AQUILA®
Three Peaks
High Income Fund

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Three Peaks
Opportunity Growth Fund

Investment Commentary

December 31, 2014

Aquila Three Peaks High Income Fund & Aquila Three Peaks Opportunity Growth Fund

Highlights

- Volatility remained elevated throughout the fourth quarter in both the high yield and equity markets. High yield bond spreads and the equity market volatility index spiked to levels not experienced in several years. Federal Reserve and other Central Bank actions will remain an influence that market participants will be considering throughout 2015, as the degree of monetary policy accommodation set by the Fed could impact market returns going forward.
- A highlight of the strength of the U.S. economy in 2014 was the positive trajectory of many employment statistics. The U.S. unemployment rate declined to the lowest level since mid-2008, while nearly three million Americans found work in 2014, the most in 15 years. The prospects of lower energy costs and increased wage growth heading into 2015, likely bode well for continued gains in U.S. consumer confidence and spending.
- The average yield-to-worst of the high yield market increased to a year-to-date high of 7.73% in mid-December, which is a level not experienced in over two years. Given relatively low yields in other fixed-income asset classes, we believe the increased return potential within the high yield market may reignite a search for yield that could positively impact high yield performance relative to other fixed-income asset classes throughout 2015.
- While our higher-quality focus helped performance throughout the year, our focus on maintaining a low duration by targeting shorter-maturing bonds to help limit volatility was actually a hindrance to performance, given the significant outperformance of the 6+ year duration segment in the Barclays High Yield Index,
- We believe the credit-quality curve (the difference between higher-rated and lower-rated securities) and the maturity curve (the difference between shorter-dated and longer-dated securities) within the high yield market remain relatively flat. In our opinion, the relative flatness of these curves indicates that investors are not being sufficiently compensated for increased credit risk or duration risk, which is why we continue to position our strategy in lower-duration securities of high yield companies that we believe are higher-quality in nature.
- We have positioned our Opportunity Growth Fund portfolio with more of a focus on medium-sized companies that can generate reasonable top-line growth, but whose strong balance sheet and size allow them to benefit from the increased M&A activity, either as a buyer or a seller.
- Given our focus on companies in the U.S. high yield market, we believe we have minimal exposure to currency issues, and we expect many of our companies to experience some degree of benefit from lower energy costs and increased U.S. consumer confidence. As we move into 2015, we feel that the companies we are choosing to invest in are well-positioned given primarily domestic operations and management teams focused on balance sheet improvement and prudent use of cash flow.
- We continue to look for fiscally responsible management teams that are committed to growing operations prudently and who recognize they can improve their credit profile and equity valuations by focusing on credit-specific measures. Our efforts remain focused on stability and predictability in the investment selection process so as to provide a less volatile high yield strategy that can generate a reasonably consistent total return, while also attempting to find attractive equity investments that could experience further capital appreciation.
- The construction of the equity strategy continues to focus on companies using debt/leverage prudently to grow free cash flow in an attempt to propel future equity value. We will continue to use our knowledge and understanding of the high yield market to decipher the equity investment landscape. In our opinion, our focus on understanding bond covenants and credit metrics provides a very distinct advantage to our research in stock selection.

Volatility remained elevated throughout the fourth quarter in both the high yield and equity markets. High yield bond spreads and the equity market volatility index spiked to levels not experienced in several years due to fears of an Ebola epidemic in October, and concerns about energy and energy-related companies caused by significant declines in oil later in the quarter. While these issues have seemingly been absorbed by the capital markets, there remain global growth concerns due to continued economic weakness in Europe, Japan, and China, as well as the potential for fiscal problems in significant oil-producing countries, such as Russia, as a result of the decline in oil prices. Commentary surrounding monetary policy actions from several Central Banks also heavily influenced how the capital markets reacted throughout the quarter. The Federal Reserve ended its long-standing asset purchase program in October due to the improvement in the U.S. economy, while the European Central Bank, along with other Central Banks around the world, signaled a more accommodative stance due to a deterioration of economic activity. The Federal Reserve and other Central Bank actions will remain an influence that market participants will be considering throughout 2015, as the degree of monetary policy accommodation set by the Fed could impact market returns going forward.

Despite elevated geopolitical tensions and increased concerns regarding global economic growth throughout 2014, the U.S. economy remained relatively resilient. A highlight of the strength of the U.S. economy in 2014 was the positive trajectory of many employment statistics. The U.S. unemployment rate declined to the lowest level since mid-2008, while nearly three million Americans found work in 2014, the most in 15 years. Market participants are hopeful that the strength in employment is a sign that companies are optimistic that economic growth in the U.S. will persist, even as overseas economies struggle. Tighter labor market conditions may lead to more meaningful growth in wage inflation, which was relatively lackluster throughout 2014. The prospects of lower energy costs and increased wage growth heading into 2015, likely bode well for continued gains in U.S. consumer confidence and spending. With household spending accounting for approximately 70% of U.S. economic activity, the strength of the consumer and the willingness and ability to purchase goods and services are a key driver of corporate profits and economic growth.

As we look back at what took place in 2014 and also evaluate the growing list of uncertainties that could impact the capital markets throughout 2015 and beyond, we are reminded that our conservative approach within the high yield asset class and disciplined research process have proven to be prudent for both our high yield and equity strategies. We remain focused on the over-riding theme of finding high yield rated companies with strong balance sheets and management teams with a desire to repay debt and improve leverage. We believe our time-tested approach to the high yield asset class will continue to uncover compelling new investment opportunities offering attractive risk/return scenarios for both our high yield and equity strategy, while helping to avoid future investment pitfalls in today's uncertain landscape.

