

AQUILA THREE PEAKS HIGH INCOME FUND

PORTFOLIO MANAGER COMMENTARY

December 31, 2011

2011 was a year of heightened volatility as many of our concerns at the end of 2010 actually came to pass in some form or another. This played well into our strategy of maintaining a relatively conservative profile within high yield as the Aquila Three Peaks High Income Fund Class Y shares (ATPYX) posted a positive 5.41% total return (net of fee calculation). This outperformed the high yield market as well as most equity indices for the year. Equally impressive was that the Fund's Class Y share full-year 2011 performance ranked in the tenth percentile of all public high yield bond mutual funds and according to Lipper Inc., beat 90% of its competitors within the high yield asset class.

The year ended with signs of stability including better-than-expected economic data points during December and continued job creation throughout the fourth quarter. However, there remain several legacy issues the capital markets will have to contend with during 2012: contagion in the European region, U.S. financial stability, and high inflation in China, all concerns we have discussed in previous commentaries. We are now less worried about debt crisis in the eurozone as the focus has shifted toward the risk of the region going into recession during 2012 and its effect on the global economy. Significant budget deficits in the U.S. resulted in the federal debt ceiling being extended yet again, while concerns about financial stability domestically caused S&P to downgrade the long-term debt rating of the country. The upcoming election will bring important commentary as to potential solutions for improving the current fiscal situation. Lastly, China raised interest rates three times during 2011 in an attempt to combat inflation by slowing its economic growth. The combination of slowing growth in China and the potential for recession in the European region could adversely impact global economic growth more than what is currently expected.

Looking into 2012, there will likely be multiple new concerns that the U.S. and global economies will encounter. First, there could potentially be a number of administrative changes in many countries throughout the world, including the U.S., which could have differing effects on investor sentiment and global confidence. The U.S. presidential election is expected to be a heated battle this year as dissension between the major parties has grown in recent years. Also, there are concerns related to many fiscal policy issues currently enacted in the U.S., such as the Bush-era tax cuts and payroll tax relief, which are both set to expire in 2012 and could increase tax burdens on consumers as 2013 approaches. Additionally, we feel that an across-the-board cut to the federal budget to help combat a ballooning federal debt balance could prove to be a fiscal drag on the economy in the latter half of 2012 and into 2013. The long-term future of the eurozone will also be closely watched during 2012; however, many strategists believe that the U.S. economy will continue to decouple from Europe throughout the first half of 2012. Despite the issues facing the U.S. and the world in 2012, the stabilizing economic data from the fourth quarter of 2011 has helped solidify the expectation by many economists that the U.S. economy can at least grow GDP by 2% in 2012, similar to 2011.

Even though expected growth for 2012 is lower than we would have initially projected given the amount of fiscal and monetary stimulus thrown at the economy over the past few years, it points to the underlying resiliency of the U.S. business environment in the face of weakness in Europe and uncertainty with regard to taxes and healthcare costs. Many companies in the U.S., including high yield and investment grade issuers, have taken the opportunity to strengthen their balance sheets over the past three years by extending debt maturities and lowering interest costs. Operating results for most corporations also continue to improve, which has led to record-high cash levels on the balance sheets of many companies. While volatility in the high yield market has the potential to remain elevated during 2012, a favorable yield and spread environment relative to historically-low Treasury and other fixed income yields should provide a strong underpinning for inflows into the asset class. We continue to believe our relatively conservative approach and dedication to a sound research and investment philosophy within the high yield asset class will once again prove to be prudent as 2012 progresses. We constantly monitor the credit risk and interest rate risk of every security in the portfolio, and our time-tested research process continues to uncover credit opportunities offering attractive risk/return scenarios in today's uncertain landscape.

