

Aquila Tax-Free Fund For Utah

Podcast Transcript October 2, 2017

Interviewer:

Today, we're talking to JT Thompson, portfolio manager of Aquila Tax-Free Fund for Utah.

During the remainder of 2017 and into 2018, are you anticipating that we'll see additional rate increases from the Fed?

JT Thompson:

Yes, I do. I think the market has pretty much planned on December of 2017, a rate hike and then three small, quarter percent rate hikes throughout 2018. So there are small hikes in the horizon.

Interviewer:

And, how might the unwinding of the Fed's balance sheet play out through either 2017 or into 2018?

JT Thompson:

They are planning on reducing the balance sheet, which will be taking money out of circulation, which reacts very similar to a small hike. And as they reduce that balance sheet, we should see monetary policy get tighter in the years to come.

Interviewer:

Since the 2016 election, there's been a lot of talk of increased infrastructure spending by the federal government. How might those plans be impacted, if at all, by the 2017 hurricane season?

JT Thompson:

I'm not sure that they will be affected that greatly. There is money that will be going to help alleviate some of the problems there. Tax reform is what most people are looking for to have that huge amount of increased infrastructure spending as companies can bring their overseas money back into the United States. And that these companies will enter in with a P3 (*public-private partnership*) type of partnerships in helping restore and to build the infrastructure in the United States.

Interviewer:

The Fund invests only in investment-grade bonds. Beyond the rating, what factors do you focus on when you're evaluating the credit quality of either a potential or an existing Fund holding?

JT Thompson:

The most important thing that I look at is the structure of the bonds. What is their coupon? What are their call dates? Are there any extraordinary calls? Exactly where does the money come to pay off the bonds? Those are very important as interest rates rise, the lower coupon bonds are going to not have quite the liquidity as higher coupon bonds. Another issue that I look at, now that G38 [GASB68] is law, to be able to look at the pension funding and see how far unfunded or overfunded a pension is and what return rate the issuer is using to fund their pensions.

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 on this site, from your financial advisor, and when you call 800-437-1020.

Interviewer:

What are you anticipating in the way of new issuance in the 4th quarter of 2017?

JT Thompson:

In the state of Utah, I see issuance coming mainly from school districts. But more likely, the end of the year issuance in 2017 will be slightly lower than 2016. In 2017, we had the large Salt Lake International Airport issuance, and that increased the overall issuance in the state of Utah 66 percent in 2017 versus 2016. Absent any large Salt Lake International Airport deal, I expect that issuance will be lower in 2018 as issuers in Utah, with their conservative way they manage their debt, to be very careful before they start issuing new debt.

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.

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 on this site, from your financial advisor, and when you call 800-437-1020.

For more information on the entire Aquila Group of Funds, please visit www.aquilafunds.com