BEENATH THE WAVES:

An Overview of Saturna Capital's Sustainable Fixed-Income Investment Process

June 2022

SATURNA CAPITAL

About Saturna Capital

Saturna Capital, manager of the Amana, Saturna Sustainable, Sextant, and Idaho Tax-Exempt Funds, uses years of investment experience to aid investors in navigating today's volatile markets. Founded in 1989 by professionals with extensive experience, Saturna has helped individuals and institutions build wealth, earn income, and preserve capital.

We are long-term, values-based, and socially responsible investors. We view consideration of environmental, social, and governance (ESG) factors as essential in forming portfolios of high-quality companies that are better positioned to reduce risk and identify opportunities. We believe that companies proactively managing business risks related to ESG issues make better contributions to the global economy and are more resilient.

At Saturna, we believe in making your investment dollars work hard for you and that your interests always come first. Saturna strives to not only offer the best investment opportunities from mutual funds to IRAs, but to match those sound investments with superior customer service.

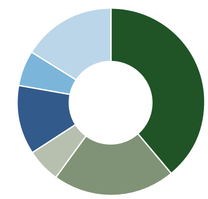
In this brochure, we provide investors with an overview of Saturna Capital's sustainable fixed-income investment process. We aim to help elevate investors' awareness of how we explicitly integrate environmental, social, and governance (ESG) considerations into our investment approach of constructing globally diversified fixed-income portfolios. Essentially, our intention is to help clarify the "what," the "why," and the "how" of our investment process, and how Saturna can achieve the strategy's investment objectives of capital preservation and current income.

At Saturna Capital, we believe a global focus enhances value, as investors can access a far more diversified universe of issuers that offer compelling investment opportunities and sustainably-oriented solutions than what is available when limiting the investor's choices to a single market. The United States accounts for 38.9%[1] of the world's fixed-income securities, but only represents 4.25% of the world's population[2] and 15.8% of global gross domestic product (GDP).[3] A broader investment approach can help reduce risk and offer a greater range of diversification prospects.

Global Bond Market Outstanding

(2019 - $105.9 Trillion)

US	39%
EU 27	21%
UK	6%
Japan	12%
Other DM	6%
EM	16%



Source: *Bank for International Settlements, SIFMA estimates*

**** Note:*** *EM = Emerging Markets, DM = Developed Markets*

We believe the integration of ESG considerations is critical to risk reduction and value creation for investors. Our investment process enables us to focus on risk reduction in areas such as climate change, biodiversity, and governance, while also taking advantage of opportunities in growing markets. A strong internal process for ESG integration is necessary given the data challenges, changing markets, and lack of uniform standards governing what can be defined as "green," "sustainable," "social," or "sustainably linked" bonds.

Sustainability:
Expanding the Scope of Due Diligence

Saturna launched its first sustainable fixed-income strategy in March of 2015. The strategy's objectives are to seek current income and capital preservation while explicitly incorporating environmental, social, and governance (ESG) considerations into its investment approach. We focus on ESG considerations that could potentially impact an issuer's financial standing or the resiliency of its long-term strategy; for example, this lens helps us identify which issuers are better positioned to withstand the transition to a low hydrocarbon economy.

Environmental factors we consider when assessing issuers include a company's potential vulnerability to climate change impacts like rising sea levels or increased drought. We may also consider a company's water intensity, through usage for its operations or its impact on biodiversity.

Social considerations such as gender and ethnic diversity have been shown to positively affect profitability. McKinsey & Co.'s diversity study in 2020 found that companies in the top quartile for gender diversity on their executive teams were 25% more likely to achieve above-average profitability compared to companies in the bottom quartile. The same study also found that companies in the top quartile for ethnic and cultural diversity were 36% more likely to experience outperformance in profitability than the companies in the bottom quartile.[4]

Regarding governance issues, we examine board composition including attributes such as diversity (ethnic and gender), experience, and inclusion of independent board members. Numerous studies support the idea that diversity at the board level matters. One study indicated that companies with at least three women on the board experienced median gains in return on equity (ROE) of 10% and earnings per share (EPS) of 37%. In contrast, companies that began the period with no female directors experienced median changes of 1% in ROE and -8% in EPS over the period.[5]

The scope of factors we consider is wide and constantly evolving

Sustainable Investment Process

At Saturna Capital, we believe the integration of ESG factors is critical to assessing an issuer's creditworthiness. Our multidimensional framework helps us determine what factors may inhibit an issuer's ability to meet their obligations and how well the issuer's management approaches risks. The integration of material ESG factors helps us to identify veiled risks as well as identify issuers that are better positioned, relative to their peers, to serve our clients.

When assessing an issuer's standing and potential exposure to material risks, each industry has its own unique attributes, and we gather information in many ways. These can vary greatly depending on the geographic region of the issuer and its respective culture. We aim to balance the best practices of that cultural region within our process rather than framing it entirely within our western, developed world's normative framework.

