HAWAIIAN TAX-FREE TRUST

MUNICIPAL MARKET TURBULENCE REVEALS POTENTIAL OPPORTUNITIES

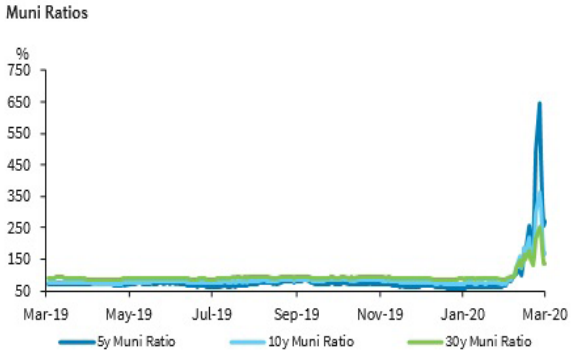
March 30, 2020

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

At the end of 2019 stocks and bonds were performing well, and while there was discussion about economic retraction after a decade-long bull market recovery, the type of market correction we have seen in the first quarter of 2020 was unprecedented. Turmoil over Saudi production drove down oil prices, but the spread of the COVID-19 virus in the United States is primarily what led to the most precipitous market declines in modern history as investors abandoned both equities and bonds on fears of a recession and unknown economic impacts of the global pandemic.

During times of unrest, investors have historically turned to municipal bonds as a source of respite, but investor sentiment changed short-term, and for several weeks in March, the market experienced a significant sell-off. Price declines in the municipal market were amplified by the strength in the Treasury market, resulting in attractive relative yields for municipal bonds. The muni market may be experiencing a technical mismatch, but municipal fundamentals haven't changed, and times like this may present an opportunity, rather than a reason for panic.

The portfolio managers of Hawaiian Tax-Free Trust have continued to stick to their time-tested investment approach of holding heavily researched high-quality, intermediate maturity municipal issues, and the portfolio has weathered the most recent market conditions as expected. Over the long-term, municipal bonds have typically been a less volatile investment option, given the asset class' reliance on property taxes and essential service revenues, such as water, sewer and power, all of which are mostly unaffected during recessions. However, some municipal sectors, such as airports, and sales tax supported projects, could become impaired if we experience an extended interruption of economic activity.



Source: Barclays Live 03/30/20

Holdings in Hawaiian Tax-Free Trust that may be more vulnerable to impacts related to COVID 19 are those issued by the Hawaii State Airports, and collectively they account for 6% of Fund assets as of 2/28/20. Hawaii state airports had over 700 days of cash on hand at the onset of the crisis, and senior debt service coverage was 1.25x. The effective duration of the Fund's airport holdings at the end of March was 2.8 years, and approximately $2.3 million of Hawaii State Airport debt is expected to be called on 07/01/20. Hawaii State Airports will also receive a portion of the stimulus funding allocated in the recently approved CARES Act.

Approximately 37% of the Hawaiian Tax-Free Trust portfolio consisted of General Obligation bonds at the end of February. In Hawaii, General Obligation bonds issued by the State of Hawaii, City & County of Honolulu, Maui County, Kauai County and Hawaii County are first preference items for payment of principal and interest and backed by the full faith and credit of the issuer.

Depending on how long this pandemic disrupts international travel, Hawaii may see a significant impact related to the decline in tourism, but it is expected to take several months for distress to become apparent. Furthermore, we believe investors with diverse portfolios of high grade securities, such as the Hawaiian Tax-Free Trust, with over 22 issuers in the State of Hawaii, will be less prone to the impact of the impending recession. The Fund holds high quality bonds with over 92% of holdings rated AA or higher, including 16.35% in pre-refunded bonds, which are backed by US Treasury securities. 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 and tourism declines or recession risks.

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For specific information about Hawaiian Tax-Free Trust's characteristics and performance please see the Fact Sheet and the latest quarter-end holdings on our website at www.aquilafunds.com.

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.

Muni ratios represent the value of AAA munis of the stated maturity periods in relation to US Treasuries of the same maturity.

The Fund seeks to provide as high a level of income exempt from state and federal income tax as is consistent with capital preservation. For certain investors, some dividends may be subject to federal and state income taxes, including the Alternative Minimum Tax (AMT). Please consult your professional tax advisor.

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 ssue, or do not provide a rating for an issue, the highest available rating is used in calculating allocations by rating.

Before investing in a 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 professional, when you call 800-437-1020, or visit www.aquilafunds.com.