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Thought For the Month

“Fund Operating Expenses”

As you are probably aware, a mutual fund is a separate legal entity which operates for the benefit of its shareholders. As such, the fund obtains and pays for the various services required for its operation through contracts with different support organizations. These operating expenses include those for investment advisory, administration, shareholder servicing, custody of securities, shareholder reports, legal, audit, insurance, share registration, trustees, and various other miscellaneous items.

The total level of all these expenses is important to you since they are deducted from the gross income of the fund in determining the net return to shareholders. Although the actual dollars spent on the various aspects of a fund's operation are always worthy of review, we believe the key matter to focus upon is really not the dollar amount spent in various expense categories (many of which are somewhat fixed in nature). Rather, we believe the important factor to consider when making comparisons among funds is the ratio of expenses to average net assets. This ratio, which is found in a fund's prospectus and annual report, is the common yardstick used to measure what it costs to operate a fund.

Since inception of each fund in the Aquila Group of Funds, considerable effort has been expended to ensure that each fund's operating expenses are kept under tight control. Support organization performance and cost are continually monitored by management and reviewed carefully by the independent trustees on at least an annual basis.

We believe our diligence has paid off for shareholders in the form of having top-rate support organizations secured at a reasonable price.

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

Aquila Distributors, Inc. – 10/04