



# AQUILA TAX-FREE FUND OF COLORADO

## COVID-19 UPDATE

March, 2020



**AQUILA**<sup>®</sup>  
Tax-Free Fund  
of Colorado

**AQUILA**<sup>®</sup>  
GROUP OF FUNDS

A SHARES:  
**COTFX**

C SHARES:  
**COTCX**

Y SHARES:  
**COTYX**

### MARKET REACTION

Following the initial spread of the COVID-19 virus in the U.S., the markets experienced the worst week since the financial crisis in 2008, while some investors abandoned the stock market on recession fears, sending the S&P 500 index down over 11% and the Dow Jones Industrial Average down over 12%. During times of unrest, investors have traditionally looked to the municipal bond market as a source of respite. Given the concerns of the stock market, municipal bonds provide a less volatile investment option given the asset classes reliance on property taxes and essential service revenues, such as water, sewer and power, all of which are resistant to the strains inflicted by recessions. However, some municipal sectors, such as airports, convention centers and sales tax supported projects, could become impaired if we experience an extended interruption of economic activity.

### THE COLORADO BOND MARKET & AQUILA TAX-FREE FUND OF COLORADO

Holdings within the Aquila Tax-Free Fund of Colorado that may be more susceptible to the impact of the COVID-19 Virus include the City and County of Denver's Airport Revenue Bonds and Denver's Convention Center Expansion Project Certificates of Participation (COP). Collectively, they account for 2.4% of Fund assets. Denver International Airport provided a strong 2.98x debt service coverage in 2018, which means revenues could decrease by almost 60% and still produce adequate coverage. In addition, the bonds are secured by a reserve fund, which is funded to provide a year of debt service. Reserve funds are a relatively common feature of municipal securities and provide significant comfort to investors when faced with potential unexpected interruptions of revenues. The Fund also holds Denver's Aa2 rated certificates of participation (convention center expansion project), which are supported by any and all legally available funds of the City. The COPs are not specifically supported by convention center revenues.

However, due to the nature of public finance, a disruption of municipal revenue sources won't happen overnight and may take several months, or up to a year or more for distress to become apparent. Furthermore, we believe investors with diverse portfolios of high grade securities, such as the Aquila Tax-Free Fund of Colorado, will be less prone to the impact of a potential recession. The Fund holds high quality liquid bonds with over 90% of holdings rated AA or higher and the Fund is positioned defensively to limit interest rate and credit risk. Most importantly, we regularly monitor and review our holdings to make informed portfolio decisions whether for COVID-19 risks, real estate declines or recession risks.

For specific information about fund characteristics, [holdings](#) and performance, please see the [Fund Fact Sheet](#) on our website at [www.aquilafunds.com](http://www.aquilafunds.com).

*Independent rating services (such as Standard & Poor's, Moody's and Fitch) assign ratings, which generally range from AAA (highest) to D (lowest), to indicate the credit worthiness of the underlying bonds in the portfolio. Where the independent rating services differ in the rating they assign to an issue, or do not provide a rating for an issue, the highest available rating is used in calculating allocations by rating.*

*Information regarding holdings is subject to change and is not necessarily representative of the entire portfolio. Mutual fund investing involves risk; loss of principal is possible. Investments in bonds may decline in value due to rising interest rates, a real or perceived decline in credit quality of the issuer, borrower, counterparty, or collateral, adverse tax or legislative changes, court decisions, market or economic conditions. Fund performance could be more volatile than that of funds with greater geographic diversification.*

**Before investing in the Fund, carefully read about and consider the investment objectives, risks, charges, expenses and other information found in the Fund prospectus. The prospectus is available from your financial advisor, and when you call 800-437-1020 or visit [www.aquilafunds.com](http://www.aquilafunds.com).**