AQUILA®
Three Peaks
High Income Fund

AQUILA®
GROUP OF FUNDS

AQUILA®
Three Peaks
Opportunity Growth Fund

Investment Commentary

June 30, 2015

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

Highlights

- Global central bank actions were fairly muted during the second quarter following a very active first quarter which had included the European Central Bank's version of Quantitative Easing. The Federal Reserve maintained a guarded tone with regard to the timing of increases in the Fed Funds Rate and the pace at which they will raise rates once lift-off has occurred.
- 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 strategies, while helping to avoid future investment pitfalls in today's uncertain landscape.
- The Aquila Three Peaks High Income Fund Class Y share (ATPYX) generated a 0.19% total return during the second quarter. By comparison, the Barclays High Yield Bond Index generated a 0.00% return during the quarter. For the year-to-date period ended June 30, 2015, the Aquila Three Peaks High Income Fund Class Y share (ATPYX) generated a 2.39% total return (net of fee calculation). By comparison, the Barclays High Yield Bond Index generated a 2.53% return during the period.
- With relatively low yields in other fixed-income asset classes, we believe the incremental yield available within the high yield market may reignite a search for yield, which could positively impact the performance of the high yield market relative to other fixed-income asset classes throughout 2015.
- 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 defensive positioning within the high yield asset class is prudent with the potential that elevated volatility may persist within the high yield market throughout 2015.
- The Aquila Three Peaks Opportunity Growth Fund Class Y share (ATGYX) generated a positive 0.58% total return during the second quarter. By comparison, the Russell 3000 Index, which is the Fund's primary benchmark, generated a positive 0.14% return during the quarter. For the year-to-date period ended June 30, 2015, the Aquila Three Peaks Opportunity Growth Fund Class Y share (ATGYX) generated a positive 8.73% total return. By comparison, the Russell 3000 Index generated a positive 1.94% during the period.
- Over the past several years, equity investors have looked to the Federal Reserve to be accommodative with monetary policy to help bolster equity valuations; however, with the Fed reiterating its desire to raise rates in 2015, equity returns going forward will likely be more driven by company-specific factors, such as balance sheet improvement and increased shareholder-friendly actions such as share repurchases, dividend payments, and/or M&A activity.
- Earnings growth and cash flow generation drive stock prices over time and any weakness in these areas could materially impact the overall market. However, we believe the estimated earnings growth outperformance from our strategy's holdings is driven by our focus on finding companies in the U.S. high yield market with catalysts from balance sheet improvement and any ensuing increase in shareholder-friendly activity. We also believe our focus on domestic companies will result in minimal exposure to currency issues, and we expect many of our companies will actually experience some degree of earnings and cash flow benefit as a result of lower energy costs.
- 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. 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.

The second quarter of 2015 delivered relatively lackluster returns from many equity indices and the high yield market; yet these returns stand out as seemingly resilient in light of weak performance from Treasury securities. Increased volatility in Treasury yields and unpredictable domestic economic data throughout the quarter created a great deal of indecision within the capital markets. There was considerable uncertainty late in the quarter with regard to the fate of Greece in the European Union, which prompted a great deal of headline-risk in June. As of the end of the quarter, there was no resolution to Greece's situation, which may continue to produce volatility throughout the third quarter. In our opinion, the situation in Greece likely has investors more concerned about contagion spreading to other countries in the region, rather than just Greece itself. Adding to the EU-related volatility at the end of the quarter were concerns that economic growth in China was slowing more significantly than expected. Global central bank actions were fairly muted during the second quarter following a very active first quarter which had included the European Central Bank's version of Quantitative Easing. The Federal Reserve maintained a guarded tone with regard to the timing of increases in the Fed Funds Rate and the pace at which they will raise rates once lift-off has occurred. Federal Reserve and other global central bank actions will be closely monitored by market participants, as the degree of monetary policy accommodation will likely continue to impact the direction of mutual fund flows and market returns going forward.

