Aquila Opportunity Growth Fund

PORTFOLIO MANAGER COMMENTARY

Q4 2023

AQUILA® Opportunity Growth Fund

A Shares: **ATGAX**	C Shares: **ATGCX**	I Shares: **ATRIX**	Y Shares: **ATGYX**

U.S. Equity Markets: Quarterly Review

Equity markets produced strong and positive returns across all capitalization ranges during the fourth quarter of 2023. The strongest returns were posted by small-cap stocks (as measured by the CRSP U.S. Small Cap® Total Return Index), which rose 13.41% during the quarter, followed by mid-cap stocks (as measured by the CRSP U.S. Mid Cap® Total Return Index) at 12.27%, and large-cap companies (as measured by the S&P 500® Total Return Index) at 11.69%. The fourth quarter generally saw strength for equities and other risk assets, driven in part by a substantial decline in yields.

Although market participants have built in a substantial amount of easing by the Fed in 2024, inflation remains more stubborn than most anticipated and the labor market continues its remarkable resilience. Hence, we still expect the Fed to remain vigilant in its mandate for stable prices and full employment, resulting in rates remaining at current levels for a bit longer than most are forecasting. This will likely continue to impact the interest rate-sensitive portion of the economy, and may possibly lead to an economic slowdown and increased unemployment during 2024. As a result, we think future corporate profits may be lower than investors are currently anticipating.

As we enter the first quarter of 2024, the Federal Reserve and the Treasury are continuing to exert influence on markets. While the Fed's official stated policy continues to be one of Quantitative Tightening ("QT"), the reality is more complex, with QT only impacting its balance sheet. Overall, the Fed, in conjunction with the Treasury, is pursuing a policy of what we have been calling Quantitative Neutrality ("QN"), as measured by Domestic Liquidity that is equal to Bank Reserve Credit, less the U.S. Treasury General Account, and less the Fed Reverse Repo Program. Examining the data, we find Domestic Liquidity in the U.S. financial system has increased by $254 billion, from $5.89 trillion since the Fed began reducing its overall balance sheet in the middle of 2022 to $6.14 trillion as of 12/29/23. Impressively, the Fed was able to achieve this increase in liquidity while shrinking its balance sheet of securities held by over $1.25 trillion. That said, in the past 12 months, the Treasury and the Fed have increased Domestic Liquidity in the system by $332 billion, from $5.81 trillion on 12/30/22 to $6.14 trillion at the end of 2023. It may be that the Treasury and Fed will finally begin to implement the Fed's stated policy of Quantitative Tightening. While we continue to take the view that the Fed will pursue a more QN-oriented policy in the near-term, we will watch the data and monitor the situation closely.

While there is always uncertainty in the future, our cautious optimism for mid-cap equities is driven by several factors, including valuation, government monetary and fiscal policy stimulus, current high employment rates, and continued strong demand for goods and services in the United States. Mitigating these positive developments are volatile energy prices, driven by years of underinvestment in energy infrastructure, a reduction of the supply of crude oil by the Organization of the Petroleum Exporting Countries, rising tensions in the Middle East, the energy shock caused by the Russia/Ukraine conflict, American and Allied countries' sanctions against Russia, inflation, and a continuation of the Federal Reserve's interest rate-tightening cycle.

We believe market participants have built in a substantial amount of easing by the Fed in 2024, inflation remains more stubborn than most anticipated and the labor market continues its remarkable resilience. Hence, we still expect the Fed to remain vigilant in its mandate for stable prices and full employment, resulting in rates remaining at current levels for a bit longer than most are forecasting. We expect the Fed to continue to significantly reduce the absolute size of its balance sheet. We anticipate investors will continue to be intensely focused on both inflation data and the actions of the Federal Reserve in the coming year.

Aquila Opportunity Growth Fund: Portfolio Attribution

For the quarter ended 12/31/23, the Fund's performance was driven by stock selection. Stock selection in the Information Technology, Health Care and Communications Services sectors contributed positively to portfolio returns in Q4, while stock selection in Materials, Financials and Consumer Discretionary had a negative impact on the Fund. Additionally, the portfolio was helped by overweight positions in the Information Technology and Healthcare sectors, and hurt by overweight positions in Energy and Communications Services. Conversely, the portfolio was aided by underweight positions in the Utilities and Consumer Staples sectors, but underweighted positions in the Consumer Discretionary and Real Estate sectors were detractors.

At the stock level, the largest positive contributors in the quarter were Impinj, Inc. (PI), Dexcom, Inc. (DXCM) and ZoomInfo Technologies Inc. (ZI), all of which the Fund continued to hold as of quarter-end.

- Impinj provides Radio Frequency Identification ("RFID") solutions for identifying, locating and authenticating items. The RFID market has evolved to a near-duopoly for Impinj and one major competitor. Impinj is the largest company dedicated solely to RFID. Impinj's integrated reader and endpoint solutions offer what is believed to be the highest degree of functionality. Insider buying and stabilization in inventories were key drivers for the company's stock price.

- Dexcom is a leader in the continuous glucose monitoring ("CGM") market, helping Type 1 and Type 2 diabetes patients better manage their diabetes. Dexcom's stock outperformed expectations on the back of strong adoption of their next generation G7 CMG product, due to the product's software platform, ease of use, and insurance coverage. Furthermore, data shows CGM usage is growing with the increased prescription of the GLP-1 weight loss drugs, further demonstrating the complementary nature of Dexcom CGM across diabetic therapy.
- ZoomInfo is the premier provider of high-quality sales leads on the dominant cloud-based, intelligent, go-to-market platform for sales and marketing professionals to better understand customers and prospects. We continue to view the company as a cornerstone of the Software as a Service front-office ecosystem. and is positioned to benefit from the rise of Artificial Intelligence within sales and marketing. Stabilizing sales revenues in their core market led the stock's performance.