Performance Overview - Fourth Quarter 2011

The Barclays High Yield Bond Index posted a positive 6.46% total return for the fourth quarter. Following a negative 6.06% total return for the third quarter and after starting out the first week of October down 2.44%, the high yield market began experiencing positive price movement as the average yield-to-worst of the Index hit 10% and a record amount of inflows entered the asset class. The positive 5.99% return during October for the Barclays High Yield Index was among

the best monthly performances on record and the highest monthly return since July 2009. In fact, it was only the twelfth time the high yield market has experienced a monthly return greater than 5.00% since 1986; six of those months occurred shortly after the market downturn in 2008. Despite the positive tone in the capital markets as October came to a close, continued uncertainty regarding the European debt situation and budgetary issues in the U.S. caused a shift in investor sentiment and resulted in the Barclays Index posting a negative 2.16% return during November. It was only the second time that the Index had produced a negative return following a positive 5.00% return month. However, as positive indications for holiday spending began to emerge, in addition to other positive economic news in the U.S. and better-than-expected employment numbers, the high yield market was able to finish out a fairly volatile year on a high note. Fueled by positive inflows and a lack of new issue supply, the Barclays High Yield Index returned 2.66% during the month of December, the third best December performance dating back to 1986. We believe the volatile returns during the quarter highlight the uncertainty with regard to many looming global issues that have been created due to a lack of clarity surrounding the European debt crises and the political issues domestically.

As the risk-on trade prevailed during October and December, the higher beta, lower credit-quality names outperformed on a relative basis. Conversely, during November, the lower beta, higher credit quality names outperformed. The triple-C portion of the Barclays High Yield Index returned +8.83%, -3.58%, and +3.31% during October, November and December, respectively, while the double-B portion of the Index returned +5.80%, -1.50%, and +2.39%, respectively. For the entire quarter, riskier names prevailed with triple-C names returning 8.42%, single-B names returning 6.40% and double-B names returning 5.61%. At the end of the quarter, lower-rated securities had a 16.6% weighting in the Barclays High Yield Index. Similar to the performance of the different quality segments during the quarter, the different duration segments took their turn at outperformance with longer-duration bonds ultimately outperforming during the quarter. Bonds with a duration greater than six years returned 7.49% while the shorter-end of the curve, the 0-3 year segment, posted a 4.15% return. The longer duration segment primarily outperformed because it did not become call-constrained as prices increased. On the other hand, the shorter duration segment became hindered by call features which limited further price appreciation. In periods of weakness, this segment typically outperforms as it did in November and during the third quarter, but can't keep up when the market is moving higher. There were only three industry segments in the Barclays High Yield Bond Index that posted a negative return during the quarter with the majority of the segments returning at least 3.00%. The top performing industries of the Barclays High Yield Bond Index during the quarter were Home Construction (+12.34%), Construction Machinery (+9.07%), Packaging (+8.83%), Technology (+8.54%), and Gaming (+8.51%). The worst performing industries of the Barclays High Yield Bond Index during the quarter were Refining (-3.24%), Airlines (-2.15%), Non-Captive Consumer Financial (-1.48%), Health Insurance (+2.68%), and Paper (+2.70%).

The Aquila Three Peaks High Income Fund Class Y shares (ATPYX) posted a positive 3.23% total return (net of fee calculation) for the fourth quarter. The strategy's emphasis on high-quality names and shorter duration securities within those names, which had helped the strategy outperform during the third quarter, hindered the relative performance during the relatively robust performance months of October and December. We continue to place a heavy emphasis on stability in the investment selection process by highlighting industries and companies that show reasonable predictability in operating performance and which exhibit bondholder-friendly actions. We continue to avoid highly-cyclical industries, since the volatile operating trends inherent in these industries can be problematic when trying to support a balance sheet that has debt. We continue to closely monitor the duration and maturity profile of the strategy given that Treasury rates remain near historically-low yields. Should economic growth prove to be better than expected in the coming quarters or should an increased risk appetite in the capital markets prevail, we could see Treasury rates rise. We feel this scenario could be brought on by better clarity with regard to the political and economic landscape both domestically and in Europe. Given the elevated volatility in these uncertain times, however, we will continue to place a heavy emphasis on providing a reasonably predictable and less volatile investment strategy within the high yield asset class.

For the quarter, the 10-year Treasury note returned 1.21%, the Barclays U.S. Aggregate Bond Index returned 1.12%, the S&P 500 returned 11.82%, the Dow Jones Industrial Average returned 12.77% and the NASDAQ Composite returned 8.21%.