Our sustainable assessment can be broken out into four pillars:

- **Climate-Related Exposures & Initiatives**
  - » This includes how the physical operations of the issuer may be exposed to climate change risk and how they are positioned regarding a future transition toward a low hydrocarbon-intensive economy. We may explore their use of renewable energy and the trajectory of carbon intensity as measured per million dollars of revenue.
- **Biodiversity Issues**
  - » This can include aspects of an issuer's use of natural resources, water usage, and waste management.
- **Stakeholder Considerations**
  - » Examines how issuers acknowledge social considerations, including:
    - Supply chain relationships
    - Gender diversity
    - Ethnic diversity
    - Addressing poverty and helping those that are financially disadvantaged
- **Governance Considerations**
  - » Assessing global and emerging market issuers, as cultural norms may be different from those of developed economies.
  - » We take best practices into consideration in conjunction with the issuer's culture and region while recognizing that differences exist.

Impact Reporting: Disclosing Our Impact & Footprint

Our annual Saturna Sustainable Funds Impact Report conveys specific portfolio attributes and measures ESG-related key performance indicators (KPIs) at an aggregate level. We identify key criteria and report the percentage of holdings that disclose those criteria.

The Impact Report also includes case studies to show how issuers are addressing material ESG attributes and potential risks. These case studies allow us to relay information that may get lost in simply aggregating the data. Some of the case studies incorporate direct engagements with the issuer regarding their business model, strategy, or sustainable objectives. Other bondholder engagements aim to identify areas for improvement or clarification. Our objective is to invest in issuers that we believe are favorably positioned, or likely to be better positioned, relating to material ESG risks over the long term.

Occasionally, fixed-income securities are held with issuers that operate in challenging environments or controversial sectors. We must ascertain management's commitment to address material risks and how their business model is strategically integrating sustainable attributes to form a competitive advantage. There may be times when we own an issuer that has faced controversies or challenges in the past but is now addressing important ESG risks to enhance investment performance in anticipation of the market pricing in these potential benefits, either through spread tightening or a credit upgrade. This is the value and art of active management; the ability to use qualitative and quantitative analysis through direct dialogue with the issuers, when appropriate.

We consider the following criteria* during our investment evaluation process.

- **Climate:**

  We view climate risk from both the perspective of overall emissions as well as climate risk relative to peers within the same industry. Our sustainable investment process assesses the following climate-related metrics:

  » Holdings that have implemented an energy renewal program with quantitative targets and clear deadlines

  » Companies that have more than 10% of their primary source of energy from renewables

  » Holdings that disclose carbon emissions

  » Whether the issuer has a strong greenhouse gas reduction program

  » Holdings with carbon intensities below the industry mean

  » Holdings with carbon intensities that declined over 10% in the last three years

  » Portfolio-weighted average carbon intensity is presented through time, and relative to a sustainable benchmark

- **Social and Governance:**

  Worker safety, corporate diversity, board independence and diversity, and the other KPIs in this category are geared toward measuring the issuer's strength of governance and their commitment to ESG factors. Our sustainable investment process assesses the following governance and social considerations:

  » Holdings with more than 75% of board independence

  » Holdings that have adequate anti-bribery and anti-corruption policies

  » Company has initiatives to reduce social risks in supply chain

  » Company has initiatives to train new and existing employees on career development, with training available to employees at all levels

  » Issuer has a strong anti-discrimination policy

  » Issuer has a strong health and safety management system

  » Company has a strong diversity program

  » Holdings with more than three women on executive board

  » Issuers with more than 33% female representation on the executive board

This list contains criteria that we consider during our evaluation process and it is possible that a company/issuer that we invest in will not meet all of these criteria.

Sustainable Development Goals: A Guiding Compass

The Impact Report's findings are presented within the framework of the Sustainable Development Goals (SDGs). KPIs are included under the goal to which they most closely align. We have reported within the SDG framework since 2018 and provide year-over-year comparisons.

The SDGs include 17 goals and 169 targets that were created to end poverty, protect the planet, and promote peace and prosperity for all. The SDG framework is like using a compass to move forward, offering guiding principles based upon each goal. We believe that this framework will be the new standard used to report and measure an issuer's sustainability.

Saturna Capital's analysts examine every issuer's social responsibility or impact report for the holdings in the Saturna Sustainable Funds, then compile a data set in the Impact Report to show how our investments align with the SDGs.

We look at which issuers are reporting on each SDG and how they are reporting on each goal. We split company reporting into one of three categories, from most to least comprehensive:

- 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

These goals, and the objectives and targets associated with them, can be a valuable tool for investors. We can use a company's disclosure about their contribution to the SDGs to help determine which businesses are fully incorporating ESG considerations into their corporate strategy and culture, and which might just be "greenwashing" their activities. Determining which issuers are supporting their claims with data or targets helps us make this distinction. Our process discerns whether management has demonstrated commitment to these SDGs with clearly established targets, or if a goal is casually mentioned without supportive KPIs. This can help us see past greenwashing or other practices that appear meaningful but lack substance.

