Aquila Narragansett Tax-Free Income Fund
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Interviewer:
Hello, this is Matthew DiMaggio. Today we are talking to Jeff Hanna, portfolio manager of Aquila Narragansett Tax-Free Income Fund. Thank you for joining us Jeff.

Jeff Hanna:
Thanks for having me.

Interviewer:
Summer is typically a time of higher redemptions in the municipal bond market. What is the environment like for the individual bond buyers right now, considering the scarcity of new issue supply, and what advantages you have as an institutional buyer?

Jeff Hanna:
Yeah, we've seen bonds called and matured without the issuance or certainly less issuance here in the summer, which is typical. From the standpoint of an institutional buyer, we can get bonds, source bonds. The question really is at what cost. And as we've seen particularly over the last week or two, spreads have really tightened. And the question is, is there value there? So, I think from an individual standpoint it's very difficult to get bonds from an institutional buyer. There are some sources, but again, it comes back to at what cost; what you're willing to pay for it; if it's valuable.

Interviewer:
The Fed recently cut the target rate by 25 basis points. What are your thoughts on interest rates for the remainder of the year, and what are your expectations for the yield curve?

Jeff Hanna:
Well, I would say this, certainly the Fed is watching the economic data closely. I'm actually quite surprised that the, the reaction we've had. I don't think that it was necessarily driven by the Fed's 25 basis point cut. But we certainly have seen interest rates drop precipitously over the last week or so.

Ultimately, I think we expect some alignments with the other countries, our major trading partners. And our rates are really still at this point are higher than those developed countries that we do a lot of trade with.

Interviewer:
We have had roughly a decade of economic expansion since the great recession. What are your thoughts on where we are currently in the economic cycle, and what are your expectations if economic growth slows?

Jeff Hanna:
Yeah. Well, economic growth is certainly bound to slow. Does that mean recession? Not necessarily. Certainly don't think so. Slow growth is okay. And I think that's, that's all right. It's really keeping up the purchasing power as long as we're not getting inflation. And typically, you don't get that in a slow growth environment. And we have seen inflation or disinflation really going on. So, I think from that standpoint we can see slower growth, but that doesn't necessarily mean recession.

Interviewer:
What is the overall health of the municipal bond market nationally and in Rhode Island? And what are the benefits of investing in state specifics versus national bonds?

Jeff Hanna:
Sure. I think issuance, the health of the bond market, particularly municipal bond market is good. There have been fewer issues, less debt. So, debt burdens have been lessening in states and cities and towns in many. Rhode Island, we have a fair amount of infrastructure programs going on. It's roads and bridges and the like; and public schools. There's a pretty large demand throughout the state for either new or certainly major renovations to existing public schools. And those are the issues that dominate the issuance here in Rhode Island to moment.

The benefits of investing in a state specific fund obviously are the, in addition to the Federal tax exemption on income, estate tax exemption. And I think from the national bond standpoint, depending on your domiciled, where you're domiciled, you want to diversify. So, you do give up a little bit of diversification within the state. Although I will say from my standpoint, I do my best to diversify within the state. And that's both through in general obligation bonds, as well as various revenue bonds, projects and the like. So, we get some diversification within the state.

Interviewer:
What is your current strategy and positioning of the Fund? Secondly, are there any sectors where you have found value this year?

Jeff Hanna:
Yeah, I mean the quality remains high. We've continued to see upgrades to bonds. Over the most recent quarter, things have been fairly stable, and no real changes there. But we continued to see migration towards higher quality. Diversification as always is important, given that we're a single state bond fund. Often the GO, general obligation standpoint here, there's a fair amount of scarcity. But some value on the new issues that have come out.

And I think overall in healthcare may offer some value. Healthcare sector, public schools as well. We'll get some yield pickup. Due the relative a little bit lower quality. Again, still investment grade, but overall the portfolio has a very, very small percentage and lower investment grade bonds. So there's definitely some opportunity I think to take advantage of that higher yields without giving up overall credit quality.

Interviewer:
Thank you very much Jeff.

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 the site from your financial advisor and when you call (800) 437-1020.

Thank you for listening to this podcast.