AQUILA®
Three Peaks
High Income Fund

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AQUILA®
Three Peaks
Opportunity Growth Fund

Investment Commentary

March 31, 2015

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

Highlights

- Declining economic growth and inflation measures globally spurred a bout of Central Bank actions throughout the quarter, which included a monumental announcement from the European Central Bank outlining the framework for its version of Quantitative Easing (QE) over the coming year.
- The Federal Reserve maintained a cautious approach to monetary policy normalization (raising interest rates) throughout the quarter, which was generally perceived as remaining accommodative over the coming months. Federal Reserve and other Central Bank actions will be closely monitored by market participants throughout 2015, as the degree of monetary policy accommodation will likely continue to impact market returns going forward.
- The positive price, yield, and spread movements within the high yield market during the first quarter are good indicators that the "technical" stresses within the market have subsided for the time being. While fundamental concerns still remain among the energy, mining, and retail industries within the high yield market, fourth quarter corporate earnings reports were generally positive across many other industries in the asset class.
- With 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 still 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, despite some recent steepening in the credit-quality curve. 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.
- Strong U.S. employment data in early February, slightly improving economic data in Europe following accommodative Central Bank actions in January, and generally better-than-expected earnings results from many companies were received positively and helped drive most equity indices to record high levels in early March.
- Many economists believe U.S. GDP growth will be in the 0.5%-1.5% range for the first quarter, well below the near 4.0% growth the U.S. economy experienced in the last three quarters of 2014. Time will tell if this weakness during the quarter was a bit of an anomaly or if global economic weakness, the strengthening dollar, and lackluster consumer spending are reasons to be concerned about future U.S. economic activity and corporate earnings.
- The strong performance of our equity strategy during the first quarter was broad-based across our companies and across sectors, and outperformance was attributed primarily to security selection rather than sector allocation. In general, fourth quarter corporate earnings results from many U.S. companies were well received by investors.
- Given our focus on companies in the U.S. high yield market, we believe we have relatively minimal exposure to currency issues, and we expect many of our companies to experience some degree of earnings and cash flow benefit as a result of lower energy costs. As we move through 2015, we believe 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.
- 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 and stock selection.

Similar to the first quarter of 2014, the equity market experienced elevated volatility throughout the quarter, while the high yield market benefited from declining Treasury yields, which fostered a search for incremental yield. It was positive to see the high yield market find solid footing after relatively weak performance throughout the volatile second half of 2014. Fears surrounding energy companies within the high yield market receded throughout the quarter, as the price of oil traded in a relatively tight range around $50, and many energy companies accessed the capital markets to shore up the balance sheet and increase liquidity. Declining economic growth and inflation measures globally spurred a bout of Central Bank actions throughout the quarter, which included a monumental announcement from the European Central Bank outlining the framework for its version of Quantitative Easing (QE) over the coming year. While initially the weakness in economic data had many market participants concerned about global growth and its potential impact on the U.S. economy, these accommodative Central Bank actions have, for the moment, given investors a reason to hope for accelerating global economic growth as 2015 progresses. Additionally, the Federal Reserve maintained a cautious approach to monetary policy normalization (raising interest rates) throughout the quarter, which was generally perceived as remaining accommodative over the coming months. Federal Reserve and other Central Bank actions will be closely monitored by market participants throughout 2015, as the degree of monetary policy accommodation will likely continue to impact market returns going forward.

As we evaluate a 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 or improving balance sheets and management teams with a desire to repay debt and prudently use 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 – March 2015

The Aquila Three Peaks High Income Fund Class Y share (ATPYX) generated a 2.20% total return (net of fee calculation) during the first quarter. By comparison, the Barclays High Yield Bond Index generated a 2.52% return during the quarter. After the Barclays High Yield Bond Index generated negative returns during the last two quarters of 2014, which was the first consecutive negative quarterly performance for the Index since the third and fourth quarters of 2008, performance of the Index was positively impacted during the first quarter due to fund flows turning positive for the asset class and after some stability was found across the energy complex. The positive price, yield, and spread movements within the high yield market during the first quarter are good indicators that the "technical" stresses within the market have subsided for the time being. While fundamental concerns still remain among the energy, mining, and retail industries within the high yield market, fourth quarter corporate earnings reports were generally positive across many other industries in the asset class. However, 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 and the potential for future corporate solvency problems.