Performance Overview – Full Year 2011

For the year, the Barclays High Yield Bond Index returned a positive 4.98%. The positive momentum experienced in 2010 carried into the first half of 2011. With a record amount of new issuance pricing, healthy inflows into the asset class, and relatively strong operating results from many high yield companies early in the year, the Barclays High Yield Index increased 6.19% for the first seven months of the year through July and had only experienced one negative month of performance to that point (June was down 0.97%). However, as volatility began to increase in August due to increased

political rhetoric around the U.S. debt ceiling, the eventual downgrade of the country's long-term debt rating by S&P, elevated European sovereign debt issues and weakening U.S. economic data, bond prices began to weaken as fund flows into high yield turned negative and a flight-to-quality trade was resurrected. In just over two months, the Barclays High Yield Index had not only erased the year-to-date gains, but had actually produced a negative 3.79% return for the year, as of October 4. As mentioned above, record inflows into the asset class during October helped propel the Index out of negative territory and lead the way to a positive finish for the year.

Despite the fourth quarter outperformance by the triple-C portion of the Index, the higher-quality portions of the Index outperformed for the entire year. The double-B portion of the Index produced a total return of 6.84%, while the single-B portion returned 5.39%, and the triple-C returns were just 1.18%. Longer-duration securities outperformed during the year. Securities with a duration profile longer than six years returned a positive 8.43%, while those falling in the 0-3 year duration timeframe returned 3.53%. The longer-duration segment is higher-quality in nature and therefore not only benefited from an up-in-quality trade within high yield but was also positively impacted by a significant decline in Treasury yields throughout the year. Also, as mentioned above, longer-dated securities have less constraint due to call prices than the shorter-duration securities. The 3-4 year duration segment was the worst performing duration segment, generating a 2.13% return for the year. This segment was hindered predominantly by large, legacy LBO's completed in the 2006-2008 timeframe. The top performing industries of the Barclays High Yield Bond Index for the year were Supermarkets (+13.09%), Pipelines (+10.17%), Pharmaceutical (+10.07%), Media-Cable (+10.03%), and Environmental (+9.87%). The worst performing industries and the only negative performing of the Barclays High Yield Index for the year were Non-Captive Consumer Finance Cos. (-7.67%), Transportation Services (-4.81%), Home Construction (-4.55%), Airlines (-4.81%) and Wireless (-2.69%).

For the year, the Aquila Three Peaks High Income Fund Class Y shares (ATPYX) posted a positive 5.41% total return (net of fee calculation). We were exceptionally pleased with performance throughout the entire year which, when compared to the Barclays High Yield Index, exhibited significantly less volatility. As mentioned in the opening paragraph, the Fund's Class Y share excelled relative to its many competitors within the asset class as it placed in the tenth percentile of the high yield category according to Lipper Inc., therefore beating 90% of its peers. The relative stability in the investment selection process throughout the year allowed the Fund's performance to stay positive on a year-to-date basis even though the Barclays Index experienced a negative 9.40% return in just over two months leading up to the first week of October which made the Index turn negative on a year-to-date basis during this period. We were also pleased with the strong relative performance when considering our tendency to focus on shorter-duration securities even though longer-duration securities outperformed within the Index during the year. Our hesitation to increase risk in the portfolio throughout the year also helped our strong relative performance.

For the year, the 10-year Treasury note returned 17.14%, the Barclays U.S. Aggregate Bond Index returned 7.84%, the S&P 500 returned 2.11%, the Dow Jones Industrial Average returned 8.38% and the NASDAQ Composite returned negative 0.79%.

High Yield Review – Fourth Quarter & Full Year 2011

Spreads – After widening 267 bps during the third quarter, high yield bond spreads tightened 80 bps during the fourth quarter to finish the year at 754 bps. The average spread of the high yield market began the year at 577 bps and trended in the 500-600 bps range until early August when risk aversion and a flight-to-quality trade set in. Spreads reached a yearly high of 896 bps in early October before rallying at the end of the year. For the year, spreads ended 177 bps higher than they began and 255 bps above the yearly low of 499 bps experienced in April. It's important to note that much of the increase in high yield spreads was a byproduct of the decrease in Treasury yields, as the 5-year and 10-year Treasury yields declined 117 bps and 142 bps, respectively, throughout the year.

