



www.aquilafunds.com

Thought For the Month

“The Cumulative Effect of Compounding”

In simple terms, compounding is the effect that interest has on a sum of money when the interest rate is applied to both the initial sum invested as well as the interest that has already been earned on that sum. While most people intuitively understand this concept, they are still surprised to see the arithmetic results in black and white.

The chart below illustrates how a single dollar (\$1.00) deposited at the beginning of each year will grow over time at various hypothetical fixed interest rates.*

	3%	5%	7%	9%
Year 1	\$1.03	\$1.05	\$1.07	\$1.09
Year 5	\$5.47	\$5.80	\$6.15	\$6.52
Year 10	\$11.80	\$13.21	\$14.78	\$16.56
Year 15	\$19.16	\$22.65	\$26.89	\$32.00
Year 20	\$27.68	\$34.72	\$43.86	\$55.76
Year 25	\$37.55	\$50.11	\$67.68	\$92.32
Year 30	\$49.00	\$69.76	\$101.07	\$148.57
Year 35	\$62.28	\$94.84	\$147.91	\$235.12

As you can see, your investment can grow to much more than just your monies deposited when the cumulative effects of compounding are realized. Obviously, the sooner you start saving, the larger potential amount you may ultimately accumulate. And, if you invest your dollars in an Aquila municipal bond fund, the money earned is tax-free.**

While it might be advantageous to allow all of your invested monies enjoy the benefits of compounding, we realize that this may not be feasible for all individuals. But, through a convenience offered by the Aquilasm Group of Funds, you no longer have to make a difficult payout decision. You may designate any percentage (i.e. 5%, 50%, etc.) of your monthly dividend (and/or possible capital gain) to be reinvested in additional shares (thus enjoying the benefits of compounding). The remaining percentage can be paid to you in cash. Thus, you can have the best of both worlds. For more information about this convenience and to begin enjoying the cumulative effect of compounding, please contact your financial adviser, the fund's shareholder servicing agent, PFPC, or Aquila.

*For illustrative purposes only. The above rates are not indicative of past or future performance of any investment offered by Aquila. Share value and dividend rate vary with interest rate fluctuations; redemptions are at the then current net asset value, which may be more or less than original cost.

**For certain investors, some dividend income may be subject to Federal and state taxes, including the alternative minimum tax.

This “Thought” is not authorized for distribution unless a current Prospectus precedes or accompanies it.