

Investment Process

The **Saturna Sustainable Funds** seek to invest in sustainable and responsible issuers. The Funds' adviser, **Saturna Capital**, believes that companies proactively managing business risks relating to environmental, social, and governance (ESG) issues make better contributions to the global economy and are more resilient. By using a combination of negative and positive screening, along with financial analysis and an emphasis on low debt, the Funds seek issuers who outperform their peers on a variety of ESG factors.

Saturna uses negative screening to exclude companies primarily engaged in activities that the analysts believe present higher ESG risks, including issuers engaged in:

- Alcohol
- Weapons
- Pornography
- Tobacco
- Gambling
- Carbon-Based Fuels

Saturna Capital ESG Scoring

Saturna Capital's environmental, social, and governance (ESG) scores provide our assessment of how well a company performs relative to a blend of its industry, sector, and country peers in each ESG category. In order to assess the relevance of the data used to generate our scores, we carefully examine the quantity and quality of reporting for each scoring factor, including how the reporting varies, both in response rates and in the distribution of reported data, by industry, sector, country, and region.

Saturna's analysts routinely review and assess aggregated data measures to evaluate the relevance of the various data sources and factors contributing to our ESG scoring. Our analysts use the scoring system to identify potential ESG-appropriate investment candidates. Fundamental analysis is then employed to qualify those candidates.

Each ESG category is built up from related subcategories:

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

Each of these subcategories, in turn, are based on related factors collected from each company. We separately evaluate companies according to their transparency (i.e., whether they report data on a given factor) and their quality (i.e., how their reporting compares to their peers). Each factor is weighted by our assessment of its importance within its economic sector or, when appropriate, by its importance relative to its country or regional peers.

After scoring each relevant factor for each subcategory, we aggregate the subcategory scores into the relevant E, S, or G category, and score each company within its sector, normalized to a decile (1-10) scale where 1 is the best and 10 is the worst.

Finally, we apply weights to the E, S, and G category totals and again score each company within its sector to determine the overall ESG score (quintile: A, B, C, D, or F).

A portfolio manager may assign or override a score based on available information when a security issuer does not report on these factors or for other reasons, including material ESG events.

Application and Evolution

We expect our scoring methodology to evolve and improve over time for a couple of reasons. First, we note the increasing consideration companies are giving to ESG issues, and we expect companies to increase the breadth and quality of their ESG reporting. Second, we continually assess the relationship between our scoring results and companies' subsequent results along various dimensions, such as financial results, market returns, stakeholder relations, and changes in the quality of their ESG reporting. As we learn more, we will apply our insights to both our scoring process and our investment process.

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

About The Funds

Saturna Sustainable Equity Fund (SEEFX)

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



- Characteristics of financial sustainability include management strength, low debt, and strong balance sheets
- Globally diversified across industries, companies, and countries
- Targeted to investors seeking long-term capital growth
- Generally large and mid-cap, but can invest in any capitalization domestic and foreign stocks

Saturna Sustainable Bond Fund (SEBFX)

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



- Seeks issuers that show characteristics of financial sustainability, such as management strength, low debt, and strong balance sheets.
- Targeted to investors seeking capital preservation and current income
- Globally diversified across industries, companies, and countries
- Investment-grade emphasis with the ability to invest across the credit spectrum including high-yield
- Flexible selection of duration, currencies, and issuer types



About Saturna Capital

Saturna Capital, based in Bellingham, Washington State, has been dedicated to values-based investing for nearly 30 years, focusing on the importance of sustainable financial management. Founded in 1989 by professionals with extensive experience, Saturna has helped individuals and institutions build wealth, earn income, and preserve capital.

Saturna screens more than 10,000 global securities on a monthly basis and expects its proprietary scoring methodology to continue to evolve and improve over time as the quality of ESG data broadens and improves. Saturna views investing as a business partnership, and therefore seeks high-caliber performers who operate capably, with integrity, and with a view toward the long term.

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.

Not all securities held in a Fund will be graded by the ESG scoring process. The percentage of securities not graded by the ESG scoring process or that received an overridden grade will fluctuate over time and may be a significant portion of a fund. Any particular security's grade will fluctuate over time.

Distributed by Saturna Brokerage Services, a wholly-owned subsidiary of Saturna Capital Corporation, investment adviser to the Saturna Sustainable Funds.

© 2018 Saturna Capital Corporation