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Thought For the Month

“Long-Term Investing”

With the state of the financial markets being so uncertain these days – up one day, down the next – what’s an investor to do?

History has shown that trying to make a fast buck by “timing” the market – buying when prices are low and selling when they are high - is near impossible. Therefore, many experts agree that the most prudent way for the average person to invest is for the longer-term.

Additionally, many professionals believe that one of the best ways to “win” over the longer term is to invest a set amount on a monthly basis – regardless of whether the market is up or down. This approach is called “dollar cost averaging.” When the price of shares is low, your fixed dollar amount buys more shares. When the price is high, the same dollar amount buys fewer shares.

The municipal bond funds in the Aquila Group are specifically managed to have as stable a share price as possible. But, we cannot avoid volatility altogether. The price of shares of the municipal bond funds in the Aquila Group will rise and fall. This is because a direct relationship exists between the fund’s share price and interest rates. Bond prices and interest rates always have an inverse relationship with one another. This means that when one rises, the other falls – similar to a teeter-totter.

Over the past year and a half, interest rates have been consistently cut by the Federal Reserve Board. This interest rate decline has caused the share price of the bond funds in the Aquila Group to steadily rise. The fact that the funds in the Aquila Group have a number of issues with various maturities in its portfolio serves to dampen the degree of volatility in share price changes. But, interest rates and share prices do and will constantly change.

The most important thing an investor should **not** do is become overly alarmed or distressed over any short-term period of time. When interest rates increase and share prices decline, as is bound to happen sooner or later, we realize that this could cause a certain amount of anxiety for you and our other shareholders. However, you may find it an advantageous time to acquire more shares at a lower price, thus turning what appears to be an adversity into an opportunity. In brief, as long as you are investing for the long term and are employing the strategy of dollar-cost averaging, there is really no bad time to invest.

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