As we have been suggesting recently, with 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 industries mentioned above, 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. 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.

As we have suggested in recent commentaries, we still 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, despite some recent steepening in the credit-quality curve. 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 642 basis points (bps) at March 31, 2015. Even though this measure for the credit-quality curve has increased 309 bps since June 2014, resulting in the CCC-rated category significantly underperforming their higher-quality counterparts, the absolute level is still below the 20-year average of 860 bps. For further perspective, during 2001 and 2008, when default concerns

Barclays Capital US Corporate High Yield Index Performance Analysis

Returns by Quality	2014	Jan-15	Feb-15	Mar-15	YTD '15
Barclays HY Bond Index	+2.45	+0.66	+2.41	-0.55	+2.52
Ba	+5.37	+1.29	+1.85	-0.46	+2.69
B	+1.47	+0.48	+2.70	-0.54	+2.64
Caa	-1.11	-0.51	+3.33	-0.77	+2.01
Ca-D	-38.90	-1.98	-0.14	-0.71	-2.81
Returns by Duration					
0-3 yr	+1.31	+0.36	+1.57	-0.01	+1.83
3-4 yr	+0.21	-0.25	+2.95	-0.77	+1.67
4-5 yr	+0.18	+0.34	+3.33	-0.87	+2.53
5-6 yr	+2.44	+0.98	+3.34	-1.23	+2.79
6+ yr	+9.48	+2.20	+2.75	-0.33	+4.18

Best Performing Sectors	Jan-15	Feb-15	Mar-15	YTD '15
Refining	+0.14	+6.10	+0.29	+6.56
Supermarkets	+2.82	+1.77	+0.66	+5.33
Life Insurance	+0.94	+4.67	-0.70	+4.91
Food/Beverage	+1.02	+1.72	+1.69	+4.50
Energy - Midstream	+2.50	+2.24	-0.46	+4.31
Worst Performing Sectors				
Oil Field Services	-3.94	+5.60	-2.63	-1.23
Metals & Mining	-0.97	+4.05	-2.92	+0.03
Aerospace/Defense	-0.88	+2.16	-0.37	+0.89
Financial Cos.	+0.89	+2.12	-1.62	+1.35
Cable Satellite	+0.77	+0.81	+0.07	+1.66

Source: Barclays Research - High Yield Corporate Update

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, a recent rise in distressed debt and negative credit-rating actions throughout the first quarter indicate that concerns of future defaults may be on the rise. Should the high yield market become more concerned with future corporate solvency, we believe the yield differential between these two subsets of the high yield market 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. We have begun to see indications that this behavior is becoming more prevalent among corporate decision makers, which we believe is starting to signal that excessive risk-taking could be filtering into the markets. While these actions are generally being rewarded in the equity market, we believe these aggressive actions could potentially lead to future investment pitfalls if not carefully monitored. Our equity strategy will remain disciplined with our focus on companies that maintain strong balance sheets, and we will sell the equity securities of companies that take excessive risks, even if these aggressive actions are initially rewarded in the equity market.

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 – March 2015

The Aquila Three Peaks Opportunity Growth Fund Class Y share (ATGYX) generated a positive 8.10% total return (net of fee calculation) during the first quarter. By comparison, the Russell 3000 Index, which is the Fund's primary benchmark, generated a positive 1.80% return during the quarter. Following a fairly good year of performance in 2014, the equity market started 2015 on a weak note with many equity indices posting losses for the month of January. However, strong U.S. employment data in early February, slightly improving economic data in Europe following accommodative Central Bank actions in January, and generally better-than-expected earnings results from many companies were received positively and helped drive most equity indices to record high levels in early March. Unfortunately, U.S. economic data began to show some signs of weakness in March which caused many market participants to question the strength of U.S.

economic growth and consumer spending. Weather and the West Coast port closure for a portion of the quarter have been blamed for the recent decline in economic activity in the U.S. and the recent decline in expectations for first quarter GDP growth. Many economists believe U.S. GDP growth will be in the 0.5%-1.5% range for the first quarter, well below the near 4.0% growth the U.S. economy experienced in the last three quarters of 2014. Time will tell if this weakness during the quarter was a bit of an anomaly or if global economic weakness, the strengthening dollar, and lackluster consumer spending are reasons to be concerned about future U.S. economic activity and corporate earnings.

