AQUILA®
Three Peaks
High Income Fund

AQUILA®
GROUP OF FUNDS

AQUILA®
Three Peaks
Opportunity Growth Fund

Investment Commentary Highlights

March 31, 2016

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

Following are highlights from the full quarter-end Commentary, which is available on our web site.

- Volatility remained elevated throughout the first quarter of 2016, in both the high yield and equity markets. From the end of 2015 through February 11th, most high yield bond and equity indices were down more than 5% and 10%, respectively, oil had declined nearly 30% to $26.21 a barrel and the yield on the 10-year Treasury had declined to 1.66% from 2.27%. The high yield and equity markets were off to their worst calendar year starts ever. However, the tone around risk-based assets began to improve in mid-February as the market began to benefit from additional accommodative global central bank policy commentary, as well as incremental improvements across a broad range of other global issues. Investor risk appetite tepidly resurfaced as oil prices began recovering, U.S. economic data showed improvement, global banking issues receded, and China's currency devaluation issues stabilized. Fourth quarter corporate earnings, and guidance for 2016, were generally not as bad as feared, and helped ignite fund flows into risk-based assets during the final weeks of the first quarter of 2016. By then, high yield indices were solidly positive, many equity indices were near flat or slightly positive on the year, and the price of oil was actually higher from the end of December and up 46% from February's low.

- In our opinion, the significant volatility that the capital markets experienced in the first quarter of 2016 and the second half of 2015 is concerning. We believe these fairly violent swings indicate a great deal of angst and uncertainty with regard to the economic landscape, monetary policy, corporate earnings, and asset-price valuations (domestically and abroad).

- The energy sector was once again the most topical and influential for high yield during the quarter, while other cyclical and commodity-related industries also heavily influenced the performance of the Barclays High Yield Bond Index throughout the quarter. As the market began to stabilize and the price of oil began to rise, these industries led the Barclays Index higher in March. We continue to believe investments across these industries carry an elevated amount of uncertainty and will likely continue to experience significant volatility as the year progresses. As such, we continue to have a very cautious view and therefore a significant underweight to no positioning in these industries.

- We continue to have reservations about lower-rated issuance in the current environment, as concerns with regard to access to capital, economic growth, and corporate earnings have significantly increased solvency concerns across some companies operating with elevated financial leverage, which has caused the securities of such companies to become extremely volatile. As such, we continue to have a very cautious view and therefore a significant underweight to no positioning in lower-rated companies.

- The risk to the performance of our high yield strategy relative to the Index is that the 'risk-on' trade that occurred in the high yield market in March across Energy, Basic Industry (which includes Chemicals, Metals & Mining, and Paper), and Caa-rated bonds persists for a prolonged period of time without a material improvement in corporate fundamentals.

- We believe our higher-quality and lower-duration positioning should provide reasonably stable performance and exhibit lower volatility than the overall high yield market. We seek out companies with relatively stable cash flow generation that is sufficient to service, if not reduce debt, as well as companies that are able to show reasonable growth in operations. We also continue to target bonds of those companies that we believe will exhibit less price fluctuation should overall market volatility remain elevated or should an adverse shock to underlying Treasury yields occur.

- The $28.2 billion of issuance in March was the highest monthly amount since May of 2015. In total, $51.2 billion of new issuance priced

during the quarter, which was an improvement from the $42.3 billion during the fourth quarter of 2015, but falls well short of the $95.6 billion that priced in the first quarter of 2015.

- In total, 39.5% of issuance was used for refinancing purposes in the first quarter compared to 43.4% for all of 2015 and 53.6% in 2014. While we continue to believe companies may capitalize on opportunities to extend debt maturities over the coming quarters, it seems likely that the opportunistic refinancing to save on interest costs may have come to a halt for the time being.

