



Investment Counsel

This brochure provides clients and prospective clients with information about Saturna Capital and its investment advisory services, including "wrap programs," that should be considered before becoming a client of Saturna Capital. It is designed to conform to the disclosure requirements of SEC Form ADV. This information has not been approved or verified by any governmental authority.



Orcas roam the Puget Sound, with sightings not uncommon on Bellingham's shores.



Bellingham is often rated as one of the most-livable medium-sized cities.

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This brochure is intended to disclose in clear language the relevant details of Saturna Capital Corporation's investment advisory activities, as provided under the SEC's "Brochure Rule" for registered investment advisers. We suggest that you obtain similar detailed information from any investment counselor under consideration. The information in this brochure has not been approved or verified by any government agency, our independent accountants nor our outside legal counsel. Saturna Capital is a Washington State corporation, established July 25, 1989.

Our broad experience distinguishes Saturna in the investment business. Each of our employees is committed to creating and maintaining a unique firm, where client interests always come first.

Reflecting the vision of our founders, we are a premier national, independent investment firm based on six principles:

- Strong investment results
- Quality personal service
- Uncompromising loyalty to clients
- Advanced technology
- Financial strength
- Low fees and expenses

Our main office is located in Bellingham, WA, between the Pacific Northwest's major cities (Seattle and Vancouver, BC). Representatives in the Los Angeles, Chicago and New York City metropolitan areas help us service clients across the U.S.

In addition to the business of giving investment advice, Saturna Capital (1) owns Saturna Brokerage Services, Inc., a general securities broker-dealer, (2) is forming Saturna Trust Company in Reno, NV, to provide retirement plan and other trust services, (3) provides administration services, including fund accounting, to its affiliated mutual funds, (4) provides transfer agency services to its affiliated mutual funds, (5) and develops and licenses investment administration software (NEPTUNE) to unaffiliated mutual funds.

Saturna is named for one of the larger islands in northern Puget Sound's beautiful and well-known San Juan archipelago, easily visible from Bellingham. Sparsely settled, most of Saturna Island is part of Canada's new Gulf Islands National Park.

August 2008



Saturna Capital's offices on the corner of State and Holly streets, in the center of downtown Bellingham.

Saturna Capital encourages its employees to be involved in community organizations and events, and they are active in a range of civic and charitable activities. It donates generously to charity, including matching employee donations. Emphasis is placed on education, particularly programs at Western Washington University and St. Paul's Academy (Bellingham). Downtown Bellingham's historic Mt. Baker Theatre – shown here – receives assistance from donations to organizations such as the Whatcom Symphony Orchestra, Bellingham Film Festival, and music events.



OUR PHILOSOPHY

As an investment counsel firm, we tailor investment programs to our clients' personal objectives, taking into account such factors as family, age, income, risk tolerance, and taxes. We are primarily long-term investors, seeking to preserve and grow clients' capital over time. We believe that for the long-term investor equity securities are the investment of choice, but we recognize that bonds or cash equivalents may be better suited in certain circumstances. Therefore, we also offer advice on most securities commonly held in U.S. investment accounts: domestic and foreign common and preferred stocks; government, corporate and municipal bonds; mutual funds; convertible securities; warrants; exchange-traded option contracts; and partnership interests.

Our normal investment horizon is one to four years. The annual portfolio turnover in the portfolios we manage rarely exceeds 25%. We occasionally use stock and index options, but normally do not engage in short-term trading, short sales or margin transactions. We believe that clients can obtain sufficient diversification with fifteen to thirty stocks, and, as a rule, portfolios are not loaded with a large number of names.

In making investments, we are value-oriented; we are reluctant to pay a premium for a stock and endeavor to buy stocks when they are out of favor with the market. We try not to chase "fad" stocks or fashionable investment trends. We seek companies that represent high quality operations, with large free cash flows, sustainable growth rates, increasing dividends, and low price volatility. We favor companies in which management has a considerable stake, and often sell those issues and industries in which the insiders are liquidating.

Award Winning Portfolio Management



Saturna Capital and its affiliated Amana Mutual Funds have won several awards, including the 2006 and 2007 Best Fund Manager U.S. and 2005 Best Islamic Fund Manager Worldwide from Failaka Advisers, an independent Islamic mutual fund monitor. Amana Income won Failaka's 2006 Best U.S. Equity Fund, received a 2007 and 2008 Lipper Award for its 3 year performance in the U.S. Equity Income category, and received a 2008 Lipper Award for its 5 year performance in the Equity Income category.

Additionally, Saturna Capital won four 2008 Star Awards for excellence in investor education and shareholder communications from the Mutual Fund Education Alliance.

We specialize in the needs of Islamic investors; our first and largest client is the Amana Mutual Funds Trust. We advocate ethical investing, believing that companies with effective corporate responsibility policies are better positioned to avoid crises that could lead to reputation damage, higher costs, lost production, and fraudulent operations. We favor companies with stable earnings and strong balance sheets free of excessive debt.

Because we are moderately risk-averse, our performance may trail the averages in rising markets, as we seek to minimize losses during falling markets. When possible, we try to capitalize on the advantages of our location and heritage. We place substantial emphasis on non-U.S. equity investments.