We were pleased with how our equity strategy performed throughout the quarter, as we outperformed our benchmark during negative return and positive return periods in the quarter. On a monthly basis, the Aquila Three Peaks Opportunity Growth Fund Class Y share (ATGYX) generated net of fee performance of -1.26%, 7.39%, and 1.95% for January, February, and March, respectively. Performance in all three months compared favorably to the performance of the Russell 3000, which generated -2.75%, 5.78%, and -1.25% returns for the three months, respectively. In addition, the strong performance of our equity strategy during the first quarter was broad-based across our companies and across sectors, and outperformance was attributed primarily to security selection rather than sector allocation. In general, fourth quarter corporate earnings results from many U.S. companies were well received by investors. Importantly, the outlook for 2015 given by many companies away from the energy space showed positive signs for future growth of cash flow. Merger & acquisition activity remained elevated throughout the quarter, which has continued to 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 highlighted in our last commentary, there are expectations that a stronger dollar will be a headwind for earnings of companies that have operations outside of the United States. As a result of the strength of the dollar and the impact of lower oil prices on energy companies compared to last year, earnings estimates for the S&P 500 Index are expected to decline for the first quarter of 2015. This compares with Bloomberg's compiled average estimated earnings growth of over 10% for the companies in our equity strategy for the first quarter of 2015. We are mindful that ultimately earnings growth and cash flow generation is what drives stock prices higher over time and any weakness in these areas, whatever the reason, could materially impact the perceived value of the overall market. Given our focus on companies in the U.S. high yield market, we believe we have relatively minimal exposure to currency issues, and we expect many of our companies to experience some degree of earnings and cash flow benefit as a result of lower energy costs. As we move through 2015, we believe 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. While there is the potential that some of our companies will benefit from the increase in M&A activity, we believe the stock prices of many of our companies may continue to benefit the 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, stronger balance sheets, and better overall financial position for many of the companies in which we are investing.

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 March 31, 2015, the Aquila Three Peaks Opportunity Growth Fund Class Y share (ATGYX) generated a positive 24.10% annualized total return (net of fee calculation). By comparison, the Russell 3000 Index generated a positive 16.44% annualized return over the period. According to Lipper Inc., the Fund's Class Y share performance for the three-year period ended March 31, 2015, ranked in the 1st percentile, beating 99% of peers in the mid-cap core category. In addition to the strong three-year performance, Lipper Inc. indicates that relative performance has remained solid recently, as the Fund's Class Y share performance for the one-year period ending March 31, 2015 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. The monthly performance during the first quarter of 2015 is a prime example of this, as our equity strategy outperformed during the relatively weak months of January and March. We continue to believe that the strong performance of our equity strategy helps to validate 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	2014	Jan-15	Feb-15	Mar-15	YTD '15
Aquila Three Peaks High Income (ATPYX)	2.34%	0.82%	1.27%	0.10%	2.20%
10-Year Treasury	10.72%	4.61%	-2.69%	0.79%	2.60%
Barclays US Aggregate Bond	5.97%	2.10%	-0.94%	0.46%	1.61%
Barclays US Investment Grade Corp Bond	7.46%	3.03%	-1.01%	0.32%	2.32%
Barclays US High Yield Corp Bond	2.45%	0.66%	2.41%	-0.55%	2.52%
Equity Total Return					
Aquila Three Peaks Opportunity Growth (ATGYX)	16.15%	-1.26%	7.39%	1.95%	8.10%
Dow Jones Industrial Avg.	10.04%	-3.58%	6.01%	-1.85%	0.33%
S&P 500	13.69%	-3.00%	5.75%	-1.58%	0.95%
NASDAQ	15.75%	-2.08%	7.25%	-1.17%	3.79%
Russell 1000	13.24%	-2.75%	5.78%	-1.25%	1.59%
Russell 2000	4.89%	-3.22%	5.94%	1.74%	4.32%
Russell 3000	12.56%	-2.78%	5.79%	-1.02%	1.80%
Credit Suisse Leveraged Equity	1.48%	-3.20%	7.04%	-0.40%	3.20%

