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Three Peaks
High Income Fund

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Three Peaks
Opportunity Growth Fund

Investment Commentary

March 31, 2016

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

Volatility remained elevated throughout the first quarter of 2016 in both the high yield and equity markets. The quarter can be characterized best as a tale of two halves for risk-based asset classes. Throughout the first part of the quarter, accumulating signs of global stress, underlying apprehension surrounding corporate earnings, continued pressure on commodity prices, and uncertainty with regard to future Fed actions, weighed on investor confidence and propelled a risk-off trade. 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%. Simply put, 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 narrative 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 quarter. By the end of the first quarter, 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). 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. Economic data, such as data surrounding employment, wage growth and inflation, will also be closely monitored and heavily scrutinized throughout 2016, as directional movements across these areas will influence future Fed actions. The positive trajectory of many U.S. employment statistics was a highlight of U.S. economic activity throughout 2015. In general, the positive trend in employment data has continued into the first few months of 2016, which has some market participants expecting that tighter labor market conditions will lead to more meaningful growth in wage measures, which have been relatively lackluster in recent years. The prospects of low energy costs and increased wage growth throughout 2016 may bode well for the health of the U.S. consumer. Data regarding consumer confidence and consumer spending will continue to be scrutinized for any strength or weakness. With household spending accounting for approximately 70% of U.S. economic activity, the strength of the consumer and the willingness and ability to purchase goods and services are a key driver of corporate profits and economic growth.

As we evaluate a host of uncertainties that could continue to impact the capital markets and the investing landscape over the coming quarters, 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 in recent periods and throughout the years. 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 economic and investment landscape.

High Yield Performance Overview – March 2016

The Aquila Three Peaks High Income Fund Class Y share (ATPYX) generated a positive 1.58% total return during the first quarter of 2016. By comparison, the Barclays High Yield Bond Index generated a positive 3.35% return during the first quarter. The volatile price action that the high yield market experienced during the second half of 2015 continued into the first quarter of 2016. 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 Index throughout the quarter. In general, these industries were under significant pressure as the year began due to the concerns associated with declining commodity prices and global economic growth. However, 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. From a credit-quality perspective, the lower-rated segment performed reasonably well for the quarter, but like the industries mentioned above, it significantly underperformed in January and February before rallying in March. 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. For perspective as to the downward pressure the high yield market was under at the beginning of the year, through February 11th 2016, the year-to-date performance of the Barclays High Yield Bond Index was negative 5.16% compared to negative 0.24% for the Aquila Three Peaks High Income Fund Class Y share. Furthermore and as indicated in the Major Index Performance chart below, the performance of our high yield strategy was positive for all three months during the quarter, which we believe highlights the relative stability of our research and investment process.

We continue to believe our relatively defensive positioning is prudent in the current environment. In our opinion, uncertainty with regard to the timing of future Fed actions, concerns with regard to global economic growth, and the potential for increased corporate insolvency, may continue to sway investor sentiment and cause bouts of elevated volatility to occur within the high yield market over the foreseeable future. For reference, as of 3/31/16, the Energy segment carried a 12.35% weighting within the Barclays High Yield Index, while the Basic Industry segment (which includes the Chemicals, Metals & Mining, and Paper industries) accounted for an 8.60% weighting in the Index. Additionally, the Caa-rated or lower-rated portion of the Index carried a 15.70% weighting at the end of March. 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 these segments persists for a prolonged period of time without a material improvement in corporate fundamentals. As mentioned above, we believe in the current economic environment there are significant risks to investing in these segments of the high yield market. Nevertheless, we believe our higher-quality and lower-duration positioning should provide reasonably stable performance and exhibit lower volatility than the overall high yield market.

Barclays Capital US Corporate High Yield Index Performance Analysis

Returns by Quality	2015	Jan-16	Feb-16	Mar-16	YTD'16
Barclays HY Bond Index	-4.47	-1.61	+0.57	+4.44	+3.35
Ba	-1.00	-0.91	+1.31	+3.45	+3.86
B	-4.72	-1.57	+0.47	+3.60	+2.46
Caa	-12.11	-3.80	-1.29	+9.27	+3.76
Ca-D	-56.15	-7.09	-12.56	+28.84	+4.68
Returns by Duration					
0-3 yr	-1.21	-1.54	-1.61	+3.67	+1.79
3-4 yr	-9.51	-2.19	+0.36	+4.63	+2.60
4-5 yr	-6.63	-1.92	+0.71	+4.86	+3.48
5-6 yr	-4.10	-0.85	+1.04	+4.50	+4.63
6+ yr	-2.95	-0.95	+1.39	+4.97	+5.20