As we evaluate a growing list of uncertainties that could impact the capital markets throughout the remainder of 2015, we are reminded that our adherence to our investment philosophy and research process has 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 strategies, while helping to avoid future investment pitfalls in today's uncertain landscape.

High Yield Performance Overview – June 2015

The Aquila Three Peaks High Income Fund Class Y share (ATPYX) generated a 0.19% total return during the second quarter. By comparison, the Barclays High Yield Bond Index generated a 0.00% return during the quarter. The favorable price, yield, and spread movements during the first quarter continued through April and into May. However, as volatility began to increase toward the end of May and throughout June, the reasonably good performance of the Index for the first half of the quarter was essentially erased. Despite the flat return of the Index for the period, the high yield asset class was actually one of the better performing fixed-income asset classes during the second quarter. For comparison, the 10-year Treasury generated a negative 3.03% return during the quarter, as the yield increased to 2.35% at the end of June from 1.92% at the end of March. As a result of Treasury yields rising, the higher-quality and higher-duration segment of the high yield market was the weakest performing during the quarter. While fundamental concerns still remain among the energy, mining, and retail industries within the high yield market, first quarter corporate earnings reports were generally well received across many other industries in the asset class.

For the year-to-date period ended June 30, 2015, the Aquila Three Peaks High Income Fund Class Y share (ATPYX) generated a 2.39% total return. By comparison, the Barclays High Yield Bond Index generated a 2.53% return during the period. Despite fairly significant volatility from Treasury securities throughout the first half of 2015, the high yield asset class has shown a fair amount of resiliency this year, with both the average yield-to-worst and bond yield spread declining throughout the first half of the year. The Barclays High Yield Bond Index ended June as one of the better performing fixed-income asset classes for the year-to-date period, as the 10-Year Treasury returned negative 0.51%, the Barclays Aggregate Bond Index returned negative 0.10%, and the Barclays Investment Grade Bond Index returned negative 0.92%.

As we have been suggesting recently, with relatively low yields in other fixed-income asset classes, we believe the incremental yield available within the high yield market may reignite a search for yield, which could positively impact the performance of the high yield market 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 earlier, 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 defensive 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	2014	1Q'15	2Q'15	YTD '15	Best Performing Sectors	2014	1Q'15	2Q'15	YTD '15
Barclays HY Bond Index	+2.45	+2.52	+0.00	+2.53	Oil Field Services	-16.08	-1.23	+6.75	+5.44
Ba	+5.37	+2.69	-0.37	+2.31	Wireless Telecommunications	+2.24	+2.64	+3.39	-0.84
B	+1.47	+2.64	+0.36	+3.01	Environmental Services	-3.45	+6.52	+2.71	+9.41
Caa	-1.11	+2.01	+0.48	+2.50	Life Insurance	+0.53	+4.91	+1.98	+6.99
Ca-D	-38.90	-2.81	-18.80	-21.08	Energy - Midstream	-1.69	+4.31	+1.88	+6.27
Returns by Duration					**Worst Performing Sectors**				
0-3 yr	+1.31	+1.83	+0.76	+2.60	Paper	+7.48	+2.55	-3.01	-0.53
3-4 yr	+0.21	+1.67	+0.30	+1.98	Metals & Mining	-4.36	+0.03	-2.90	-2.87
4-5 yr	+0.18	+2.53	+0.28	+2.82	Cable Satellite	+7.11	+1.66	-1.63	+0.00
5-6 yr	+2.44	+2.79	-0.04	+2.75	Aerospace/Defense	+5.11	+0.89	-1.18	-0.29
6+ yr	+9.48	+4.18	-1.75	+2.36	Wireline Telecommunications	+4.95	+3.92	-0.81	+3.08

Source: Barclays Research - High Yield Corporate Update

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-to-worst differential between the BB-rated (higher-quality) portion of the Index and the CCC-rated (lower-quality) portion was 597 basis points (bps) at June 30, 2015. Even though this measure for the credit-quality curve has increased 264 bps since June 30, 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 860 bps. For further perspective, during 2001 and 2008, when default concerns were on the rise, the yield-to-worst differential between BBs and CCCs rose 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 during the first half of 2015 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-to-worst differential between these two subsets of the high yield market could become more representative of these past periods. As such, we believe our focus on lower-duration bonds of companies we regard as higher-quality with the high yield market is prudent in the current environment.