We believe the largest stocks are so widely researched and traded, they rarely present opportunities for uncovering hidden value. We believe that values more often may be found among the smaller second and third tier companies. Analytical responsibility is divided among our investment staff by sectors and industries. Portfolio managers select issues from our "recommended list" which we limit to approximately 225 equities.

In fixed-income accounts, we try to reduce risk by focusing on quality and income. When a client's objective is income, we generally use higher quality short- to medium-term bonds, either taxable or tax-exempt, and high-yield equities.

Saturna gathers investment information from many sources, with the Internet and Bloomberg being the most used. We maintain our own research files on hundreds of actively followed companies and mutual funds. Our analysts regularly read numerous financial and market publications, and also review securities and markets with independent analytical services. In contrast to some advisory firms, we do not use clients' brokerage commissions to pay for research or other services, a practice known by the euphemism "soft dollars."



Lipper, Inc., is a widely recognized data and research provider that ranks the performance of mutual funds within a universe of funds that have similar investment objectives. Chosen from among 180 funds for the period ended 12/31/2006 and 198 funds for the period ended 12/31/2007, the Amana Income Fund was rated the Best Fund over 3 Years for demonstrating consistently strong risk-adjusted returns compared with peers. Additionally, it was chosen best among 135 funds for the period ended 12/31/2007 for its performance over 5 years.

The Failaka criteria for "Best Islamic Fund Manager Worldwide" are as follows. The fund company must have: been duly nominated by fully and accurately completing the required nomination form; been established for over 5 years as a Sharia compliant fund manager; provided a consistent and long-term return relative to prevailing market conditions; managed more than one Sharia compliant fund; surpassed the benchmark for its equity fund(s) in the year for which the award is given.

Additionally for the "Best U.S. Equity Fund" award, the fund company must have had the highest return for the past year. The fund's 3 year track record is also taken into consideration when judging overall performance versus the fund's target benchmark.

The "Best Fund Manager - U.S." award is given to the manager based in the U.S. with the most consistent performance in any geographic market across all Sharia compliant fund categories. The manager must have at least a 3-year history in managing such funds.

The Amana Funds limit the stocks they purchase to those consistent with Islamic principles which limits opportunities and may increase risk. Please consider an investment's objectives, risks, charges and expenses carefully before investing. To obtain a free prospectus that contains this and other important information about the Amana Funds call toll-free 800-SATURNA or visit www.saturna.com. Please read the prospectus carefully before investing.

KEY PEOPLE

Investment counsel is a "people" business. At Saturna we take pride in our staff. Portfolio managers must have a relevant 4-year college degree, at least ten years experience in the financial service industry, and at least 2 years in the securities business. All employees are appropriately registered and licensed, 2 or 4 year college graduates, receive continuing education, and meet other rigorous requirements. The background of our key staff is highlighted here.



Nicholas Kaiser[†], Director and President, was born in Bellingham in 1946. Mr. Kaiser graduated from Yale College, with a degree in economics and obtained his MBA from the University of Chicago in 1968, with dual majors in International Economics and Finance. Mr. Kaiser purchased control of Unified Management Corporation (Indianapolis) in 1976, and built it into a mid-sized investment management and brokerage firm. After selling Unified to a major insurance company, he returned to Bellingham and founded Saturna Capital in 1989.

Mr. Kaiser and his children control Saturna Capital through its voting stock. A Chartered Financial Analyst, he is Saturna's chief investment officer. He serves Saturna's mutual funds as trustee, president and equity portfolio manager.

Mr. Kaiser's industry activities include service with the Investment Company Institute (past Governor), CFA Institute (past chapter president), Financial Planning Association (past chapter president), and No-Load Mutual Fund Association (past national president). He currently serves on the volunteer boards of St. Paul's Academy, Mt. Baker Council of the Boy Scouts of America, the Mt. Baker Foundation, and Shawnigan Lake School. He supports a range of non-profit activities, such as the Kaiser Professorship in International Business at Western Washington University. He enjoys sailing, skiing, architecture, programming, politics and history.



Phelps McIlvaine[†], Director and Vice President, joined Saturna Capital in 1993. He serves Saturna as a research analyst and Portfolio Manager for Idaho Tax-Exempt Fund, Sextant Short-Term Bond Fund and Sextant Bond Income Fund. He also acts as Chief Financial Officer for Saturna's wholly-owned brokerage subsidiary. Mr. McIlvaine was born in Illinois in 1953, and has a BA in economics (University of Denver, 1975 Phi Beta Kappa). Mr. McIlvaine entered the investment business in

1976 and traded US bond and derivative markets from 1977 to 1986 for commercial banks in Boston and Chicago. From 1987 to 1993 he managed fixed income derivative hedge funds in Chicago and London. He serves on the Endowment Committees of the Nooksack Salmon Enhancement Association, The Bellingham Interfaith Coalition, and the First Congregational Church of Bellingham.