Best Performing Sectors	Jan-16	Feb-16	Mar-16	YTD'16
Metals & Mining	-3.41	+6.95	+8.97	+12.57
Retailers	+1.33	+1.31	+4.80	+7.59
Midstream Energy	-3.01	+2.30	+7.57	+6.73
Chemicals	-1.43	+2.59	+4.84	+6.01
Gaming	-0.23	+2.98	+2.67	+5.98
Worst Performing Sectors				
Pharmaceuticals	+0.42	-1.41	-4.81	-5.76
Refining	-5.93	-7.52	+8.85	-5.31
Banking	-0.73	-1.95	+1.64	-1.07
Independent Oil & Gas	-11.16	-8.38	+22.41	-0.37
Paper	-2.96	-1.78	+4.62	-0.29

Source: Barclays Research - High Yield Corporate Update

We believe our relatively defensive positioning within the high yield market in recent years, with a focus on higher-quality names and lower-duration securities within those names, has been prudent, and as a result has produced relatively stable performance within the high yield asset class. According to Lipper Inc., the Aquila Three Peaks High Income Fund Class Y share (ATPYX) performance of positive

3.14% for the one-year period ending March 31, 2016 ranked in the 1st percentile, beating 99% of peers, in Lipper's high yield bond category. Additionally, for the three-year and five-year periods ended March 31, 2016, Lipper Inc. indicates that the Fund's Class Y share ranked in the 2nd and 24th percentile, respectively, among peers in Lipper's high yield bond category. The construction of our high yield strategy continues to highlight companies that we believe are striving to improve their financial profile and credit quality through prudent use of debt/leverage. In general, 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. In our opinion, this approach to the high yield asset class can help provide reasonably stable performance throughout various market and economic cycles.

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. We remain cautious of highly-leveraged companies and highly-cyclical industries. We continue to believe the return potential of such fixed-income investments is not adequate to compensate for the elevated risk of financial distress if the economy slows. On the other hand, 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 have concerns that 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 emphasis on companies that are focused on improving their balance sheet, and we will sell the securities of companies that we believe are taking on excessive financial or operational risk, 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 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 sheets and growing their businesses 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 2016

The Aquila Three Peaks Opportunity Growth Fund Class Y share (ATGYX) generated a positive 0.34% total return during the first quarter of 2016. By comparison, the Russell 3000 Index, which is the Fund's primary benchmark, generated a positive 0.97% return during the quarter. 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. Many equity indices were off to their worst calendar year start due to a multitude of external factors that seemed to be influencing investor sentiment. For reference, through February 11th 2016, the year-to-date performance of the Russell 3000 Index was negative 11.29% compared negative 10.56% for the Aquila Three Peaks Opportunity Growth Fund Class Y share. 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. We are mindful that earnings growth and cash flow generation ultimately drive stock prices over time and any weakness in these areas could materially impact the overall market in addition to an individual company's equity value. Valuation metrics and market expectations are likely to play an integral role in the performance of individual company stocks throughout 2016. In general, we believe valuations across the equity market remain somewhat elevated and, in our opinion, many companies will need to show reasonable earnings and cash flow growth to continue to garner such valuations.

We are mindful that 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. While M&A activity remained elevated during the quarter, we continue to see some skepticism on certain deals where either significant debt is being used to fund the purchase or the business being acquired operates in an area that is not a core competency of the acquiring company. We view both of these factors as potential risks to a transaction and a potential sign that aggressive risk-taking is beginning to occur more frequently. We will continue to scrutinize M&A, especially if one of our companies is involved.

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. We believe effective balance sheet management can afford companies the ability to manage operations efficiently and potentially capitalize on activities to boost shareholder value, while avoiding undue financial risk. As a result, 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 are also closely watching the high yield market as it relates to how we position the equity strategy.

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 over multiple periods in recent years. According to Lipper Inc., the Aquila Three Peaks Opportunity Growth Fund Class Y share performance of negative 2.99% for the one-year period ended March 31, 2016 ranked in the 13th percentile, beating 87% of peers, in Lipper's mid-cap growth category. By comparison, the Russell 3000 Index generated a negative 0.34% for the period. For the three-year period ended March 31, 2016, the Fund's Class Y share generated a positive 13.48% annualized total return. By comparison, the Russell 3000 Index generated a positive 11.15% annualized return over the period. According to Lipper Inc., the Fund's Class Y share performance for the three-year period ended March 31, 2016 ranked in the 1st percentile in their mid-cap growth category. For the five-year period ended March 31, 2016, the Fund's Class Y share generated a positive 13.23% annualized total return. By comparison, the Russell 3000 Index generated a positive 11.01% annualized return over the period. According to Lipper Inc., the Fund's Class Y share performance for the five-year period ended March 31, 2016 ranked in the 1st percentile in their mid-cap growth category. While we have been pleased with the strong absolute and relative performance in recent years, we have been exceptionally pleased with the strategy's ability to weather the more volatile months throughout this timeframe.