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 they are not carefully monitored. We will remain disciplined in both our strategies with our focus on companies that maintain strong balance sheets, and we will sell the 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 – June 2015

The Aquila Three Peaks Opportunity Growth Fund Class Y share (ATGYX) generated a positive 0.58% total return during the second quarter. By comparison, the Russell 3000 Index, which is the Fund's primary benchmark, generated a positive 0.14% return during the quarter. Similar to the high yield market's performance, the positive momentum among many equity indices continued through April and into May, before rising Treasury yields, the Greek crisis, and signs of weakness in China created elevated volatility into the end of the quarter. Many economists believe U.S. GDP growth in the second quarter will rebound to the 3.5%-4.0% range after GDP declined 0.2% in the first quarter. This would result in roughly 2% GDP growth for the first half of 2015, which is consistent with economic growth over the past several years. The equity markets were fairly range-bound during the second quarter, driven somewhat by the fact that economic growth has remained fairly stable in the 2% range. Over the past several years, equity investors have looked to the Federal Reserve to be accommodative with monetary policy to help bolster equity valuations; however, with the Fed reiterating its desire to raise rates in 2015, equity returns going forward will likely be more driven by company-specific factors, such as balance sheet improvement and increased shareholder-friendly actions such as share repurchases, dividend payments, and/or M&A activity.

As we have highlighted in recent commentaries, the stronger dollar will continue to 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 second 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 second quarter of 2015. We are mindful that earnings growth and cash flow generation drive stock prices over time and any weakness in these areas could materially impact the overall market. However, we believe the estimated earnings growth outperformance from our strategy's holdings is driven by our focus on finding companies in the U.S. high yield market with catalysts from balance sheet improvement and any ensuing increase in shareholder-friendly activity. We also believe our focus on domestic companies will result in minimal exposure to currency issues, and we expect many of our companies will actually 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 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 who prudently use leverage to increase cash flow to be used to fund growth projects and repay debt. 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 the year-to-date period ended June 30, 2015, the Aquila Three Peaks Opportunity Growth Fund Class Y share (ATGYX) generated a positive 8.73% total return. By comparison, the Russell 3000 Index generated a positive 1.94% during the period. Following fairly strong performance in 2014, we have been pleased with how well our equity strategy has continued to perform. The strong performance of our equity strategy this year has been fairly broad-based across our companies and across sectors, and outperformance has been primarily attributed to security selection rather than sector allocation. In general, first 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 sector, showed positive signs for future growth of cash flow. Merger and acquisition activity has remained elevated, which has continued to support, if not further expand, equity valuations. We have positioned our portfolio with a greater 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.

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 June 30, 2015, the Aquila Three Peaks Opportunity Growth Fund Class Y share (ATGYX) generated a positive 24.76% annualized total return. By comparison, the Russell 3000 Index generated a positive 17.75% annualized return over the period. According to Lipper Inc., the Fund's Class Y share performance for the three-year period ended June 30, 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 June 30, 2015 ranks in the 2nd 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 helps to validate that the companies in which we are investing for both the high yield strategy and the equity strategy are fundamentally performing well.

