

Sextant Growth SSGFX

Morningstar's Take | 10-28-11 | by David Kathman, CFA

There's plenty to like about this secular counterpart to Amana Growth. Sextant Growth is a pretty good alternative to Amana Growth, though it's not identical.

This fund is essentially a secular version of its much larger cousin, Amana Growth AMAGX, whose \$1.8 billion asset base dwarfs this fund's \$21 million. Amana Growth is aimed at Muslim investors and managed in accordance with Islamic law, meaning that manager Nick Kaiser can't hold companies that get more than 5% of their revenue from alcohol, tobacco, gambling, pornography, or pork; he also can't hold financial stocks or those with a debt/market-cap ratio greater than 33%.

Kaiser is not subject to those restrictions in this fund, so that its top holdings include some debt-heavy companies that are excluded from Amana Growth, notably Dr Pepper Snapple DPS and Alaska Air ALK. He's also able to hold financials here, though he's currently not finding much attractive in that sector, holding only Chubb CB and Charles Schwab SCHW while avoiding banks. On the other hand, this fund can only hold U.S.-based companies, foreign stocks being restricted to its sibling Sextant International SSIFX; thus, foreign holdings of Amana Growth, such as Novartis NVS and Canon CAJ, are absent from this fund.

Those differences shouldn't obscure the significant similarities between the funds. Kaiser uses the same patient strategy, looking for stable stocks with good growth potential and holding on to them for a long time. The two funds share many top holdings, such as Apple AAPL (a longtime Kaiser favorite), Amazon.com AMZN, and Johnson & Johnson JNJ, and have similarly minuscule annual turnover. Both have also been excellent long-term performers with top-decile 10- and 15-year returns, though this fund has lagged Amana Growth in recent years.

All in all, this fund is a pretty good option for investors who want access to Kaiser's demonstrated stock-picking expertise but don't want the Islamic screens. Such investors can take advantage of this fund's 1.01% expense ratio, significantly lower than Amana Growth's 1.14%.

Morningstar Rating

★★★★

Strategy

Manager Nick Kaiser's strategy here is similar to what he does in the much larger Amana Growth, except that he isn't limited by the principles of Islamic law. That means that he can own financials and utilities, both of which are absent from the Amana fund because of prohibitions on interest and excessive debt. In both funds Kaiser likes stocks with good growth potential but reasonable valuations, and he tends to hang on to winners, such as top-holding Apple, for a long time.

Management

Nick Kaiser of Saturna Capital has managed this fund since its 1987 inception. He also manages its sibling, Sextant International, and its cousins, Amana Growth and Amana Income AMANX, which invest according to Islamic principles. Peter Nielsen, who joined Saturna on June 1, 2007, helps with stock selection.

Role in Portfolio

Core. This fund holds stocks from across the market-cap spectrum, but two thirds of the portfolio is in large caps, and it could serve as a growth-leaning core fund.

Sextant Growth SSGFX

Year	Total Return (%)	+/- Category
2010	11.84	-3.69
2009	22.38	-13.30
2008	-31.93	11.84

Data through 12-31-10

Performance Summary (as of September 30, 2011):

Average Annual Returns (before any taxes)	10 year	5 year	3 year	1 year	Expense Ratio ¹
Sextant Growth Fund	5.23%	-0.36%	-0.54%	-2.01%	1.01%
Amana Growth Fund	8.17%	2.82%	3.89%	-2.54%	1.14%

Morningstar TM Ratings ²	Overall	10 year	5 year	3 year	1 year
Sextant Growth Fund - "Large Growth" category					
Morningstar Rating TM	★★★★	★★★★★	★★★★	★★★	n/a
% Rank in category	n/a	9	44	85	66
Funds in category	1,479	788	1,261	1,479	1,671

Morningstar TM Ratings ²	Overall	10 year	5 year	3 year	1 year
Amana Growth Fund - "Large Growth" category					
Morningstar Rating TM	★★★★★	★★★★★	★★★★★	★★★★	n/a
% Rank in category	n/a	1	11	28	69
Funds in category	1,479	788	1,261	1,479	1,671

Performance data quoted herein represents past performance, is before any taxes payable by shareholders, and is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than that stated herein. Performance current to the most recent month-end can be obtained by calling toll-free 1-800/SATURNA or visiting www.saturna.com. Total returns are historical and include change in share value and reinvestment of dividends and capital gains, if any, and do not include the potential deduction of a 2% redemption fee on shares held less than 90 calendar days, which if applied would have lowered the returns.

The Amana Growth Fund limits the securities it purchases to those consistent with Islamic principles. This limits opportunities and may increase risk.

Growth stocks, which can be priced on future expectations rather than current results, may decline substantially when expectations are not met or general market conditions weaken.

Please consider an investment's objective, risks, charges and expenses carefully before investing. To obtain a free prospectus or summary prospectus that contains this and other important information on Saturna's Funds, please call toll-free 1-800/SATURNA or visit www.sextantfunds.com or www.amanafunds.com. Please read the prospectus or summary prospectus carefully before investing.

Top Ten Holdings (as of 9/30/2011)	
Apple	8.5%
Amazon.com	6.0%
Johnson & Johnson	3.0%
Dr Pepper Snapple	2.9%
Intuit	2.7%
Alaska Air Group	2.6%
Oracle	2.5%
Bed Bath & Beyond	2.4%
PepsiCo	2.3%
Trimble Navigation	2.2%
Total	35.1%

¹ By regulation, expense ratios shown in this table are as of Sextant Growth Fund's most recent prospectus dated March 25, 2011 and Amana Growth Fund's most recent prospectus dated September 9, 2011 for Amana Growth Fund. Average annual total returns include changes in principal value, reinvested dividends and capital gain distributions, if any.

² **Source: Morningstar September 30, 2011.** Morningstar, Inc. is an independent fund performance monitor. For each fund with at least a three-year history, Morningstar calculates a Morningstar RatingTM based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% in each category receive 5 stars, the next 22.5% 4 stars, the next 35% 3 stars, the next 22.5% 2 stars and the bottom 10% receive 1 star. The Overall Morningstar Rating for a fund is derived from a weighted average of performance figures associated with its 3-, 5- and 10-year (if applicable) Morningstar Rating metrics. A high rating does not necessarily mean a fund had a positive return.

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

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