Meredith Ross, Director and Treasurer, was Saturna Capital's first employee in 1989. She is also a Director of Saturna's discount brokerage subsidiary. She serves investors for Saturna, directing account relationships. Originally from eastern Oregon, Mrs. Ross graduated from Oregon State University in education then earned her MBA from the University of Utah in 1980. Her work experience includes banking, trust operations, insurance, and brokerage operations. Active in

boating, Meredith serves on the boards of the Bellingham Yacht Club and the Bellingham Sister Cities Association.

Jane Carten, Director and Executive Vice President, joined Saturna Capital in June 1997. Mrs. Carten oversees much of Saturna's daily operations and directs Saturna's internal and external information systems, managing the technology and marketing activities. She also directs our continuing education program. She earned an MBA with dual majors in Computer Science and Business from Western Washington University. Creative and energetic, Jane enjoys her new son, snow-boarding, and wildlife, as well as cooking, and boating in Bellingham's nearby islands.



Monem Salam†, Director and Vice President of Islamic Investing and Amana's deputy portfolio manager, was born in Pakistan in 1972. Raised in Texas, Mr. Salam received his degrees from the University of Texas: BA (Austin) and MBA (Dallas). He worked as Chief Investment Officer for ITG & Associates (Dallas) until 1999, then as a representative with Morgan Stanley (suburban Dallas) until joining Saturna Capital in June 2003. Monem manages many of Saturna's Islamic private accounts. Mr. Salam is active with the Muslim community in North America and chairman of Peaceful Communications, a non-profit supporting documentaries about Muslims in America. Mr. Salam speaks at Islamic finance/investment conferences worldwide, and in U.S. Islamic communities about spirituality, Sharia, and Islamic investing. He is a licensed private pilot, an achievement that is the subject of a PBS documentary.



Chris Fankhauser, Director and Chief Operations Officer, is a 1995 graduate in Political Science from Western Washington University. His adaptability and problem solving skills were developed in travel industry jobs before joining Saturna Capital in December 1996. Starting as a part-time systems operator, Mr. Fankhauser is now responsible for the daily operation of investor and brokerage services as well as fund accounting. His favorite leisure activities are running, skiing, cooking and reading.



Jim Gibson, Chief Financial Officer, is a Certified Public Accountant who joined Saturna in April 2007. Mr. Gibson graduated from Loyola Marymount University with a Bachelor's Degree in Accounting, *magna cum laude*. Born in California in 1959, he moved to Washington in 1995. Mr. Gibson began his career in public accounting at Arthur Andersen, then spent several years in a regional public accounting firm. He has experience as controller, Chief Operating Officer and Chief Financial Officer at several multi-national companies. He serves on the boards of several non-profits, including Current Industries, a provider of innovative employment opportunities to people with disabilities. Leisure activities include boating, fishing and attending his children's events.



KEY PEOPLE

Saturna's employees are dedicated to helping clients achieve the goals they seek. We welcome your questions and endeavor to answer them in a timely, relevant and courteous manner.



M. Mushtaq Hussain, Investment Manager, joined Saturna Capital in July 2007. Born in Hyderabad, India, in 1941, Mr. Hussain earned a BS in Accounting at Osmania University of Hyderabad and then worked as Treasurer in the Government Treasuries Department of Hyderabad. Moving to the US in 1969, Mr. Hussain worked with Allstate Insurance Company in Accounting Management and Metlife as a Financial Service Representative. He participates in Chicago community activities, serving as a board member at the College Preparatory School and various Islamic societies.



Owaiz M. Dadabhoy, Investment Manager, California, joined Saturna Capital in August of 2008. Raised in Southern California, he earned a BA in Business Administration with from California State University at Fullerton. Mr. Dadabhoy spent over 15 years at Wells Fargo and was most recently a District Manager. Prior to that, he was Senior Sales Director for Wells Fargo's Wealth Management group in Los Angeles where he managed six Sales Directors and led a team of over 200 licensed bankers. Mr. Dadabhoy is active with charitable and community activities, co-founding the UPLIFT Charitable Corporation in 2006. He is married with two children and enjoys spending time with his family in various outdoor activities.



Brett Bonner, Institutional Sales Director, joined Saturna Capital in May, 2008. Brett is responsible for marketing Saturna's mutual funds and investment services to third-party advisers and consultants, meeting personally at investment offices and conferences nationwide, as well as developing Saturna's relationships with industry peers. Brett was born in California in 1964 and joined Saturna following a lengthy and successful news/talk radio career, in which he won three Edward R. Murrow awards and five consecutive Associated Press awards for best newscast. Brett is the married father of two and is active in local politics and charities. He enjoys woodworking and fishing.



Jim Winship, General Counsel, Chief Compliance Officer (Adviser and Funds), has more than 30 years experience in the securities and financial businesses, with almost 20 years dedicated to the mutual fund and advisory business. A 1970 Northwestern University graduate, Mr. Winship earned a JD, *cum laude*, from Northwestern University Law School in 1973 and an MBA from the University of Chicago in 1976. From 2000 through 2003, he served as Adjunct Professor to the University of Washington School of Business. Since 2004, Mr. Winship has served as Chief Compliance Officer for Saturna Capital and its affiliated mutual funds, and most recently as General Counsel.

