

**MEMO# 1346**

August 15, 1989

## UPDATE ON PERFORMANCE NUMBERS

August 15, 1989 TO: UNIT INVESTMENT TRUST COMMITTEE NO. 52-89 RE: UPDATE ON PERFORMANCE NUMBERS

Yesterday, several unit trust sponsors met with the SEC staff on the issue of performance numbers. As a result of the discussions at the meeting, certain changes were made to the staff's position on disclosure in prospectuses of new unit trusts. (1) For trusts with an average portfolio maturity of 15 years or more (computed to stated maturity, as opposed to call), if estimated current return is within 40 basis points of both an average yield to maturity (such as the Nuveen formula) and internal rate of return, the trust can include both estimated current return and average yield. (For trusts with an average maturity of less than 15 years, the "test" remains 25 basis points.) The staff will continue to discuss on a case-by-case basis trusts that fail to meet the tests. (2) Every prospectus will be required to disclose that an investor can receive a statement of cash flows on request. (3) Every sponsor is required to supply a statement of cash flows to the staff supplementally with respect to each new series. For series going effective under Rule 487, the statement can be supplied promptly thereafter. (4) The industry was requested to submit a yield formula that takes into account the effects of premium and discount bonds and the impact of delays in payments to unit holders by December 7. (The Nuveen formula apparently does not reflect delays in payment.) The meeting of the yield subcommittee originally scheduled for August 21 has been postponed and will be rescheduled shortly. We will send you a notice of the meeting when rescheduled. Craig S. Tyle Assistant General Counsel

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