibe, Alfen Beheer) led contributors for the third quarter while Technology companies (Sony, ASML, Dassault Systemes) led detractors. The Top 10 Holdings accounted for 50% of assets at the end of the quarter. The two largest sector allocations of the portfolio were Technology at 35.48% and Health Care at 15.88%. The Sextant International Fund held 35 equity positions, a decrease of three since the second quarter of 2022, with an average position size of 2.55%. Over the next several quarters we anticipate the Top 10 position concentration will continue to decline.

In general, equity markets trend higher upon two conditions: 1) economic expansion driving growth in corporate earnings, and 2) liquidity expansion lifting valuation multiples. The inverted yield curves in developed nations suggest recessions in 2023 that will challenge economic growth, and the Federal Reserve's interest rate hikes suggest tighter financial conditions for the foreseeable future. Both conditions face challenges and create headwinds for equity performance. Until elevated energy prices and the strong US dollar are addressed, economic stresses are likely to continue, and the capital markets will be in a risk-off phase with intermittent relief rallies driven by hope of looser financial conditions.

10 Largest Contributors	Return	Contribution
MercadoLibre	29.98%	1.11
Wolters Kluwer	1.79%	0.13
NIBE Industrier AB, Class B	20.39%	0.09
Hermes International	6.90%	0.06
Experian	1.65%	0.02
Alfen Beheer	0.76%	0.00
Roche Holding	-1.19%	-0.02
BHP Biliton, ADR	-4.68%	-0.03
Southern Copper	-4.83%	-0.03
Unilever ADS	-3.48%	-0.04

10 Largest Detractors	Return	Contribution
Sony ADS	-21.67%	-0.80
Novo Nordisk ADS	-10.11%	-0.61
OpenText	-23.71%	-0.61
ASML Holding	-12.51%	-0.58
Alcon	-15.15%	-0.46
Telus	-9.82%	-0.33
Varta	-65.24%	-0.32
Dassault Systemes ADR	-6.38%	-0.30
Danone	-14.53%	-0.29
Accenture, Class A	-7.00%	-0.28

Top 10 Holdings	Portfolio Weight
Wolters Kluwer	8.06%
Novo Nordisk ADS	6.45%
NICE Systems ADR	6.19%
Dassault Systemes ADR	5.45%
MercadoLibre	5.42%
ASML Holding	4.59%
Accenture, Class A	3.95%
Rio Tinto ADS	3.65%
Sony ADS	3.23%
Telus	3.13%

Sextant Global High Income Fund

As of September 30, 2022

The Sextant Global High Income Fund returned -5.81% in the third quarter of 2022, ending the period with $8.2 million in total net assets. The Fund's equity benchmark, the S&P Global 1200, returned -6.80%, while its fixed-income benchmark, the Bloomberg Barclays Global High Yield Corporate Index, returned -2.45%. The Fund's Morningstar Global Allocation peer group returned -6.05%.

The Federal Reserve continued aggressively hiking interest rates with a pair of 0.75% increases in July and September. The pace of inflation eased in July and August along with energy prices, but core inflation remained high and the US labor market remained tight. Higher interest rates in the US have contributed to a surge in the dollar against the British pound, the Japanese yen, and the euro.

Stock markets had a bumpy ride in the third quarter. An initial rally from market lows in June gave way to another sell-off through the end of September as it became more evident that the Fed still saw inflation as a bigger threat to the economy than a potential recession and would likely continue its aggressive pace of rate increases.

Interest rates across the US yield curve rose during the quarter in response to aggressive Fed action. Bond prices fall as interest rates rise, with their fixed payments worth less when discounted at higher rates.

Poor returns in 2022 have also resulted in rising correlations between stocks and bonds, blunting the benefit of diversification for portfolios that hold both asset classes — like Sextant Global High Income Fund.

The Sextant Global High Income Fund's top contributor during the quarter was Micro Focus International. We sold the stock late in the quarter after OpenText acquired Micro Focus; the shares had risen 78% from the beginning of the quarter to the time of sale.

