



## A Model of Low Turnover and Tax Efficiency

When selecting a mutual fund, investors often focus solely on performance while inadvertently overlooking important fund statistics such as portfolio turnover ratio and tax efficiency. Considering these important characteristics provides valuable insight into a portfolio manager's investment style and strategy while revealing the ultimate impact of income taxes on the fund's returns.

A fund's portfolio turnover ratio measures how often its manager trades the fund's underlying securities in a given year. The average turnover ratio for U.S. stock funds has risen from 77% in 1998 to 81% today, meaning that the average holding period for a fund's securities is now just over one year. Not only does this indicate that a fund may be racking up excessive commissions due to frequent trading (which can affect a fund's bottom line), but its shareowners may experience negative tax consequences as well.

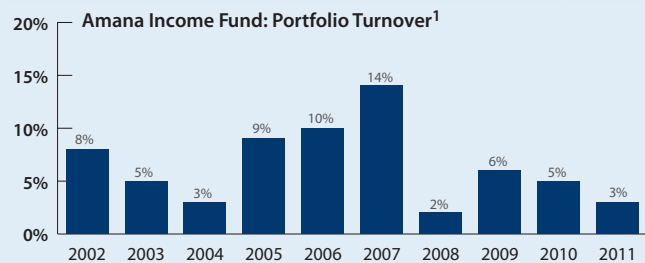
The Amana Funds execute a disciplined buy-and-hold strategy that has produced consistently low turnover ratios over the last decade (see graphs at right). Average portfolio turnover rates during the 10 fiscal years ended May 31, 2011 for the Amana Income and Amana Growth Funds were 7% and 8%, respectively. Currently, the Funds pay no commissions on trades.\*

Not surprisingly, low portfolio turnover is typically associated with high tax efficiency. For investors in taxable accounts, tax efficiency should be a top concern, because high taxes can chip away at a shareholder's return. Capital gains from the sale of a fund's appreciated securities often shave percentage points off net annual returns by increasing an investor's tax liability (for example, two funds with similar returns may generate completely different tax liabilities). In fact, it is possible to owe taxes on capital gains even when a fund's total return is negative for the year. Short-term gains (profit on securities held less than one year) can be subject to an even higher tax rate.

Tax analysis statistics can therefore be essential when comparing performance across funds. Morningstar calculates a tax cost ratio for the funds it rates. A ratio of 1 suggests that

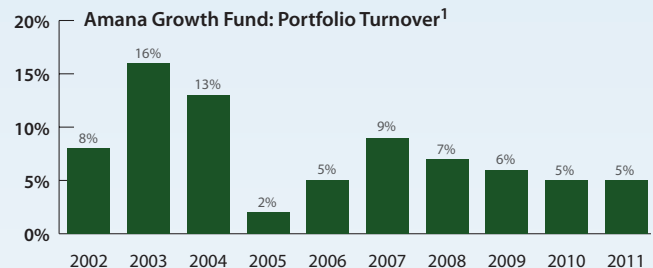
### Average Annual Returns and Tax-Efficiency Ratings

As of December 31, 2011



<b>Amana Income</b>	<b>10 Yr</b>	<b>5 Yr</b>	<b>3 Yr</b>	<b>1 Yr</b>
Average Annual Return	8.16%	4.29%	12.22%	1.94%
After-Tax Return	7.87%	4.06%	11.96%	1.63%
% Rank in Category <sup>2</sup>	1	1	58	14
Tax Cost Ratio <sup>3</sup>	0.38	0.31	0.31	0.30

Expense ratio: 1.21%



<b>Amana Growth</b>	<b>10 Yr</b>	<b>5 Yr</b>	<b>3 Yr</b>	<b>1 Yr</b>
Average Annual Return	7.36%	3.52%	14.63%	-1.86%
After-Tax Return	7.34%	3.48%	14.62%	-1.87%
% Rank in Category <sup>2</sup>	1	9	47	37
Tax Cost Ratio <sup>3</sup>	0.02	0.04	0.01	0.01

Expense ratio: 1.14%

<sup>1</sup> Portfolio Turnover ratios are for the Funds' fiscal years, which is June 1 through May 31.

<sup>2,3</sup> Source: Morningstar<sup>SM</sup>. Amana Income Fund was ranked among 1786, 1580, 1376, and 817 Large Blend Funds over the last 1, 3, 5, and 10 year periods. Amana Growth Fund was ranked among 1683, 1478, 1279, and 804 Large Growth Funds over the last 1, 3, 5, and 10 year periods.

<sup>3</sup> A fund's tax cost ratio represents Morningstar's estimated percentage-point reduction of an annualized return that results from income taxes.

**Performance data quoted represents past performance which is no guarantee of future results.** 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 the original cost. Current performance may be higher or lower than performance data quoted herein. Standardized returns current to the most recent month-end can be obtained by visiting [www.amanafunds.com](http://www.amanafunds.com) or by calling toll free 888/73-AMANA.

**Please consider an investment's objectives, risks, charges and expenses carefully before investing. For this and other important information about the Amana Funds, please obtain and carefully read a free prospectus or summary prospectus from [www.amanafunds.com](http://www.amanafunds.com) or by calling toll-free 888/73-AMANA.**



# Amana Mutual Funds Trust

888/73-AMANA

[www.amanafunds.com](http://www.amanafunds.com)

## A Model of Low Turnover and Tax Efficiency (*continued*)

taxes owed on a fund's distributions are likely to reduce its annual returns by 1%. For equity funds, Morningstar reports an average tax cost ratio between 1 and 1.2. The tax cost ratios for the Amana Income and Amana Growth Funds are much lower for the 1, 3, 5 and 10 year periods (see table on previous page).

At the Amana Funds our track record constitutes a model of low turnover and tax efficiency achieved through two decades of consistent execution of our buy-and-hold strategy. We believe that exceptional mutual fund performance is more than just a function of picking the right investments; it is a function of exceptional managers who exercise discipline and restraint, putting their shareowners' interests first.

### Footnotes:

\* The Amana Mutual Funds pay no commissions on trades made through Saturna Brokerage Services, the wholly-owned brokerage subsidiary of Saturna Capital, the Funds' investment adviser. This arrangement has been in place since 2005.

### References:

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## A Few Words About Risk

*By diversifying its investments, each Fund seeks to reduce the risk of owning only a few securities. Diversification does not assure a profit or protect against a loss in a declining market. The Growth Fund typically invests in smaller and less seasoned companies than the Income Fund, which may lead to greater variability in the Growth Fund's returns. 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.*

*Investing in foreign securities involves risks not typically associated directly with investing in U.S. securities. These risks include fluctuations in exchange rates of foreign currencies; less public information with respect to issuers of securities; less governmental supervision of exchanges, issuers, and brokers; and lack of uniform accounting, auditing, and financial reporting standards. There is also a risk of adverse political, social or diplomatic developments that affect investment in foreign countries.*

*Islamic principles restrict the Funds' ability to invest in certain stocks and market sectors, such as financial companies and conventional fixed-income securities. This limits opportunities and may increase risk.*

## After-Tax Returns

*After-tax returns are calculated using the historical highest individual federal marginal income tax rates but do not reflect the impact of any state or local taxes. Actual after-tax returns depend on an investor's tax situation and likely differ from those shown. After-tax illustrations are not relevant to retirement plans, corporations, trusts, or other investors that are taxed at special rates. In loss periods, the average after-tax total return may be higher than average annual total return because of an assumed deduction of losses from other income.*