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Aquila Narragansett Tax-Free Income Fund Podcast Transcript May 15, 2017

Interviewer:
Today we're talking to Jeff Hanna, Portfolio Manager of Aquila Narragansett Tax-Free Income Fund. Jeff, in spite of some volatility following the 2016 election, the municipal market has seen positive returns during 2017. What factors do you believe contributed to the volatility and to the recovery in 2017?

Jeff Hanna:
Well, obviously fiscal stimulus from a new administration was what drove interest rates immediately higher. However, municipal bonds had the added headwind of expected changes in tax rates to contend with as well. Now that certain fiscal priorities are unerway and have struggled to be implemented, bond markets have taken a breather with rates coming down and fewer concerns, at least for now, that tax reform will have as much impact as initially thought.

Interviewer:
And there have been a number of discussions of federal spending on infrastructure. How might that ultimately be imlemented?

Jeff Hanna:
Yeah, the initial concerns with such a large amount of fiscal stimulus at once - you may recall the trillion dollar figure - would drive interest rates higher. I think the market's kind of digested this to the point where this figure either will be greatly reduced or spread over a longer time frame.

A number of states, and just say Rhode Island in particular, have already implemented programs to fix infrastructure within their borders.

Now, what I find fascinating though, about this program that we talk about, is that you have the Fed monetary policy winding down it's program of stimulus, and the executive branch and congressional branches gearing up for fiscal stimulus. It's a bit oxymoronic to me that while one branch of government is looking to stimulate the economy, the other - the Fed - is unwinding its balance sheet. Both have the potential of pushing interest rates higher simultaneously.

Interviewer:
From a relative value persoective, how do municipal bonds look currently?

Jeff Hanna:
I'd say municipal bonds right now look fairly valued. A lot will depend on any tax reform that ultimately passes, but those in the higher or highest tax brackets will still feel the benefit from the tax advantage of municipal bonds.

Interviewer:
What is your assessment of the Rhode Island municipal market from a credit quality perspective?

Jeff Hanna:
Overall in Rhode Island, credit quality has continued to improve since the financial crisis. Most cities and towns, and including the state, have been more fiscally responsible in disciplining their management. We've seen continued upgrades over that cycle.

That being said, again, I think it's going to be a little bit challenging. Rhode Island, similar to about two-thirds of the other states within the country, are showing that they're running under budget in their income projections and that could be a sign that the credit cycle is kind of at the end.

Overall though, I think Rhode Island's done a good job. They've really done a good job with respect to providing incentives to relocate companies here in the state to produce new higher-paying jobs, but again, it will take time for that to work it's way through. But I think currently, we're seeing some very good things happening here in the state.

Interviewer:
Thank you very much. For those of you listening, before investing in the Fund, carefully read about and consider the investment objectives, risks, charges, expenses, and other information found in the Fund prospectus, which is available on this site, from your financial advisor, and when you call 800-437-1020.

Thank you for listening to this podcast.