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. In short, we believe our focus within the high yield asset class and credit-oriented approach to selecting equities allows us to put the "whole puzzle" together, and we think this is highlighted by the recent performance of both the high yield strategy and the equity strategy.

Below is a chart recapping the 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	2015	Jan-16	Feb-16	Mar-16	YTD'16
Aquila Three Peaks High Income (ATPYX)	**3.77%**	**0.54%**	**0.50%**	**0.54%**	**1.58%**
10-Year Treasury	0.91%	3.24%	1.74%	-0.24%	4.78%
Barclays US Aggregate Bond	0.55%	1.38%	0.71%	0.92%	3.03%
Barclays US Investment Grade Corp Bond	-0.68%	0.35%	0.81%	2.77%	3.97%
Barclays US High Yield Loans	-0.83%	-0.78%	-0.54%	3.14%	1.79%
Barclays US High Yield Corp Bond	-4.47%	-1.61%	0.57%	4.44%	3.35%
Equity Total Return					
Aquila Three Peaks Opportunity Growth (ATGYX)	**4.52%**	**-5.41%**	**0.80%**	**5.23%**	**0.34%**
Dow Jones Industrial Avg.	0.21%	-5.39%	0.75%	7.22%	2.20%
S&P 500	1.38%	-4.96%	-0.13%	6.78%	1.35%
NASDAQ	8.21%	-7.82%	-1.03%	6.94%	-2.43%
Russell 1000	0.92%	-5.38%	-0.03%	6.97%	1.17%
Russell 2000	-4.41%	-8.79%	0.00%	7.98%	-1.52%
Russell 3000	0.48%	-5.64%	-0.03%	7.04%	0.97%
Russell MidCap Index (RMC)	-2.44%	-6.55%	1.13%	8.19%	2.24%
Russell Top 200 Index (R200)	2.36%	-4.90%	-0.51%	6.46%	0.73%
Credit Suisse Leveraged Equity	-12.91%	-9.07%	-0.09%	8.50%	-1.43%

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

High Yield Market Review – March 2016

The "technical" picture of the high yield market went through a wild ride during the first quarter, but generally improved from the end of 2015. The average yield-to-worst of the JPMorgan Domestic High Yield Bond Index declined to 8.80% at the end of March from 9.28% to begin the year. During the quarter, the average yield-to-worst on the Index increased above 10.00%, a post-financial crisis high, in mid-February but then steadily declined throughout the final six weeks of the quarter. The average bond yield spread experienced a similar trajectory as the average yield-to-worst throughout the quarter. After ending December at 757bps, the average bond yield spread increased above 900bps in mid-February before ending March at 753bps, a decline of 4bps throughout the quarter. Treasury yields declined fairly significantly during the quarter. The yield of the 5-year and 10-year Treasury securities declined 55bps and 50bps, respectively, during the quarter. Since June 2014, the average yield-to-worst and bond yield spread have increased 358bps and 348bps, respectively, while the 5-year Treasury yield declined from 1.63% to 1.21% (42bps) and the 10-year Treasury yield has declined from 2.53% to 1.77% (76bps) over the same timeframe.

High yield mutual funds and ETFs experienced volatile monthly fund flows over the last three months but ultimately received $8.0 billion of inflows during the first quarter, following $6.7 billion of outflows during the fourth quarter of 2015. The inflow during the first quarter of 2016 snapped three consecutive quarters of outflows that totaled $25.7 billion. The additional yield and more generous spread to Treasuries during the quarter seemed to entice those looking for incremental yield and, as such, we would not be surprised if high yield funds and ETFs continue to experience a degree of inflows, barring a major economic shock, surprise move from the Federal Reserve, or sharp decline in commodity prices. 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 continue to be closely monitored.