In our most recent report, we included KPIs and case studies under the following goals:

- Good Health and Well-Being (SDG 3)
- Gender Equality (SDG 5)
- Affordable and Clean Energy (SDG 7)
- Decent Work and Economic Growth (SDG 8)
- Reduced Inequalities (SDG 10)
- Sustainable Cities and Communities (SDG 11)
- Climate Action (SDG 13)
- Peace, Justice, and Strong Institutions (SDG 16)

ESG analysis is constantly evolving, and there are times we may extend beyond these metrics in our assessment. However, we want to stress that there is no rigid framework in place, but rather a principle-driven approach where we combine quantitative data with qualitative analysis to weave together a detailed picture of sustainability and risk.

Qualified Proceeds Use Bonds

A portion of our sustainable fixed-income holdings are invested in qualified proceeds use bonds. These bonds can include green, social, sustainable, or sustainably linked bonds. Green bonds are primarily used to support specific climate-related or environmental projects. Social bonds raise funds to address or mitigate a specific social issue and/or seek to achieve positive social outcomes.[6] Sustainable bonds generally can have a wider scope that simultaneously address environmental and social ambitions. Sustainably linked holdings are issues where the failure to meet a target (such as a reduction in carbon intensity over a specific timetable) results in increased payments to the bondholder, either through a higher payment upon the maturity of the security or through raising the bond's coupon payment.

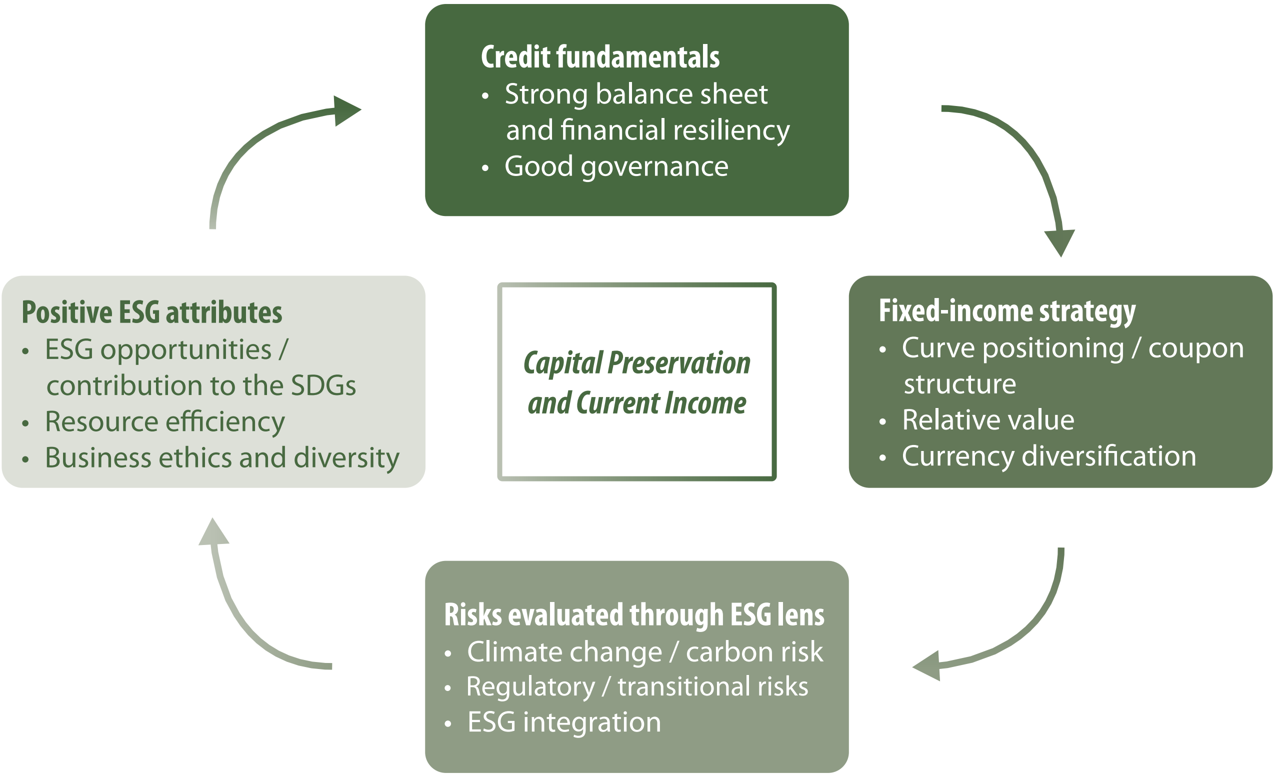
Saturna recognizes the lack of standardization in the qualified proceeds bond space, and critically analyzes many potentially green or sustainable investments. Audits and independent party opinions verifying use of proceeds and reporting are viewed favorably. Issuer-reported green or sustainable bonds without these opinions are met with additional scrutiny. We look at the following aspects of a bond for our analysis:

