

# Unit Investment Trusts

## Investment primer

### Investment summary

**A Unit Investment Trust (UIT)** is an investment company with a specified duration that invests in a fixed portfolio of securities selected according to a specific investment objective or strategy. UITs are registered under the Investment Company Act of 1940.

UITs are designed to be static portfolios, meaning the underlying investment portfolio is not actively managed. Because the portfolio holdings remain fixed, investors generally know what they are invested in for the duration of the UIT. As a result, UITs do not have an investment advisor, corporate officers or a board of directors that render advice during the term of the UIT.

During the initial offering period, units of the UIT are sold to investors (unit holders). Units represent an ownership in the UIT or its portfolio of securities. When investors purchase a UIT, they commonly pay sales charges and incur other embedded expenses. The portfolio of securities held by a UIT may include stocks, bonds or other securities. UITs issue redeemable shares, or units, which are generally redeemable on a daily basis at an investor's request at the approximate Net Asset Value (NAV), though in some cases investors may be subject to a deferred sales charge or other fees.

On a specified date in the future, the trust "terminates," or "matures." When this happens, the underlying securities are sold and the proceeds are paid to unit holders.

This primer provides an overview of UITs, their structure, general features, types, and investment risks and considerations. UITs differ in terms of risk profile and investment objectives, so it is important to learn more about a particular UIT before making an investment.

### Types of UIT investments include:

- Equity UITs
- Fixed income UITs
- Closed-end fund UITs
- Multi-asset UITs

### The development and investment process

#### UIT development

Each UIT is designed to meet a stated investment goal, such as growth or income, though there is no assurance that the investment goal will be achieved. The UIT sponsor selects the duration and the portfolio holdings for each UIT, based on the market environment and the trust's investment objective. Commonly, the trust's investment objective is determined by using research-based themes, investment models or other means of identifying investment opportunities relevant to market conditions. Once the securities are selected, they are generally held until the UIT terminates and the proceeds are distributed to investors.

#### UIT purchase and investment period

During the initial offering period, investors may purchase shares of UITs at UBS through their Financial Advisor. UITs are designed to be held until the termination date. During the term of a UIT, the NAV will fluctuate with the underlying market value of the securities held in the trust. UITs may also pay dividends or income in accordance with the underlying holdings in the trust.

While each UIT has a fixed duration, or term, investors may redeem their holdings prior to the termination date at their request at the approximate NAV, though in some cases they may be subject to a deferred sales charge or other fees. **Although UITs generally have daily liquidity, as the market fluctuates units may be worth more or less than the original investment.**

#### UIT termination

Upon termination, the UIT will liquidate remaining holdings. Investors have three choices with respect to the proceeds generated from the trust:

- Cash proceeds: The UIT will terminate, liquidate holdings and pay cash to the investor.
- Rollover: Investors may re-invest their proceeds into a new UIT.
- In-kind distribution: In some cases the UIT sponsor may allow eligible clients to receive shares of the underlying securities held within the trust. Transfer and registration charges may reduce the value of the distribution as a result.

### Costs of investing

UIT investors typically pay sales charges, trust operating expenses, creation and development fees, and organizational fees. The trust sponsor, the duration of the trust and the underlying holdings can all impact these various charges, in addition to the fees described in the prospectus.

### Sales charges

Sales charges are compensation for UBS, your Financial Advisor and the UIT sponsor. UIT investors generally pay a sales charge at the time of initial purchase (upfront sales charge). Furthermore, an additional sales charge is deducted periodically over a predetermined time from the assets of the trust (deferred sales charge). The offering price, which is the price paid to purchase units, reflects the then-current NAV plus the maximum sales charge (upfront sales charge, deferred sales charge and the creation and development fee).

### Annual operating expenses

These expenses commonly pay for portfolio monitoring, bookkeeping, evaluation, administration, trust fees and other operating expenses. The expenses are paid directly from the UIT's assets over the life of the trust.

### Creation and development fees, and organization fees

Creation and development fees are paid to the UIT's sponsor as compensation for the creation and development of the Trust. These fees are paid directly from the Trust's assets at the end of the initial offering period. Organization fees include legal, registration and audit expenses related to the Trust, and are paid for out of the Trust's assets.

### Advisory (fee-based) accounts

Specific UITs may also be available for purchases in select Advisory accounts at UBS. Clients who purchase UITs in these accounts will generally still pay annual trust operating expenses, creation and development fees, and organization fees, though they will not be subject to the upfront and deferred sales charges. These clients will pay an annual Advisory fee that is based on that account's eligible asset value in lieu of paying the sales charges.

### Features and considerations

Investing in UITs involves risk and there is no assurance a UIT will achieve its investment objective. Some of the key considerations are summarized below. However, prior to investing in any UIT, you should carefully review the more detailed prospectus. Investing in UITs may not be in the best interest or suitable for all investors.

### Market risk

The market value of a UIT largely depends on the value of the portfolio securities it holds. **As the value of those securities changes, so will the value of the UIT, in general, which can result in a loss of your investment.** You should review the prospectus for risks relating to the portfolio securities.