Peter Nielsen[†], Economist, joined Saturna Capital in June 2007. He is the portfolio manager for Sextant Core Fund. Born in 1964 in British Columbia, he graduated from Trinity Western University with a degree in Business Administration and earned an MBA from Simon Fraser University. A Chartered Financial Analyst, Mr. Nielsen worked for BC Investment Management Corporation and Aquilini Investments before coming to Bellingham. He enjoys bicycling, tennis, hiking and his family.



Bryce Fegley[†], Investment Analyst, joined Saturna Capital in June 2001. Born in 1974 in upstate New York, he studied at the University of Colorado at Boulder earning his BA in English Literature. Mr. Fegley moved to Seattle in 1997 and worked in a variety of brokerage firm positions before moving to Bellingham in 2000. His hobbies include backpacking and international travel, bike racing, cooking and playing the piano.



Chris Lang, Manager of Brokerage Operations, joined Saturna Capital in February 2005. Mr. Lang graduated from Western Washington University in August of 2004 with a BA in Business Administration - Finance. Before joining Saturna, he worked in supply chain management. Mr. Lang enjoys golfing, fly-fishing and skiing.



Tyson Romanick, Fund Accounting Supervisor, joined Saturna Capital in April 2005. Raised in Snohomish WA, he earned the Boy Scout rank of Eagle Scout at the age of 16. Mr. Romanick graduated from Western Washington University in 2005 with a BA in Business Administration. During college he also earned his commercial pilots license. He enjoys fishing, flying, camping and the guitar.



Lisa Ray, Investor Services Representative and Retirement Plan Specialist, joined Saturna Capital in December 2005. Ms. Ray earned a BA in Economics and a BS in Mass Communication from Miami University in 1997. Prior to joining Saturna, she served as an education policy analyst. In her spare time, she enjoys volunteering, hiking, reading and cooking.



Matt Ward, Investor Services Representative for Institutional Relationships and Retirement Plan Specialist, joined Saturna Capital in April 2002. Mr. Ward graduated from Western Washington University where he studied Business Administration with a concentration in Finance. He is an avid golfer and enjoys sailing, hiking and cooking.



[†] Member of the Investment Committee, which determines general investment advice given to clients.

ACCOUNT RELATIONSHIPS

Saturna Capital advises a variety of accounts divided between Investment Management Accounts for individuals, families, trusts, estates, corporations, retirement plans and Pooled Investment Funds (mutual funds and private partnerships). Each Investment Management Account is assigned a primary account manager, responsible for the client's portfolio. Client reviews include assets, income, tax situation, family needs, estate planning, and risk preferences.

When advising families, we regularly advise on many aspects of the family's financial planning because the assets often include retirement plans, trusts, real estate, and business interests, all of which are involved in preparing an appropriate investment plan.

The result of our analysis is a written statement of investment objectives that becomes part of the client's advisory contract. All accounts are reviewed on a continuing basis. Financial review meetings are held as desired by clients.

We believe that the appropriate method of measuring performance is to measure the return relative to the level of risk assumed in producing that return. Simply measuring a raw return can produce a false or incomplete picture. A record of high returns in some markets with steep declines in others may be more indicative of a willingness to take risk than of superior investment skills. Therefore, we believe the appropriate method is to determine any additional return over that which might have been expected for a given amount of risk assumed.

To illustrate investment results, Saturna's mutual fund results are publicly available. When making comparisons to other investments, remember that mutual fund performance results are always what the investor receives, after deduction of management fees and all expenses. Results can also reflect certain income tax assumptions.

Saturna manages accounts under three basic fee structures: fee based solely on assets, fee based both on assets and performance, and fee based solely on performance. The fee rates vary as well. Generally, you will qualify for only one structure, which may not be the most advantageous in all circumstances.

As of June 2008, Saturna had sixty-nine discretionary client accounts, including eight mutual funds. Total fee-paying assets were \$1.368 billion.



Investment Management Accounts

All Investment Management Account clients complete the Saturna Capital Investment Management Agreement, which details the terms of our relationship.

The annual advisory fee for private Investment Management Accounts is \$2,500, plus 0.5% of the first \$5 million and 0.4% on amounts over \$5 million; with a minimum quarterly fee of \$1,250 (minimum \$5,000 annually). Accounts with less than \$1 million are limited to holding only equities and mutual funds. We believe this fee structure is most competitive, and is not negotiable. Extra fees or other arrangements may be mutually agreed depending upon the complexity of the services rendered. The following table illustrates the effective rate for accounts of varying value.

Account Value	Annual Rate
\$500,000	1.00%
\$1,000,000	0.75%
\$2,500,000	0.60%
\$10,000,000	0.475%

There are no brokerage commissions when securities are traded through Saturna Brokerage Services. The single asset-based fee is for investment management, trading, and custody ("wrap fee"). Further, the investment management fee is reduced for (1) multiple accounts, and (2) exclusion of assets on which Saturna is paid a fee; for example, by a fund, distributor, or broker. The Advisory Agreement authorizes your custodian to pay fees for Saturna's services from the custodian account(s) when such fees are invoiced by Saturna.

Fees are computed after the end of each quarter, based on the account's value at the end of the quarter. There is no fee for the initial (partial) quarter. Contracts may be canceled by either party at any time without penalty.

