

ing and able to "make" an active secondary market for units of their municipal investment funds and have purchased for resale all such units offered, so that no part of any portfolio has been liquidated for the purpose of redeeming units.

As and when portions of the portfolio of a particular municipal investment fund have been redeemed at maturity, by refunding or by sinking fund operation, the proceeds thereof have been distributed semiannually by the trustee to the certificate holders on a pro rata basis. Such distribution occurs at the time of the semiannual accounting by the trustee, at which time the income from the portfolio also is distributed.

No municipal investment fund has a maturity date. However, at the time each such fund was established, the sponsor thereof recognized that practically the entire portfolio would be redeemed by some distant future date, leaving only a small remnant against which even minimum trustee fees and other costs might be disproportionately high. Therefore, each such fund will reach a specified minimum portfolio level, say, 20 percent of the initial portfolio, at some future date when complete liquidation by the trustee is mandatory.

UNIT VALUE AND YIELD IN RELATION TO THE MUNICIPAL (PUBLIC) BOND MARKET

Yield or rate of return is, of course, one of the major factors determining the desirability of any investment medium. The absolute yield for municipal investment funds has been mentioned in preceding sections of this study. However, yield of a municipal investment fund in relation to the yield available from other tax-exempt securities, also, is a significant factor. For the purposes of this study, the initial yield or yields from a municipal investment fund or funds will be described in relation to the Dow, Jones weekly municipal average index of yields.

During the 5-year market history of municipal investment funds the Dow, Jones weekly municipal average index of yields has averaged 3.34 percent. The point of lowest yield (highest price) during that period was 3.10 percent, which occurred during January and February 1965. The point of highest yield (lowest price) during that period was 3.87 percent, which occurred during the first week of March 1966.

The prices (and yields) for tax-exempt bond funds are determined by the trustee (1) on the basis of current bid prices of the underlying bonds obtained from dealers or brokers (including the sponsor) who customarily deal in bonds comparable to those held by the fund; (2) if bid prices are not available for any of the bonds, on the basis of bid prices for comparable bonds; (3) causing the value of the bonds to be determined by others engaged in the practice of evaluating, quoting, or appraising comparable bonds; or (4) by any combination of the above.

The record from time to time of the average yield for one significant tax-exempt bond fund as compared with that of the Dow, Jones index at identical times shows that this fund (1) always produced a yield higher than the Dow, Jones index (largely due to the composition of the bonds included within the Dow, Jones index, as compared to the bonds held in the funds) and (2) that the "spread" between the fund