### Professional selection and monitoring

A UIT's securities are selected by the sponsor to meet a predetermined investment objective, such as growth, income or total return, though there is no assurance that the investment objective will be achieved. Investors can find this objective in the UIT's prospectus. While the sponsor routinely monitors UIT holdings over the life of the trust, securities in the trust portfolio are not actively managed. As a result of having a buy and hold strategy, UITs generally do not take action or make investment decisions in response to market developments that may negatively affect the portfolio of securities.

### Portfolio diversification

UITs may be an efficient means by which clients can increase the diversification of their investment portfolios. A UIT portfolio typically contains a variety of bonds or stocks depending on its investment objective. This kind of diversification might be expensive and time-consuming for average investors to construct independently. However, some UITs may be concentrated in an industry or sector and therefore may be subject to greater price volatility or may be affected by negative performance in that industry or sector.

### Transparency

The "buy and hold" nature of a UIT means the portfolio holdings remain essentially fixed. Securities in the trust portfolio are not actively bought and sold; however, there are certain limited circumstances, outlined in the UIT prospectus, under which a portfolio security may be sold. Securities held by the trust are listed in the UIT's prospectus, including, for bond UITs, the maturities, credit ratings and call dates of the bonds. This allows an investor to know the underlying holdings at all times.

### Pre-set termination date

UITs have a final trust termination date. The trust termination date assists investors with adhering to a specific investment time horizon. Upon termination, investors typically have numerous options including receiving proceeds, receiving in-kind distributions or re-investing, as previously described.

### Liquidity

Although UITs are generally designed to be held by investors until the trust terminates, in most cases investors may sell their units prior to termination. Even in the absence of a secondary market, trusts typically will redeem (buy back) outstanding units at their approximate net asset value, which is based on the current market value of the portfolio of securities, though the transaction may be subject to remaining deferred sales charges or other fees, if applicable, as outlined in the UIT's prospectus. **The NAV may be more or less than the price the investor paid initially and investors may suffer a loss.** Investors may sell units through their Financial Advisor, or they may redeem units directly to the UIT's trustee.

### **Administrative costs (no management fee)**

As described previously, UIT investors typically pay upfront sales charges and deferred sales charges that are periodically paid from the assets of the trust. Further trust operating expenses, creation and development, and organizational fees are paid out of the assets of the trust. However, with a fixed portfolio, there are no portfolio management fees, and, because buying and selling of portfolio securities are typically limited, transaction costs tend to be minimal.

### **UITs are fully invested**

Generally, UITs hold little cash, and invest the majority of their assets in stocks, bonds, or products such as closed end funds or exchange traded funds. This aspect of UITs can be helpful to an investor dedicated to maintaining a fully invested asset allocation strategy.

### **Distributions**

Fixed-income based UITs typically make regular monthly, quarterly or semiannual payments, though no assurance can be made that the UIT will be able to make such payments. Equity-based UITs may pay out dividend income, if any, on a monthly, quarterly or semiannual schedule. Dividends are only paid when declared by an issuer. Most equity-based UITs also offer an option for investors to automatically reinvest these dividends.

### **Limited capacity**

Some UITs, typically those focused on fixed income, may have limited capacity. If demand for units exceeds supply, purchase orders may be partially filled or not filled.

### **Early termination**

UITs may terminate earlier than the specified termination date as stated in the prospectus. **You may suffer a loss on your investment if a UIT is terminated early.**

### **Taxation**

The tax treatment of UITs can be complex and may result in the issuance of revised 1099 tax documents. Taxable events may occur from distributions, redemptions, terminations, sales and reinvestments. UBS Financial Services Inc. and its employees do not provide tax advice. You should consult your own tax advisor about your own tax situation before investing in any UIT.

### **Information**

Unit holders receive an annual report from the Trustee bank for each UIT they hold. The annual report contains financial statements and information on the trust's portfolio, performance, and investment goals and policies. The financial statements may include management's discussion of fund operations, investment results and strategies. In addition, a UIT sponsor may provide statements that update and summarize individual account holdings and values and also may maintain public websites with detailed descriptions of currently offered products. For further information, speak with your Financial Advisor.

### **How UBS and your Financial Advisor are compensated**

*Sales charges:* UBS receives a portion of the sales charge from the company sponsoring the UIT. UBS pays a portion of that amount to your Financial Advisor.

*Volume concession:* Most UIT sponsors make additional payments to the firms that sell their UITs, typically calculated as a percentage of the sales volume. Detailed descriptions of these additional payment programs are provided in a UIT's prospectus.

*Other compensation:* UIT sponsors may also reimburse UBS for expenses incurred in connection with training and education meetings, conferences or seminars. In the ordinary course of business, our Financial Advisors may receive promotional items, meals or entertainment, or similar non-cash compensation from representatives of the UIT sponsors with whom we do business.

Additional information is available in "Your relationship with UBS" ([ubs.com/relationshipwithubs](https://ubs.com/relationshipwithubs))

In today's world, pursuing your life's goals is being challenged in new ways. Which makes now the perfect time to review your goals in terms of "Advice. Beyond investing." Because when we collaborate on what matters most to you, we can create a plan tailored for you.

**Investors should consider the investment objectives, risks, charges and expenses associated with this investment and should carefully review the prospectus containing this and other information before investing. Please contact your Financial Advisor for a prospectus or download one at [ubs.com/uit](https://ubs.com/uit). Please read it carefully before you invest or send money.**

Diversification neither assures a profit nor protects against loss in declining markets.

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