Yield – The average yield-to-worst of high yield bonds declined nearly 100 bps during the fourth quarter to finish the year at 8.44%. After declining to an all-time low of 6.75% during the second week of May, the average yield-to-worst of the market increased to a yearly high of 10.00% in early October before finishing the year on a positive note. For the year, the average yield-to-worst of high yield bonds ended 89 bps higher than they began and finished 169 bps above the all-time low experienced in May. The 10-year Treasury yield declined 4 bps throughout the fourth quarter to finish the year at a 1.88% yield. Sparked by the Fed's "Operation Twist" and a fairly strong flight-to-quality trade throughout the year, the yield on the 10-year Treasury declined to a multi-decade low of 1.72% in mid-September and finished the year 142 bps below the 3.30% yield at which the year began.

Default Rate – Default activity picked up during the fourth quarter as 14 companies with \$9.4 billion of bonds defaulted. The fourth quarter alone was more active than the previous three combined and was the most active quarter for defaults since 2009. For the year, 22 companies defaulted on \$18.8 billion of bonds. The default rate ended the year at 1.76%, which is the highest level of the year, after trending around 0.80% during the first half of the year. Importantly, the rate remains well below the 25-year average of 4.2% and many high yield strategists are expecting it to remain in the 2.0%-2.5% area for 2012.

Bond Prices Reflective of Future Defaults – The average high yield bond price increased nearly \$3.00 during the fourth quarter to finish the year at \$98.51. After starting the year at \$101.08, the average price reached a high of around \$104.00 during the second week of May before declining to nearly \$92.00 in early October. At the end of the year, 65% of the market traded above 100% of par, which is a solid improvement from 44% at the end of the third quarter. Distressed debt, or bonds trading below 50% of par, remains minimal at \$12.5 billion, or roughly 1.2% of the market. Bonds with a price below 70% of par, a more conservative measure of distressed debt, decreased throughout the fourth quarter to \$36.1 billion, or roughly 3.6% of the market. Even though the amount of bonds trading below 70% increased by \$17.3 billion or approximately 1.3% of the market, throughout the year, the fact that the current level is below the 25-year average default rate is a positive indication of what to expect for potential defaults in 2012.

New Issue Review – Quantity – Following a meager \$25.5 billion of new issuance during the third quarter, new issue activity had a slight resurrection during the fourth quarter as 66 issues priced for a total of \$38.2 billion. Primary issuance was really a tale of two halves during 2011. The first two quarters of the year continued the record-setting pace experienced during 2010, as \$182.0 billion of new issuance from nearly 400 issues priced. High yield was on a run-rate to price over \$350.0 billion which would have easily surpassed 2010's record \$302.0 billion. However, an uncertain economic and political environment during the second half of the year caused investors to pause, while average bond yields that were 200-300 bps higher than just a few months earlier caused corporate issuers to pull back from new issuance. It is worth mentioning that the \$63.7 billion priced during the second half of the year was still more than the \$52.9 billion priced during the entire year of 2008. By no means did the new issue market lock-up like it did during late 2008, but after pricing more than \$25 billion per month for 18 consecutive months, the \$10.6 billion monthly average during the last six months of the year was a noticeable reversal to the recent trend. For the year, \$245.6 billion from 510 issues priced. Many high yield strategists are expecting 2012 to be another strong year for new issuance.

New Issue Review – Characteristics – As we had been mentioning in commentaries throughout the year, new issuance trends had been becoming more aggressive compared to recent quarters/years. Acquisition/LBO financing amounted to 32.0% of new issue proceeds during the last two quarters of the year, which was up sharply from the 19.0% experienced during the first two quarters of 2011. For the year, 22.1% of new issue proceeds were used for acquisition/LBO financing, which also compares unfavorably to the 15.6% of new issue proceeds experienced in 2010. For comparison, during 2007, a record 51.5% of deal proceeds were used for such transactions. Refinancing activity, which accounted for the bulk of the “use of proceeds” during 2011, continued to decline compared to recent quarters. For the year, 55.2% of the proceeds were used for refinancing activity, which compares favorably to the mere 35.2% of proceeds during 2007, but is still weaker versus the 66.5% and 76.2% experienced during 2010 and 2009, respectively. Credit quality of new issuance remains concerning as 12.0% of the issuance was lower-rated. This still compares favorably to the 2007-2008 timeframe when nearly 16.0% of issuance was lower-rated, but is higher than the 8.1% and 3.8% of issuance that was lower-rated in 2010 and 2009, respectively.