- **Use of proceeds:** We evaluate the use of proceeds stipulated in the bond documents. We consider the process for allocating funds alongside the permissible projects. Potential project impact is considered alongside contribution to the SDGs.
- **Allocation and tracking of bond proceeds:** Generally, we favor issuers that effectively allocate funds and have dedicated resources to monitor spending. We consider the framework for deploying proceeds and the process for evaluating acceptable projects. Placing bond proceeds in a separate account is also viewed favorably.
- **Ongoing impact reporting and disclosure:** Reporting on proceeds allocation and funded projects alongside ongoing impact data.
- **Issuer quality and commitment:** Issuers with green or social bonds who don't perform well overall in the integrated ESG analysis are not considered a "sustainable" investment. The escalating popularity of qualified bond issues has incentivized some issuers to take advantage of heightened investor demand by labeling the self-identified issue as "green" without implementing a strategic or managerial commitment. Our process seeks to delve deeper beyond the headline announcements to ascertain both intent and anticipated outcome.

Portfolio Positioning

Our process includes both a top-down macroeconomic outlook and a bottom-up investment approach, integrating a deep, credit-driven review with a relative value framework that assimilates ESG attributes aimed to reduce risk while seeking opportunities.

We begin our investment process by assessing the macroeconomic environment and how the market prices in expectations about economic growth, inflation, and interest rates. This process is applied to our global allocations in both US dollar and non-US dollar securities. We use a long-term strategic view while recognizing that we may need to make tactical adjustments regarding the outlook on interest rates and other important economic factors. The framework helps us to construct and position the portfolio.



Assessing the Macroeconomic Landscape

GDP and CPI

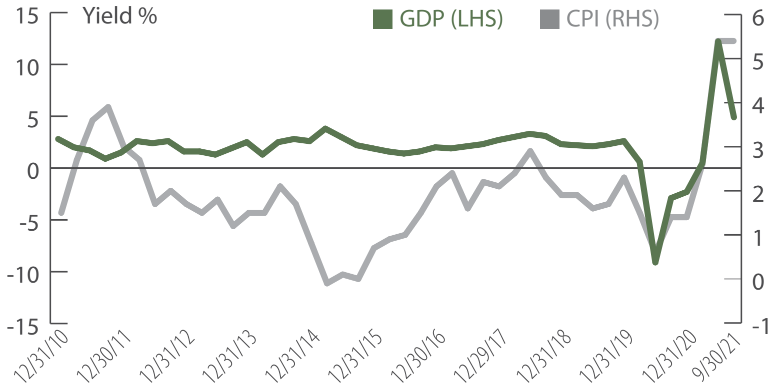
We begin by assessing inflation and economic activity, measured by the consumer price index (CPI) and GDP on a quarterly basis. Note that we will be using historical information here, as more current macroeconomic information is integrated in our proprietary approach.

At the end of the third quarter of 2021, annualized US inflation rose to 5.4% and GDP increased to 4.9%.[7] At year-end 2021, two of the world's largest central banks, the US Federal Reserve and the European Central Bank, reported a combined balance sheet with total assets of more than $19.6 trillion, reflecting a 95.8% increase since year-end 2019 when it was just $10.1 trillion.[8]

Over the last decade, global interest rates had largely fallen in response to burgeoning debt loads and fiscal deficits levels not seen since World War II, while obscuring ominous risks. The three major credit rating agencies downgraded a fifth of the countries they rate in response to the COVID-19 pandemic – more than the 16% they cut at the height of the Great Financial Crisis (GFC) of 2007-2008.[9]

US Annualized GPD & CPI

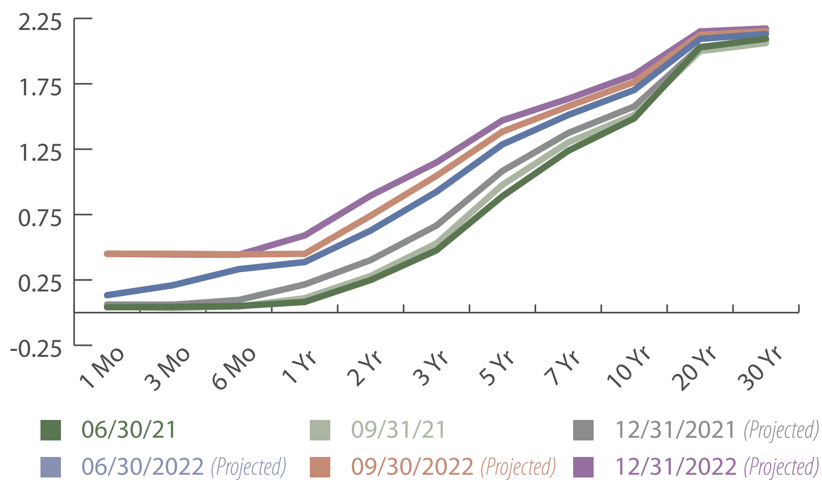
(Year-Over-Year Measured on a Quarterly Basis)