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

Observations – March 2015

Jobs, Inflation, and the Fed – Key indicators of economic strength, such as employment, capacity utilization, and retail sales continued to show signs of strength throughout much of the first quarter. In addition, data regarding housing and autos remained relatively stable. Through February, the Non-Farm Payroll report has registered over 200,000 monthly new jobs for the past twelve consecutive months. We have to look back to 1999 to find a comparable stretch of such strong job creation. The unemployment rate declined to 5.5% at the end of February from 5.8% at the beginning of the year and 6.7% at the beginning of 2014. 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 the remainder of 2015 that the unemployment rate could drop below 5.0%. Importantly, other employment measures such as underemployment and job availability have continued to improve at an accelerating rate. Unlike 2014 when wage growth was slow to respond to tighter labor market conditions, we have begun to see indications that more meaningful wage pressure could be on the horizon, which could cause core inflation measures to accelerate more rapidly. Should the employment picture continue to improve in the U.S., with increasing wage growth resulting in accelerating inflation measurements, it would seem likely that the Federal Reserve will have to begin normalizing monetary policy by raising short-term interest rates at some point this year. Commentary out of the Fed, in addition to heavily scrutinized economic data, will likely shape views with regard to how market participants allocate capital throughout 2015.

Consumer Confidence – In general, the U.S. consumer entered 2015 on the most solid footing since the financial crisis. Foreclosure and delinquency data has declined significantly in recent years, while recent job creation 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 throughout much of 2015. Lower oil prices are resulting in lower fuel and heating costs, which should be a fairly significant benefit to discretionary spending and/or consumer savings. Continued low 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 consumer spending become stagnant, expectations for economic growth and corporate earnings may need to be revised lower.

Elevated Merger & Acquisition Activity – M&A activity remained strong during the first quarter, following a very strong 2014 for corporate combinations. According to Bloomberg, global M&A announced during the quarter reached $1.0 trillion for the fourth consecutive quarter. The only other time global M&A activity topped this milestone for four consecutive quarters was during the LBO-crazed years of 2006 and 2007, when at least $1.0 trillion was reached between the fourth quarter of 2006 and the third quarter of 2007. However, we have still not seen much in the way of large-scale LBO activity materialize, as targets have generally been 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 continues to positively impact the stock price of the target company, but, in many cases, the stock price of the acquiring company increases 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. Unlike last year, we have begun to see a more aggressive use of debt to finance deals, which is resulting in a higher leverage profile and credit ratings downgrades of the acquiring company. We remain concerned that companies will continue using 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 had inflows during the first quarter due to improving investor sentiment after experiencing outflows during the third and fourth quarters of last year. According to ICI, equity mutual funds experienced approximately $25 billion of inflows during the quarter, while bond mutual funds experienced $26 billion of inflows. Given that over $40 billion of money was withdrawn from the two asset classes in the last two quarters of 2014, it was not surprising to see money coming back into the capital markets, as geopolitical headline risk was fairly benign during the quarter and investor sentiment seemed to turn a bit more positive. 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, corporate earnings strength, and geopolitical concerns as we progress through 2015; however, we believe that equity markets will also be more focused on rising interest rates.

High Yield Market Review – March 2015

The "technical" picture of the high yield market improved during the first quarter after weakening throughout the second half of 2014. The average yield-to-worst of the JPMorgan Domestic High Yield Bond Index decreased from a 7.13% at the end of 2014 to 6.65% at the end of the first quarter. Since hitting a two-year high of 7.73% in mid-December, the average yield-to-worst has declined 108 basis points (bps), as declining government bond yields around the world have ignited fund flows into the high yield asset class as investors sought out incremental yield. High yield bond spreads also declined during the quarter, although they experienced much more volatile movements on a monthly basis due to significant movements in Treasury yields throughout the quarter. After ending 2014 at 571 bps, bond yield spreads declined 22 bps to end the quarter at 549 bps. Since last June, high yield bond yield spreads have risen 144 bps, while the 5-year Treasury yield has declined from 1.63% to 1.37% (26 bps) and the 10-year Treasury yield has declined from 2.53% to 1.92% (61 bps) over the same timeframe. High yield mutual funds and ETFs experienced $10.0 billion of inflows during the first quarter. Following a record $23.8 billion of outflows during 2014, all of which came in the last two quarters of the year, the reversal to inflows helped stabilize bond prices and ignite new issuance activity. 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 12/31/14	Month-End 1/31/15	Month-End 2/28/15	Month-End 3/31/15	YTD '15
Average Spread to Worst	571 bps	599 bps	519 bps	549 bps	**-22 bps**
Average Yield to Worst	7.13%	6.99%	6.41%	6.65%	**-0.48%**
Average Bond Price	$99.15	$99.25	$100.98	$99.76	**$0.61**
5-Year Treasury Yield	1.65%	1.16%	1.50%	1.37%	**-0.28%**
10-Year Treasury Yield	2.17%	1.64%	1.99%	1.92%	**-0.25%**
Mutual Fund Flows ($ billion)	($23.8)	$3.7	$8.4	($2.1)	**$10.0**