High Yield Performance Overview – December 2014

The Aquila Three Peaks High Income Fund Class Y share (ATPYX) generated a negative 0.33% total return (net of fee calculation) during the fourth quarter. By comparison, the Barclays High Yield Bond Index generated a negative 1.00% return during the quarter. The high yield market ended the year with a timid tone, as energy, energy-related, and mining companies were under significant pressure due to the rapid decline in oil prices and mounting concerns surrounding global economic growth. Strong performance in the high yield market throughout October was offset by weakness in November and December. Since 1995, this was only the second negative December performance for the Barclays High Yield Bond Index. The Index also posted its first consecutive negative quarterly return since the third and fourth quarter of 2008. During the third quarter of 2014, market weakness seemed to be related to a deteriorating "technical" picture, as the combination of low yields, mutual fund outflows, and new issue supply negatively impacted investor sentiment. In contrast to the third quarter, the weakness during the fourth quarter was more related to credit concerns and the potential for future corporate solvency issues. In addition to the industry-specific problems mentioned above, the credit-quality curve in the high yield market continued to steepen, with lower-rated securities underperforming during the quarter, as investors continue to reassess credit risk.

The average yield-to-worst of the high yield market increased to a year-to-date high of 7.73% in mid-December, which is a level not experienced in over two years. Given relatively low yields in other fixed-income asset classes, we believe the increased return potential within the high yield market may reignite a search for yield that could positively impact high yield performance relative to other fixed-income asset classes throughout 2015. We continue to believe the direction of the high yield market will be influenced by mutual fund flows and investor sentiment, which will likely be swayed by Treasury yield movements, economic activity, and Federal Reserve commentary. The fundamental strength of the high yield market has remained fairly stable, with the exception of the energy sector, as many companies have been prudent with their use of debt/leverage and have been focused on strengthening their balance sheets in recent years. However, in our opinion there have been indications of more aggressive corporate behavior beginning to occur that will need to be closely monitored as we move through 2015.

For the year ended December 31, 2014, the Aquila Three Peaks High Income Fund Class Y share (ATPYX) generated a positive 2.34% total return (net of fee calculation). By comparison, the Barclays High Yield Bond Index generated a positive 2.45% return. The longer-duration segment of the high yield market outperformed throughout the year, as the 10-year Treasury yield declined from 3.03% to 2.17% throughout the year and volatility within Treasury securities was fairly muted. Many market participants, including us, entered the year with a belief that Treasury yields would likely trend higher throughout 2014 as economic data continued to show strength and the Fed began tapering its asset purchase program. However, there has been a flight-to-quality trade that has persisted since early in the year due to the conflict between Russia and Ukraine, tensions in the Middle East, economic weakness in Europe and China, and declining European government bond yields.

We were pleased with our high yield strategy's ability to weather increased volatility throughout the latter part of the year. While our higher-quality focus helped performance throughout the year, our focus on maintaining a low duration by targeting shorter-maturing bonds to help limit volatility was actually a hindrance to performance, given the significant outperformance of the 6+ year duration segment in the Barclays High Yield Index, which can be seen in the chart below. However, according to Lipper Inc., the Aquila Three Peaks High Income Fund Class Y share (ATPYX) relative performance for the 1-year period ending December 31, 2014 was in the 19th percentile, beating 81% of competitors, and indicates that our focus on limiting volatility was justified. We believe our more conservative positioning within the high yield asset class is prudent with the potential that elevated volatility may persist within the high yield market throughout 2015.

Barclays Capital US Corporate High Yield Index Performance Analysis

Returns by Quality	1Q'14	2Q'14	3Q'14	4Q'14	2014	Best Performing Sectors	1Q'14	2Q'14	3Q'14	4Q'14	2014
Barclays HY Bond Index	+2.98	+2.41	-1.87	-1.00	+2.45	Banking	+3.08	+4.02	-1.27	+2.43	+8.43
Ba	+3.11	+2.66	-1.34	+0.90	+5.37	Utilities	+3.06	+4.09	-1.04	+1.44	+7.68
B	+2.75	+2.19	-1.87	-1.52	+1.47	Cable Satellite	+4.29	+2.10	-1.75	+2.38	+7.11
Caa	+3.31	+2.41	-2.73	-3.91	-1.11	Health Care	+3.17	+2.11	-1.24	+2.66	+6.81
Ca-D	-1.72	-1.64	-17.22	-23.64	-38.90	Technology	+3.39	+3.04	-1.27	+1.54	+6.80
Returns by Duration						**Worst Performing Sectors**					
0-3 yr	+1.60	+1.14	-1.18	-0.24	+1.31	Oil Field Services	+1.96	+2.05	-3.55	-16.38	-16.08
3-4 yr	+2.70	+2.18	-2.30	-2.26	+0.21	Oil & Gas Exploration	+3.25	+2.79	-3.26	-14.29	-12.01
4-5 yr	+3.10	+2.40	-2.73	-2.44	+0.18	Gaming	+1.36	+0.34	-5.51	-1.41	-5.25
5-6 yr	+3.65	+3.05	-2.65	-1.48	+2.44	Metals & Mining	+1.61	+2.41	-3.75	-4.50	-4.36
6+ yr	+5.12	+4.64	-1.46	+1.01	+9.48	Consumer Products	+3.08	+0.97	-2.20	-0.36	+1.42