The largest detractors of the Fund's returns in the fourth quarter were Lithium Americas Corp. (LAC), Mattel, Inc. (MAT), and Valero Energy Corporation (VLO), all of which the Fund continued to hold as of quarter-end. largest detractors of the Fund's performance in the third quarter were Impinj, Inc. (PI), Ambarella, Inc. (AMBA), and ZoomInfo Technologies Inc. (ZI), all of which the Fund continued to hold as of quarter-end:

- Lithium Americas is the only fully-permitted, large-scale lithium resource in the United States with a minimum project life of 40 years. The company is awaiting approval from the Department of Energy Loan Program, as well as General Motors' second tranche of investment to continue with Phase 1 of the project. Phase 1 of the project will allow the company to support the planned production of 40kt of Lithium Carbonate (Li2CO3) per annum over the next 40 years. Lithium is a key component of electric vehicles, and we view the long-term opportunity for a domestic source of lithium production as attractive. The stock underperformed in Q4 as a result of Ford and General Motors reducing their forecasts of electric vehicle sales.
- Mattel designs, manufactures, and markets toys. Lackluster guidance, and concern about consumer demand in 2024, led to weaker than expected performance during the quarter.
- Valero Energy is a refiner with heavy Gulf Coast exposure and a growing renewables diesel business. Valero's assets, the renewable diesel business and Gulf Coast exposure, with crude oil feedstock flexibility, are advantages that are not fully appreciated by the market in our view. The stock underperformed as a result of price decreases for gasoline and diesel fuel during the quarter.

Fund Strategy and Outlook

During the fourth quarter of 2023, the Fund's investment management team increased positions in the Healthcare, Information Technology and Communications Services sectors, while reducing our weightings in Utilities, Energy, and Consumer Staples. At present, we remain overweight the Energy sector, as we believe there will be an upward move in oil prices related to the factors mentioned above. We are currently underweight the Financials sector in anticipation of continued elevated interest rates and an ongoing tightening cycle by the Federal Reserve.

In Q4, we increased our position in the Healthcare sector to overweight as we believe valuations are attractive. We favor companies that are taking cost actions to adjust to lower demand, thus improving long-term earnings profiles. Separately, we remain underweight the Industrial sector and prefer companies that benefit from manufacturing moving onshore and electrical grid network upgrades. For the Materials sector, we remain equal weight and favor companies that benefit from manufacturing moving domestically including steel, aggregates, and lithium producers. While there are concerns over electric vehicle growth resulting in weak demand for battery-grade lithium, we see the market quickly rebalance once the market adjusts.

Finally, we remain overweight Information Technology and Communication Services. We continue to overweight semiconductors, software and communications equipment companies leveraged to artificial intelligence, vehicle electrification, cloud infrastructure, and cybersecurity. We think the systems and software that run on increasingly diverse and complex silicon may result in more sustainable growth than the market seems to be discounting. In further support of our investment strategy and philosophy, we continue to seek attractive investment opportunities in the shares of companies that we believe are benefiting from material positive changes in this key sector of the economy.

For specific information about fund characteristics, holdings and performance please see the Fund Fact Sheet on our website at www.aquilafunds.com.

Fund Facts as of 12/31/2023

Lead Portfolio Manager	Inception Date	Total Investments	Number of Holdings
PEDRO MARCAL, DIRECTOR OF EQUITIES AND HIGH YIELD	7/22/1994	$118.1M	81

This information is general in nature and is not intended to provide investment, accounting, tax or legal advice, nor is it not intended to represent a recommendation or solicitation related to any particular investment, security or industry sector. The opinions shared are those of the portfolio manager and do not necessarily reflect those of the Investment Adviser of the Fund.

Information regarding holdings is subject to change and is not necessarily representative of the entire portfolio. A complete list of the Fund's current holdings, including percentage allocation, is available on our website and by contacting Aquila Group of Funds.

Securities of the companies referenced were portfolio holdings of Aquila Opportunity Growth Fund during the fourth quarter of 2023. Following is a listing of the companies, represented as a percentage of the Fund's total portfolio as of 12/31/23: Impinj, Inc.: 3.20%; Dexcom, Inc.: 2.94%; ZoomInfo Technologies Inc.: 3.80%; Lithium Americas Corp.: 1.71%; Mattel, Inc.: 1.28%; Valero Energy Corporation: 1.54%.

The **CRSP U.S. Small Cap Index** includes U.S. companies that fall between the bottom 2%-15% of the investable market capitalization. There is no lower limit in market capitalization, other than what is specified by investability screens. The **CRSP U.S. Mid Cap Index** targets inclusion of the U.S. companies that fall between the top 70%-85% of investable market capitalization. An investment cannot be made directly in an index. The **S&P 500 Index** is a stock index, weighted by market capitalization, representative of the 500 largest U.S. companies. Performance of an index does not reflect management fees and expenses, which are reflected in Fund performance. Past performance does not guarantee future results.

Please refer to the Fund's prospectus for a complete description of risks associated with an investment in the Fund. These include, but are not limited to, potential loss of value, market risk, financial risk, interest rate and credit risk, and investments in highly-leveraged companies, lower-quality debt securities, foreign markets and foreign currencies.

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.