The Sextant Global High Income Fund's telecom holdings accounted for four of its five biggest performance detractors during the quarter. Telecom stocks are faced with two main sources of pressure in the current high inflation and rising interest rate environment. First, their high dividend yields become less attractive, as yields rise on safer sources of income such as government, which dampens investor demand for their shares. Second, competition to retain market share is very intense, making it difficult for telecom operators to raise pricing despite their own rising costs in labor and equipment. These forces pressure margins and earnings, making it more difficult to sustain the current levels of dividends while also making the current dividend less attractive in the rising rate environment.

10 Largest Contributors	Return	Contribution
Micro Focus International ADR	76.73%	0.82
Lincoln National *(Float 4.75% 04/20/2067)*	14.59%	0.27
ICAHN Enterprises Depositary Unit	7.19%	0.11
Royal Bank of Scotland *(6.125% 12/15/2022)*	1.31%	0.03
ADT *(4.125% 06/15/2023)*	1.85%	0.03
US Treasury Bill *(due 1/26/23)*	0.34%	0.02
US Treasury Bill *(0.00% 10/13/2022)*	0.47%	0.02
Colony TX NFM Sales Tax Revenue *(7.625% 10/01/2042)*	2.07%	0.01
Delta Air Lines *(3.75% 10/28/2029)*	0.05%	0.00
Federal Republic of Brazil *(8.50% 01/05/2024)*	0.66%	0.00

10 Largest Detractors	Return	Contribution
Verizon Communications	-24.24%	-0.67
Telenor ASA	-31.02%	-0.64
Orange ADR	-23.62%	-0.62
GlaxoSmithKline ADS	-31.54%	-0.61
AT&T	-25.84%	-0.44
Comcast *(4.65% 07/15/2042)*	-10.25%	-0.28
CSX Corp *(4.65% 03/01/2068)*	-9.76%	-0.25
Novartis ADS	-10.08%	-0.24
TotalEnergies SE ADR	-10.39%	-0.23
Virtu Financial	-10.35%	-0.21

Top 10 Holdings		Portfolio Weight
US Treasury Bill *(due 1/26/23)*	*Bond*	6.00%
US Treasury Bill *(0.00% 10/13/2022)*	*Bond*	4.85%
BHP Biliton ADR	*Equity*	3.34%
Skandinaviska Enskilda Banken, Class A	*Equity*	2.89%
Netflix *(4.375% 11/15/2026)*	*Bond*	2.86%
South32 ADR	*Equity*	2.72%
Southern Copper	*Equity*	2.72%
Ford Motor *(6.375% 02/01/2029)*	*Bond*	2.67%
Norfolk Southern *(5.100% 08/01/2118)*	*Bond*	2.65%
Comcast *(4.65% 07/15/2042)*	*Bond*	2.60%

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Sextant Core Fund

As of September 30, 2022

The Sextant Core Fund returned -4.47% for the third quarter of 2022, outperforming the Dow Jones Moderate Portfolio Index return of -5.48% for the same period. Year-to-date, the Fund returned -17.05%, outperforming the Index return of -20.38%. The Fund ended the third quarter in a defensive posture, with 9.19% of the portfolio in cash and 9.51% of the portfolio in fixed-income securities with maturities of less than one year.

Equities

The Sextant Core Fund's mandate specifies a 60% allocation to equity securities, with two-thirds being US-domiciled companies and one-third foreign-domiciled companies. The Fund averaged an equity allocation of 53.1% in the third quarter and finished the quarter at 51.82%. The equity allocation as a percentage of total assets remained below the mandate during the equity market decline.

Performance contribution was distributed across sectors. Positions in the Consumer Discretionary sector outperformed, positions in Industrials underperformed, and Health Care and Materials were represented both in contributors and in detractors. Notable contributors included ConocoPhillips, Ross Stores, Lowes, and TJX while notable detractors included Newmont, VF, Sony, and Pfizer. At quarter-end, the two largest sector allocations were Health Care at 17.1% and Technology at 16.9% of the equity portion of the portfolio. The top 10 equity positions accounted for 17.2% of the entire portfolio. The Sextant Core Fund held 49 equity positions with an average market capitalization of $112 billion and an average position size of 1.1%.