Source: Barclays Research - High Yield Corporate Update

As we have suggested in recent commentaries, we believe the credit-quality curve (the difference between higher-rated and lower-rated securities) and the maturity curve (the difference between shorter-dated and longer-dated securities) within the high yield market remain relatively flat. In our opinion, the relative flatness of these curves indicates that investors are not being sufficiently compensated for increased credit risk or duration risk, which is why we continue to position our strategy in lower-duration securities of high yield companies that we believe are higher-quality in nature. Based on the JPMorgan Domestic High Yield Index, the yield differential between the BB-rated (higher-quality) portion of the Index and the CCC-rated (lower-quality) portion was 594 basis points (bps) at December 31, 2014. Even though this measure for the credit-quality curve increased 230 bps in 2014, resulting in the CCC-rated category significantly underperforming their higher-quality counterparts, the absolute level is still well below the 20-year average of 862 bps. For further perspective, during 2001 and 2008, when default concerns were on the rise, the yield differential between BBs and CCCs was above 2,000 bps during both periods. While widespread defaults are not currently a significant issue for the high yield market, should concerns begin to rise, we believe the yield differential could become more representative of these past periods.

We remain cautious of highly-leveraged companies and highly-cyclical industries. We believe the return potential of such fixed-income investments is not significant enough to compensate for the elevated risk of financial distress if the economy slows. On the other hand, we continue to believe that should economic growth expand more meaningfully, we may begin to see more aggressive corporate behavior from some companies in the more cyclical industries that could be detrimental to credit quality and corporate balance sheets. If this behavior becomes more prevalent, it could be a signal that excessive risk-taking is filtering into the markets, and it could lead to future investment pitfalls.

While we primarily remain positioned in lower-duration bonds due to the risk to the high yield market from either increased market volatility or upward pressure on Treasury yields, we will continue to look to add bonds that fit our investment criteria should unwarranted volatility create attractive investment opportunities. We remain focused on evaluating high yield issuers based on our fundamental research process in which we look for companies that are improving their balance sheet and growing their business in a disciplined manner. We believe our focus on providing a less volatile investment strategy within the high yield asset class is prudent given the potential for elevated volatility in this relatively low-yielding fixed-income environment.

Equity Performance Overview – December 2014

The Aquila Three Peaks Opportunity Growth Fund Class Y share (ATGYX) generated a positive 4.09% total return (net of fee calculation) during the fourth quarter. By comparison, the Russell 3000 Index, which is the Fund's primary benchmark, generated a positive 5.24% return during the quarter. Increased market volatility that began at the end of September continued into October due to increased geopolitical headlines and negative economic growth commentary out of Europe. However, the equity market seemed to become more optimistic that the decline in oil prices would provide a tailwind to U.S. consumer confidence, which could boost economic growth and corporate earnings in 2015. In addition, the December Fed meeting and commentary seemed to give equity investors confidence that the Fed may not act quickly as they begin to normalize monetary policy (raise the Fed Funds Rate), sparking a bit of risk-taking heading into year-end. As a result, many equity indices hit new all-time high price levels near the end of December before what seemed to be some profit-taking on the last day of the year. Participants in the equity market are weighing an improving U.S. economic landscape, with reasonably stable corporate fundamentals, against slowing economic growth overseas and geopolitical events occurring around the rest of the world.

In general, third quarter corporate earnings results from many U.S. companies were well received by investors. Importantly, the outlook for the remainder of 2014 given by many companies away from the energy space showed positive signs for future growth of cash flow. Continued strength in employment data, increasing consumer sentiment, and positive U.S. GDP growth, which came in at 4.6% for the second quarter and 5.0% for the third quarter, have given equity investors a sense that corporate earnings growth may remain stable into 2015. In addition, merger & acquisition activity remained elevated, which has helped support, if not further expand, equity valuations. We have positioned our portfolio with more of a focus on medium-sized companies that can generate reasonable top-line growth, but whose strong balance sheet and size allow them to benefit from the increased M&A activity, either as a buyer or a seller. As we enter 2015, the stronger dollar may become more of a headwind to corporate earnings, while lower energy costs may help to offset any currency risk or become a tailwind for companies that are primarily domestic. Given our focus on companies in the U.S. high yield market, we believe we have minimal exposure to currency issues, and we expect many of our companies to experience some degree of benefit from lower energy costs and increased U.S. consumer confidence.

We place a heavy emphasis on key indicators within the high yield market as it relates to our positioning in the equity strategy. The recent widening of high yield bond spreads and the increase in distressed debt have raised some concerns with regard to future credit strength and corporate solvency, an important consideration with many equity market indices hovering around record levels. Further increases in high yield bond spreads, distressed debt, or any material weakness in the high yield new issue market could be reasons to become more cautious with regard to the equity market. A secondary data point we will be watching closely is any strength or weakness of smaller company stocks represented by the Russell 2000 Index. While this Index showed improvement in the fourth quarter, the full-year performance of 4.89% was significantly below that of other indices. Smaller companies are generally sought out if there is a sense of accelerating future economic growth and increased earnings potential. Conversely, weakness in those companies could be a view of apprehension with regard to economic expansion and corporate solvency. As we move into 2015, we feel that the companies we are choosing to invest in are well-positioned given primarily domestic operations and management teams focused on balance sheet improvement and prudent use of cash flow.

