



Thought For the Month

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“Municipal Bond Fund Investing 101” – 4th in a Series - Maturity

In our last “Thought For The Month” we discussed one feature which distinguishes each of the funds in the AquilaSM Group of Funds from many of the other municipal bond funds in existence – quality. This month we will highlight another distinctive feature – maturity.

As you probably are aware, shorter-term maturity bonds tend to have very little price fluctuation, but produce a lesser rate of return than longer-term maturity bonds. Conversely, longer-term maturity bonds, while producing a higher return level, have a much higher price volatility factor than shorter-term maturity bonds. This higher price volatility normally associated with longer-term maturity bonds exists because it reflects the risks associated with the unpredictability of future events and the potential interest rate changes over the extended life of the municipal bond.

Through utilizing a blend of maturities – both shorter-term and longer-term - each fund in the Aquila Group attempts to provide a satisfactory level of return without subjecting the share price to excessive swings as interest rates increase and decrease. In constructing the portfolio of each fund, maturities of securities generally range from one year and under to over 20 years in length.

More importantly, our focus tends to be on keeping the average of maturities relatively intermediate in term. In this way, we feel that we take the best that each investment has to offer – gaining stability from the shorter-term maturities and higher yields from the longer-term maturities.

This approach we believe provides shareholders with the best of both worlds.

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