

## Municipal Bond Funds and Recent Market Activity

Although we have witnessed significant changes in the financial markets over the past weeks, we expect that, over time, uncertainties will be resolved. We share the following thoughts with you along with our perspective on market activity and the municipal bond funds.

- **Credit quality within our municipal bond funds remains high amid a downturn across security markets.**
  - Recently, we have seen securities markets reacting, across the board, to uncertainties involving a number of specific financial institutions, and uncertainties in the credit markets.
- **The bonds in each of the municipal bond fund portfolios are paying principal and interest.**
  - Our investment professionals continue to monitor each holding in the fund portfolios. Each of the bonds in our municipal bond funds continues to pay principal and interest on schedule. The recent change in the fund share price corresponds to the tone of the overall market and has not been the result of a change in individual credit quality within the portfolios.
- **Uncertainties in the market will be resolved.**
  - Municipal bond market participants are awaiting the outcome of Federal policy decisions and legislation that may provide stability to the markets. As uncertainties are resolved, we expect to see the markets return to more normalized trading volumes and pricing. In periods like this, we place a high value on maintaining a long-term perspective and knowing our holdings well.
- **We view the current tone of the credit markets as an exceptional and temporary situation.**
  - Currently, municipal bond yields are significantly higher than Treasury securities of a similar maturity, relative to their historical yield differential. We do not expect this rare relationship to continue over the long-term, as it has created an opportunity to purchase high quality municipal bonds at attractive prices. The demand for attractively priced, high-quality tax-exempt bonds will improve as the current market uncertainty is resolved.
- **Dollar cost averaging, as an investment strategy, has proven to be effective over time.**
  - The strategy makes it possible for an investor, through a consistent schedule of investments, to acquire shares at an average of the market highs and lows.
- **An Update on the Municipal Bond Market and the Impact of Diminished Liquidity provides additional information.**
  - <http://aquilafunds.com/Download/Miscellaneous/AquilanomicsSpecial2.pdf>

*Before investing, carefully read about and consider the objectives, risks, charges, expenses, and other information found in the Fund prospectus. Consider the risks of investing including potential loss of value, market risk, interest rate risk, credit risk, and geographic concentration. Insurance on an obligation is intended to mitigate credit risk; it does not insure the market price of the obligation.*

*The investment return and principal value of an investment in the funds will fluctuate; shares, when redeemed, may be worth more or less than their original cost. Shares of the funds are not deposits, obligations of, or guaranteed by any bank, and are not insured by the FDIC.*