Fixed Income

The Sextant Core Fund targets an allocation of 40% in investment-grade fixed-income securities including government and convertible bonds, money-market instruments, and cash. The actual allocation to fixed income at the end of the quarter was 38.99%.

Interest rates across the US yield curve rose during the quarter in response to an aggressive pace of interest rate hikes by the Federal Reserve, which included two 0.75% increases during the quarter. Bond prices fall as interest rates rise, with their fixed payments worth less when discounted at higher rates.

10 Largest Contributors	Return	Contribution
ConocoPhillips	16.03%	0.29
Ross Stores	20.42%	0.13
Lowe's	8.12%	0.11
TJX Companies	11.75%	0.08
Motorola Solutions	7.20%	0.06
Johnson Controls International	3.51%	0.05
Alcoa	8.64%	0.04
RPM International	6.35%	0.04
Republic Services	4.33%	0.03
NextEra Energy	1.72%	0.03

10 Largest Detractors	Return	Contribution
Newmont	-28.65%	-0.37
VF	-31.50%	-0.21
Sony ADS	-21.67%	-0.18
Pfizer	-15.88%	-0.18
OpenText	-23.71%	-0.18
Abbott Laboratories	-10.55%	-0.16
Eaton	-9.80%	-0.15
BCE	-13.43%	-0.14
Novo Nordisk ADS	-10.11%	-0.14
CSX (4.65% 03/01/2068)	-9.76%	-0.14

Top 10 Holdings		Portfolio Weight
US Treasury Bill *(0.00% 10/13/2022)*	*Bond*	2.89%
United States Treasury Bond *(6.25% 8/15/2023)*	*Bond*	2.57%
ConocoPhillips	*Equity*	2.36%
United States Treasury Note *(1.125% 01/15/2025)*	*Bond*	2.15%
United States Treasury Note *(2.75% 11/15/2023)*	*Bond*	1.99%
Novo Nordisk ADS	*Equity*	1.90%
Welltower *(4.25% 4/15/2028)*	*Bond*	1.88%
Apple	*Equity*	1.84%
NextEra Energy	*Equity*	1.81%
Comcast *(5.650% 06/15/2035)*	*Bond*	1.71%

The correlation between stocks and bond returns has also increased with rising interest rates, which dampens the benefit of diversification for portfolios that hold both asset classes—such as the Sextant Core Fund.

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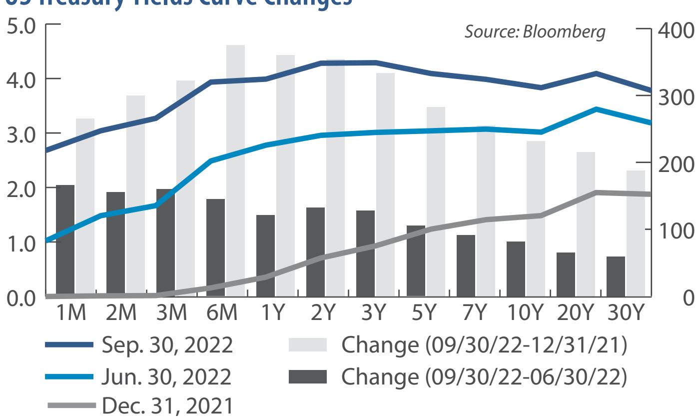
The Sextant Short-Term Bond Fund returned -4.88% year-to-date, while the Bloomberg US Aggregate 1-3 Year Bond Index returned -4.58%. For the third quarter the Fund's performance outpaced the Index, returning -1.31% versus -1.50%.

The Sextant Bond Income Fund returned -18.93% year-to-date while the FTSE US BIG Bond Index returned -14.85%. In the third quarter the Fund returned -6.32% versus -4.81% for the Index. The Fund's longer duration relative to the Index contributed to the Fund's underperformance.