Fees may be changed by Saturna Capital only after 60 days written notice.

Saturna does not compensate for client referrals nor does it receive cash or other economic benefit from a non-client in connection with giving advice to clients. Investment Management Accounts may involve certain conflicts of interest, described further on page 15.



Pooled Investment Funds

Saturna sponsors eight no-load mutual funds for which it provides both management and administration. Saturna also distributes Fidelity money market funds through Saturna Brokerage Services.

Saturna's affiliated mutual funds are in two trusts: Amana Mutual Funds Trust and Saturna Investment Trust. The trustees of these funds review all contracts with Saturna Capital annually, and must vote for the contracts to be renewed. The contracts may be canceled by either party without penalty. Amana has two portfolios: Income Fund and Growth Fund. Saturna Investment Trust has six portfolios: Sextant Growth Fund, Sextant International Fund, Sextant Core Fund, Sextant Bond Income Fund, Sextant Short-Term Bond Fund, and Idaho Tax-Exempt Fund. Saturna Capital is the transfer agent for these eight funds, for which it may charge an additional fee.

Saturna Brokerage Services is the primary broker for securities trades of these funds, but without the customary brokerage commissions. Saturna Brokerage Services distributes these funds, for which it is paid a 12b-1 fee of up to 0.25% annually.

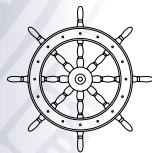


Amana Income Fund and **Amana Growth Fund** are appropriate for investors, primarily Muslims, interested in avoiding investment in companies engaged in activities such as banking, pornography, gambling, and alcohol. The Income Fund follows an equity-income investment strategy while the Growth Fund invests for long-term capital growth. The minimum to open an Amana Mutual Fund account is \$250 (\$100 for retirement accounts).

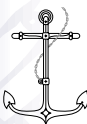
Each Amana fund pays an annual advisory and administration fee of 0.95% on the first \$500 million of average daily net assets in a fund, 0.85% on the next \$500 million, and 0.75% on assets over \$1 billion.



Sextant Growth Fund and **Sextant International Fund** seek long-term capital appreciation by investing primarily in common stocks. The Sextant Growth Fund invests in U.S. common stocks, while the Sextant International invests in a portfolio of carefully chosen foreign equities and ADRs. The International Fund reflects our belief that investors should utilize the large number of investment opportunities beyond our shores. Although income is a factor in choosing investments for these Funds, they are not designed for investors seeking income.



Sextant Core Fund seeks long-term capital appreciation and capital preservation by investing in a mix of common stocks and other equity securities, plus bonds and other debt securities. The Core Fund follows a value investment style, favoring income-producing securities and those of larger, more seasoned companies.



Sextant Short-Term Bond Fund and **Sextant Bond Income Fund** both seek a high level of current income. The Short-Term Bond Fund also attempts to preserve capital and invests only in short-term debt securities. The Bond Income Fund focuses on longer-term debt securities, which have the potential for greater income but the risk of greater price fluctuation.

The Sextant funds of the Saturna Investment Trust pay a base advisory fee of 0.60%, which is increased or decreased by up to 0.30% depending on the last 12 months performance relative to the fund's Morningstar™ category average.



Idaho Tax-Exempt Fund seeks income exempt from both federal and Idaho state income tax. Because of its emphasis on quality and tax-exempt yield, this portfolio may also be appropriate for investors residing elsewhere as well. The Idaho Tax-Exempt Fund of the Saturna Investment Trust pays an annual advisory fee of 0.50%.

The minimum to open a Saturna Investment Trust Mutual Fund account (the Sextant Funds and Idaho Tax-Exempt Fund) is \$1,000 (\$100 for retirement accounts).

Performance fee accounts

When requested by qualified clients, we may be compensated on the basis of a share of capital gains or capital appreciation.

Saturna Capital manages two portfolios of a private pooled investment firm (Sterling Stock Investments, LLC) with Islamic investment objectives and a performance fee. Following Islamic principles, there is no base fee for this account, but the general partner receives 20% of the gain (from the highest year-end net asset value) each year. The general partner is an unaffiliated firm that retains Saturna as the investment adviser to the two portfolios, and pays Saturna half of the 20% performance fee (see "Potential Conflicts of Interest" on page 15). The general partner may terminate Saturna as investment adviser at any time without penalty. This account has a minimum investment of \$50,000 and minimum net worth requirements.

Please consider an investment's objectives, risks, charges and expenses carefully before investing in a pooled investment fund. To obtain a free prospectus that contains this and other important information about Saturna's no-load mutual funds, please call toll-free 800-SATURNA or visit www.saturna.com. Please read the prospectus carefully.

Fund distributor: Saturna Brokerage Services, member FINRA / SIPC and a wholly-owned subsidiary of Saturna Capital Corporation.



