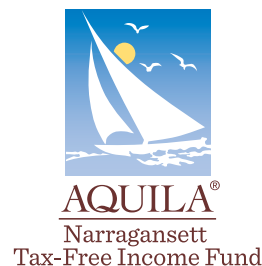




Aquila Narragansett Tax-Free Income Fund

PORTFOLIO MANAGER COMMENTARY

Q1 2024



A Shares: **NITFX**

C Shares: **NITCX**

F Shares: **NIFFX**

Y Shares: **NITYX**

Municipal Bond Market Overview

The first quarter of 2024 saw the unwinding of the 2023 year-end bond rally, as markets witnessed a more reticent Federal Reserve (the “Fed”), whose comments were to keep rates in check a bit longer than markets had anticipated. While inflation reports showed the continued downward trend in inflation, the overall figures were still higher than the Fed’s target rate. Employment continued to surprise to the upside, keeping the Fed weary of any rate cuts over at least the next quarter. Municipal bonds continued to appear “rich” relative to U.S. Treasury securities, despite higher issuance during the quarter. Municipal-to-Treasury ratios remained the mid-50% range, with the longer end of the curve more in-line with historical averages. The 10-year US. Treasury yield backed up by 45 basis points from the year-end low of 3.88% in mid-March, but rallied to end the quarter at 4.20%.

Rhode Island Municipal Bond Market and Economy

Issuance within the State of Rhode Island was robust during the first quarter, totaling just over \$727 million, and nearly eight times the comparable period in 2023. Issuance consisted of a wide variety, including a \$300 million Lifespan deal, the previously postponed Tidewater Landing Soccer Stadium (\$54 million), a perennial RI Housing issue of \$135 million, East Providence Public Schools (\$77 million), RI Student Loan Authority (\$127 million), a small Bank Qualified GO for the Town of Burrillville (\$3 million) and an East Providence Tax Anticipation Note (\$32.5 million). Total issuance within the State for the quarter consisted of tax-exempt (91%) and taxable (9%) issues.

In February, Rhode Island’s total nonfarm employment fell by 200 jobs to 512,100 from its revised level of 512,300 in January. Over the year, the Rhode Island job count is up 9,400. The labor force in the State continues to grow and totaled 580,600 in February, which was up 2,100 over the month, and 9,400 over the year. The Labor Force Participation Rate continued to move higher to 64.1% in February, up 0.2% from January, and 0.7% from February 2023. In February, 10 employment sectors saw growth, while five sectors saw slight declines, except for Accommodation & Food Services (-2,700), which experienced its first decline since July 2023.

Rhode Island has recently received four proposals to supply an additional 1,200 megawatts of offshore wind power to southern New England as part of a regional request for proposals. The region (Massachusetts, Connecticut and Rhode Island) is seeking about 6,000 megawatts of new offshore wind capacity. The states decided to group the procurement process in an attempt to obtain economies of scale. The RI Public Utilities Commission is expected to review the proposals later this year, and at this point, does not know the pricing impact. Previous market conditions and costs were uneconomical, which caused the previous contracts to be canceled by Rhode Island Energy. Other similar projects were also canceled, as providers backed out of previous arrangements and paid substantial penalties for multiple projects across the northeast.

Fund Strategy and Outlook

Despite the sell-off in bonds during the first quarter, the Fund’s distribution yield was down slightly, as spreads held tighter even with more issuance. While inversion is still present in the yield curve, yields have normalized beginning about 10 years out in maturity. Given the large amount of issuance during the first quarter, we were able to swap some lower-yielding bonds and pick up considerable yield, while not having to extend too far out the curve. While rising interest rates can be a concern for most investors, as bond managers, the time to opportunistically extend maturities and duration where possible makes sense, as one can lock in yields that may perform better once the Fed has tamed inflation and decides to ease monetary policy. This, of course, is a gradual process, as anyone’s best estimate can be considerably different from what occurs, and the old adage of “Don’t fight the Fed” continues to ring true. Within the Rhode Island municipal bond market, we would expect the issuance to continue to remain above last year’s levels given the considerable pipeline of local school referenda recent passed. This should continue to provide opportunity for bondholders to search and find value, particularly as we get towards what is shaping up to be an interesting election cycle during the second half of the year.

On a more personal note, I was given an opportunity over two decades ago to collaborate with a great team with Aquila Group of Funds and my predecessor, Sal DiSanto, to serve as Portfolio Manager for this Fund. It was the main reason I made the move from a previous job that I truly enjoyed. This opportunity allowed me to “move out the curve” in bond parlance. As this chapter closes for me given the Funds’ proposed reorganizations, I wish to thank those who made it possible—and especially

my esteemed colleague and good friend Steve Caridi, who like me, has given his heart and soul to his job as Regional Sales Manager, and have met so many wonderful people throughout the Ocean State. It truly has been a pleasure serving you and our shareholders over this time period, and since the Fund’s inception in 1992 (Class A shares). I appreciate your personal and professional support for the Fund for so many years and look forward to our inextricably linked paths for years to come. For more information about the Funds’ proposed reorganizations, please refer to the prospectus supplements, which are available on the Aquila Group of Funds website by clicking [here](#).

For specific information about the Fund’s characteristics, holdings and performance please see the [Fact Sheet](#) on our website at www.aquilafunds.com.

Fund Facts as of 3/31/2024

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|---------------------------------------|-----------------------------|-------------------------------|---------------------------|
| Portfolio Manager JEFF HANNA, CFA® | Inception Date 9/10/1992 | Total Investments \$184.0M | Number Of Holdings 158 |
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This information is general in nature and is not intended to provide investment, accounting, tax or legal advice, nor is it intended to represent a recommendation or solicitation related to any particular investment, security or industry sector. The opinions shared are those of the portfolio manager and do not necessarily reflect those of the Investment Adviser of the Fund. Past performance does not guarantee future results.

Information regarding holdings is subject to change and is not necessarily representative of the entire portfolio. A complete list of the Fund’s current holdings, including percentage allocation, is available on our website and by contacting Aquila Group of Funds.

A credit spread or a yield spread is the difference between the quoted rates of return on two different investments, usually of different credit qualities but similar maturities.

Municipal-to-Treasury Ratio compares the rates of municipal bonds with those of U.S. Treasury bonds in percentage terms.

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. State-specific fund performance could be more volatile than that of funds with greater geographic diversification. Past performance does not guarantee future results.

Before investing in the Fund, carefully read about and consider the investment objectives, risks, charges, expenses and other information found in the Fund’s prospectus. The prospectus is available from your financial professional, and when you call 800-437-1020 or visit www.aquilafunds.com.