For the year ended December 31, 2014, the Aquila Three Peaks Opportunity Growth Fund Class Y share (ATGYX) generated a positive 16.15% total return (net of fee calculation). By comparison, the Russell 3000 Index generated a positive 12.56% return during the period. Following strong performance in 2013, we have been pleased with how well our equity strategy has continued to perform. Some of our companies have benefited from the increased M&A activity as they have either been a target or an acquirer, but we believe the stock prices of many of our companies have benefited most from past actions by management teams to prudently use leverage to increase cash flow to fund growth projects and repay debt in an attempt to increase the value of the company. Relatively easy access to lower-cost debt over the past few years has also helped many of our companies reduce interest burden and extend debt maturities, which has resulted in improved

credit-ratings and stronger balance sheets as we enter 2015.

We continue to believe a testament to our research-process and equity strategy is not only the solid absolute performance, but also the strong relative performance. For the three-year period ended December 31, 2014, the Aquila Three Peaks Opportunity Growth Fund Class Y share (ATGYX) generated a positive 25.80% annualized total return (net of fee calculation). By comparison, the Russell 3000 Index generated a positive 20.50% annualized return over the period. According to Lipper Inc., the Fund's Class Y share performance for the three-year period ended December 31, 2014, ranked in the 1st percentile, beating 99% of competitors in the mid-cap core category. In addition to the strong three-year performance, Lipper Inc. indicates that relative performance was solid in 2014, as the Fund's Class Y share performance for the one-year period ending December 31, 2014 also ranks in the 1st percentile. While we have been pleased with the strong absolute and relative performance, we have been exceptionally pleased with the strategy's ability to weather the more volatile months throughout the timeframe. We continue to believe that the strong performance of our equity strategy highlights that the companies we are choosing to invest in for both the high yield strategy and the equity strategy are fundamentally performing well.

Below is a chart recapping the total return performance of the Class Y shares for each fund along with major fixed-income and equity market indices.

Major Index Performance

Fixed Income Total Return	**2013**	**1Q'14**	**2Q'14**	**3Q'14**	**4Q'14**	**2014**
Aquila Three Peaks High Income (ATPYX)	4.86%	2.32%	1.58%	-1.22%	-0.33%	2.34%
10-Year Treasury	-7.83%	3.38%	2.66%	0.74%	3.56%	10.72%
Barclays US Aggregate Bond	-2.03%	1.84%	2.04%	0.17%	1.79%	5.97%
Barclays US Investment Grade Corp Bond	-1.53%	2.94%	2.66%	-0.08%	1.77%	7.46%
Barclays US High Yield Corp Bond	7.44%	2.98%	2.41%	-1.87%	-1.00%	2.45%
Equity Total Return						
Aquila Three Peaks Opportunity Growth (ATGYX)	37.61%	3.68%	7.43%	0.18%	4.09%	16.15%
Dow Jones Industrial Avg.	29.65%	-0.15%	2.83%	1.87%	5.20%	10.04%
S&P 500	32.38%	1.81%	5.23%	1.13%	4.93%	13.69%
NASDAQ	40.17%	0.84%	5.32%	2.24%	6.62%	15.75%
Russell 1000	33.13%	2.05%	5.12%	0.65%	4.88%	13.24%
Russell 2000	38.82%	1.12%	2.05%	-7.36%	9.73%	4.89%
Russell 3000	33.57%	1.97%	4.87%	0.01%	5.24%	12.56%
Credit Suisse Leveraged Equity	33.84%	1.25%	6.61%	-4.88%	-1.16%	1.48%

Source: Barclays Research, Merrill Lynch Research, Credit Suisse Research, Bloomberg

Observations – December 2014

Jobs, Inflation, and the Fed – Key indicators of economic strength, such as employment, capacity utilization, and retail sales continued to show positive signs throughout much of the fourth quarter. In addition, data regarding housing and autos, while not accelerating as quickly as it had been, was relatively stable. Assuming the Non-Farm Payroll report for December shows greater than 200,000 jobs were created during the month, this would mark the tenth month of 2014 that registered over 200,000 new jobs. We have to look back to 1999 to find a comparable stretch of such strong job creation. The unemployment rate declined to 5.8% at the end of November from 6.7% at the beginning of the year. The unemployment rate has now decreased to a level not witnessed since 2008, and it seems likely that if job growth continues around the recent pace throughout 2015 that the unemployment rate could drop below 5.0%. Despite relatively strong job creation during 2014, wage growth was slow to respond to tighter labor market conditions. While there are signs that future wage pressure may be on the horizon, which could cause inflation measures to accelerate more rapidly, this occurrence of relatively meager wage growth has been puzzling to many market participants and has caused a fair amount of uncertainty as to how much employment slack there really is in the economy. Commentary out of the Federal Reserve, in addition to heavily scrutinized economic data, will likely shape views with regard to how market participants allocate capital throughout 2015.

Consumer Confidence – The U.S. consumer should enter 2015 on the most solid footing since the financial crisis. Foreclosure and delinquency data has declined significantly in recent years, while recent job creation strength and a better employment picture should

help bolster consumer creditworthiness. In addition, an improved housing market and rising home prices have lifted many homeowners from an underwater position. The strengthening dollar and lower oil prices should help curb inflation pressures and make purchased goods cheaper. Lower oil prices are resulting in lower fuel and heating costs, which should be a fairly significant benefit to discretionary spending, at least as we begin 2015. Lower interest rates may also help bolster consumer spending on big ticket retail items and other large consumer purchases, such as a vehicle or a house. We will be closely monitoring these potential benefits to consumer confidence as well as many data points with regard to consumer spending as the year progresses. Should consumer spending show signs of accelerating, it may have positive ramifications for economic growth and corporate earnings; however, this may also result in accelerating core inflation measures and influence the Federal Reserve's decision to raise interest rates. Conversely, should it look like consumer spending is remaining stagnant, expectations for economic growth and corporate earnings may need to be revised lower.