Portfolio Management

Each managed account is assigned a primary portfolio manager, who is responsible for continuous supervision of his accounts. In the absence of a portfolio manager, another manager supervises his accounts and can take any actions deemed appropriate. The portfolio managers (primary reviewers) and number of accounts assigned are Nicholas Kaiser (30), Phelps McIlvaine (5), Peter Nielsen (1) and Monem Salam (33). The other members of the Investment Committee (Bryce Fegley and Chris Lang) are also constantly monitoring Saturna's "recommended list" of securities, from which the portfolio managers normally select investments. In addition, approximately twenty other Saturna employees (primarily those working as fund accountants, customer representatives, and in operational positions) monitor client securities and portfolios.

Securities may be bought or sold in any managed account at any time. Accounts have different objectives, and securities that are traded in one account may or may not be traded in other accounts. Tax reasons, for example, may cause a security to be traded (or not) in a specific account. If a security is dropped from the "recommended list" it is normally sold from all accounts holding it at that time. Many factors are evaluated in making a security trade, but the primary trigger is earnings (actual and projected). News reports are followed closely on "recommended list" securities, and evaluations by our analytical team (including what is NOT said) may trigger purchases or sales. Securities may be purchased or sold based upon our outlook for the market as a whole, or the industry or sector of the company. There are no limitations on the amount of securities that can be bought or sold for clients, other than may be given in instructions from the client and the objectives of the client's account.

The portfolio manager meets with his accounts as requested by the client. Confirmations of security trades are mailed or emailed at the time of transaction. Monthly statements are prepared by Saturna for each account and reviewed by the staff and/or portfolio managers before mailing. These statements give the client an opportunity to monitor his results each month as well. In addition, clients may access their portfolios and values on the Internet through services offered by Saturna Brokerage Services and its clearing broker. Mr. Kaiser formally reviews each managed account after the end of each quarter as part of the quarterly bill preparation process.

Saturna's portfolio managers follow the firm's general guidelines consistent with value investing. Portfolios are commonly in equity securities including foreign equities, debt of domestic issuers, and money market funds. Investment decisions may be made in accordance with specific account guidelines, such as Islamic principles. Portfolios are normally diversified across industries, although private accounts often are more concentrated due to individual client situations.

Portfolio Trading

The placing of purchase and sale orders as well as the negotiation of commissions is performed by the Adviser (Saturna Capital). Although it is permitted to do so, the Adviser does not allocate brokerage to any broker in return for research or services.

The primary consideration in effecting securities transactions is to obtain the best price and execution which in the judgment of the Adviser is attainable at the time and which would bring the best net overall economic result to a client. Factors taken into account in the selection of brokers include

the price of the security, commissions paid on the transaction, the efficiency and cooperation with which the transaction is effected, the expediency of making settlement and the financial strength and stability of the broker. The Adviser may negotiate commissions at a rate in excess of the amount another broker would have charged if it determines in good faith that the overall net economic result is favorable to the client, and is not required to execute trades in "over-the-counter" securities with primary market-makers if similar terms are available elsewhere. The Adviser evaluates whether brokerage commissions are reasonable based upon available information about the general level of commissions paid by similar clients for comparable services.

When consistent with best execution, brokerage is primarily directed to Saturna Brokerage Service, Inc., a wholly owned subsidiary of the Adviser, which engages in a discount brokerage business. Saturna Brokerage Services has agreed to execute transactions for Saturna's managed accounts without any commissions through at least December 2008.

Saturna conducts a "best execution" review of brokerage practices annually, with a report available to all clients requesting a copy and on the Internet at www.saturna.com.

Recordkeeping

We believe that comprehensive account information is key to quality service. We continue to develop our own computerized investment administration system, NEPTUNE®. In addition to Saturna's use, this software is licensed to unaffiliated mutual fund sponsors.

Investment management clients may elect to go paperless. In an effort to reduce cost and waste, we offer the option of receiving your performance reporting electronically. Certain regulatory and brokerage correspondence will continue to be sent on paper.

Saturna Capital's investment management clients receive integrated GALAXY month-end statements, reporting their account valuations. Each position is reported with such additional information as the current yield and annual average return. We also act as trustee and administrator for IRA plans. We also provide certain recordkeeping services for 401k plans.

Potential Conflicts of Interest

Saturna manages accounts under three basic fee structures: fee based solely on assets, fee based both on assets and performance, and fee based solely on performance. The fee rates vary as well. Generally, you will qualify for only one structure, which may not be the most advantageous in all circumstances.

To avoid any single managed account gaining a trading advantage, portfolio transactions are done as a "bunched" order, then allocated *pro rata* to managed accounts as may be appropriate to their objectives and client instructions. Because accounts managed by Saturna may have similar objectives (long-term growth through equities, for example) but different advisory fee arrangements, a conflict of interest could develop if trade were allocated based on their fee arrangement. Saturna's management of accounts with performance fees while at the same time managing accounts (perhaps with similar objectives) without performance fees may constitute a conflict of interest in that a performance fee might provide incentive to Saturna to favor that account to the disadvantage of other non-performance fee accounts. However, Saturna's policies, such as bunching client trades and certain practical considerations mitigate the possible conflict. In Saturna's opinion no such conflict exists in



actual practice.

Including brokerage in the fee structure ("wrap fee") may not always be in your best interests, as you might pay less if Saturna lowered its advisory fee and charged commissions on trades. You have the option of using other advisers and brokers at anytime. You may be able to purchase these services separately elsewhere and obtain a lower cost than in a Saturna account the fee for which includes these services.