With pervasive high inflation, energy supply constraints, and ever-increasing debts and deficits among world economies, fiscal threats appear to have worsened over the third quarter of 2022. The Federal Reserve raised rates by 75 basis points (bps) at the end of September, their third increase of that size in 2022. Rates are now targeted between 3% and 3.25%, but many expect rates to rise between 4% and 4.5% by the end of the year.[1] The Treasury market was hit with a surge in volatility at the end of September, with the MOVE Index (which measures volatility) rising to its highest level since the onset of the pandemic in March of 2020. Bond market investors have faced multiple events this past quarter that would drive such volatility. Japan, the world's third-biggest economy, had to step in to defend the yen after the currency rapidly tumbled to a 24-year low against the US dollar. Just days later, plans for substantial tax cuts in the United Kingdom spurred a massive sell-off in the pound and sovereign debt markets.[2]

The higher rates, increased volatility, and reversal of central bank accommodative measures mean tighter financial conditions, introducing headwinds not seen in years. It's likely that investment assets will continue to experience volatility.

US Treasury Yields Curve Changes



The yield curve at the end of the quarter continued to show the pressures on the market, shifting upward since last quarter, especially in the short end. Six-month yields rose 160 bps in the past three months.

Both the Short-Term Bond Fund and the Bond Income Fund reduced their effective durations to batten down the hatches, lowering their exposures to changes in interest rates. Between December 31, 2021, and September 30, 2022, the Short-Term Bond Fund's effective duration dropped from 2.06 years to 1.82 years, nearly the same effective duration as its benchmark. The Bond Income Fund's effective duration dropped from 9.41 years to 8.19 years, still higher than the 6.20-year-long effective duration of its benchmark. These measures, combined with both Funds' preference for high-quality credits, propelled them into the top quartile of their respective Morningstar categories. The Short-Term Bond Fund was in the 24th percentile year-to-date, outperforming its category by 147 bps. The Bond Income Fund was in the 11th percentile for the same period, outperforming its category by 791 bps.

Bond performance in both the Short-Term Bond Fund and the Bond Income Fund over the past quarter has primarily been dictated by duration. Longer duration bonds performed worse, as they are more sensitive to changes in interest rates, and shorter duration bonds performed better.

The best performing security in the Bond Income Fund for the third quarter was the State Street floating rate security of 2047. While the final maturity is long, it has the shortest duration in the Fund. It was also the only bond in the portfolio with a positive year-to-date and quarterly return. The worst performing bond during the third quarter was the 2048 Treasury holding. The bond has a long duration of 16.6 years, given the low coupon and long maturity.

In the Short-Term Bond Fund, the top performer in the third quarter was the 2022 Carlisle bond. The worst performing security in the Fund, the 2027 Treasury bond, also had longest maturity.

Top 10 Holdings tables presented on page 11

Sextant Short-Term Bond Fund, Sextant Bond Income Fund

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Sextant Short-Term Bond Fund Top 10 Holdings	Portfolio Weight
United States Treasury Note *(2.625% 12/31/2025)*	7.05%
United States Treasury Note *(2.50% 08/15/2023)*	6.49%
US Treasury Bill *(0.00% 10/13/2022)*	5.99%
Swiss Re America Holding *(7.00% 02/15/2026)*	3.28%
Qualcomm *(2.60% 01/30/2023)*	3.28%
Gilead Sciences *(2.5% 09/01/2023)*	3.22%
Microsoft *(2.375% 05/01/2023)*	3.22%
United States Treasury Note *(2.875% 04/30/2025)*	3.18%
Exelon Generation *(3.25% 06/01/2025)*	3.12%
DuPont De Nemours *(4.493% 11/15/2025)*	3.10%

Sextant Bond Income Fund Top 10 Holdings	Portfolio Weight
United States Treasury Bond *(4.25% 05/15/2039)*	8.42%
United States Treasury Bond *(3.375% 11/15/2048)*	5.36%
United States Treasury Bond *(5.375% 02/15/2031)*	4.64%
Apple *(4.50% 02/23/2036)*	3.56%
Microsoft *(4.20% 11/03/2035)*	3.48%
Intel *(4.00% 12/15/2032)*	3.38%
Home Depot *(5.875% 12/16/2036)*	3.27%
Burlington Northern Santa Fe *(5.05% 03/01/2041)*	3.05%
Praxair (Linde AG) *(3.55% 11/07/2042)*	2.86%
United Technologies *(6.05% 06/01/2036)*	2.70%