Resurgence of Merger & Acquisition Activity – M&A activity remained elevated during the fourth quarter and capped off a very strong year for corporate combinations. According to Bloomberg, global M&A announced during the quarter broke $1.0 trillion for the third consecutive quarter. During 2014, $4.3 trillion of global M&A was announced, making the year the second most active in the last 12 years. For comparison, announced global M&A averaged $2.6 trillion per year from 2010-2013. The $4.3 trillion M&A volume puts 2014 in between the LBO-crazed years of 2006 and 2007, which experienced $4.2 and $4.9 trillion, respectively. However, we did not see much in the way of large-scale LBO activity materialize, as targets were generally strategic in nature. Many of these strategic acquirers have been seeking cost/revenue synergies and/or looking at foreign acquisitions to utilize overseas cash or take advantage of tax inversion strategies. M&A activity not only positively impacted the stock price of the target company, but, in many cases, the stock price of the acquiring company increased as well. We believe that companies are looking to M&A to increase shareholder value especially during this period where global growth remains tepid and low-cost debt can result in accretive deals getting done. While we have seen some aggressively debt-financed deals, by and large, the financing has included a component of cash and equity that has helped balance sheets stay in reasonably solid shape. There remains concern that companies may begin using much more debt, thereby significantly increasing the leverage profile of the combined company. We could also begin to see LBO activity reignite more significantly throughout 2015. We closely monitor the financing structure of these deals, in particular those where one of our holdings is involved, and we will not hesitate to exit an investment if we feel the leverage profile, credit worthiness, or management style has deteriorated outside of our comfort level.

Tracking Fund Flows – The Investment Company Institute (ICI) reported that both equity and bond mutual funds experienced outflows during the fourth quarter as volatility rose and investor sentiment weakened. According to ICI, equity mutual funds experienced approximately $14 billion of outflows during the quarter, while bond mutual funds experienced nearly $6 billion of outflows. Given the recent geopolitical headline risk and strong equity market returns in recent years, it is not entirely surprising to see negative equity fund flows as investors take profits. Flows away from bond funds during the quarter were more interesting given muted Treasury yield volatility and geopolitical concerns. For the year, ICI is reporting that equity mutual funds experienced approximately $32 billion of inflows, while bond mutual funds experienced approximately $48 billion of inflows. We continue to believe that bond fund flows will remain highly dependent on Treasury yield movements and Federal Reserve commentary regarding potential Fed Funds rate changes. Equity fund flows are likely to be more influenced by data points related to global growth prospects and geopolitical concerns as we progress through 2015.

High Yield Market Review – December 2014

The high yield market remained under pressure during the fourth quarter as credit concerns emerged in a still somewhat weak "technical" environment. The average yield-to-worst of the JPMorgan Domestic High Yield Bond Index increased from a 6.40% at the end of September to a two-year high of 7.73% in mid-December before finishing the year at 7.13%. High yield bond spreads also increased throughout much of the quarter. After ending the third quarter at a then year-to-date high near 500 bps, bond yield spreads climbed above 600 bps in mid-December before ending the year at 570 bps, the highest monthly close since November 2012. High yield mutual funds and ETFs experienced $4.5 billion of outflows during the fourth quarter. This amount pales in comparison to the $24.2 billion of outflows experienced during the third quarter, but indicates that investor sentiment remained weak despite the increased yield and spread of the market. High yield mutual funds and ETFs experienced record outflows of $23.8 billion in 2014, topping 2005's previous record outflow of $8.8 billion. We continually survey the high yield market for attractive investment opportunities, and we will look to actively deploy capital to take advantage of opportunities created by market volatility. Directional movements in bond yields and bond yield spreads are an important indicator for how we position both our high yield and equity strategies, and they will be closely monitored as we progress through 2015.

High Yield Market Technicals

	Year-End 12/31/13	Quarter-End 3/31/14	Quarter-End 6/30/14	Quarter-End 9/30/14	Quarter-End 12/31/14	Year-End 12/31/14	2014 Chng
Average Spread to Worst	440 bps	413 bps	405 bps	492 bps		571 bps	**131 bps**
Average Yield to Worst	5.77%	5.35%	5.22%	6.40%		7.13%	**1.36%**
Average Bond Price	$103.33	$103.57	$105.52	$101.59		$99.15	**($4.18)**
5-Year Treasury Yield	1.73%	1.72%	1.63%	1.76%		1.65%	**-0.08%**
10-Year Treasury Yield	3.03%	2.72%	2.53%	2.49%		2.17%	**-0.86%**
Mutual Fund Flows ($ billion)	($4.7)	$3.4	$1.6	($24.2)	($4.5)	($23.8)	

Source: J.P. Morgan Research - High Yield Market Monitor

New high yield bond issuance was somewhat sporadic during the fourth quarter and continued to show a moderation in pace compared to the near record pace experienced during the first two quarters of the year. In total, $69.8 billion of new issuance priced during the fourth quarter, which was the lightest quarterly volume of the year. Similar to the third quarter and unlike previous recent quarters, refinancing activity did not dominate the use of proceeds. In fact, from a use of proceeds perspective, this was the most aggressive quarter for high yield new issuance since 2008, as acquisition/LBO issuance increased to 36% of proceeds. While not at alarming levels yet, the trend of more aggressive financing from a rating and use of proceeds perspective is becoming more concerning and could be a signal of excessive risk-taking. New issuance trends will continue to be closely monitored as we progress through 2015, as they can provide insight into potential positive or negative credit events, as well as potential positive or negative catalysts for a company's equity. The strength of the high yield new issue market will also be closely contemplated, as any limitation in the access to capital or a significant rise in the cost of debt may accelerate insolvency issues should economic activity begin to deteriorate.

