Hawaiian Tax-Free Trust

PORTFOLIO MANAGER COMMENTARY

Q1 2022

A Shares: **HULAX**	C Shares: **HULCX**	F Shares: **HULFX**	Y Shares: **HULYX**

Municipal Bond Market Overview

The first quarter of 2022 was a difficult start to the year for fixed income investors. The economy has emerged from under the cloud of a pandemic-initiated shutdown. Supply chain bottlenecks, labor shortages, soaring energy prices, and the situation in Ukraine has obscured a generally solid economic restart. During the quarter, the Federal Reserve ("the Fed") quickly reacted to reign in surging inflationary pressures that now appear higher and more durable than expected. The rapid change of tone from historic monetary accommodation and fiscal stimulus, to the specter of a tightening monetary policy, dramatically impacted the level of interest rates. Bond markets reset higher, with increasing predictions of continued Fed action. The extent of additional interest rate hikes by the Fed remains to be seen, but at the end of the day, the goal is an economic "soft landing." Tightening enough to cool the fire of inflation without turning the economy over.

For the municipal bond market, rising rates negatively impacted valuations. Interestingly, during Q1, the volume of new issue debt fell 16% year-over-year, constraining a major determinate of supply. However, the negative price impact of increasing rates resulted in mutual fund outflows, which flooded the market with bond supply from secondary selling by portfolio managers. This impacted the market in two ways. First, yields rose in concert with the overall trend to higher interest rates. For the quarter, the 10-year AAA municipal bond yield (as measured by Bloomberg) increased from 1.0% to 2.2% by the end of March. Second, municipal bonds underperformed U.S. Treasury debt, with the yield ratio (municipal bond yield divided by the U.S. Treasury bond yield) increasing from 68.1% to 93.1% for 10-year maturities by quarter-end.

We believe it's important at times like these for investors to focus on the long term and carefully consider their individual financial goals to avoid falling prey to the emotions of a short-term cycle. Investing is a long-term endeavor. In our opinion, the current period represents an opportunity to increase yield and income in an investment portfolio. It is also the time to leverage the experience of professional management. As it pertains to investing in municipal bonds, the objective is an attractive and durable stream of income that is exempt from both federal and state taxation.

Hawaii Municipal Bond Market and Economy

The Hawaiian economy continues on the road to recovery. During the first quarter of 2022, as COVID cases fell in Hawaii, the State removed the mask requirement and suspended its "Safe Travels" program-screening for visitors on March 25. During the quarter, the amount of visitors rose, moving closer to pre-pandemic levels. By the end of March, arrivals were up 10% from the 2019 average weekly count of approximately 30,000 visitors. The surge of domestic travelers made up for the still-anemic international visitor count. Most noticeability, there remains weakness in visitors from Japan. This is generally expected to recover when Japanese travel restrictions are lifted. Visitor spending remains only slightly below the pre-pandemic trend.

A restarted local economy strengthened as employment improved. The State's unemployment rate dropped to 4.1% in March, down from 6.6% a year ago. Although still lagging the national rate of 3.6%, the declining unemployment trend in Hawaii is closing the gap. Data from 2021 showed a 27% increase in the State's General Fund revenues, and for the same annual period, the Transient Accommodations Tax ("TAT") revenue increased by 80%. Hawaii is experiencing a solid post-COVID recovery with improving State finances.

New issue supply in the Hawaiian municipal bond market expanded in the first quarter. Issuance from the Hawaii Airport Authority and the Honolulu Board of Water Supply this year has increased new bond offerings by 225% over the same period last year. S&P Global Ratings assigned the Honolulu Board of Water Supply a AAA long-term credit rating, and an A+ long-term credit rating for the Hawaii Airport Authority.

Fund Outlook and Strategy

The Trust's portfolio management team continues to expect a solid economic recovery with some stabilization in the level of inflation. We expect the inflation rate to begin to drop as Federal Reserve-tightening activity helps to cools the economy. We do not expect potential increased Fed activity to create a recession or bring the expansion to a halt. However, Fed monetary policy is data dependent, and the portfolio management team remains vigilant to the signs of inflation moderating or causing more dramatic problems down the road.

The Trust itself has maintained a reduced interest rate risk, anticipating the current rate increase. The goal has been to provide downside protection in the recent environment. The portfolio managers are seeking to increase portfolio income by reinvesting cash flow and bond maturities in a favorable market. The focus is not only an improvement in portfolio income, but on the durability of that income for the long-term.

For specific information about fund characteristics, holdings and performance please see the Fund Fact Sheet on our website at www.aquilafunds.com.

Fund Facts as of 3/31/2022

Portfolio Management Team	Inception Date	Total Investments	Number of Holdings
REID SMITH **STEPHEN DODGE**	**2/20/1985**	**$577.9M**	**249**

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.

Information regarding holdings is subject to change and is not necessarily representative of the entire portfolio.

A credit spread or a yield spread is the difference between the quoted rates of return on two different investments, usually of different credit qualities but similar maturities.

Municipal/Treasury Ratio compares the rates of municipal bonds with those of U.S. Treasury bonds in percentage terms.

The Bloomberg Municipal Bond Index (Total Return Index, Value Unhedged USD) is an unmanaged index that covers the U.S. dollar-denominated, long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and pre-refunded bonds. The Bloomberg 10-Year Municipal Bond Index is an unmanaged index composed of a broad range of investment-grade municipal bonds with maturity dates of approximately 10 years. Indices are unmanaged and are not available for direct investment.

Modified and effective duration both measure the value of a security in response to a change in interest rates. Effective duration also takes into account the effect of embedded options.

This commentary is for informational purposes only and not intended to represent a solicitation to buy or sell any particular security. It is as of the period indicated and may change based on market and other conditions. Opinions shared are those of the portfolio managers and do not necessarily reflect those of the Investment Adviser of the Fund.

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.