High Yield Market Technicals

	Year-End 12/31/15	Month-End 1/31/16	Month-End 2/29/16	Month-End 3/31/16	YTD '16
Average Spread to Worst	757 bps	833 bps	830 bps	753 bps	**-4 bps**
Average Yield to Worst	9.28%	9.70%	9.57%	8.80%	**-0.48%**
Average Bond Price	$88.74	$86.56	$86.96	$90.82	**$2.08**
5-Year Treasury Yield	1.76%	1.33%	1.21%	1.21%	**-0.55%**
10-Year Treasury Yield	2.27%	1.92%	1.74%	1.77%	**-0.50%**
Mutual Fund Flows ($ billion)	($16.6)	($4.2)	$5.1	$7.1	**$8.0**

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

Elevated market volatility and pressure on high yield bond prices early in the quarter dampened investor appetite for new high yield bond issuance. As the market began to improve towards the end of February and throughout March, it appeared as though both issuers and investors became more comfortable with new issuance. 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 fell well short of the $95.6 billion that priced in the first quarter of 2015. It seems likely the high yield market may be in for a third consecutive decline in calendar-year new issuance, as increased market volatility, in conjunction with mutual fund outflows, caused both 2014 and 2015's new issuance to decline from the prior year. Many high yield strategists continue to expect lower new issuance to occur in 2016, as the "opportunistic" refinancing that comprised such a large percentage of new issuance in recent years may slow in light of increased market yields. 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.

A trend we have been monitoring and commenting on previously is the increase of acquisition/LBO issuance throughout the year. In total, 29.2% of issuance in the first quarter was used to fund acquisition/LBO activity compared to 37.5% for all of 2015 and a yearly average of 19.5% from 2010-2014. This trend of more aggressive financing from a 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 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 observed, 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.
Default activity continued to trend higher throughout the first quarter of 2016, following sequential quarterly increases throughout 2015.

High Yield New Issuance

	Year-End 12/31/15	Month-End 1/31/16	Month-End 2/29/16	Month-End 3/31/16	YTD '16
New Issue Amount ($ billion)	$293.2	$8.9	$14.1	$28.2	**$51.2**
New Issues	445	13	20	35	**68**
Refinancing as % of New Issue	43.4%	21.3%	17.1%	56.4%	**39.5%**
Acquisition/LBO as % of New Issue	37.5%	56.1%	30.6%	20.0%	**29.2%**
Lower-rated as % of New Issue	12.5%	8.3%	23.8%	3.4%	**9.9%**

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

During the quarter, 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. As we've mentioned in recent commentaries, after several years of having little concern with regard to a more meaningful increase in defaults, the high yield market has begun pricing in

the likelihood that future default activity may become more significant. 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. Of the $167.2 billion of bonds that traded below 70% of par at the end of the quarter, 67% were in the energy and mining industries. Excluding energy and mining, the amount of bonds trading below 70% of par was 4.0% at the end of the quarter, which is still higher than the 3.4% including those two industries at the end of 2014. We continue to monitor these indicators closely, as any signs of unexpected corporate insolvency could be an adverse shock to both the high yield and equity market. We believe the significant rise in distressed debt over the last year is not something that should be overlooked in the current environment and is part of the reason we remain cautious with regard to the overall investing landscape, including within the equity market.
Credit trends, illustrated by the upgrade/downgrade ratio, continued to deteriorate throughout the first quarter. More than three

High Yield Defaults and Distressed Debt

	Year-End 12/31/15	Month-End 1/31/16	Month-End 2/29/16	Month-End 3/31/16	YTD '16
Defaults	29	3	9	5	**17**
Default Amount ($ billion)	$23.6	$2.9	$8.9	$12.3	**$24.1**
LTM Default Rate par amount	1.80%	1.89%	2.35%	3.22%	**3.22%**
Below 50% of par ($ billion)	$93.4	$113.3	$103.0	$64.3	**($29.1)**
Below 50% of par (% HY)	7.3%	8.8%	7.6%	4.7%	**-2.6%**
Below 70% of par ($ billion)	$186.1	$243.9	$233.7	$167.2	**($18.9)**
Below 70% of par (% HY)	14.5%	18.8%	17.2%	12.1%	**-2.4%**

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

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. 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 pressure on credit trends. Additionally, 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.

High Yield Credit Trends

	Year-End 12/31/15	Month-End 1/31/16	Month-End 2/29/16	Month-End 3/31/16	YTD '16
Upgrades - issuers	345	19	33	36	**88**
Downgrades - issuers	467	66	137	84	**287**
Upgrade/downgrade ratio	0.7	0.3	0.2	0.4	**0.3**
Upgrades - volume ($ billion)	$415.6	$17.2	$20.5	$52.6	**$90.3**
Downgrades - volume ($ billion)	$582.8	$84.9	$265.2	$98.0	**$448.0**
Upgrade/downgrade ratio	0.7	0.2	0.1	0.5	**0.2**

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

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 potentially 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 generation. We continue to believe this approach is warranted in this uncertain economic environment and with the potential for elevated volatility over the foreseeable future. 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 or didn't adequately compensate investment 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, which has led us to become more cautious within our equity strategy in recent quarters. 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 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.

