



**AQUILA**<sup>®</sup>  
GROUP OF FUNDS

# AQUILA TAX-FREE TRUST OF OREGON

## HIGHER EDUCATION BOND UPDATE

March, 2020



**AQUILA**<sup>®</sup>  
Tax-Free Trust  
of Oregon

A SHARES:  
**ORTFX**

C SHARES:  
**ORTCX**

F SHARES:  
**ORFFX**

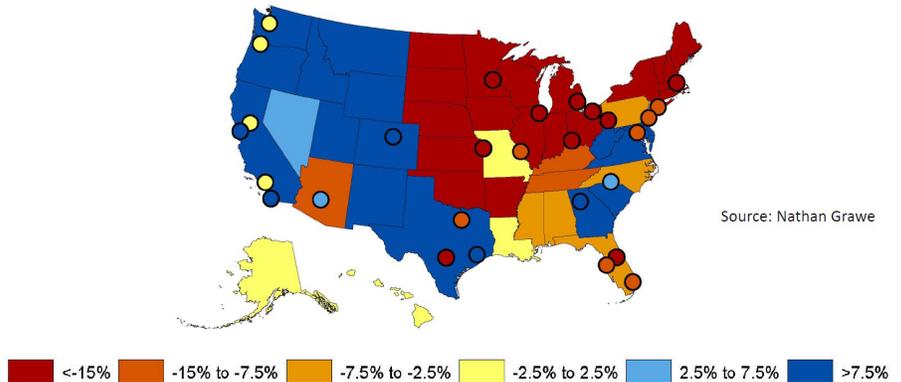
Y SHARES:  
**ORTYX**

In recent years, skyrocketing tuition and declining enrollment rates have heightened concern around higher education bond issues. Approximately 30% of universities are rated, 91% of rated institutions are investment grade and 66% are rated 'AAA/AA'. We continue to be selective of the higher education credits we are willing to hold and acquire and closely monitor the higher education holdings of the Aquila Tax Free Trust of Oregon. Within the Trust, we currently have almost 3% of the Fund's assets invested in higher education bonds.

Our Portfolio Management team recently attended the National Federation of Municipal Analysts Seminar on Higher Education. The Seminar took place in January 2020, and included investors, academics, practitioners and bond issuers who discussed concerns in higher education. One of the panels discussed future demographic challenges for higher education, including:

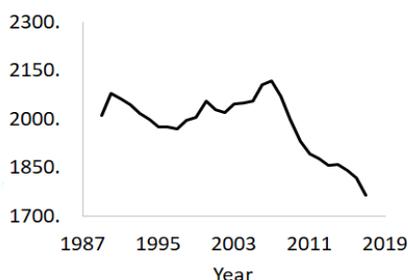
- Increasing high school graduation rates, but declines in the total numbers of graduates, which is magnified in certain geographic regions.
- Trends impacting enrollment, including immigration and migration within states and regions, and policy shifts.
- The changing racial and ethnic demographics of postsecondary students.
- Shifting environmental circumstances such as the demand for certain skills, job automation, and changing economic conditions.
- State and endowment funding challenges

Projected demand: "National" 4-year sector 2012-2029



Nationally, the increase in higher education costs continues to exceed the rate of growth for all other household expenditures. As a result, universities and colleges are looking to attract international students, and applicants from outside of their historical boundaries, through recruitment, remote campuses, and direct employer contracting. These efforts are expected to help mitigate the anticipated enrollment decline of traditional 18-22-year-old students.

Total Fertility Rate in the United States, 1989-2017.



Source: National Vital Statistics Reports volume 67, number 8.

Although Oregon continues to see population growth, this growth is largely driven by migration. However, Oregon's sub-populations, including Hispanic, Asian and Pacific Islander communities, are a significant recruitment pool for colleges and universities as their populations have birth rates that provide more college-eligible students. In addition, Oregon has a significant number of adults that have college credits, but have not completed a degree. Considering these demographics, Oregon's colleges and universities are targeting this population with their marketing, and some have pursued strategic affiliations. All of the Trust's higher education holdings are currently rated investment grade or better with approximately 50% of higher



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education sector holdings rated in the 'AA' ratings category. In addition, and perhaps most importantly, we regularly review our holdings through a detailed credit process to independently determine the credit worthiness of each individual holding.

*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.*

*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 issue, 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](http://www.aquilafunds.com).*