Forward Rates

We use forward interest rates to see how investors and the market incorporate macroeconomic factors. We acknowledge that the forward interest rate market uses projections of the future, which are subject to change. However, this method provides vital insight into how different market participants adjust to revised information about inflation, outlooks regarding economic activity, and market sentiment along varying parts of the yield curve. Through this process, we actively track these changes as a means of creating a long-term strategy — and tactical adjustments to reduce risks, if needed.

Historical & Forward US Treasury Curves
(as of 2Q 2021)



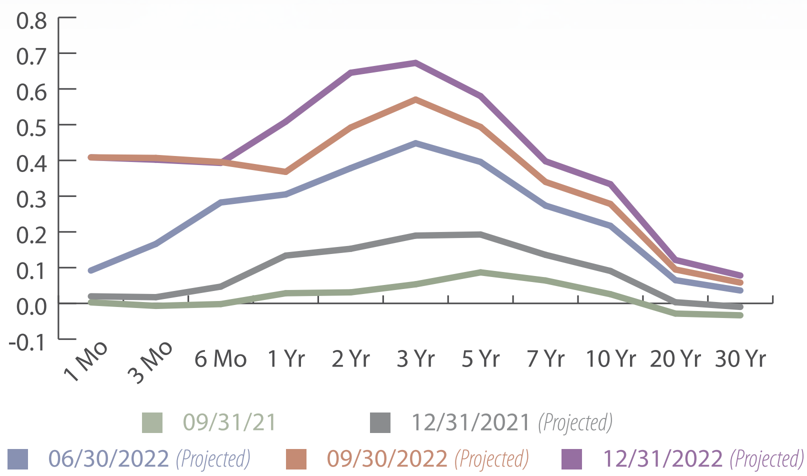
As the world started its journey toward normalcy and economic recovery in the second quarter of 2021, US interest rates experienced a shift toward a normalizing yield curve, characterized by securities with longer-term maturities commanding higher interest rates compared to shorter-term maturities. In "Historical & Forward US Treasury Curves (as of 2Q 2021)" interest rates showed this normalization during the second and third quarters of 2021. After that, forward interests for the remaining periods (the fourth quarter of 2021 through the fourth quarter of 2022) continued to project a steepening bias, characterized by rising interest rates over each time interval. One noteworthy observation is that the short end of the yield curve, for maturities of one year or less, was anticipated to increase due to the Fed making changes in monetary policy.

Curve Positioning

Using the macroeconomic outlook and forward rates, the portfolio can be positioned in the part of the curve that we believe will best provide value. Additionally, using tools such as coupon structure and portfolio duration can aid in both defensive positioning and overall total portfolio return.

A strategic investor, looking at interest rates at the end of the third quarter of 2021, would likely moderate — if not reduce — longer-duration exposures, and increase floating rate bond exposures aimed to benefit from rising short-term interest rates. Floating rate securities typically retain a shorter duration profile because they usually provide a floating rate coupon payment that resets to short duration benchmarks, such as the three-month or six-month secured overnight financing rate (SOFR). Investors benefit from higher coupon payments as short-term interest rates rise while keeping duration short.

Change in Rates from June 30, 2021



The yield curves also indicate a favorable outlook on future economic activity. Higher interest rates reflect an increase in economic activity which is generally supportive for high-yield bonds. Major credit rating agencies can confirm this with anticipated default projections. On September 15, 2021, Fitch announced its expectation that the high-yield bond default rate would fall to 1%, down from the original 2.5%-3.5% for 2022.[10]

In "Change in Rates from June 30, 2021," three- to seven-year maturities were expected to experience the greatest change, compared to other maturities. Anticipated changes in monetary policy can influence interest rates, along with inflation expectations, which suggests duration risk for intermediate-duration securities. This also suggests the need for a more defensive posture among securities with intermediate maturities.

We recognize that macroeconomic conditions and forecasted outlooks can change. The Impact Report includes an update on the strategies of specific funds, such as the Sustainable Bond Fund, informing investors what happened over the year, what went right, what didn't, and how we are strategically thinking about positioning the Fund over the upcoming year.

