

# What's Different About Our Strategy?

## Research

- Our equity research begins with our knowledge of corporate debt and free cash flow.
- We use our knowledge and understanding of the corporate debt market, acquired in managing Aquila Three Peaks High Income Fund, to decipher the equity investment landscape.
- We evaluate what management teams are doing with free cash flow – activities might include stock buyback, dividend payments, acquisitions and expanding production or developing new products.
- We focus on understanding bond covenants and credit metrics, which we believe provide a very distinct advantage to our research for stock selection.



## Sector Selection

- We focus on sectors we consider to be relatively stable, and where we believe there is greater predictability of revenues and stability in cash flow.
- We are cautious of highly-leveraged companies and highly-cyclical industries, where we believe the return potential is not significant enough to compensate for the elevated risk of financial distress when the economy slows.

## Investment Selection

- We search for companies with fiscally responsible management teams:
  - Teams who have been prudent with their use of debt and leverage to grow operations and free cash flow.
  - Teams that recognize they can improve their balance sheet, credit profile and future equity valuations by focusing on credit-specific measures.

## Distinctive Strategy

- We believe that companies that are utilizing free cash flow, and paying down debt, are laying the groundwork for potentially strong equity returns.
- We utilize not only our detailed understanding of balance sheet improvements and covenants, but also yield and spread data, to seek good entry points for stocks.
- Our strategy is to maintain a broadly diversified, well researched, well balanced portfolio to reduce volatility.

*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](http://www.aquilafunds.com).*

*Investment Considerations: Mutual fund investing involves risk; loss of principal is possible. An investment involves certain risks including market risk, financial risk, interest rate risk, credit risk, and risks associated with investments in highly leveraged companies, lower-quality debt securities, foreign markets and foreign currencies, and potential loss of value.*