Demand – According to Lipper FMI (formerly AMG Data Services), high yield funds experienced a near-record quarterly inflow of \$13.8 billion during the fourth quarter. After a reasonably strong start to the year, the asset class had experienced \$10.8 billion of inflows through May, the monthly flows became quite volatile as headlines surrounding Europe and the U.S. economy influenced investor sentiment. A monthly record \$7.1 billion outflow during June was followed by a \$2.7 billion inflow during July which was quickly reversed by a \$6.4 billion outflow in August. Through the third quarter of 2011, a relatively meager \$1.6 billion had come into the asset class for the year. October's record monthly inflow of \$9.9 billion and December's respectable \$5.3 billion inflow helped close out the year on high note and propelled the full-year high yield inflows to \$15.6 billion. In general, we expect inflows into the asset class to remain solid during at least the beginning of 2012 as investors continue to search for yield against other fixed income asset classes. Additionally, should the equity market continue its volatile streak, we could see investors look towards high yield as a potentially less volatile investment alternative. While we don't expect the drastic swings in fund flows during 2012 that we saw in 2011, we would expect investor sentiment to be swayed by headlines out of Europe and headlines related to the U.S. economic and political environment, which could create volatility in fund flows on a month-to-month basis.

Credit Trends – Ratings Actions – For the second consecutive quarter, credit trends gave mixed signals during the fourth quarter, as the number of ratings downgrades by issuer outpaced the number of upgrades, but the dollar amount of debt upgraded was higher than the amount downgraded. By number of issuers, 68 companies saw their credit rating upgraded during the quarter while 79 saw their credit rating decline. By dollar amount, \$69.4 billion of debt was upgraded during the quarter compared to \$52.4 billion downgraded. For the year, \$407.9 billion of debt from 358 issuers was upgraded compared to \$243.4 billion of debt from 285 issuers downgraded. The upgrade/downgrade ratio trending near 1.0x during the past two quarters still compares favorably to the mere 0.4x ratio experienced over the 2008-2009 timeframe, but is down from the 1.6x experienced during 2010. Given the global economic uncertainty, we would expect mixed ratings trends to persist throughout 2012, resulting in a ratio closer to 1.0x for the full year. For perspective, the ratio trended around 1.0x during the 2004-2007 timeframe.

Credit Trends – Rising Stars/Fallen Angels – Similar to the upgrade/downgrade ratio trends experienced during the quarter, the rising star/fallen angel ratio also gave a mixed signal. The number of ratings upgrades by issuer outpaced the number of downgrades, but the dollar amount of debt downgraded was significantly higher than the amount of debt upgraded. Fallen angel issuance was comprised of four issuers with \$20.3 billion of debt being downgraded into high yield. By comparison, six issuers totaling \$8.0 billion of debt were upgraded out of high yield. For the year, 30 issuers were upgraded out of high yield compared to 12 being downgraded into high yield. By issuance amount, \$34.7 billion was upgraded out of high yield compared to \$38.4 billion being downgraded into high yield for the year. The rising star/fallen angel ratio of 2.5x by number of issuers was a positive indicator as it shows the depth of strength on a company level. However, the 0.9x ratio by dollar volume indicates that the size of those companies being upgraded is much smaller than those being downgraded. We believe there are many potential rising star candidates currently in the high yield market; many of them are names currently held in the portfolio.

Market Commentary – December 2011

In our opinion, the capital markets will likely continue to experience heightened volatility throughout the next year. Europe seems to be the largest risk influencing how the capital markets will act throughout the first half of the year, as there are still many unknowns regarding possible outcomes of the sovereign debt situation. In addition, it is expected that this region could have extremely low, if not negative, growth during 2012. In the U.S., investors continue to monitor the strength of the economic recovery, the strength of the consumer, the financial impact of persistently high unemployment, and the possibility of below-average growth for an extended period of time. Sentiment with regard to these important issues in the U.S. seems to be slowly improving as the markets receive more and more positive economic data points. As we have mentioned before, some of the risks to the U.S. economy include: an elevated price of oil, the potential for higher individual taxes, the potential for healthcare costs to shift to the consumer, continued weakness in housing, an elevated unemployment rate, and the political rhetoric surrounding the upcoming Presidential election and federal budgetary issues. These risks should be partially offset by strong corporate balance sheets and continued stability in most companies' operating performance, as well as continually low borrowing costs for strong credit-quality companies and consumers. Increased certainty in Europe may help propel job creation in the U.S., as it seems that some companies are still hesitant to hire given such a cloudy global economic landscape. Job growth would likely trickle down to generate better housing, manufacturing, and consumer data.