2015 Lipper Fund Award - Each year, Lipper Inc. recognizes funds and fund management firms for their consistently strong risk-adjusted performance relative to their peers based on Lipper's proprietary performance-based methodology. We are pleased to announce that the Aquila Three Peaks Opportunity Growth Fund Class Y received the 2015 Lipper Fund Award in the Mid-Cap Core Category for the 3-year performance period ending 12/31/14. At that time, the Lipper category included 324 funds. We believe Lipper's recognition of the Fund's risk-adjusted performance highlights our rigorous research process and disciplined investment strategy.

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	1Q'15	Apr-15	May-15	Jun-15	2Q'15	YTD '15
Aquila Three Peaks High Income (ATPYX)	2.20%	0.59%	0.35%	-0.74%	0.19%	2.39%
10-Year Treasury	2.60%	-0.82%	-0.32%	-1.91%	-3.03%	-0.51%
Barclays US Aggregate Bond	1.61%	-0.36%	-0.24%	-1.09%	-1.68%	-0.10%
Barclays US Investment Grade Corp Bond	2.32%	-0.70%	-0.65%	-1.84%	-3.16%	-0.92%
Barclays US High Yield Corp Bond	2.52%	1.21%	0.30%	-1.49%	0.00%	2.53%
Equity Total Return						
Aquila Three Peaks Opportunity Growth (ATGYX)	8.10%	-0.34%	2.32%	-1.36%	0.58%	8.73%
Dow Jones Industrial Avg.	0.33%	0.45%	1.35%	-2.06%	-1.39%	0.03%
S&P 500	0.95%	0.96%	1.29%	-1.94%	0.28%	1.23%
NASDAQ	3.79%	0.86%	2.76%	-1.56%	2.03%	5.90%
Russell 1000	1.59%	0.71%	1.31%	-1.88%	0.11%	1.71%
Russell 2000	4.32%	-2.55%	2.28%	0.75%	0.42%	4.75%
Russell 3000	1.80%	0.45%	1.38%	-1.67%	0.14%	1.94%
Russell MidCap Index (RMC)	3.95%	-0.91%	1.46%	-2.07%	-1.54%	2.35%
Russell Top 200 Index (R200)	0.54%	1.45%	1.24%	-1.79%	0.87%	1.42%
Credit Suisse Leveraged Equity	3.20%	0.97%	0.92%	-2.55%	-0.71%	2.47%

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

Observations – June 2015

Jobs, Inflation, and the Fed – Key indicators of economic strength, such as employment, capacity utilization, and retail sales were a little more volatile throughout the quarter, but generally continued to exhibit a positive trajectory. In addition, data regarding housing and autos remained relatively stable; although it also displayed a bit more volatility than recent months. While weather, port closures, and a strengthening dollar are partly to blame for the volatility in the data, we believe an underlying reason for the volatility is relatively lackluster U.S. economic growth that continues to be hampered by geopolitical flare-ups, economic weakness abroad, and uncertainty with regard to future Federal Reserve actions. That being said, through May, the Non-Farm Payroll report has registered over 200,000 monthly new jobs for thirteen of the past fifteen months and has averaged 204,000 for the first five months of 2015. The unemployment rate has declined to 5.5% at the end of May 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, the unemployment rate could drop below 5.0%. Other employment measures, such as underemployment and job availability have also continued to improve at an accelerating rate. On balance, we continue to see indications that more meaningful wage pressure in response to tighter labor market conditions 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, it would seem likely that the Federal Reserve may begin normalizing monetary policy by raising short-term interest rates at some point in 2015. 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 has lifted many homeowners from an underwater position. The strengthening dollar and lower oil prices should help curb inflation pressures and make purchased goods cheaper going forward. Lower oil and natural gas prices are also resulting in lower fuel and utility 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. If consumer spending shows 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, if consumer spending becomes stagnant, expectations for economic growth and corporate earnings may need to be revised lower.

