

# Amana Trust Growth AMAGX

**Morningstar's Take** | 09-01-11 | by David Kathman, CFA

**This mutual fund's recent slump is no cause for alarm. Amana Growth remains an excellent core fund despite some short-term bumps.**

This fund sports an outstanding long-term track record, with 10- and 15-year returns that are among the best in the large-growth category. Yet it has had a tough time the past few years, trailing the category in 2009, barely beating it in 2010, and trailing it again through the first eight months of 2011. We've been saying that this recent spell of lackluster performance is no cause for alarm, and the turbulent market of 2011 has done nothing to change that view.

The most distinctive thing about this fund is the fact that it's aimed at Muslim investors and managed in accordance with Islamic law. Managers Nick Kaiser and Monem Salam can't hold stocks that get more than 5% of their revenue from alcohol, tobacco, gambling, pornography, or pork, and the Quran's prohibition on interest means that the fund also can't own financial stocks, or those whose debt is greater than 33% of their market cap. It also has very low annual turnover, partly due to Kaiser's buy-and-hold approach, but also because excessive trading is considered a form of gambling under Islamic law.

That low turnover means that the fund will sometimes be out of sync with the market in the short term, and that's what has happened recently. The lack of financials and highly leveraged companies was a big advantage in 2008 but held the fund back in the risk-led rally of 2009 and 2010, when those stocks were among the best performers. Not surprisingly, the fund once again held up well in the market correction of August 2011, though not well enough to cancel out its underperformance earlier in the year.

Kaiser's stock-picking skill has been the ultimate driver of this fund's stellar long-term results, and there's no reason to think that he has lost his touch. This remains a fine growth-leaning core fund for patient investors, both Muslim and non-Muslim.

## Morningstar Rating

★★★★★

## Strategy

This fund is one of a handful of North American funds that adhere to Islamic investing principles. Its investment committee, which includes Islamic scholars, screens out companies that get more than 5% of their revenue from products or activities prohibited under Muslim law, including alcohol, tobacco, pork processing, gambling, and borrowing or lending money. Within these restrictions, manager Nick Kaiser selects stocks with good earnings growth and low price/earnings ratios relative to their industries.

## Management

Nick Kaiser of Saturna Capital has managed this fund since its 1994 inception, and he also manages its sibling, Amana Trust Income AMANX. Monem Salam helps Kaiser on matters of Islamic law and was named comanager in 2009, and Bryce Fegley helps with screening. Kaiser founded Saturna in 1989 and had started managing money for Muslim investors in his previous job as president of Unified Management Corporation. He also manages two non-Muslim funds, Sextant Growth SSGFX and Sextant International SSIFX.

## Role in Portfolio

Core. Muslims could certainly use this as a core fund, given the dearth of mutual funds catering to them, and it could also work as a growth-leaning core fund for non-Muslims who don't mind the restrictions placed on the portfolio.

## Amana Trust Growth AMAGX

Year	Total Return (%)	+/-Category
2010	15.92	0.39
2009	32.40	-3.28
2008	-29.66	11.01

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 <sup>1</sup>
Amana Growth Fund	8.17%	2.82%	3.89%	-2.54%	1.14%
Amana Income Fund	7.32%	3.78%	3.73%	-0.04%	1.21%

Morningstar <sup>TM</sup> Ratings <sup>2</sup>	Overall	10 year	5 year	3 year	1 year
<b>Amana Growth Fund - "Large Growth" category</b>					
Morningstar Rating <sup>TM</sup>	★★★★★	★★★★★	★★★★★	★★★★	n/a
% Rank in category	n/a	1	11	28	69
Funds in category	1,479	788	1,261	1,479	1,671
<b>Amana Income Fund - "Large Blend" category</b>					
Morningstar Rating <sup>TM</sup>	★★★★★	★★★★★	★★★★★	★★★★★	n/a
% Rank in category	n/a	2	2	6	36
Funds in category	1,652	832	1,408	1,652	1,883

**Performance data quoted herein represents past performance, is before any taxes payable by shareowners, 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 1-888/73-AMANA or visiting [www.amanafunds.com](http://www.amanafunds.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 Funds limit 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 the Amana Funds, please call toll-free 1-888/73-AMANA or visit [www.amanafunds.com](http://www.amanafunds.com). Please read the prospectus or summary prospectus carefully before investing.**

<sup>1</sup> By regulation, expense ratios shown in this table are as of the Funds' most recent prospectus dated September 9, 2011. Average annual total returns include changes in principal value, reinvested dividends and capital gain distributions, if any.

<sup>2</sup> **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 Rating<sup>TM</sup> 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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