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 as we progress through 2016. Given the significant positive moves in the high yield and equity markets leading up to 2015 and the significant volatility that has plagued both markets over the past year, we believe it is important to not 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. We are cognizant that the high yield market has been going through a prolonged period of spread widening and fairly significant risk aversion within the asset class. Historically, movements within the high yield market have proved to be a good leading indicator for equity market return potential.

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 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.

AQUILA THREE PEAKS HIGH INCOME FUND PERFORMANCE STATISTICS AS OF MARCH 31, 2016

			CUMULATIVE RETURN		AVERAGE ANNUAL RETURN							
	SEC Yield	Distribution Rate	1st Qtr 2016	YTD	1 year	3 year	5 year	Since Inception	Inception Date	Max Sales Charge	Max CDSC	Expense Ratio
A Shares NAV	---	3.14%	1.39%	1.39%	2.82%	3.41%	4.45%	4.89%	6/01/06	----	----	1.29%
A Shares MOP	3.10%	3.10%	-2.68%	-2.68%	-1.26%	2.02%	3.60%	4.44%	6/01/06	4.00%	----	1.29%
C Shares w/o CDSC	2.43%	2.48%	1.32%	1.32%	2.10%	2.62%	3.64%	4.07%	6/08/06	----	----	2.09%
C Shares w/ CDSC	----	----	0.31%	0.31%	1.08%	----	----	----	6/08/06	----	1.00%	2.09%
I Shares	3.17%	3.20%	1.51%	1.51%	2.85%	3.36%	4.44%	4.98%	6/29/06			1.33%
Y Shares	3.44%	3.50%	1.58%	1.58%	3.14%	3.62%	4.68%	5.11%	6/01/06	----	----	1.09%
Barclays US Corp HY			3.35%	3.35%	-3.69%	1.84%	4.93%					
Lipper Class Y Ranking High Yield Funds					7 of 660	10 of 541	105 of 438					
Lipper Percentile					1st	2nd	24th					

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 March 31, 2016, Lipper placed Aquila Three Peaks High Income Fund Class Y in the 1st percentile for the 1-year period within their High Yield Category, which on that date included 660 funds, and in the 2nd percentile for the 3-year period, which on that date included 541 funds, and in the 24th percentile for the 5-year period, which on that date included 438 funds.

AQUILA THREE PEAKS OPPORTUNITY GROWTH FUND PERFORMANCE STATISTICS AS OF MARCH 31, 2016

	Cumulative Return		Average Annual Return									
	1st Qtr 2016	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	0.27%	0.27%	-3.26%	13.15%	12.89%	6.01%	8.30%	7/25/94	--	--	1.58%	1.55%
A Shares MOP	-4.00%	-4.00%	-7.36%	11.52%	11.91%	5.55%	8.09%	7/25/94	4.25%	--	1.58%	1.55%
C Shares w/o CDSC	0.08%	0.08%	-4.00%	12.33%	12.06%	5.22%	6.94%	5/01/96	--	--	2.28%	2.25%
C Shares w/ CDSC	-0.92%	-0.92%	-4.96%	----	----	----	----	5/01/96	--	1.00%	2.28%	2.25%
I Shares	0.28%	0.28%	-3.05%	13.41%	13.20%	6.33%	6.68%	12/01/05	--	--	1.49%	1.46%
Y Shares	0.34%	0.34%	-2.99%	13.48%	13.23%	6.31%	7.98%	5/01/96	--	--	1.28%	1.25%
Russell 3000	0.97%	0.97%	-0.34%	11.15%	11.01%	6.90%	----					
Lipper Class Y Ranking Mid-Cap Growth			52 of 401	4 of 352	2 of 321	103 of 231						
Lipper Percentile			13th	1st	1st	45th						

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.

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

Lipper, Inc., a mutual fund rating service, compiles performance data used to derive their own ranking data. As of December 31, 2015, Lipper placed Aquila Three Peaks Opportunity Growth Fund Class Y in the 13th percentile for the 1-year period within their Mid-Cap Growth Category, which on that date included 401 funds, and in the 1st percentile for the 3-year period, which on that date included 352 funds, and in the 1st percentile for the 5-year period, which on that date included 321 funds.