

## FAQ

January 19, 2018

# Unit Investment Trusts: FAQs

Frequently Asked Questions About Unit Investment Trusts

## What is a unit investment trust?

Unit investment trusts (UITs) are registered investment companies with some characteristics of mutual funds and some of closed-end funds. Like mutual funds, UITs issue redeemable shares (called “units”). Like closed-end funds, however, UITs typically issue only a specific, fixed number of shares.

In contrast to closed-end funds, a UIT does not actively trade its investment portfolio. Instead, it buys and holds a set of particular investments until a set termination date, at which time the trust is dissolved and proceeds are paid to shareholders.

## What kinds of investments do UITs hold?

There are two main categories of UITs: equity trusts and bond trusts. Bond trusts are divided into taxable and tax-free trusts. Historically, the majority of UIT assets have been invested in bond investments. However, in recent years, assets in equity UITs have exceeded assets in both taxable and tax-free bond trusts.

## How much do UITs hold?

[At year-end 2016](#) (page 183/Table 14), UITs held \$84.55 billion in assets. Of that total, 85 percent of the assets, or \$71.52 billion, were held in equity trusts. Assets in bond trusts were \$13.04 billion.

## How much is going into UITs?

In 2016, investors deposited a total of \$49.35 billion in UITs. By comparison, UITs drew deposits of \$65.95 billion in 2015 and \$65.53 billion in 2014.

## How many UITs are there?

In 2016, there were 5,103 UITs—2,589 of them equity trusts. Among bond trusts, tax-free and taxable trusts numbered 1,879 and 635, respectively.

Sponsors created 1,661 new unit investment trusts in 2016. Of that total, 1,463 were new

equity trusts and 198 were bond trusts. During the previous year, 1,619 new trusts issued shares.

## **Are UIT holdings professionally selected and diversified?**

Yes. The securities in a UIT, which are listed in its prospectus, are professionally selected to meet a stated investment objective such as growth, income, or capital appreciation. UITs employ a “buy-and-hold” investment strategy; once the trust’s portfolio is selected, its securities typically are not traded. (Some UITs may sell or replace a security if questions arise concerning the financial viability of the issuer or the security’s creditworthiness.) Most UITs hold a diversified portfolio of securities. The extent of each UITs diversification will be described in its prospectus.

## **Are UITs regulated?**

Yes. UITs, like mutual fund and closed-end funds, are subject to stringent federal laws and oversight by the U.S. Securities and Exchange Commission (SEC). The Investment Company Act of 1940 is highly detailed and governs this structure and day-to-day operations of the funds.

## **Where can I find more information on UITs?**

ICI tracks [assets and other statistical data](#) on unit investment trusts. The SEC also maintains [a page on UITs](#) with answers to some frequently asked questions.

January 2018

---

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.