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

New high yield bond issuance activity was fairly strong throughout the quarter, with the pace of issuance accelerating by month. In total, $95.6 billion of new issuance priced during the first quarter, which was a fairly significant improvement from the $69.8 billion that priced during the fourth quarter of 2014 and the strongest quarter since $121.2 billion priced during the second quarter of 2014. Refinancing activity comprised a healthy 45.1% of the use of proceeds of these deals as companies sought to extend debt maturities while reducing interest costs. We believe companies will continue to capitalize on opportunities to extend debt maturities while lowering interest costs throughout 2015. However, a trend we have been monitoring and commenting about recently is the increase of acquisition/LBO issuance over the past few quarters. This quarter was no different, with 32.9% of issuance proceeds being used for acquisition/LBO purposes. 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 12/31/14	Month-End 1/31/15	Month-End 2/28/15	Month-End 3/31/15	YTD '15
New Issue Amount ($ billion)	$355.7	$21.6	$33.5	$40.1	**$95.6**
New Issues	671	30	48	59	**139**
Refinancing as % of New Issue	53.6%	46.2%	39.4%	56.3%	**45.1%**
Acquisition/LBO as % of New Issue	25.6%	33.8%	28.0%	29.2%	**32.9%**
Lower-rated as % of New Issue	18.4%	4.2%	13.6%	7.0%	**9.1%**

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

While actual default activity remained manageable during the quarter, an increase in distressed debt might be indicating that future default activity may begin increasing. During the first quarter, five companies defaulted on $3.2 billion of bonds. The trailing-twelve-month default rate trended around 3.0% throughout the quarter. However, excluding the 2014 defaults of Texas Competitive Electric and Caesars Entertainment, the trailing-twelve-month default rate would have remained below 1.0% throughout the quarter, which compares favorably to a long-term average near 4.0%. The amount of distressed debt continued to increase 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. Bonds trading below 70% of par ended the quarter at 4.0%, which is the highest level we have seen since the recovery began following 2008. 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 12/31/14	Month-End 1/31/15	Month-End 2/28/15	Month-End 3/31/15	YTD '15
Defaults	17	1	2	1	**5**
Default Amount ($ billion)	$37.4	$1.4	$1.5	$0.1	**$3.2**
LTM Default Rate par amount	2.96%	3.03%	2.97%	3.00%	**0.04%**
Default Rate Excluding TXU	1.63%	1.72%	1.69%	1.70%	**0.07%**
Below 50% of par ($ billion)	$15.4	$19.0	$15.8	$21.2	**$5.8**
Below 50% of par (% HY)	1.2%	1.5%	1.3%	1.7%	**0.5%**
Below 70% of par ($ billion)	$42.6	$54.5	$38.9	$50.2	**$7.6**
Below 70% of par (% HY)	3.4%	4.4%	3.1%	4.0%	**0.6%**