Elevated Merger & Acquisition Activity – M&A activity remained very strong during the second quarter, accelerating to the second highest quarterly amount since at least the early 2000's. According to Bloomberg, global M&A announced during the quarter reached $1.71 trillion, just shy of the $1.74 trillion during the second quarter of 2007. Announced M&A has now topped one-trillion dollars for the fifth consecutive quarter. For comparison, during the LBO-crazed years of 2006 and 2007, six of the eight quarters in those two years reached at least one-trillion dollars of announced M&A. We still have 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 looking for ways to generate growth and/or diversify their operating units. 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. As we enter the later stages of this M&A cycle, we believe it may become more difficult for the stock prices of acquiring companies to increase immediately after announcing a deal. Despite this, we believe that companies will continue to pursue M&A to increase shareholder value, especially since global growth remains tepid and companies have access to low-cost capital that can result in accretive deals getting done. Unlike recent years, we have begun to see a more aggressive use of debt to finance deals, which is resulting in a higher leverage profile and often a credit ratings downgrade 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, creditworthiness, or management style has deteriorated outside of our comfort level.

Tracking Fund Flows – The Investment Company Institute (ICI) reported that equity mutual funds experienced outflows and bond mutual funds experienced inflows during the second quarter. According to ICI, equity mutual funds experienced nearly $10 billion of outflows during the quarter, while bond mutual funds somewhat surprisingly experienced nearly $22 billion of inflows. Given the increased volatility of Treasury yields during the second quarter, we would have not been surprised to have seen bond funds experience outflows. Should upward pressure on Treasury yields continue, we believe outflows could occur. For the year-to-date-period ending June 30, 2015, ICI is reporting that equity mutual funds have experienced approximately $16 billion of inflows, while bond mutual funds have experienced approximately $55 billion of inflows. Despite the rise in Treasury yields, the significant allocation to bond mutual funds may have been due to continued geopolitical uncertainty and increased equity market volatility. 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 focused on rising interest rates.

High Yield Market Review – June 2015

The "technical" picture of the high yield market deteriorated slightly during the second quarter after improving during the first quarter of 2015. The average yield-to-worst of the JPMorgan Domestic High Yield Bond Index increased from 6.65% at the end of March to 6.97% at the end of the second quarter. The entirety of this increase occurred during June, as the average yield-to-worst declined 24 bps in April and May to enter June at 6.41%. The average bond yield spread of the JPMorgan Domestic High Yield Bond Index ended the quarter unchanged compared to the end of the first quarter, as the high yield market was able to absorb the slight increase in yields of Treasury securities across the maturity curve. Similar to the movement of the average yield-to-worst, the average bond yield spread had declined from 549bps at the end of March to 515 bps at the end of May, before finishing June at 549 bps. Since June 2014, the average yield-to-worst and bond yield spread have increased 175 bps and 144 bps, respectively, while the 5-year Treasury yield has increased from 1.63% to 1.65% (2 bps) and the 10-year Treasury yield has declined from 2.53% to 2.35% (18 bps) over the same timeframe. High yield mutual funds and ETFs experienced $5.0 billion of outflows during the second quarter. While outflows occurred in all three months of the quarter, the majority occurred in June, with an estimated $4.5 billion outflow. We would not be surprised to see fund flows return to inflows at some point, as the additional yield and more generous spread to Treasuries compared to a year ago may entice those looking for incremental yield. We continually monitor 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 continue to

progress through 2015.

High Yield Market Technicals

	Year-End 12/31/14	Quarter-End 3/31/15	Quarter-End 6/30/15	YTD '15
Average Spread to Worst	571 bps	549 bps	549 bps	**-22 bps**
Average Yield to Worst	7.13%	6.65%	6.97%	**-0.16%**
Average Bond Price	$99.15	$99.76	$98.23	**($0.92)**
5-Year Treasury Yield	1.65%	1.37%	1.65%	**0.00%**
10-Year Treasury Yield	2.17%	1.92%	2.35%	**0.18%**
Mutual Fund Flows ($ billion)	($23.8)	$9.1	($5.0)	**$4.1**

