

Examination of some bank tax-exempt bond funds indicates that revenue bonds can easily amount to between 40 and 50 percent of total portfolios. The following table 4 gives the figures for one \$88.6 million fund.

TABLE 4

Rating	General obligations	Revenue issues
AAA.....	\$9,215,000	\$813,000
AA.....	17,470,000	8,235,000
A.....	14,151,000	18,878,000
BAA.....	5,805,000	5,842,000
BA.....		650,000
Unrated by Moody's.....		7,587,000
Total.....	1 46,641,000	2 42,005,000

¹ 52.61 percent of total fund.

² 47.39 percent of total fund.

Special assessment bonds are considered to have primarily local markets and the amount of limited tax bonds in existence has been declining and is relatively small in volume.

Maturity distribution

It is believed that 10- to 20-year maturities are generally favored by trust departments, although substantial amounts of longer issues are used. Revenue bonds usually have a fairly long maturity but, due to the operation of sinking funds, are in effect of a shorter average maturity than the final maturity date indicates. Trust accounts tend to average about 20 years in length and, unless there are unusual requirements in the particular account, fairly long maturities are purchased, especially during periods of relatively high yields, since a major reason for buying the longer maturities is to obtain the higher yield which they normally provide. One large tax-exempt bond fund has an average maturity of 23.58 years.

Following is the maturity schedule of another very large tax-exempt bond fund:

Years:	Percent
5 or less.....	3
6 to 10.....	8
11 to 15.....	14
16 to 20.....	20
More than 20.....	51

3. FACTORS INFLUENCING PURCHASES

Bond ratings

Trust departments with their own investment research staffs are likely to rate available State and local securities after their own analysis. They will of course check ratings assigned to particular issues by the rating agencies but be guided primarily by their own appraisals. Trust departments which do not or cannot have their own investment research departments are likely to be guided more by the bond ratings and by the recommendations of investment advisory services, including those provided by correspondent banks. Local issues are purchased largely by local banks because these banks know the financial strength of the issuers, and are guided by this knowledge rather than ratings assigned to the issues, if any. Unless the obliga-