High Yield New Issuance

	Year-End 12/31/13	Quarter-End 3/31/14	Quarter-End 6/30/14	Quarter-End 9/30/14	Quarter-End 12/31/14	Year-End 12/31/14	2014 Chng
New Issue Amount ($ billion)	$398.5	$88.3	$121.2	$76.4	$69.8	$355.7	**($42.8)**
New Issues	820	177	211	156	127	671	**-149**
Refinancing as % of New Issue	56.0%	57.3%	62.1%	41.4%	47.6%	53.6%	**-2.40%**
Acquisition/LBO as % of New Issue	17.4%	18.3%	22.2%	29.9%	36.2%	25.6%	**8.20%**
Lower-rated as % of New Issue	18.8%	16.9%	21.7%	20.9%	12.3%	18.4%	**-0.40%**

Source: J.P. Morgan Research - High Yield Market Monitor

Defaults remained manageable during the quarter and were not a primary concern of the high yield market throughout 2014. During the fourth quarter, five companies defaulted on $14.8 billion of bonds. Excluding the highly-anticipated default of Caesars Entertainment, which we did not own, on $12.7 billion of bonds in December, four companies defaulted on $2.1 billion of bonds. The trailing-twelve-month default rate increased to 2.96% at year end from 1.86% at the end of the third quarter and 0.66% at the end of 2014. In total, 17 companies defaulted on $37.4 billion of bonds during 2014. However, the defaults of Texas Competitive Electric and Caesars Entertainment during the year accounted for 77% of the dollar amount of defaults and are the primary reason the default rate increased. Excluding these two highly-anticipated defaults, the trailing-twelve-month default rate would have remained well below 1% throughout the year, which compares favorably to a long-term average near 4%. Distressed debt increased fairly significantly during the quarter due primarily to bonds of certain names in the energy, mining, and retail industries declining. After several years of having little concern with regard to a more meaningful increase in defaults, the high yield market seems to have begun pricing in the likelihood that future default activity may begin to rise. We continue to monitor these indicators closely, as any signs of unexpected corporate insolvency could be an adverse shock to the high yield market. In addition, a more significant rise in distressed debt and default activity could create a reason to have a more cautious view of the overall investing landscape.

High Yield Defaults and Distressed Debt

	Year-End 12/31/13	Quarter-End 3/31/14	Quarter-End 6/30/14	Quarter-End 9/30/14	YTD 2014
Defaults	21	5	4	3	**12**
Default Amount ($ billion)	$8.0	$1.6	$19.9	$1.0	**$22.5**
LTM Default Rate par amount	0.66%	0.61%	2.06%	1.86%	
Default Rate Excluding TXU	0.66%	0.61%	0.70%	0.53%	**-0.13%**
Below 50% of par ($ billion)	$12.3	$11.4	$5.9	$11.0	**($1.3)**
Below 50% of par (% HY)	1.0%	1.0%	0.5%	0.9%	**-0.1%**
Below 70% of par ($ billion)	$19.8	$18.5	$9.2	$18.3	**($1.5)**
Below 70% of par (% HY)	1.6%	1.6%	0.8%	1.6%	**0.0%**

Source: J.P. Morgan Research - High Yield Default Monitor

Credit trends, illustrated by the upgrade/downgrade ratio, trended positively throughout 2014, as more high yield rated companies were upgraded compared to those that were downgraded. We continue to believe that companies may feel pressure to increase shareholder returns through unfriendly credit actions, such as the use of debt for acquisitions, dividends, or share repurchases. This could result in deteriorating credit trends as we progress throughout 2015. Additionally, prolonged sluggish global economic growth could become a more meaningful drag on the cash flow generation of companies, which could also accelerate credit deterioration over the coming quarters. We will continue to track this metric closely, as the upgrade/downgrade ratio has historically been a fairly good leading indicator of future distressed debt levels, defaults, and other credit concerns that could sway investor sentiment with regard to the bonds and equity of a particular company or industry.

High Yield Credit Trends

	Year-End 12/31/13	Quarter-End 3/31/14	Quarter-End 6/30/14	Quarter-End 9/30/14	Quarter-End 12/31/14	Year-End 12/31/14	2014 Chng
Upgrades - issuers	351	81	92	93	113	378	**27**
Downgrades - issuers	325	82	92	83	77	333	**8**
Upgrade/downgrade ratio	1.1	1.0	1.0	1.1	1.2	1.1	
Upgrades - volume ($ billion)	$442.1	$75.6	$98.7	$101.2	$141.2	$416.6	**($25.5)**
Downgrades - volume ($ billion)	$312.4	$72.4	$113.8	$72.0	$88.8	$346.8	**$34.4**
Upgrade/downgrade ratio	1.4	1.0	0.9	1.4	1.6	1.2	

Source: J.P. Morgan Research - High Yield Market Monitor

The Three Peaks Approach – December 2014

We remain committed to our time-tested and disciplined research process that not only includes detailed analysis of companies owned in our high yield and equity strategies, but also uncovers new opportunities within the high yield and equity markets. We continue to look for fiscally responsible management teams that are committed to growing operations prudently and who recognize they can improve their credit profile and equity valuations by focusing on credit-specific measures. Our efforts remain focused on stability and predictability in the investment selection process so as to provide a less volatile high yield strategy that can generate a reasonably consistent total return, while also attempting to find attractive equity investments that could experience further capital appreciation.