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

New high yield bond issuance remained fairly strong throughout the quarter; although the pace of issuance decelerated by month. In total, $95.6 billion of new issuance priced during the second quarter, which matched the first quarter of 2015, although it fell short of the record $121.2 billion that priced during the second quarter of 2014. Through the first two quarters of the year, the $191.2 billion of new issuance slightly trailed the $209.5 billion that priced over the same time last year. Refinancing activity comprised 56.7% of the use of proceeds of these deals, a notable improvement over the 45.1% during the first quarter, 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. A trend we have been monitoring and commenting on recently is the increase of acquisition/LBO issuance over the past few quarters. The 28.4% of acquisition/LBO issuance during the second quarter was the fourth consecutive quarter above 25.0% and currently places 2015's issuance above 30.0%, for the first time since 2008. 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, since 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	Quarter-End 3/31/15	Quarter-End 6/30/15	YTD '15
New Issue Amount ($ billion)	$355.7	$95.6	$95.6	**$191.2**
New Issues	671	139	169	**308**
Refinancing as % of New Issue	53.6%	45.1%	56.7%	**50.9%**
Acquisition/LBO as % of New Issue	25.6%	32.9%	28.4%	**30.7%**
Lower-rated as % of New Issue	18.4%	9.1%	16.3%	**12.8%**

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

While actual default activity remained manageable during the second quarter, it did increase slightly in both amount and number of companies from the first quarter. During the quarter, nine companies defaulted on $5.5 billion of bonds (none of which we owned). The trailing-twelve-month default rate declined to 1.88% from 3.01%, as the default of Texas Competitive Electric (TXU) in 2014 rolled out of the calculation. Excluding TXU, the rate increased from 1.70% at the end of March to 1.88%. However, excluding the 2014 default of Caesars Entertainment, the trailing-twelve-month default rate would have likely remained below 1.0% throughout the quarter, which compares favorably to a long-term average near 3.7%. The amount of distressed debt declined slightly during the quarter, but remains elevated primarily due 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 appears 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 3.7%, near a post financial crisis high. 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, including for the equity market.

High Yield Defaults and Distressed Debt

	Year-End 12/31/14	Quarter-End 3/31/15	Quarter-End 6/30/15	YTD '15
Defaults	17	6	9	**15**
Default Amount ($ billion)	$37.4	$3.3	$5.5	**$8.8**
LTM Default Rate par amount	2.96%	3.01%	1.88%	**-1.1%**
Default Rate Excluding TXU	1.63%	1.70%	1.88%	**0.3%**
Below 50% of par ($ billion)	$15.4	$21.2	$26.0	**$10.6**
Below 50% of par (% HY)	1.2%	1.7%	2.0%	**0.8%**
Below 70% of par ($ billion)	$42.6	$50.2	$47.8	**$5.2**
Below 70% of par (% HY)	3.4%	4.0%	3.7%	**0.3%**

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

Credit trends, illustrated by the upgrade/downgrade ratio, were more balanced during the second quarter following a significant deterioration during the first quarter. Year-to-date, credit trends have had a slightly negative bias, as more companies have been downgraded compared to those that were upgraded. While some deterioration was anticipated and continues to be expected among the energy, mining, and retail industries, the pace of debt financed M&A continues to be elevated and has 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	Quarter-End 3/31/15	Quarter-End 6/30/15	YTD '15
Upgrades - issuers	378	94	115	**209**
Downgrades - issuers	333	145	110	**255**
Upgrade/downgrade ratio	1.1	0.6	1.0	**0.8**
Upgrades - volume ($ billion)	$416.6	$131.8	$132.7	**$264.5**
Downgrades - volume ($ billion)	$346.8	$214.8	$90.2	**$305.1**
Upgrade/downgrade ratio	1.2	0.6	1.5	**0.9**

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

The Three Peaks Approach – June 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. We will maintain our discipline of minimizing volatility to the extent possible by generally avoiding securities 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 by 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.

