



Bonds, Bond Funds, ETFs, and Unit Investment Trusts

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	Individual Bond	Bond Mutual Fund	Bond ETF (Exchange - Traded Fund)	Bond Unit Investment Trust (UIT)	Closed-End Bond Fund
What it is	A debt security that obligates the issuer to repay the bond's principal on its specified maturity date. Typically, a bond pays a fixed rate of interest.	A fund that pools the money of many investors and invests in many different bonds, selected according to the fund's investing objective and strategy. Most mutual funds are open-end mutual funds, meaning the number of shares varies with demand and the amount of money invested in the fund.	A fund that, like a mutual fund, pools the money of many investors and invests in many bonds. Typically, a bond ETF invests in the securities included in a specific bond index, and is traded on an exchange.	A fund that pools the money of many investors. A UIT invests in a fixed portfolio of bonds and holds them without buying or selling until the trust's expiration date, usually the bonds' maturity date. A UIT typically holds one specific type of bond--for example, municipal bonds.	A fund that pools the assets of many investors. Unlike an open-end mutual fund, a closed-end bond fund is created by an initial public offering (IPO), has a fixed number of shares, and is typically traded on a major exchange, such as the New York Stock Exchange.
Advantages	<p>Certainty about what you're investing in</p> <p>With fixed-rate bond, amount of income is known</p> <p>Able to target specific date for return of principal</p> <p>A portion of total return may be capital gains, which may have tax advantages</p>	<p>Diversification</p> <p>Professional selection of individual securities</p> <p>If actively managed, manager has flexibility to adjust to changing market conditions (within fund's investment guidelines)</p> <p>A portion of total return may be capital gains, which may have tax advantages</p>	<p>Diversification</p> <p>A portion of total return may be capital gains, which may have tax advantages</p> <p>Typically, lower expenses than an actively managed bond fund</p> <p>Can be traded throughout the day or bought on margin</p> <p>No minimum investment</p>	<p>Diversification</p> <p>Certainty about the specific investments in the trust</p> <p>Fixed interest payments provide greater stability of income</p> <p>Able to target specific date for return of principal</p> <p>Professional selection of individual securities</p>	<p>Manager has flexibility to adjust to changing market condition (within fund's investment guidelines)</p> <p>No minimum investment</p> <p>Manager's investment decisions are not affected by investor redemptions of shares</p> <p>A portion of total return may be capital gains, which may have tax advantages</p>

Disadvantages	<p>Market for a specific bond may or may not be liquid</p> <p>Relatively large investment required to achieve diversification</p> <p>If interest rates rise, income may lag other investments with more flexibility</p>	<p>No assurance that you will receive the amount you invested when you sell your shares</p> <p>Income amount may vary from payment to payment with changes in portfolio</p> <p>Value of shares can be affected by high level of shareholder redemptions</p> <p>May require minimum investment</p>	<p>No assurance that you will receive the amount you invested when you sell your shares</p> <p>Income amount may vary from payment to payment</p> <p>Trading fees can make dollar-cost averaging expensive</p>	<p>May not allow automatic reinvestment of UIT income back into the trust</p> <p>If interest rates rise, income may lag other investments with more flexibility</p> <p>Typically, a minimum investment is required</p>	<p>No assurance that you will receive the amount invested when you sell your shares</p> <p>Income amount may vary from payment to payment with changes in portfolio</p> <p>Potentially large spread between bid and ask prices</p>
Fixed interest payments	Typically, yes, though floating-rate bonds also exist. Interest may be paid monthly, quarterly, semiannually, or at maturity, depending on the bond.	No	No	Yes	No. Payments typically made monthly or quarterly.
Price stability	Yes, if held to maturity and there is no default by the issuer. No, if sold before maturity; price may be affected by changes in interest rates or the bond's credit rating.	No. Share price is determined at end of each trading day, based on net asset value of the fund's investments, which may be affected by interest rates, bond credit ratings, manager's selection of individual securities and maturities, and level of fund redemptions.	No. Share price is determined throughout the day by supply and demand, much as a stock's is.	Yes, if held to trust's termination date. No, if sold early; may be affected by changes in interest rates or credit ratings of individual bonds.	No. Price of shares is determined throughout the day by supply and demand, much as a stock's price is. Price is typically lower than its NAV, but may also be higher.
Actively managed?	No	May be actively or passively managed	No	Passively managed after initial purchase of securities for trust; bond portfolio does not change	Typically, actively managed

Fixed number of shares?	Not applicable. Issuer may issue additional bonds or call existing bonds.	No	No	Yes (called "units")	Yes, at time of initial public offering. However, fund may also offer existing shareholders the right to buy additional shares.
Termination date?	At maturity (or if callable, the call date)	No	No	At preset termination date; may be determined by maturities of bonds in trust	No
Liquidity	<p>May or may not be easy to find a ready buyer</p> <p>Small trades may have large spread between bid and ask prices</p> <p>Issuer redeems bond only at maturity (unless bond is called)</p>	Highly liquid; fund company will redeem shares at any time at current NAV	<p>May or may not be easy to find a ready buyer</p> <p>Issuer would only redeem shares by buying them on the open market</p>	Somewhat liquid, depending on provisions of trust. Trust will typically buy back investors' units at approximate current NAV.	<p>Fund company does not redeem shares, which are bought and sold on the open market.</p> <p>May or may not be easy to find a ready buyer.</p>
Reinvest income automatically?	No	Yes	Possible, but might not be cost-effective	Typically, no	Typically, no, though some closed-end funds may offer a dividend reinvestment plan
Costs	Transaction cost for purchase or sale	Yearly management fees and expenses; may or may not be subject to sales charge upon purchase or sale of fund.	Transaction cost for purchase or sale	Upfront fee for initial purchase of units	Transaction cost for purchase or sale

Diversification does not guarantee a profit or ensure against a loss. The prospectus for a mutual fund, exchange-traded fund, or unit investment trust contains information about investment objectives, fees, and expenses, which should be considered carefully before investing. Obtain a copy of the prospectus, available from the fund, ETF, or UIT, and read it carefully before investing.

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