Footnotes to Commentary

[1] *Timiraos, Nick. "Fed Raises Interest Rates by 0.75 Percentage Point for Third Straight Meeting." The Wall Street Journal, September 21, 2022. https://www.wsj.com/articles/fed-raises-interest-rates-by-0-75-percentage-point-for-third-straight-meeting-11663783397*

[2] *Kate Duguid, Adam Samson, and Colby Smith. "'Volatility vortex' slams into $24tn US government bond market." Financial Times, September 27, 2022. https://www.ft.com/content/ea41ce6d-e8b2-465e-8dff-8b7fa71dc7b4*

Sextant Growth Fund

Continued from page 6

While near-term metrics of the deal appear challenging, we believe it was a necessary move for the future of the business. The strengthening of the US dollar presents a headwind to large capitalization Technology companies, since their businesses are generally global. Mastercard does not benefit from rising rates, which may discourage consumer activity. Horizon Therapeutics was a new addition to the portfolio, and it suffered from resetting expectations of one of its key drugs. We agree with management that pandemic effects that discouraged in-person medical visits were the key issue, and expect the stock to recover its lost ground. Nike produced decent quarterly earnings but shocked investors with guidance, including an admission that inventory levels had soared. As for gold miner Newmont, we exited the position as Fed rate hikes made it clear that investments offering higher yields would provide stiff competition to the yellow metal. We also exited the investment in Stanley Black & Decker due to minimal confidence in new management.

While Corteva and RPM outperformed during the quarter, Adobe and Monster Beverage underperformed. The two former stocks entered the Top 10 Holdings, while the two latter stocks exited.

Sextant Global High Income Fund

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Although inflationary pressures in the US appeared to ease somewhat in the third quarter, the Fed continued to signal an aggressive pace of interest rate hikes. These hikes reverberate through the global economy, putting foreign central banks under pressure to increase rates to stabilize their currencies despite weaker growth and enhanced geopolitical risk (i.e., in Europe's natural gas crunch in the coming winter).

Sextant Core Fund

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Looking Forward

Approximately 35% of the Sextant Core Fund's equity portion is valued below the 15.7 forward price-to-earnings market multiple. Likewise, over half of the Fund's equity portion is projected to produce dividends yielding more than 2.6% annually at third quarter-end. The Fund generally holds positions in companies with strong balance sheets; the average net-debt to market cap was under 27% at quarter-end.