July 2015

AQUILA THREE PEAKS HIGH INCOME FUND PERFORMANCE STATISTICS AS OF JUNE 30, 2015

			CUMULATIVE RETURN			AVERAGE ANNUAL RETURN						
	SEC Yield	Distribution Rate	2nd Qtr 2015	YTD	1 year	3 year	5 year	Since Inception	Inception Date	Max Sales Charge	Max CDSC	Expense Ratio
A Shares NAV	---	3.70%	0.14%	2.29%	0.73%	4.41%	5.62%	4.99%	6/01/06	----	----	1.29%
A Shares MOP	3.65%	3.55%	-3.83%	-1.81%	-3.31%	2.98%	4.77%	4.52%	6/01/06	4.00%	----	1.29%
C Shares w/o CDSC	2.99%	2.90%	-0.06%	1.89%	-0.07%	3.58%	4.78%	4.16%	6/08/06	----	----	2.09%
C Shares w/ CDSC	----	----	-1.06%	0.87%	-1.07%	----	----	----	6/08/06	----	1.00%	2.09%
I Shares	3.73%	3.61%	0.00%	2.25%	0.42%	4.29%	5.55%	5.08%	6/29/06			1.33%
Y Shares	4.00%	3.90%	0.19%	2.39%	0.82%	4.58%	5.82%	5.21%	6/01/06	----	----	1.09%
Barclays US Corp HY			0.00%	2.53%	-0.40%	6.81%	8.59%	8.12%				
Barclays US Aggregate Bond			-1.68%	-0.10%	1.86%	1.83%	3.35%	5.02%				

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. Lipper rankings are based on total return calculations without an adjustment for sales charges. As of June 30, 2015, Lipper placed Aquila Three Peaks High Income Fund Class Y in the 15th percentile for the 1-year period within their High Yield Category, which on that date included 626 funds.

AQUILA THREE PEAKS OPPORTUNITY GROWTH FUND PERFORMANCE STATISTICS AS OF JUNE 30, 2015

	Cumulative Return		Average Annual Return									
	2nd 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	0.51%	8.56%	13.06%	24.42%	20.32%	7.95%	8.81%	7/25/94	--	--	1.58%	1.55%
A Shares MOP	-3.75%	3.94%	8.25%	22.63%	19.29%	7.48%	8.56%	7/25/94	4.25%	--	1.58%	1.55%
C Shares w/o CDSC	0.30%	8.16%	12.21%	23.51%	19.44%	7.15%	7.47%	5/01/96	--	--	2.28%	2.25%
C Shares w/ CDSC	-0.70%	7.16%	11.20%	--	--	--	--	5/01/96	--	1.00%	2.28%	2.25%
I Shares	0.56%	8.63%	13.21%	24.72%	20.68%	--	7.64%	12/01/05	--	--	1.49%	1.49%
Y Shares	0.58%	8.73%	13.38%	24.79%	20.69%	8.26%	8.51%	5/01/96	--	--	1.28%	1.25%
Russell 3000	0.14%	1.94%	7.29%	17.73%	17.54%	8.15%	--					
Lipper Ranking Mid-Cap Core Funds			8 of 383	3 of 341	5 of 299	127 of 208						
Lipper Percentile			2nd	1st	2nd	61st						

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

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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 so that total Fund expenses will not exceed 1.55% for Class A Shares, 2.25% for Class C Shares, 1.46% for Class I Shares and 1.25% for Class Y Shares through April 30, 2016. 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 June 30, 2015, Lipper placed Aquila Three Peaks Opportunity Growth Fund Class Y in the 2nd percentile for the 1-year period within their Mid-Cap Core Category, which on that date included 383 funds, and in the 1st percentile for the 3-year period, which on that date included 341 funds. Lipper data for additional periods appears in the table above.