The construction of the high yield strategy continues to be highlighted by securities that we believe have the ability to weather negative headlines and heightened volatility should this continue to occur over the coming year. We will maintain our discipline of minimizing volatility to the extent possible by generally avoiding bonds that appear to have equity-like characteristics, as well as by focusing on sectors we consider to be relatively stable and higher-quality in nature due to greater predictability of revenues and stability in cash flow. We continue to believe this approach is warranted in this uncertain economic environment and with the potential for elevated volatility

throughout 2015. We believe our positioning in higher-quality names within the high yield universe, while maintaining a relatively low duration and short maturity profile, is prudent in this environment. We continue to be hesitant with regard to increasing the credit risk in the bond portfolio due to the relatively lackluster economic growth and our perception that the value of such securities does not adequately compensate investors for future investment risks. Maintaining a short maturity profile not only allows the securities held within the bond portfolio to better withstand a rise in interest rates or increased market volatility, but it also increases the potential that holdings will be redeemed via a natural bid from the company through either a call, tender, or maturity. As cash is created by these actions, it allows us the ability to assess the opportunities present in the high yield market at that time. In instances where we have not participated in new bond issuance because we believed it carried excessive interest rate risk, we may have an opportunity to deploy cash at more attractive prices and yields if rising Treasury yields or increased market volatility create such opportunities.

The construction of the equity strategy continues to focus on companies using debt/leverage prudently to grow free cash flow in an attempt to propel future equity value. We will continue to use our knowledge and understanding of the high yield market to decipher the equity investment landscape. In our opinion, our focus on understanding bond covenants and credit metrics provides a very distinct advantage to our research in stock selection. Frequently, high yield companies may have a maximum leverage ratio, minimum interest coverage ratio and/or restrictions on the amount of stock the company can repurchase or dividends they can pay out. These covenants generally influence corporate decisions and can change as the credit worthiness and financial strength of a company improves, which could potentially lead to higher equity values. We continue to emphasize important debt covenants and key credit metrics in our research when considering stock selection. While understanding these issues is not always the primary focus of many equity analysts, we believe our credit-oriented research process for finding improving high yield bond stories leads us to these types of improving equity stories and sets our strategy apart from other equity strategies.

While we continuously search for attractive investment options, we believe a strict adherence to our rigid investment philosophy, extensive research process, and discipline in choosing investments for our high yield and equity strategies will be integral throughout 2015. Given the significant positive moves in the high yield and equity markets in recent years, which have been bolstered in part by Federal Reserve policies that have begun to wind down, we believe it is important not to become complacent in the current investing environment. As such, we constantly monitor economic data and commentary from companies across various industries, as well as commentary from the Federal Reserve and out of Capitol Hill that may shed light on future investment opportunities or potential investment pitfalls.

In conclusion, we will continue to balance potential risks to the economy and the capital markets with the opportunities presented within high yield bonds and stocks to construct strategies that we believe will have a very compelling risk/return profile throughout various economic cycles and periods of elevated market volatility. With potential pressures from abroad and market volatility likely to remain elevated, we will continue to utilize a top-down and bottom-up approach when constructing our strategies.

Thank you for your continued support and investment.

January 2015

AQUILA THREE PEAKS HIGH INCOME FUND PERFORMANCE STATISTICS AS OF DECEMBER 31, 2014

			CUMULATIVE RETURN			AVERAGE ANNUAL RETURN						
	SEC Yield	Distribution Rate	4th Qtr 2014	YTD	1 year	3 year	5 year	Since Inception	Inception Date	Max Sales Charge	Max CDSC	Expense Ratio
A Shares NAV	---	3.62%	-0.38%	2.25%	2.25%	4.74%	5.79%	5.01%	6/01/06	----	----	1.20%
A Shares MOP	3.61%	3.47%	-4.34%	-1.81%	-1.81%	3.34%	4.92%	4.51%	6/01/06	4.00%	----	1.20%
C Shares w/o CDSC	2.96%	2.80%	-0.57%	1.44%	1.44%	3.91%	4.95%	4.18%	6/08/06	----	----	1.99%
C Shares w/ CDSC	----	----	-1.55%	0.45%	0.45%	----	----	----	6/08/06	----	1.00%	1.99%
I Shares	3.57%	3.42%	-0.53%	1.98%	1.98%	4.67%	5.73%	5.10%	6/29/06			1.22%
Y Shares	3.96%	3.82%	-0.33%	2.34%	2.34%	4.95%	6.00%	5.23%	6/01/06	----	----	0.98%
Barclays US Corp HY			-1.00%	2.45%	2.45%	8.43%	9.04%	8.43%				
Barclays US Aggregate Bond			1.79%	5.97%	5.97%	2.66%	4.08%	5.33%				

Performance current to the most recent month-end is available at: 800-437-1020 or www.aquilafunds.com.

Before investing in the Fund, carefully read about and consider the investment objectives, risks, charges, expenses, and other information found in the Fund prospectus. The prospectus is available from your financial advisor, and when you call 800-437-1020 or visit www.aquilafunds.com.