Performance Summary

As of September 30, 2022

Average Annual Total Returns *(before taxes)*	**1 Year**	**3 Year**	**5 Year**	**10 Year**	**15 Year**	**Expense Ratio[A]** *Gross*	*Net*
Sextant Growth Fund Investor Shares (SSGFX)	-20.81%	7.03%	10.62%	10.70%	7.25%	0.74%	
Sextant Growth Fund Z Shares (SGZFX)[B]	-20.61%	7.29%	10.90%	n/a	n/a	0.51%	
S&P 500 Index	-15.47%	8.15%	9.23%	11.69%	8.02%	n/a	
NASDAQ Composite Index	-26.23%	10.68%	11.28%	14.29%	10.74%	n/a	
Morningstar Large Growth Category	-27.10%	6.77%	8.95%	11.36%	8.06%	n/a	
Sextant International Fund Investor Shares (SSIFX)	-27.08%	-0.57%	3.45%	4.52%	2.72%	0.93%	
Sextant International Fund Z Shares (SIFZX)[B]	-26.90%	-0.34%	3.70%	n/a	n/a	0.72%	
MSCI EAFE Index	-24.75%	-1.38%	-0.36%	4.15%	1.09%	n/a	
Morningstar Foreign Large Growth Category	-32.91%	-1.18%	0.28%	4.40%	1.58%	n/a	
Sextant Core Fund (SCORX)	-10.93%	2.34%	3.96%	4.66%	3.85%	0.57%	
Dow Jones Moderate US Portfolio Index	-18.11%	1.01%	2.69%	5.12%	4.42%	n/a	
Morningstar Allocation – 50% to 70% Equity Category	-14.80%	2.49%	3.60%	5.64%	4.57%	n/a	
Sextant Global High Income Fund (SGHIX)[C]	-13.14%	-2.33%	0.29%	2.98%	n/a	0.78%	0.75%
S&P Global 1200 Index	-18.73%	4.79%	5.62%	8.53%	5.09%	n/a	
Bloomberg Barclays Global High Yield Corp Index	-18.55%	-2.29%	-0.06%	2.97%	5.00%	n/a	
Morningstar Global Allocation Category	-15.70%	0.46%	1.32%	3.45%	3.14%	n/a	
Sextant Short-Term Bond Fund (STBFX)	-5.40%	-0.70%	0.36%	0.66%	1.54%	0.66%	0.60%
Bloomberg US Aggregate 1-3 Years	-5.11%	-0.52%	0.64%	0.78%	1.67%	n/a	
Morningstar Short-Term Bond Category	-6.80%	-0.61%	0.66%	0.94%	1.92%	n/a	
Sextant Bond Income Fund (SBIFX)	-18.46%	-4.86%	-1.11%	0.57%	2.54%	0.58%	
Bloomberg US Aggregate	-14.60%	-3.25%	-0.27%	0.89%	2.73%	n/a	
FTSE US Broad Investment-Grade Bond Index	-14.87%	-3.29%	-0.27%	0.89%	2.78%	n/a	
Morningstar Long-Term Bond Category	-25.92%	-6.27%	-0.82%	1.81%	4.39%	n/a	

Performance data quoted represents past performance, is before any taxes payable by shareowners, and is no guarantee of future results. *Current performance may be higher or lower than that stated herein. Performance current to the most recent month-end is available by calling toll-free 1-800-728-8762 or visiting www.sextantfunds.com. Average annual total returns are historical and include change in share value as well as reinvestment of dividends and capital gains, if any. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Shares of a fund may only be offered for sale through the fund's prospectus or summary prospectus.*

[A] By regulation, expense ratios shown are as stated in the Funds' most recent prospectus or summary prospectus, dated March 30, 2022, and incorporate results from the fiscal year ended November 30, 2021. Higher expense ratios may indicate higher returns relative to a fund's benchmark. The adviser has voluntarily capped actual expenses of Sextant Global High Income at 0.75% and actual expenses of Sextant Short-Term Bond at 0.60% through March 31, 2023.

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

[C] Sextant Global High Income Fund began operations March 30, 2012.

The S&P 500 Index is an index comprised of 500 widely held common stocks considered to be representative of the US stock market in general. The NASDAQ Composite Index measures the performance of more than 5,000 US and non-US companies traded "over the counter" through NASDAQ. The MSCI EAFE Index is an international index focused on Europe, Australasia, and the Far East. The MSCI ACWI Index, produced by Morgan Stanley Capital International, measures equity market performance throughout the world. The S&P Global 1200 Index is a global stock market index covering nearly 70% of the world's equity markets. The Bloomberg Barclays Global High Yield Corporate Bond Index is a rules-based, market-value weighted index engineered to measure the non-investment grade, fixed-rate, taxable, global corporate bond market. The Dow Jones Moderate Portfolio Index is a broad-based index of stock and bond prices. The Bloomberg US Aggregate 1-3 Years Index tracks bonds with 1-3 year maturities within the flagship Bloomberg US Aggregate Bond Index. The Bloomberg US Aggregate Bond Index is a broad-based, flagship benchmark that measures the investment-grade, US dollar-denominated, fixed-rate taxable bond market. The FTSE US Broad Investment-Grade Bond Index is a broad-based index of medium and long-term investment-grade bond prices. ICE BofA 7-10 Year US Corporate Index is a subset of ICE BofA US Corporate Index including all securities with a remaining term to final maturity greater than or equal to 7 years and less than 10 years. ICE BofA US Corporate Index tracks the performance of US dollar-denominated investment-grade corporate debt publicly issued in the US domestic market. When available, Saturna uses total return components of indices mentioned. Investors cannot invest directly in the indices.