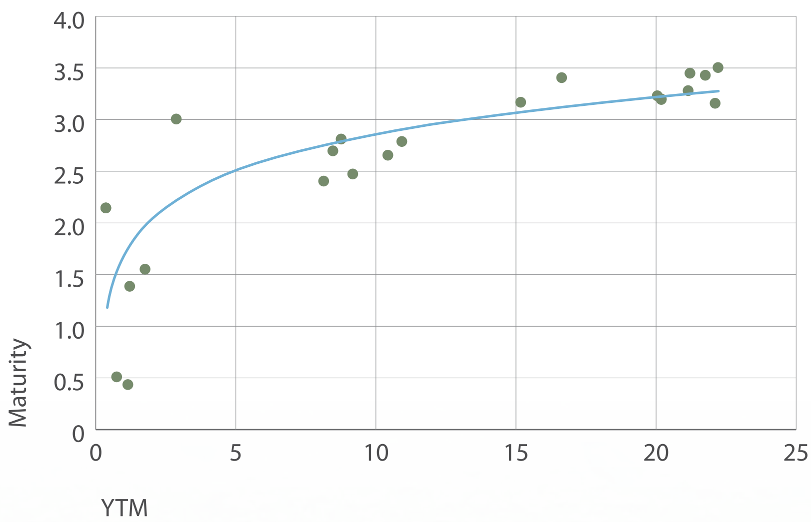
Portfolio Positioning: Relative Value

Saturna Capital has extensive experience in identifying issuers through a relative value process that selects favorable investment return opportunities compared to their respective peer groups. This process helps us achieve the objectives of capital preservation while obtaining competitive performance. The relative value process helps us identify potential investment candidates that trade cheaply based on their history. Securities can trade at wider spreads relative to their peer group due to deteriorating credit metrics or other issues that may relate to the issuer's business activities. Sometimes these pricing anomalies are due to changes in investor sentiment or rebalancing led by large institutional firms. There can be many external factors that cause a change in pricing. Our relative value framework helps us determine whether a change in pricing signals an opportunity or further potential risks. This framework is a credit-driven process that optimizes the portfolio's capital allocation among issuers that are trading at cheaper valuations.

Relative Value – Yield Curve Analysis

"Relative Value Framework of Telecoms within 'BBB' Credit Complex" depicts a proxy yield curve (PYC) for US dollar-denominated foreign telecommunication issuers with a credit rating in the "BBB +/-" complex, while using our ESG-conscious methodology to identify a relative value framework.[11] The securities positioned below the PYC may be overpriced, while the securities placed above the PYC may be trading cheaply on a historical basis. This process can be extended into other categories by credit rating, duration, industry, and so on.

Relative Value Framework of Telecoms within 'BBB' Credit Complex



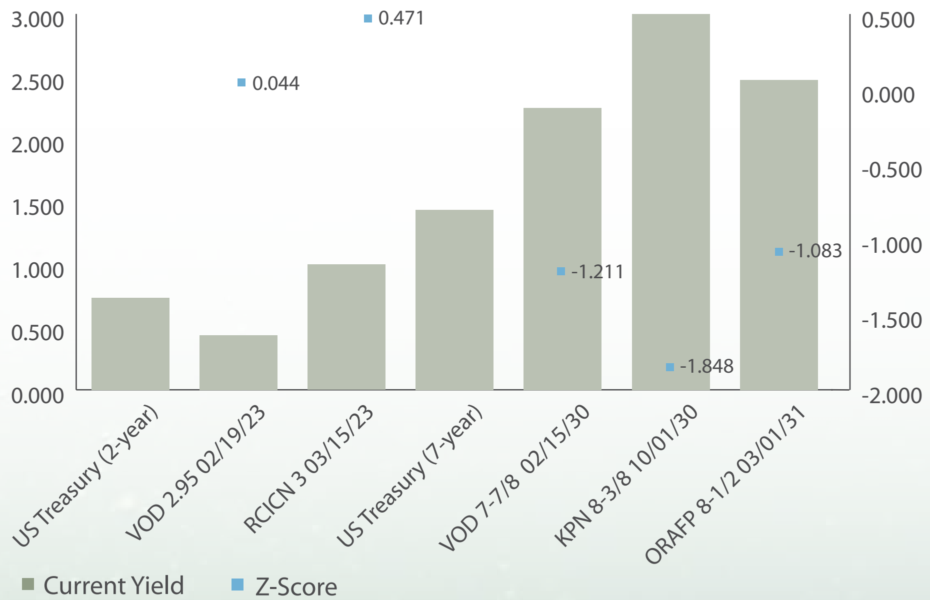
Relative Value - Individual Security Analysis

Our relative value assessment can be applied to individual securities as well. In "Quantitative Approach to Identify Relative Value Investment Opportunities," securities are compared by their historical performance to identify potential value using a Z-score. A Z-score measures the number of standard deviations between the current price and the average price of a security over the past 12 months. A positive value implies the security is cheap and a negative value implies the security is highly priced. Our example uses the trailing 12-month data for the period ended December 31, 2021. The chart shows the Z-scores of two-year and eight-year securities compared to two-year and seven-year US Treasurys. This is how our investment process can identify relative value across different issuers and maturities. According to this example, two-year securities are trading cheaply compared to the longer-duration bonds, as measured by their Z-scores.