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

After trending positively throughout 2014, credit trends, illustrated by the upgrade/downgrade ratio, deteriorated fairly significantly during the first quarter, as more companies were downgraded compared to those that were upgraded. While some deterioration was expected among the energy, mining, and retail industries, the pace of debt financed M&A increased fairly significantly throughout the

quarter which caused credit-rating downgrades of many companies. 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 continued deteriorating credit trends as we progress through 2015. Additionally, prolonged sluggish global economic growth could become a more meaningful drag on 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 12/31/14	Month-End 1/31/15	Month-End 2/28/15	Month-End 3/31/15	YTD '15
Upgrades - issuers	378	35	22	37	**93**
Downgrades - issuers	333	46	50	51	**145**
Upgrade/downgrade ratio	1.1	0.8	0.4	0.7	**0.6**
Upgrades - volume ($ billion)	$416.6	$69.8	$28.3	$34.0	**$131.8**
Downgrades - volume ($ billion)	$346.8	$42.7	$102.4	$69.7	**$214.8**
Upgrade/downgrade ratio	1.2	1.6	0.3	0.5	**0.6**

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

The Three Peaks Approach – March 2015

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 and 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 remain 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 equities 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.

April 2015

AQUILA THREE PEAKS HIGH INCOME FUND PERFORMANCE STATISTICS AS OF MARCH 31, 2015

			CUMULATIVE RETURN			AVERAGE ANNUAL RETURN						
	SEC Yield	Distribution Rate	1st Qtr 2015	YTD	1 year	3 year	5 year	Since Inception	Inception Date	Max Sales Charge	Max CDSC	Expense Ratio
A Shares NAV	---	3.81%	2.15%	2.15%	2.01%	4.80%	5.68%	5.12%	6/01/06	----	----	1.20%
A Shares MOP	3.65%	3.66%	-1.94%	-1.94%	-2.09%	3.37%	4.82%	4.63%	6/01/06	4.00%	----	1.20%
C Shares w/o CDSC	3.01%	3.00%	1.95%	1.95%	1.20%	3.97%	4.84%	4.29%	6/08/06	----	----	1.99%
C Shares w/ CDSC	----	----	0.94%	0.94%	0.19%	----	----	----	6/08/06	----	1.00%	1.99%
I Shares	3.73%	3.75%	2.26%	2.26%	1.96%	4.77%	5.67%	5.22%	6/29/06			1.22%
Y Shares	4.00%	4.01%	2.20%	2.20%	2.22%	5.01%	5.89%	5.34%	6/01/06	----	----	0.98%
Barclays US Corp HY			2.52%	2.52%	2.00%	7.46%	8.56%	8.36%				
Barclays US Aggregate Bond			1.61%	1.61%	5.72%	3.01%	4.44%	5.36%				

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 March 31, 2015, Lipper placed Aquila Three Peaks High Income Fund Class Y in the 21st percentile for the 1-year period within their High Yield Category, which on that date included 611 funds.

AQUILA THREE PEAKS OPPORTUNITY GROWTH FUND PERFORMANCE STATISTICS AS OF MARCH 31, 2015

	Cumulative Return		Average Annual Return									
	1st Qtr 2015	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	8.01%	8.01%	20.73%	23.71%	18.49%	8.25%	8.90%	7/25/94	--	--	1.91%	1.55%
A Shares MOP	3.42%	3.42%	15.60%	21.93%	17.46%	7.78%	8.64%	7/25/94	4.25%	--	1.91%	1.55%
C Shares w/o CDSC	7.84%	7.84%	19.85%	22.82%	17.63%	7.45%	7.55%	5/01/96	--	--	2.53%	2.25%
C Shares w/ CDSC	6.84%	6.84%	18.84%	--	--	--	--	5/01/96	--	1.00%	2.53%	2.25%
I Shares	8.03%	8.03%	20.90%	24.03%	18.85%	--	7.78%	12/01/05	--	--	1.81%	1.49%
Y Shares	8.10%	8.10%	21.10%	24.10%	18.85%	8.56%	8.95%	5/01/96	--	--	1.55%	1.25%
Russell 3000	1.80%	1.80%	12.37%	16.43%	14.71%	8.39%	--					
Lipper Ranking Mid-Cap Core Funds			5 of 381	3 of 346	4 of 300	123 of 206						
Lipper Percentile			1st	1st	1st	60th						

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 4.25%; 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. Management has contractually undertaken to waive fees and/or reimburse Fund Expenses through April 30, 2015. Returns would have been less if full management fees and expenses were applied.

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 March 31, 2015, 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 381 funds, and in the 1st percentile for the 3-year period, which on that date included 346 funds. Lipper data for additional periods appears in the table above.