AQUILA®
Three Peaks
High Income Fund

AQUILA®
GROUP OF FUNDS

AQUILA®
Three Peaks
Opportunity Growth Fund

Investment Commentary

January 31, 2015

- Performance of the high yield market and the equity market diverged during January, as fixed-income asset classes benefited from declining government bond yields around the world driven by accommodative central bank actions. Declining economic growth and inflation measures globally spurred a bout of central bank actions during January, which included a monumental announcement from the European Central Bank (ECB) outlining the framework for its version of Quantitative Easing (QE) over the coming year. As a result, US Treasury yields declined sharply during January with the 5-year Treasury yield declining to 1.16% from 1.65% at 12/31/14 and the 10-year Treasury yield declining to 1.64% from 2.17% at 12/31/14. Declining Treasury yields helped to stabilize the high yield market in January after a fairly volatile last couple months of 2014. The equity market took a more cautious approach to begin the year, as oil volatility and global growth concerns continued to weigh on investor sentiment. In addition, concerns regarding a stronger US dollar and the impact it may have on corporate earnings intensified, as companies began reporting fourth quarter results and providing outlooks for the upcoming year that were below expectations due to foreign currency translation. Below we highlight a few of the major issues we are considering as we position our strategies.

- Oil's Decline – Strong US production growth in recent years and OPEC's decision not to cut production have caused concerns about oil supply, while slowing growth in regions outside the US has caused concerns about demand. The combination of the two, along with a strengthening dollar, have served to cut the price of oil in half over recent months. While lower gasoline prices should serve as a stimulus to consumer spending over the coming months, our concern lies with the demand side of the equation and what that means for risk-based assets throughout 2015.

- Federal Reserve Actions – Continued positive trends in employment data and signs of wage inflation have us concerned the Fed may begin to raise short-term interest rates in an attempt to begin to normalize monetary policy at some point in 2015. After six years of a near-zero Fed Funds rate, we are concerned that should the Fed begin to raise rates, it could negatively impact investor sentiment with regard to fixed-income, as well as increase the cost of capital for companies and consumers, which could slow economic progress.

- Global Growth Concerns – While the US has remained on relatively solid footing, many major economies around the rest of the world continue to struggle to generate economic growth. Japan has recently entered a recession; Europe continues to fight off systemic problems; and growth in China continues to slow. It is too early to tell if the recent Central Bank actions will help spur economic growth and inflation, which we believe will be needed to help support risk-based asset valuations. There are also concerns surrounding several oil exporting countries that may have a difficult time funding government activities over the coming year.

- Corporate Earnings – A key consideration for companies as they begin to report earnings is 1) exposure to the energy industry and 2) impact of a stronger dollar on corporate earnings. We believe we have taken a very cautious approach to both of these aspects within our investments. We have also begun to see a more aggressive use of debt filtering into corporate decisions and will be closely monitoring uses of cash flow and leverage within current and potential investments as corporate decision makers may turn more shareholder-friendly over the coming year.

- We continue to focus our research efforts on finding companies that operate in stable industries and with management teams that are exceptionally communicative and focused on strengthening the balance sheet while growing operations. We remain committed to finding companies and securities that we believe will exhibit less price fluctuation should volatility increase within the high yield market or should Treasury yields rise. We believe this strategy is exceptionally prudent at this time. We also believe our approach to selecting companies who are using leverage prudently will benefit the performance of our equity strategy should the equity market remain on solid footing.

- Thank you for your continued support and investment.

Before investing in a 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.

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 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 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. 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.