Saturna's Code of Ethics governs trading by all employees to avoid conflicts of interest.

Portfolio Manager Compensation

All Saturna Capital employees, including Nicholas Kaiser and other portfolio managers, are paid an annual salary, as set by the board of Saturna Capital. The board also pays annual bonuses to employees, that are dependent on the profits of Saturna Capital and not the results of any specific managed account or specific business of Saturna Capital. All employees are eligible for a 401k retirement plan, health and other benefits, and a stock option plan. Stock options are annually awarded on the basis of years of service, and not individual performance.

To align the mutual fund managers' interests with shareowners, mutual fund portfolio managers, such as Mr. Kaiser, are also paid a monthly bonus when a fund achieves an overall rating of 4 or 5 stars from Morningstar™. The bonus is 1% of the adviser's net monthly fee for a 4-star rating, and 2% of the monthly fee for a 5-star rating. Morningstar™ ratings are determined within categories, and primarily reflect total returns for the last 3, 5 and 10 years. The adviser's net monthly fee from Amana's funds is solely dependent on Fund assets, but the net monthly fee from the Sextant funds is partly based on Sextant fund performance results. The Sextant equity funds which Mr. Kaiser and Mr. Nielsen manage pay a base fee of 0.60% of average daily net assets, adjusted up or down by up to 0.30% depending upon a fund's performance over the previous 12 months compared to the average fund in its Morningstar™ category. The Sextant bond funds which Mr. McIlvaine manages pay a base fee of 0.60% of average daily net assets, adjusted up or down by up to 0.20% depending upon a fund's performance over the previous 12 months compared to the average fund in its Morningstar™ category.

Since all fund assets vary over time with performance, as investors favor mutual funds with superior investment records, the portfolio manager's bonus is a function of both performance and assets.

The two private pooled investment portfolios managed by Mr. Kaiser pay Saturna Capital as adviser a performance fee of 10% of the year's increase achieved from the previous highest year-end net asset value. There is no base fee, and no performance fee in years when the net asset value is below the highest previous value. As portfolio manager, Mr. Kaiser normally receives a significant portion of any fee earned as a bonus.

Saturna Capital has a 401k retirement plan for all its employees. It contributes to participant accounts on a matching basis to encourage voluntary salary deductions by employees, and may contribute a portion of its annual profits.

Financial Strength

Saturna Capital derives its income from four business activities:

- Investment management and distribution fees from private accounts and affiliated mutual funds (74%);
- Administration fees from servicing affiliates (24%);
- Brokerage services through its subsidiary, Saturna Brokerage Services (1%);
- Miscellaneous (1%).

For the fiscal year ended June 30, 2008, Saturna Capital operated profitably with revenues of \$13,708,404. At June 30, 2008, Saturna had shareholder equity of \$5,222,797. Included is Saturna Brokerage Services' shareholder equity (\$310,053 at June 30, 2008), well in excess of regulatory requirements.

Saturna Capital Corporation's and Saturna Brokerage Services' June 30, 2008 annual reports, with audited financial statements, are available free upon request.

Compliance

Saturna Capital's business operations are subject to rules and regulations for investment advisers, mutual funds, transfer agents, and broker-dealers. We devote substantial resources to meeting these requirements, which can be summarized as (1) always putting client interests first and (2) making full disclosure of practices and any potential conflicts.

Mr. James Winship serves Saturna Capital as General Counsel and Chief Compliance Officer, Adviser and Funds. He has more than 30 years experience in the securities and financial businesses, with almost 20 years dedicated to the mutual fund and advisory businesses. He is assisted by Mr. G. Scott Stroh, an attorney and Compliance Officer for Saturna Brokerage. Mr. Kaiser serves as the Chief Compliance Officer for Saturna Brokerage Services.

Code of Ethics

All Saturna employees are subject to a strict Code of Ethics, common to Saturna Capital, Saturna Brokerage Services, and the affiliated mutual funds. Transactions for clients have priority over employee transactions and personal transactions cannot operate adversely to clients' interests. Pre-clearance of employee trading in securities may be required to give clients adequate opportunity to act on recommendations before employees may act. Saturna Capital Corporation, as well as its employees and affiliates, are encouraged to invest in the Saturna mutual funds. Mr. Kaiser maintains substantial positions in the Saturna mutual funds, and does not trade securities for his own account.

A copy of the Code of Ethics is available to any client or prospective client free upon request, and on the Saturna website (www.saturna.com). All transactions by Saturna employees are reported under the Code of Ethics and monitored by its Chief Compliance Officer. Violations of the Code of Ethics may result in censure, fines and/or dismissal of any employee.





Investment management includes the obligation to seek optimum account service and low expenses. We can work with any brokerage firm and/or custodian agent the client selects. However, unless directed otherwise, we select our discount brokerage subsidiary, Saturna Brokerage Services ("SBS") for trades and portfolio custody, seeking the greatest value for clients. Selecting SBS for trades means no commissions, quick and reliable trade executions, related services such as custody and automatic cash sweeps, and our entire staff's expertise. Saturna Capital shares offices and staff with Saturna Brokerage.