- Default activity continued to trend higher throughout the first quarter of 2016, following sequential quarterly increases throughout 2015. During the first quarter of 2016, 17 companies defaulted on $24.1 billion of bonds (none of which we owned), making Q1'16 the fifth highest quarterly default total on record and the second highest in the post-financial crisis era. The trailing-twelve-month default rate increased to 3.22%, a post-financial crisis high, from the 1.80% rate at the end of 2015. Distressed debt remained elevated at the end of the quarter, but did show some improvement from the end of 2015 and significantly declined from the end of January. Bonds trading below 70% of par ended the quarter at 12.1%; lower than the 14.5% at the end of 2015, but still significantly above the mere 3.4% at the end of 2014.

- Significant stress and solvency concerns within the energy and mining industries continue to make up a large portion of the distressed ratio. Of the 17 corporate defaults occurring in the high yield market during the quarter, 12 were in the energy and mining industries. However, pressure on bonds of specific names in other industries continues to occur, which has some market participants concerned that solvency issues might be spreading.

- Credit trends, illustrated by the upgrade/downgrade ratio, continued to deteriorate throughout the first quarter. More than three companies were downgraded to every one upgrade, making the first quarter one of the most adverse for ratings actions. While some deterioration has been 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. Prolonged sluggish global economic growth could become a more meaningful drag on cash flow generation of companies, which could also accelerate credit rating 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.

- Similar to the high yield market, the equity market was under significant pressure until mid-February before rallying significantly into the end of the quarter. Fourth quarter corporate earnings results are probably best classified as "not as bad as feared" by many market participants. That being said, corporate earnings results were generally weaker than what many had expected earlier in 2015 and continued to show anemic revenue and earnings growth from many companies. A trend that has become apparent over the past few quarters is that it is becoming tougher for many companies to produce more meaningful earnings growth and cash flow generation than in recent periods. This has some market participants, including us, concerned that earnings results may prove to be relatively lackluster throughout 2016.

- Since the financial-crisis in 2008, equity investors have looked to the Federal Reserve to be accommodative with monetary policy which has helped bolster equity valuations to a degree. However, with U.S. monetary policy potentially becoming less accommodative as the year progresses, equity returns going forward may be more driven by company-specific factors, such as balance sheet improvement, company-specific growth catalysts, and potentially increased shareholder-friendly actions, like share repurchases, dividend payments, and/or M&A activity.

- Many of our companies have been able to reduce interest burden and extend debt maturities due to relatively easy access to lower-cost debt over the past few years, which has resulted in improved credit-ratings, stronger balance sheets, and better overall financial position. Similar to the high yield strategy, we have maintained a significant underweight position in commodity-related industries, and we continue to focus on companies and industries that we believe are less cyclical in nature and have relatively stable financial performance. These companies have more stable cash flows that can more easily service debt through the economic cycle than cyclical companies.

- We continue to target equities of companies within the U.S. high yield market that have catalysts from increased cash flow growth and balance sheet improvements that may result in an increase in perceived shareholder-friendly activity. We believe our focus on domestic companies will result in minimal exposure to currency volatility. We believe that the companies we are choosing to invest in are well-positioned due to management teams that are focused on balance sheet improvement and prudent use of cash flow. While there is the potential that some of our companies may benefit from increased M&A activity, we believe the greatest value creation may come from

companies that are managing their balance sheets prudently in order to create an optimal capital structure.

- 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 perceived equity-friendly actions occurring. We continue to emphasize important debt covenants and key credit metrics in our research when considering stock selection. In our opinion, the understanding of these issues is not always the primary focus of many equity analysts. As a result, 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.

- We believe that with stable or expanding economic growth, we will continue 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.

- We believe our strategies complement each other very well and can each serve as validation that the companies we are choosing to invest in are fundamentally performing well. During periods of increased volatility, we believe the performance of the high yield strategy helps to confirm that the companies we are choosing to invest in are not taking on excessive financial or operational risk and, therefore, do not have solvency concerns. Meanwhile, the relative performance of the equity strategy helps to confirm that these companies are able to contribute to shareholder value through prudent use of debt/leverage to bolster cash flow growth and earnings generation.

- 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 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 2016

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