Aquila Tax-Free Fund For Utah

PORTFOLIO MANAGER COMMENTARY

Q1 2022

A Shares: **UTAHX**	C Shares: **UTACX**	Y Shares: **UTAYX**

Municipal Bond Market Overview

Tax-exempt municipal bond yields rose in the first quarter of 2022 in anticipation of and reaction to the arrival of concrete tightening actions by the Federal Reserve ("the Fed"). The 10-year AAA municipal bond yield (as measured by Bloomberg) increased to 2.46% as of 3/31/22, up 139 basis points (bps) from where they ended 2021, at 1.05%. As a result, municipal bond quarterly returns were their lowest since 1994, with the Bloomberg Municipal Bond Index posting a return of -6.23%.

Municipal bonds experienced a dramatic shift to higher interest rates, particularly relative to U.S. Treasury bonds. As a result, municipal bonds—most notably, intermediate-term bonds—are now trading closer to historical norms and represents a more attractive ratio when compared to that at year-end (see table below).

Municipal/Treasury Ratios

	January 3, 2022	April 12, 2022
5-year	44.10%	82.30%
10-year	63.80%	88.80%
30-year	74.30%	97.90%

The spike in municipal bond yields helped temper issuance during the quarter, as borrowers paused to assess the newly-elevated interest rate landscape. Nationally, tax-exempt issuance totaled $74.123 billion, down 6.38% from the $79.570 billion issued in the first quarter of 2021. Taxable issuances plummeted 47.6% last quarter, declining to $16.304 billion for the period ending 3/31/22.

There were several fiscal policy announcements, as the Fed delivered on the market's expectation of a sharp change in monetary policy. The Fed increased the Federal Funds rate for the first time since 2018, raising it 25 bps at its March meeting, and began paring back its balance sheet.

Utah Municipal Bond Market and Economy

Municipal bond issuance in the State of Utah during first quarter of 2022 was down more than 23% on a year-over-year basis. A new Utah State law recently passed, creating the Finance Review Commission, which is intended to assist with the issuance of infrastructure-related bonds. In 2021, there was nearly $800 million in infrastructure debt issued. The new Finance Review Commission will review bond offerings to verify, among other items, bond parameter resolutions. It is believed that the Finance Review Commission will help investors understand risks that may be associated with certain municipal bonds that are issued to finance infrastructure and other related projects. Some of the project that should benefit from the new Commission include the development of the old prison property, the Inland Port Authority, the Military Installation Development Authority, among others.

In terms of other project developments, as had been mentioned in prior market commentary, the Intermountain Power Agency is expected to start construction of a gas/hydrogen generator in 2022 that will cost $2 billion over the next three years. The finished power plant is expected to add 540 new jobs to the local economy. This project, along with other significant projects on the horizon, such as the Utah Inland Port Project—in addition to $3.45 billion that will be allocated to 185 road projects—allows for an optimistic view of Utah's economy moving forward.

Utah's economic recovery continued during the first quarter of the year. We have not witnessed signs of a slowing in the early going of 2022. The State's unemployment was reported at 2.0%, according to the Utah's Department of Workforce Services. By comparison, this is well below the national unemployment rate of 3.6%.

Fund Outlook and Strategy

During the first quarter ending 3/31/22, Aquila Tax-Free Fund For Utah reduced the weighted average maturity from 10.12 years to 9.77 years, and also reduced the duration of the Fund from 4.96 years to 4.83 years. This was largely done in response to the rise in interest rates experienced during the quarter. Given an increase in opportunities that we believe exist in the short-end of the municipal bond yield curve, the Fund's portfolio management team looks to continue to decrease the weighted average maturity and duration.

Recently, the team was active in participating in bond swaps to increase the book yield on certain securities held by the Fund, as appropriate. The Fund's locally-based portfolio management team will continue to monitor market conditions to optimize bond yields and credit quality, while decreasing weighted average maturity and duration as opportunities arise.

For specific information about fund characteristics, holdings and performance, please see the Fund Fact Sheet on our website at www.aquilafunds.com.

Fund Facts as of 3/31/2022

LEAD PORTFOLIO MANAGER	INCEPTION DATE	TOTAL INVESTMENTS	NUMBER OF HOLDINGS
JAMES THOMPSON	7/24/1992	$432.4M	386

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.

Information regarding holdings is subject to change and is not necessarily representative of the entire portfolio.

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

The Bloomberg Municipal Bond Index (Total Return Index, Value Unhedged USD) is an unmanaged index that covers the U.S. dollar-denominated, long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and pre-refunded bonds. Indices are unmanaged and are not available for direct investment.

Modified and effective duration both measure the value of a security in response to a change in interest rates. Effective duration also takes into account the effect of embedded options.

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. Pre-refunded/Escrowed bonds are issued for the purpose of retiring or redeeming an outstanding bond issue at a specified call date. Until the call date, the proceeds from the bond issuance are typically placed in a trust and invested in U.S. Treasury bonds or state and local government securities. Non-rated bonds are holdings that have not been rated by a nationally recognized statistical rating organization.

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 from your financial advisor, and when you call 800-437-1020 or visit www.aquilafunds.com.