

# Sextant Growth SSGFX

**Morningstar's Take** | 06-12-09 | by David Kathman, CFA

## Sextant Growth has a lot to offer.

This fund is similar in many ways to its much larger and better-known cousin, Amana Growth AMAGX. Nick Kaiser has managed both funds for more than 15 years, guiding them to outstanding long-term records with very low volatility. (Amana Growth's long-term returns are better, but both funds sport 5-star Morningstar Ratings as of June 12, 2009.) Kaiser employs very similar strategies in the two funds, buying stable stocks with good growth potential and hanging on to them for a long time, so that annual turnover is typically in the single digits. Longtime Kaiser favorite Apple AAPL is the top holding in both, though this fund's average market cap is only about half as large, so it lands in the mid-cap growth category instead of large growth.

The big difference between the funds is that Amana Growth, unlike this fund, is managed in accordance with Islamic law, greatly restricting the stocks Kaiser can hold. Most notably, Amana Growth doesn't allow financial stocks or those with lots of debt, whereas this fund is overweight in financials relative to its peers, with two financial stocks, Banner BANR and Charles Schwab SCHW, among its top five holdings. On the other hand, this fund can't hold foreign stocks, which are reserved for sibling Sextant International SSIFX, whereas 17% of Amana Growth is in overseas stocks.

Despite these seemingly significant differences, the two funds have performed in surprisingly similar ways. Both lost far less than their average category peers in 2008, and both have badly lagged those same peers in the recent rally, with almost identical returns. Their big cash stakes (29% for this fund, 25% for Amana Growth) have been the main factor in these returns, with Kaiser's avoidance of speculative growth stocks also playing a significant part.

Ultimately, Kaiser's stock-picking is the story here, and the main reason to buy this fund. It's a fine alternative to Amana Growth for investors who don't necessarily want that fund's restrictions.

*David Kathman, CFA, is a fund analyst with Morningstar.*

## Morningstar Rating

★★★★★

## Kudos

- Strong long-term returns.
- Experienced manager with a strong track record.
- Heavy manager ownership aligns management's interests with those of shareholders.
- Very low turnover.

## Risks

- Lack of overseas exposure means that it has missed out on some gains.
- Significant sector weightings can make it volatile in the short term.

## 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 1989. He also manages its sibling, Sextant International, and its cousins, Amana Growth and Amana Income AMANX, which invest according to Islamic principles. Peter Neilsen, who joined Saturna on June 1, 2007, helps with stock selection.

## Inside Scoop

This fund, essentially a secular version of the Muslim-oriented Amana Growth, hasn't been able to keep up with that fund's stellar returns, but it's a very good fund on its own terms.

## Role in Portfolio

Although this fund is in the mid-cap growth category, 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
YTD	3.97	-8.37
2009	—	—
2008	-31.93	11.84
2007	9.91	-5.18
2006	8.17	-0.76

Data through 06-30-09

## Performance Summary (as of June 30, 2009):

Average Annual Returns (before any taxes)	1 year	3 years	5 years	10 years	Expense Ratio <sup>1</sup>
<b>Sextant Growth Fund</b>	-22.44%	-5.06%	3.13%	2.18%	1.25%
<b>Amana Growth Fund</b>	-18.75%	-1.19%	6.92%	5.54%	1.31%

Morningstar™ Ratings <sup>2</sup>	Overall	1 year	3 years	5 years	10 years
<b>Sextant Growth Fund - "Mid-Cap Growth" category</b>					
Morningstar Rating™	★★★★★	n/a	★★★★★	★★★★★	★★★★★
% Rank in category	n/a	15	22	5	32
Funds in category	794	888	794	658	331

<b>Amana Growth Fund - "Large Growth" category</b>					
Morningstar Rating™	★★★★★	n/a	★★★★★	★★★★★	★★★★★
% Rank in category	n/a	7	3	1	2
Funds in category	1,565	1,839	1,565	1,294	663

**Performance data quoted herein represents past performance, is before any taxes payable by shareowners, and is no guarantee of future results.** Current performance may be higher or lower than that stated herein. Performance current to the most recent month-end can be obtained by calling toll-free 1-800/SATURNA or visiting [www.saturna.com](http://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 30 days (90 calendar days as of Oct. 1, 2009), which if applied would have lowered the returns. Share price, yield, and return will vary, and you may have a gain or loss when you sell your shares.

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

Amana Growth Fund limits the securities it purchases to those consistent with Islamic principles, which 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 that contains this and other important information on the Sextant and/or Amana Funds, please call toll-free 1-800/SATURNA or visit [www.saturna.com](http://www.saturna.com). Please read the prospectus carefully before investing.**

<sup>1</sup> By regulation, expense ratios shown in this table are as of the Funds' most recent prospectus (Mar. 27, 2009 for Sextant Growth and Aug. 21, 2008 for Amana Growth). Average annual total returns include changes in principal value, reinvested dividends and capital gain distributions, if any.

<sup>2</sup> **Source: Morningstar Jun. 30, 2009.** For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ 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 that have the same Morningstar category. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top-performing fund in a category will always receive a rank of 1. Percentile ranks within categories are most useful in those categories that have a large number of funds.

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