



Market Volatility Monitoring Practices

March, 2020

We would like to take this opportunity to communicate to our valued shareholders and financial intermediary partners what Aquila Investment Management LLC is doing to oversee the Aquila Group of Funds during this volatile period.

Overview

Over the last several weeks the financial markets have experienced one of the most disruptive and volatile periods in recent memory. After steadily moving higher over the last 15 months, as a result of the Federal Reserve initiating a new easing policy, both the equity and fixed income markets have experienced sharp price declines in response to increased economic disruption brought about by the rapidly evolving coronavirus pandemic.

Because of the degree and abrupt nature of changes in market volatility, we thought our shareholders might be interested in the portfolio risk monitoring and management practices in place at Aquila Investment Management LLC.

The Aquila Group of Funds together with Aquila Investment Management LLC and Aquila Distributors LLC, collectively the “Aquila Entities”, have adopted comprehensive compliance programs reasonably designed to adhere to the requirements of the Federal Securities laws, including SEC Rule 22e-4 related to the development and maintenance of Liquidity Risk Management Programs. Components of the overall Compliance Program used in monitoring and controlling risk in the mutual fund portfolios are as follows:

Portfolio Compliance Activities

Aquila Investment Management utilizes daily automated compliance monitoring alerts to monitor each Fund’s adherence to investment limitations, restrictions and concentration requirements as outlined in the respective Fund’s prospectus. Percentage triggers are set for both regulatory limitations as well as more conservative internal risk management thresholds. These Portfolio Compliance Alerts are distributed to both the Aquila Investment Management Fund Administration and Compliance Department representatives, as well as, the Portfolio Managers of each Fund. The Compliance Departments of Aquila Group of Funds Sub-Advisers also receive these Alerts. Aquila Fund Officers carefully monitor percentage limitations daily and know where each Fund stands well before any internal risk management thresholds would be reached. During the period of recent market volatility through Friday, March 20th, no exceptions to each Fund’s investment limitations, restrictions and concentration requirements have been identified and no internal risk management or regulatory thresholds have been exceeded.

Portfolio Risk Monitoring/Interest Rate Sensitivity and Event Stress Testing

Aquila Investment Management utilizes the Bloomberg PORT system to calculate interest rate sensitivity stress tests of each Fund portfolio’s sensitivity to event driven stress scenarios, in addition to hypothetical interest rate changes, actual interest rate changes. Results of such stress testing are reviewed with the Aquila Group of Funds Boards of Trustees on a quarterly basis, including quarter over quarter trending analysis. Aquila Investment Management has conducted stress testing of event driven scenarios, in addition to hypothetical interest rates in both periods of rising interest rates and declining interest rates. In the current environment, Aquila Investment Management anticipates that interest rates will be range bound as a result of recent Federal Reserve actions to lower interest rates to the near zero level. These risk analytics are reviewed with the Aquila Boards quarterly.

Portfolio Management Oversight Dashboard Reports

Key Risk Metrics for each Fund are also reported in monthly Portfolio Management Oversight Dashboard Reports (color coded in green, yellow, or red) and are reviewed by the Aquila Investment Management Investment Committee and Risk Group. The Dashboard Reports are one of several oversight tools used by Aquila Group of Funds’ Fund Officers to monitor ongoing investment management

risks. Other tools include, daily cash availability reporting, daily valuation reports including price variance reports and stale pricing reports, custodial reports of pending and failed trades and detailed risk analytic trend analysis reporting. Collectively, Aquila Group of Funds' Fund Officers use these tools and other measures to actively monitor portfolio risk, independently of the Portfolio Managers. In the event of an outlier, a special meeting of the Risk Group would be convened to address any emerging risk areas of concern. Market conditions through March 20, 2020 have not necessitated a special meeting of the Risk Group.

Liquidity Risk Management

The Aquila Group of Funds has adopted a Liquidity Risk Management ("LRM") Program reasonably designed to meet the requirements of SEC Rule 22e-4. The LRM Program was implemented on December 1, 2018. Aquila Investment Management serves as the LRM Program Administrator. The Aquila Group of Funds Boards have appointed two service organizations to assist Aquila Investment Management in the administration of the LRM Program as follows:

InterContinental Exchange ("ICE") has historically served as the Aquila Group of Funds primary pricing service and effective December 1, 2018 commenced services as Aquila Group of Funds' Liquidity Vendor. In that capacity, ICE conducts daily liquidity assessments of each Fund's portfolio holdings and classifies each security in one of the four U.S. Securities and Exchange Commission ("SEC") prescribed liquidity classifications. ICE transmits their liquidity classifications to BNY Mellon daily for additional analysis and reporting, as further described below.

BNY Mellon ("BNY") receives the daily ICE LRM classifications and maintains a database where daily compliance reports and alerts are generated. Daily reports are distributed to Aquila Investment Management Fund Administration and Compliance Department representatives, as well as, the Portfolio Managers of each Fund as follows:

LRM Report – The daily LRM Report lists Fund portfolio holdings and classifies each security in one of the following LRM Classifications:

Highly Liquid Investment means any cash held by a Fund and any investment that the Fund reasonably expects to be converted into cash in current market conditions in three Business Days or less without the conversion to cash significantly changing the market value of the investment.

Moderately Liquid Investment means any investment that a Fund reasonably expects to be converted into cash in current market conditions in more than three calendar days but in seven calendar days or less, without the conversion to cash significantly changing the market value of the investment.

Less Liquid Investment means any investment that a Fund reasonably expects to be able to sell or dispose of in current market conditions in seven calendar days or less without significantly changing the market value of the investment but where the sale or disposition is reasonably expected to settle in more than seven calendar days.

Illiquid Investment means any investment that a Fund reasonably expects cannot be sold or disposed of in current market conditions in seven calendar days or less without significantly changing the market value of the investment.

Illiquid Security Compliance Alert – A daily compliance alert is generated that monitors each Fund's holdings of Illiquid Securities as a percentage of Fund Total Assets and monitors for compliance with internal risk tolerance limits and the regulatory threshold of 15%.

Primarily Highly Liquid Fund Compliance Alert – A daily compliance alert is generated that monitors each Fund's holdings of Highly Liquid Securities as a percentage of Fund Total Assets and monitors whether each Fund continues to qualify as a "Primarily Highly Liquid Fund" which means that each Fund must hold at least 51% of the Fund's Total Assets in Highly Liquid Securities.

The Aquila Investment Management Fund Administration and Compliance Departments along with Portfolio Managers and compliance representatives of Aquila Sub-Advisers review all LRM Reports and Compliance alerts daily. Summary Liquidity Reports are reviewed with the Aquila Boards quarterly.

Through March 20, 2020 based upon daily reporting from ICE and BNY Mellon, Aquila Investment Management as LRM Administrator has determined that:

- All Aquila Group of Funds mutual funds continue to qualify as Primarily Highly Liquid Funds
- Holdings of Illiquid Securities, if any, have not exceeded either Aquila Investment Management Internal Risk Management Thresholds or Regulatory Requirements

Illiquid Securities, if any, are identified in each Fund's Annual and Semi-Annual Report in the Notes to the Schedule of Investments. Such reports are available at www.aquilafunds.com. In addition, the Funds' respective March 31, 2020 Portfolio Holdings will be posted to the aquilafunds.com website in early April 2020.

We trust this description of Aquila Investment Management's Portfolio Compliance and Risk Management practices will provide you perspective with respect to Aquila Investment Management's attention to detail in monitoring and proactively managing portfolio risks.