Performance data is based on past performance and does not guarantee future results. Current performance may be higher or lower. Data current to the most recent month end is available at 800-437-1020 or www.aquilafunds.com. 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. Total return calculations include changes in share price and reinvestment of dividends and capital gain distributions in a hypothetical investment for the period shown. Class A shares have a maximum sales charge of 4.00%; Class C shares have no initial sales charge, but a 1.00% contingent deferred sales charge applies to Class C shares redeemed within 12 months of purchase. Class I and Y shares have no initial and no contingent deferred sales charge and are available only through certain financial institutions. An explanation of the share classes appears in the Fund prospectus.

Information contained herein has been obtained from sources we consider reliable, but its accuracy is not guaranteed. Any opinions expressed are based on the interpretation of data available to Three Peaks Capital Management, LLC, investment sub-adviser of Aquila Three Peaks High Income Fund, and are subject to change at any time without notice. This report is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. The Barclays High-Yield Bond Index is an unmanaged index that covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market therefore, its performance does not reflect management fees and expenses like those associated with the Fund. The Barclays Capital U.S. Aggregate Bond Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the US investment grade fixed rate bond market, with components for government and corporate securities, mortgage pass-through securities, and asset-backed securities, therefore, its performance does not reflect management fees and expenses like those associated with the Fund. One cannot invest directly in an index. Independent rating services (such as Standard & Poor's, Moody's and Fitch) assign bond ratings, which generally range from AAA (highest) to D (lowest), to indicate the credit worthiness of the underlying bonds in the portfolio Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The Members, Officers and Employees of Three Peaks Capital Management, as a policy of the firm, are required to disclose and report investments in reportable securities as defined in Rule 204A-1(e)(10) of the Investment Advisers Act of 1940. Three Peaks Capital Management, LLC may from time to time buy or sell securities of companies mentioned in this report for its advisory clients. Aquila Investment Management, LLC, as well as certain of its Investment Companies or Investment Advisory accounts, may own the Securities being reviewed or recommended in this report. Aquila Investment Management, LLC and others associated with it may from time to time have long or short positions and effect transactions in the securities of companies mentioned in this report.

Lipper, Inc., a mutual fund rating service, compiles performance data used to derive their own ranking data. As of September 30, 2014, Lipper placed Aquila Three Peaks High Income Fund Class Y in the 19th percentile for the 1-year period within their High Yield Category, which on that date included 1,293 funds.

AQUILA THREE PEAKS OPPORTUNITY GROWTH FUND PERFORMANCE STATISTICS AS OF DECEMBER 31, 2014

	Cumulative Return		Average Annual Return									
	4th Qtr 2014	YTD	1 year	3 year	5 year	10 year	Since Inception	Inception Date	Max Sales Charge	Max CDSC	Total Operating Expense	Net Expense Ratio
A Shares NAV	4.02%	15.80%	15.80%	25.41%	17.05%	6.98%	8.60%	7/25/94	--	--	1.91%	1.55%
A Shares MOP	-0.40%	10.87%	10.87%	23.60%	16.04%	6.51%	8.34%	7/25/94	4.25%	--	1.91%	1.55%
C Shares w/o CDSC	3.83%	14.96%	14.96%	24.50%	16.19%	6.18%	7.22%	5/01/96	--	--	2.53%	2.25%
C Shares w/ CDSC	2.83%	13.96%	13.96%	--	--	--	--	5/01/96	--	1.00%	2.53%	2.25%
I Shares	4.07%	16.03%	16.03%	25.76%	17.43%	--	7.09%	12/01/05	--	--	1.81%	1.49%
Y Shares	4.09%	16.15%	16.15%	25.80%	17.41%	7.28%	8.25%	5/01/96	--	--	1.55%	1.25%
Russell 3000	5.24%	12.56%	12.56%	20.51%	15.63%	7.94%	--					
Lipper Ranking Mid-Cap Core Funds			7 of 793	4 of 750	29 of 701	369 of 558						
Lipper Percentile			1st	1st	4th	66th						

Performance current to the most recent month-end is available at: 800-437-1020 or www.aquilafunds.com.

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Information contained herein has been obtained from sources we consider reliable, but its accuracy is not guaranteed. Any opinions expressed are based on the interpretation of data available to Three Peaks Capital Management, LLC, investment sub-adviser of Aquila Three Peaks Opportunity Growth Fund, and are subject to change at any time without notice. This report is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. The Russell 3000 Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. Performance of an index does not reflect management fees and expenses which are reflected in Fund performance. An investment cannot be made directly in an index. The Members, Officers and Employees of Three Peaks Capital Management, as a policy of the firm, are required to disclose and report investments in reportable securities as defined in Rule 204A-1(e)(10) of the Investment Advisers Act of 1940. Three Peaks Capital Management, LLC may from time to time buy or sell securities of companies mentioned in this report for its advisory clients. Aquila Investment Management LLC, as well as certain of its Investment Companies or Investment Advisory accounts, may own the Securities being reviewed or recommended in this report. Aquila Investment Management LLC and others associated with it may from time to time have long or short positions and effect transactions in the securities of companies mentioned in this report.

Lipper, Inc., a mutual fund rating service, compiles performance data used to derive their own ranking data. As of December 31, 2014, Lipper placed Aquila Three Peaks Opportunity Growth Fund Class Y in the 1st percentile for the 1-year period within their Mid-Cap Core Category, which on that date included 793 funds, and in the 1st percentile for the 3-year period, which on that date included 750 funds. Lipper data for additional periods appears in the table above.