Established in 1986, SBS serves knowledgeable individual investors as well as professionally managed trading accounts. We act solely as a brokerage agent and fully disclose all compensation. Neither SBS nor Saturna Capital deals for its own account, hoping to buy securities at one price to resell them to our customers at a higher price.

Retirement plans, internet account access and automatic sweep of cash balances to money market funds are available.

NFS, as clearing agent, also provides free security custody services. Securities held at NFS are protected by SIPC, plus an excess SIPC policy paid for by NFS. Saturna Brokerage Services is a member of the Financial Industry Regulatory Authority (FINRA) (CRD #18437; SEC File Number 8-36588), the Securities Investor Protection Corporation (SIPC), and the Securities Industry and Financial Markets Association (SIFMA).

All Saturna employees are bonded and are salaried, receiving no commissions or other incentives based on brokerage account activity.

Saturna Capital receives investment adviser, administration, and shareowner servicing revenues from its affiliated mutual funds (Amana Mutual Funds Trust and Saturna Investment Trust) in which clients may invest. Saturna Brokerage Services receives distribution fees from both affiliated and unaffiliated (e.g., money market and other funds offered through its clearing broker), as well as a portion of brokerage commissions that someday may be paid by Saturna Capital advisory clients.

Cash balances in managed brokerage accounts held by National Financial Services (NFS, clearing broker for SBS) are invested in Daily Money class shares of the available Fidelity money market funds. Daily Money class shares pay a 0.25% annual 12b-1 fee to distributing brokerage firms, such as NFS. Depending on total balances of all SBS accounts invested in Daily Money shares, SBS is forwarded all or part of the 12b-1 fee paid NFS (Saturna currently receives 0.15%) according to the following schedule:

Average Daily Money Class share balances	Annual Rate
< \$1 Million	0.00%
\$1 Million to \$5 Million	0.10%
\$5 Million to \$50 Million	0.15%
\$50 Million to \$100 Million	0.20%
> \$100 Million	0.25%

Should Saturna use other funds without 12b-1 payments that it receives, Saturna's clients' returns from those funds would be higher, because the 12b-1 payments come from assets of shareholders, such as the clients invested in the funds, which presents a potential conflict of interest. However, because Saturna does not charge management fees on clients' assets held in these funds, a client's only cost for Saturna's services related to assets held in the funds is the 12b-1 fee paid to Saturna. If this arrangement were not in place, Saturna would charge its regular management fee on these assets, which would cost clients more because the management fee is higher than the 12b-1 fee.

Several money market funds are available, with differing yields and expenses, varying investor services, specialized uses (institutions, single-state municipals), and different performance histories. Fidelity has money market funds that do not pay 12b-1 fees, but these funds have restrictions, such as minimum account sizes, that make them unsuitable for brokerage sweeps. We evaluate the factors we consider relevant before recommending a fund as advisable to your needs. Funds paying 12b-1 fees to Saturna are excluded from managed assets when computing advisory fees.

To avoid any "double-dipping," Saturna Capital excludes client assets invested in such mutual funds from the amount on which its advisory fees are computed. This can substantially reduce the net fee an advisory client pays because the distribution or other fee may be considerably less than the fee charged if this waiver was not in place. For example, the fee rate charged on Investment Management Accounts is 0.50% of assets annually. From time to time, as much as half an individual account might be held in a money market fund, for which Saturna Brokerage currently receives a 0.15% annual distribution fee. In the example where an account is temporarily half in a money market fund, the asset based net fee received by Saturna Capital is thus 0.325% annually (not 0.50%) and the client still pays no brokerage commissions.

A Saturna brokerage account is not an advisory account. Saturna Brokerage Services does not provide investment advice. The interests of brokers may not always be the same as their clients. Please ask us questions to make sure you understand your rights and our obligations, including the extent of our obligations to disclose conflicts of interest and to act in your best interest. Responsibilities to clients of investment advisers are generally higher than those of brokers, including an adviser's obligation to always put client interests first.





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Consumer Financial Information Privacy Statement

At Saturna Capital, we understand the importance in maintaining the privacy of your financial information. To that end, we want to assure you that we protect the confidentiality of any personal information you share with us.

We collect personal information about you from information we receive from you on applications and other forms and from transactions or trades placed with us. We may disclose this information to an affiliated party to process transactions that you direct. We may use an agent for the purpose of mailing account statements, shareholder reports and other information about our products and services to you, in which case we may provide information, such as your name and address, to the agent solely for that purpose. We contractually require any service providers to protect the confidentiality of your information and to use the information only for the purposes for which you provided it.

We maintain our own technology resources to minimize the use of outside service providers. Additionally, Saturna Capital restricts access to personal information about you to those employees who need to know that information to provide products or services to you. We maintain physical, electronic, and procedural safeguards that comply with regulations to guard your personal information. Please be assured that except as described above, we do not disclose any personal information about our customers, or our former customers, to anyone, except as may be required by law. If you have further questions or concerns about the security or privacy of the information we receive from you, please call us at 1-800/SATURNA.