

MEMO# 2274

October 19, 1990

SEC STAFF LETTER ON DISCREPANCIES IN COMPUTATIONS OF IRR AND ELTR

October 19, 1990 TO: UNIT INVESTMENT TRUST COMMITTEE NO. 46-90 RE: SEC STAFF
LETTER ON DISCREPANCIES IN COMPUTATIONS OF IRR AND ELTR

Attached is a letter from Bob Plaze of the Division of Investment Management in response to the Institute's August 28 letter to the staff pointing out discrepancies between performance results for certain UITs as computed by the staff and as computed by UIT sponsors. The letter notes three principal reasons for the different results: (1) industry figures were compounded, while the SEC figures were not, (2) the SEC overstated the yields on individual bonds for secondary trusts because they used an earlier date for computation and (3) the SEC understated the IRR for trusts sponsored by Van Kampen Merritt due to their treatment of accrued interest. The letter also notes other factors that contributed to the different results. That letter concludes by stating that even the industry results "indicate that a significant gap exists between the internal rates of return of trusts and the yield figures that ELTR and Wesolowski-Hicks generate". Craig S. Tyle Associate General Counsel Attachment

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