

Aquila Narragansett Tax-Free Income Fund

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Moderator:

Today we're talking to Jeff Hanna, portfolio manager of Aquila Narragansett Tax-Free Income Fund. Jeff, through September 30 of this year, municipal bond fund inflows totaled \$3 billion for the month and \$50 billion year-to-date. It's been reported that foreign buyers and banks are among crossover buyers coming into the market, although they don't have the tax advantage. Do you expect that crossover buyers will remain a factor in the municipal market near term?

Jeff Hanna:

Well to some degree. I mean banks have become profitable again as the capital levels have stabilized and the economy continues to show positive growth. Rhode Island really hasn't had much in the way of crossover buyers, and part of the reason is that, you know, the market itself is a little less liquid than some of the larger issuers, municipal and state issuers throughout the country. And we're certainly not seeing it to the degree that we saw back during the economic and financial crisis where we had quite a few crossover buyers and we saw considerable spread widening.

And I think the municipal market actually has been fairly tight, spreads of tightening quite a bit. And we're not seeing the performance this year that we have in previous years, but I think part of that is that the market has gotten a little bit ahead of itself.

Moderator:

How is new issuance in Rhode Island compared to national issuance?

Jeff Hanna:

Actually, Rhode Island issuance is up considerably this year. We're getting towards \$2 billion, or about \$1.7 billion right now, year-to-date. It is considerably larger than last year. However, I think you have to take that with a grain of salt. I mean many deals have been refundings. So, the State has initiated a program to refund as much debt as possible. So, wherever there's an opportunity, both at the state and even at the local level, issuance is coming out.

But you have to look at net issuance. So net issuance actually is down considerably; this number is actually skewed by a couple of large healthcare deals that have come out that probably take about 25 percent of the overall issuance thus far this year.

Moderator:

Are there new financing proposals on the Rhode Island ballot that you anticipate voters will approve?

Jeff Hanna:

Sure, yeah. There seem to be every year there is about, I think it's \$227 million on the ballot. Some of those include revamping and improvements to a veteran's home here in Bristol, Rhode Island. A couple of those that are a little bit geared towards economic development, there's higher education bonds, finishing a chemistry building at the University of Rhode Island, as well as creating an innovation campus also at the University of Rhode Island.

There are some port infrastructure bonds, working at Davisville and Quonset Point to further develop and provide increased infrastructure to allow for continued economic growth. The port itself has been a staging area for the first offshore wind farm in the country. And also

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there's a pretty large, it's actually one of the top 10 busiest ports for importing cars. So that bond issue will actually help provide for further infrastructure there.

There's also some, what they refer to as green economy bonds, which also provide for open space and some additional improvements to parks and bike paths and whatnot. So it's a little more tourism related but nevertheless very important and as the economy here in Rhode Island continues to evolve and provides for additional overall infrastructure.

Moderator:

And it sounds as though you are continuing to see improvement in the Rhode Island economy; is that correct?

Jeff Hanna:

Yes. Well the economy is actually fairing pretty well. Employment's having a little bit of weakness as of late, but I would say between a lot of the projects that are going on, we have infrastructure changes. There are a lot of roads and bridges that are being repaired. And I would say developing plans to attract new businesses and industries to the state.

So there's a lot that happening in Rhode Island. The economy is still going along okay. It is, as I mentioned, starting to show a little bit of signs of weakness with respect to increased jobs here in the state. But I think with the changes that are coming, I think we're really kind of building the economy overall for the next century.

Moderator:

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