With many economists and strategists expecting around 2% GDP growth for the U.S. for 2012, we remain reasonably confident that high yield can continue to perform relatively well as companies remain cautious with regard to aggressive actions or increased debt burdens. Even in a slow growth environment, many companies continue to generate sufficient free cash flow that can be used to repay debt and further strengthen their balance sheets, which could lead to continued ratings upgrades for many companies in the high yield universe. That being said, those companies that have significant leverage could be pressured without robust economic growth, as debt burdens become too difficult to service. As a result we remain cautious with regard to lower-rated and more cyclical companies, as we believe any falter in economic strength could impact the ability of these types of companies to support leverage and reduce debt. We continue to focus our efforts on stability and predictability in the investment selection process given the uncertainties over the coming quarters and the potential for elevated volatility to persist.

We continue to see many underlying positives within the high yield market. Many high yield companies reported increasingly better results throughout 2010 and 2011. Also, with record new issuance over the last three years, most high yield companies have reduced interest costs by actively refinancing higher-coupon debt with new lower-coupon bonds. The amount of debt maturing between 2012 and 2015 has been significantly reduced over the past two years, which has

provided a much larger maturity cushion than the high yield market faced in 2008. Additionally, the overall financial strength of many high yield companies has improved greatly over the last three years which provides a strong fundamental backdrop as we enter 2012. Key technical indicators of the high yield market, such as spreads, the default rate, and distressed debt levels, remain favorable. Monthly mutual fund flows became more volatile during 2011 than the market had experienced during the previous two years and will need to be monitored closely throughout 2012, as the direction of flows could drive the market. We continue to believe the asset class could benefit from a reallocation out of Treasuries and low-yielding fixed income securities, as investors search for a way to generate incremental return without increasing interest rate risk or adding equity-like volatility. With historically-low Treasury rates, we remain focused on avoiding interest rate risk to the extent possible.

In summary, we remain committed to our strong research process that not only includes detailed analysis of every credit owned in the portfolio but also uncovers new opportunities within the high yield universe. We continue to look for fiscally responsible management teams that are fully committed to repaying debt and growing prudently. We will maintain our discipline of minimizing volatility to the extent possible by generally avoiding bonds that appear to have equity-like characteristics as well as focusing in sectors we consider relatively stable and higher-quality in nature due to greater predictability of revenues and stability in cash flows. We will continue to balance potential risks to the economy and the high yield market with the opportunities presented within high yield bonds to construct a portfolio that we believe will have a very compelling risk/return profile. Thank you for your continued support and investment.

Performance as of December 30, 2011

	SEC Yield	Distribution Rate	Cumulative Return		Average Annual Return				Inception Date	Max Sales Charge	Max CDSC	Total Operating Expense	Net Expense Ratio
			4th Qtr 2011	YTD	1 year	3 year	5 year	Since Inception					
A Shares NAV	--	5.24%	3.18%	5.20%	5.20%	13.23%	4.93%	5.15%	6/1/06	--	--	1.12%	1.12%
A Shares MOP	4.65%	5.03%	-0.96%	0.96%	0.96%	11.71%	4.08%	4.38%	6/1/06	4.00%	--	1.12%	1.12%
C Shares w/o CDSC	4.04%	4.04%	2.98%	4.37%	4.37%	12.33%	4.09%	4.33%	6/8/06	--	--	1.92%	1.92%
C Shares w/ CDSC	--	--	1.97%	3.34%	3.34%	--	--	--	6/8/06	--	1.00%	1.92%	1.92%
I Shares	4.81%	5.51%	3.07%	5.23%	5.23%	13.22%	4.97%	5.34%	6/29/06	--	--	1.09%	1.09%
Y Shares	5.05%	5.48%	3.23%	5.41%	5.41%	13.45%	5.13%	5.38%	6/8/06	--	--	0.92%	0.92%
Barclays US Corp HY			6.46%	4.98%	4.98%	24.47%	7.54%	8.23%					

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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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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.