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## Thought For the Month

### “The Only Thing Certain is Uncertainty”

In these uncertain times, you often can't tell from one day to the next just what is going to happen. Will the stock market be up or down? Will a new terror alert be more than just a warning? Will yet another company experience financial difficulties? In fact, it seems that **the only thing you can be certain of these days is uncertainty**. You just never know what tomorrow will bring.

Given these difficult times, the Aquila Group of Funds is even more committed to its fundamental policy of capital preservation. In simple terms, we strive to help protect “what you already have.”

How do we go about preserving capital during a time when many other funds and organizations may be struggling to keep their heads above water?

Primarily, it is important to realize that the municipal bond funds in the Aquila Group of Funds invest only in municipal bonds – not stocks. Bonds, in general, are a different category of investments and, as such, tend to be more stable in their nature and produce a return for investors on a reasonably consistent basis.

Also, we believe it comes down to the Aquila Group of Fund's investment strategy with our municipal bond funds. This strategy provides for a portfolio of securities, which is quality oriented, intermediate in maturity and diversified.

Aquila has always taken the approach of investing in municipal securities which are high in quality. In fact, the prospectus of our municipal bond funds specifically limits the portfolio manager to investing in investment grade bonds or equivalent, those which are within the top four credit ratings - AAA, AA, A and BBB. In actuality, although we are permitted to invest in the top four credit ratings, we strive to have the majority of our investments are within the top two credit ratings – **AAA and AA**. (In the case of our Rhode Island fund, we further restrict our investments to only those in the top credit rating – **AAA**.) Historically, these higher quality bonds have experienced fewer problems and lesser fluctuation than those outside of our investment universe.

Additionally, we believe that having an intermediate-term portfolio of municipal bonds tends to moderate the share price fluctuation. We, therefore, strive to structure each fund's portfolio so that some of the bonds have maturities of 1 year, while others have maturities of 20 – 25 years. Generally, each fund's average maturity is kept in the neighborhood of 12 - 15 years. This keeps the return as high as practicable while helping us to keep the value of your investment stable. Moreover, it helps to ensure that “what you have” is protected and that your investment capital is there when you need it.

Furthermore, the investments of each fund are geographically spread over a highly diverse group of projects. These are spread over the entire respective state and thus are not overly concentrated. This approach has two benefits. One is minimizing any adverse effect to the share value in the remote event that any particular bond had a problem. Second, it helps build and renovate the various kinds of municipal projects that benefit citizens throughout the state.

So, while the world out there is uncertain indeed, you can count on the certainty that the Aquila Group of Funds will do its best through its municipal bond funds to protect what you have.

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