The two-year securities have positive Z-scores, indicating a cheaper valuation, while the longer-duration bonds have negative Z-scores. This makes sense given the Fed's transition from an accommodative monetary policy to a tight monetary policy, characterized by the winding down of quantitative easing and an anticipated increase in interest rates. The Fed's actions have caused a flatter yield curve, as short-term interest rates have been rising relative to longer-duration bonds. For the two-year bonds, Canadian telecom operator Rogers Communications has a Z-score of 0.471, while Vodafone's bond has a Z-score of 0.044. For the longer-duration bonds, the French-based telecom Orange bond has a Z-score of -1.083, trading at a cheaper valuation than its peers.

Our process offers a threefold benefit for the management of the portfolio. First, it helps us identify when a desired security is overpriced or cheap based on its previous trading history. Second, the framework helps us identify new investment candidates for credit review that can be placed on our watch list for potential inclusion in the portfolio as we wait for opportunistic pricing. Third, the process helps us position the portfolio over a business cycle. Issuers in a collective industry tend to exhibit similar price behaviors; they trend from cheap to overpriced, and then trend back to cheap.

Quantitative Approach to Identify Relative Value Investment Opportunities



Z-Score: Measures the number of standard deviations a security is valued relative to its historical pricing over the past 6 months. A positive (negative) value implies the security is cheap (rich).

In addition to our top-down macroeconomic assessment and bottom-up process of determining relative value, we also stress test the portfolio. Stress testing helps us understand how the portfolio may react under hypothetical changes in interest rates or potential external shocks so that we can identify any potential weaknesses.

Currency Exposures

A potentially effective way for investors to preserve their purchasing power is to own non-US dollar-denominated securities in a diversified portfolio. This can be done through a diversified global bond fund that incorporates unhedged multi-currency allocations. In the event of rising commodity prices for items such as gasoline, or the decline of the US dollar relative to other currencies, having non-US dollar-denominated securities in a portfolio can help provide capital preservation.

We can look to history to offer a guide, if not a possible road map, of how a US dollar bear market adversely affected investors and consumers. The previous US dollar decline lasted about seven years, beginning in 2001 and ending in the summer of 2008. During that time, the relative value of the dollar decreased -39%, or -7% compounded annually. Over the same period, inflation, as measured by the CPI, averaged 3% annually, well above the Fed's target rate of 2%. Meanwhile, the prices of key household items increased; for example, a gallon of milk rose 3.8%, while gasoline rose 14.2%.

Consumer Price and Foreign Currency Movements 2001-2008

Selected Mid-Yr Dates	DXY	WTI[A]	Avg. Price of Gas (per Gallon)	Avg. Price of Milk (per Gallon)[B]	US CPI[C]	EUR vs. USD	CAD $ vs. USD	AUD $ vs. USD	NOK vs. USD
6/30/08	72.46	$140.32	$4.10	$3.77	5.00%	1.58	1.02	0.96	5.09
6/29/07	81.92	$70.60	$3.06	$3.43	2.70%	1.35	1.07	0.85	5.89
6/30/06	85.16	$73.92	$2.89	$3.00	4.30%	1.28	1.12	0.74	6.22
6/30/05	89.09	$58.75	$2.16	$3.12	2.50%	1.21	1.23	0.76	6.53
6/30/04	88.80	$37.55	$1.97	$3.57	3.30%	1.22	1.33	0.70	6.93
6/30/03	94.73	$30.19	$1.49	$2.68	2.10%	1.15	1.35	0.67	7.20
6/28/02	106.11	$25.86	$1.38	$2.77	1.10%	0.99	1.52	0.56	7.50
6/29/01	119.47	$26.48	$1.62	$2.91	3.20%	0.85	1.51	0.51	9.04
Absolute Chg (%)	-39.3%	429.9%	153.4%	29.6%		85.6%	48.2%	87.3%	77.7%
7-year CAGR	-6.9%	26.9%	14.2%	3.8%	3.0%	9.2%	5.8%	9.4%	8.6%

Sources: Bloomberg and Energy Information Administration

[A] WTI is the commodity price of a barrel of crude oil

[B] Milk, fresh, whole, fortified, per gal. (3.8 lit) in US city average price, not seasonally adjusted.

[C] CPI data includes year-over-year increases as of the stated period. 3.0% represents average inflation over identified period

EUR = euro, CAD $ = Canadian dollar, AUD $ = Australian dollar, NOK = Norwegian krone

As a result of the inflation, US consumers experienced a meaningful purchasing power decline, which accelerated toward the end of the decade as the CPI rose by an average of 3.9% during the latter three years. Unless an individual's earnings grew at least the same rate as inflation, their purchasing power declined due to the rising prices. While consumers' budgets may not have changed in nominal terms, the lower value of the dollar caused budgets to shrink in real terms.

