



Thought For the Month

“Municipal Bond Fund Investing 101” – 1st in a Series

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If you have ever had the opportunity to attend one of the fund’s Annual Meeting of Shareholders or Outreach Informational Meetings, you well know that Aquila strives to make the sometimes complex world of investing as easy to understand as possible.

Although many of you are well versed in the intricacies of investing, we feel it is always well worth reinforcing the fundamentals. Thus, through a series of “Thoughts For The Month,” we will endeavor to explain to you in plain English some of the basic concepts behind investing in municipal bond funds.

This month we will focus our attention on one of the foremost reasons for investing in a municipal bond fund – preservation of capital.

The two types of investments that people are most familiar with are stocks and bonds.

Generally, stock funds are purchased for their ability to appreciate, or increase, in value. In other words, the old buy low, sell high theory. Investors who place their money in stock funds are hoping to increase their net worth through capital appreciation.

Bond funds on the other hand are often purchased for their relative stability of share price. The net asset value (or daily price) of a municipal bond fund normally does not experience the dramatic highs and lows that can be witnessed by a stock fund. In simple terms, investing in a bond fund helps you to keep what you have. Bond fund investors are hoping to maintain their net worth through capital preservation.

Municipal bond funds, especially those sponsored by the Aquila Group, want to make certain that you can rest assured knowing that your money will be there when you need it.

The good news is that you don’t have to decide between the two investments. You can take from each investment the best it has to offer. Your “discretionary” money – that used for non-essential things – could be used for a more aggressive investment such as a stock fund. However, your “serious” money - that needed for such necessities as living expenses - might be better suited for a more conservative investment such as a municipal bond fund.

Now that we’ve determined that there is a place for some of your money in a bond fund, our next “Thought” will examine one of the benefits of investing in a municipal bond fund – tax-free income.

Consideration should be given to the risks of investing including potential loss of value, market risk, interest rate risk, credit risk, and geographic concentration. Insurance on an obligation is intended to mitigate credit risk; it does not insure the market price of the obligation. There is no assurance that any investment will be successful or achieve its investment objectives. For certain investors, some dividends may be subject to Federal and State taxes, including the Alternative Minimum Tax. Consult your professional tax adviser.

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