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Thought For the Month

“Municipal Bond Fund Investing 101” – 3rd in a Series - Quality

Over the last several months, we have discussed the characteristics of the type of investor who might be interested in owning shares of a municipal bond fund. It is one who is seeking preservation of his/her capital as well as tax-free income.

So, now that you've decided to do a little further investigating, how do you decide in which of the various bonds funds to invest? Good question.

While this is a personal decision which you may want to discuss with your financial adviser, we would like to point out what we believe sets the funds in the Aquila Group apart from the pack.

One of the most distinguishing features of each of the funds in the Aquila Group is its commitment to high-quality of the fund's investments. While it is true that municipal securities are generally considered relatively safe, not all municipal securities are alike.

As you may know, there are nine different credit ratings assigned to municipal securities, ranging from the highest quality and most conservative down to ones which are distinctly speculative in character. The rating assigned to a security depends upon the amount and reliability of cash flow to pay the necessary obligations.

When dealing with investments, management of the AquilaSM Group of Funds firmly believes that safety equates to quality. Therefore, for protection of investors' capital, each of the funds intentionally limits, by prospectus, its investments to the four highest credit ratings - AAA, AA, A, and BBB. (In the case of our Rhode Island Fund, 100% of its investments are AAA rated.) And, in practice, the portfolios have a substantial portion of their investments in the top two categories – AAA and AA.

These high credit ratings mark those municipal issues which have significant cash flow strength to pay interest when due on a timely basis and to redeem the bonds at maturity, in good times and bad. This cash flow is derived from the taxes and revenues they collect.

This exceptionally high quality represents protection for the capital that you have entrusted to us and allows you to rest assured knowing that your hard-earned dollars are being well looked after.

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