A fund's 30-Day Yield, sometimes referred to as standardized yield, current yield, or SEC yield, is based on methods of computation prescribed in SEC Form N-1A. Calculated by dividing the net investment income per share during the preceding 30 days by the net asset value per share on the last day of the period, the 30-Day Yield provides an estimate of a fund's investment income rate, but may not equal the actual income distribution rate.

Performance Summary

As of September 30, 2022

Morningstar Ratings™ [A]	Overall	1 Year	3 Year	5 Year	10 Year
Sextant Growth Fund – "Large Growth" Category					
Investor Shares (SSGFX)	★★★	n/a	★★★	★★★★	★★★
% Rank in Category	n/a	24	51	24	70
Z Shares (SGZFX)	★★★★	n/a	★★★	★★★★	☆☆☆
% Rank in Category	n/a	23	49	21	66
Number of Funds in Category	1,142	1,252	1,142	1,060	790
Sextant International Fund – "Foreign Large Growth" Category					
Investor Shares (SSIFX)	★★★★	n/a	★★★	★★★★★	★★★
% Rank in Category	n/a	17	39	8	40
Z Shares (SIFZX)	★★★★	n/a	★★★	★★★★★	☆☆☆
% Rank in Category	n/a	15	35	6	36
Number of Funds in Category	390	449	390	350	223
Sextant Core Fund – "Allocation – 50% to 70% Equity" Category					
(SCORX)	★★★	n/a	★★★	★★★	★★
% Rank in Category	n/a	16	50	40	79
Number of Funds in Category	699	753	699	649	482
Sextant Global High Income Fund – "Global Allocation" Category					
(SGHIX)	★★	n/a	★★	★★	★★
% Rank in Category	n/a	35	88	77	69
Number of Funds in Category	405	425	405	354	252
Sextant Short-Term Bond Fund – "Short-Term Bond" Category					
(STBFX)	★★	n/a	★★★	★★	★★
% Rank in Category	n/a	26	55	72	72
Number of Funds in Category	544	582	544	481	338
Sextant Bond Income Fund – "Long-Term Bond" Category					
(SBIFX)	★★★	n/a	★★★★	★★★★	★
% Rank in Category	n/a	11	18	57	100
Number of Funds in Category	30	32	30	28	24

[A] Morningstar Ratings™ ("Star Ratings") are as of September 30, 2022. The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance (not including the effects of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

% Rank in Category is the fund's percentile rank for the specified time period relative to all funds that have the same Morningstar category. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top-performing fund in a category will always receive a rank of 1. Percentile ranks within categories are most useful in those categories that have a large number of funds.

Unshaded stars indicate extended performance. Extended performance is an estimate based on the performance of a fund's oldest share class, adjusted for fees.

The Sextant Growth and Sextant International Funds offer two share classes – Investor Shares and Z Shares, each of which has different expense structures.

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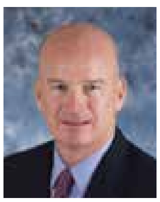

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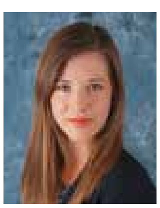

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Important Disclaimers and Disclosure

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Asset-weighted average debt to market capitalization: *This ratio represents the average debt to market capitalization of the portfolio. It is calculated by taking the debt to market capitalization for each company (its debt divided by its market capitalization), weighting these values (multiplying each by the company's percent share of total portfolio assets), and then totaling the weighted values.*

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

A Few Words About Risk

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

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

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

Investment in the ***Global High Income Fund*** *entails the risks of both equity and debt securities, although it seeks to mitigate these risks through a widely diversified portfolio that includes foreign and domestic stocks and bonds. Issuers of high-yield securities are generally not as strong financially as those issuing higher quality securities. Investments in high-yield securities can be speculative in nature. High-yield bonds may have low or no ratings and may be considered "junk bonds."*

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