The Great Financial Crisis (GFC) began in the first half of 2008, when financial assets and home prices experienced a pronounced decline and job losses skyrocketed. During the GFC, grocery stores and other retail industries began implementing gas surcharges and fees to offset the accompanying rapid rise in gas prices. This only further diminished the purchasing power of US consumers. The price of crude oil, expressed as Western Texas Intermediate (WTI) in the "Consumer Price and Foreign Currency Movements 2001–2008" chart, nearly doubled from June 2007 to June 2008. The entire supply chain of key household items was adversely affected by the precipitous rise in the cost of oil and falling consumer incomes. Real household median income declined by almost -10% from 2007 to 2012, and real median household net wealth fell by -40% from 2007 to 2013.[12]

Other currencies appreciated relative to the US dollar. The euro, Canadian dollar, and Australian dollar reported seven-year CAGRs of 9.2%, 5.8%, and 9.4%, respectively. In effect, the US dollar bear market reduced US consumers' ability to afford goods from those regions. While the GFC impaired developed economies around the world, foreign currency appreciation against the US dollar helped offset some of the purchasing power decline for residents of those respective countries. Global commodities are generally priced in dollars so rising gasoline and other prices for an American consumer presented less of a problem for consumers in other countries.

The important takeaways for investors:

- International non-US dollar bonds can provide diversification and return benefits for investors as part of their comprehensive asset allocation. These bonds can also help preserve investors' purchasing power during a US dollar decline and help to preserve capital in a diversified portfolio.
- US dollar-denominated global bonds offer a compelling diversification component, as measured by their high Sharpe ratio metrics and favorable returns. However, these bonds generally have higher volatility, as measured by standard deviation.

We encourage our readers to refer to two other white papers that we published on the benefits of owning globally diversified, multicurrency portfolios:

- ***Defending Against a Declining Dollar:***
  - https://www.saturna.com/insights/white-papers/defending-against-declining-dollar

- ***The Case for Global Bonds, First Edition:***
  - https://www.saturna.com/insights/white-papers/case-for-global-bonds

Footnotes

[1] *Capital Markets Fact Book, 2021. SIFMA, July 28, 2021. https://www.sifma.org/resources/research/fact-book/*

[2] *Al Gergawi, Mishaal, and Afshin Molavi. The 85 World. Emerge85, October 3, 2016. https://emerge85.io/Insights/the-85-world/*

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[4] *Sundiatu Dixon-Fyle, Vivian Hunt DBE, Kevin Dolan, and Sara Prince. "Diversity Wins: How inclusion matters." McKinsey & Co., May 2020. https://www.mckinsey.com/~/media/mckinsey/featured%20insights/diversity%20and%20inclusion/diversity%20wins%20how%20inclusion%20matters/diversity-wins-how-inclusion-matters-vf.pdf*

[5] *Thwing Eastman, M., Rallis, D., Mazzucchelli, G. "The Tipping Point: Women on Boards and Financial Performance." MSCI Research LLC, December 2016. https://www.msci.com/documents/10199/fd1f8228-cc07-4789-acee-3f9ed97ee8bb*

[6] *"Social Bond Principles: Voluntary Process Guidelines for Issuing Social Bonds." International Capital Market Association, June 2020. https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Social-Bond-PrinciplesJune-2020-090620.pdf*

[7] *Bloomberg, US Annualized GDP and CPI.*

[8] *Bloomberg, Historical and Forward US Treasury Curves.*

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About The Authors

Elizabeth Alm CFA®,

Senior Investment Analyst and Portfolio Manager, Amana Participation Fund, Idaho Tax-Exempt Fund, Saturna Sustainable Bond Fund, Sextant Bond Income Fund, and Sextant Short-Term Bond Fund

Elizabeth Alm, Senior Investment Analyst, joined Saturna Capital in April of 2018. Originally from Connecticut, she graduated from New York University with degrees in Economics and Anthropology including field work completed in Luxor, Egypt.

Prior to joining Saturna, Ms. Alm spent 11 years at Wells Fargo Asset Management as a senior research analyst focusing on high yield municipal bonds. As part of her previous role, she also worked on the management of several municipal SMA strategies. Ms. Alm is a Chartered Financial Analyst® (CFA®) charterholder.

Outside of work she enjoys mountaineering, photography, and international travel.

Patrick Drum MBA, CFA®, CFP®

Portfolio Manager, Amana Participation Fund, Saturna Sustainable Bond Fund, and Sextant Global High Income Fund

Patrick T. Drum, Senior Investment 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 (CFA) 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.

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1300 N. State Street
Bellingham, WA 98225-4730
www.saturna.com