UNIT INVESTMENT TRUST FUNDS (UITF) PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

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How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

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Questions

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1. What is the function of an Escrow?

A. To establish trust between two parties

B. To hold funds or assets until specific conditions are fulfilled

C. To manage investment portfolios

D. To serve as a binding agreement between two parties

2. What characterizes a Unit Paying Fund?

A. It reinvests all earnings into new assets

B. It pays out income on a regular basis

C. It only invests in equities

D. It is exclusively focused on money market instruments

3. What should a trust officer do when a violation of the TOAP code of conduct occurs?

A. Ignore it

B. File a complaint with the appropriate association

C. Discuss it privately with the offenders

D. Resolve it internally without documentation

4. What is the definition of a benchmark in investment?

A. An average of all fund returns

B. An index that includes multiple securities representing market aspects

C. A specific security used for fund comparisons

D. A standard measure for risk assessment

5. How is NAVPU calculated if total assets are P8,888,888.89 with deductions of 10% and 1,000 outstanding units?

A. P7,999,999.99

B. P8,000,000.00

C. P7,999.99

D. P8,888.89

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6. What is the effect of duration on a fixed income investment's price?

A. Price stability with interest rate changes

B. Increased price with longer duration

C. Sensitivity to changes in interest rates

D. Minimal impact on price

7. What does marked-to-market mean?

A. Assigning value based on historical cost

B. Assigning a value based on current market price

C. Determining value based on expected future performance

D. Valuing assets using a fixed depreciated rate

8. Which of the following is a key component of an investor's risk profile?

A. Age

B. Geographical location

C. Investment horizon

D. Social status

9. What is the primary goal of portfolio management?

A. To minimize risks as much as possible

B. To maintain liquidity at all times

C. To systematically combine investments for maximum return

D. To focus on short-term gains only

10. What information must be gathered from a client when opening a UITF account?

A. Only personal identification

B. Client's financial history only

C. Risks related to the investment

D. Client information and customer suitability statement

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Answers

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1. B
2. B
3. B
4. B
5. C
6. C
7. B
8. C
9. C
10. D

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Explanations

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1. What is the function of an Escrow?

A. To establish trust between two parties

B. To hold funds or assets until specific conditions are fulfilled

C. To manage investment portfolios

D. To serve as a binding agreement between two parties

The function of an escrow is primarily to hold funds or assets until specific conditions are fulfilled. This arrangement ensures that both parties involved in a transaction can proceed with assurance, as the escrow service acts as a neutral third party. For instance, in real estate transactions, an escrow account may hold a buyer's deposit until all terms of the sale are met, such as inspections, appraisals, and title checks. This process adds a layer of security to transactions. If the agreed conditions are not satisfied, the escrow agent can return the funds or assets to the appropriate party. Thus, the correct answer highlights the essential role of escrow in protecting the interests of both parties, ensuring that no party is disadvantaged until all conditions of the agreement are satisfactorily met. Other roles that an escrow may perform, such as establishing trust or managing investment portfolios, may play a part in broader financial dealings but do not encapsulate the fundamental purpose of an escrow arrangement.

2. What characterizes a Unit Paying Fund?

A. It reinvests all earnings into new assets

B. It pays out income on a regular basis

C. It only invests in equities

D. It is exclusively focused on money market instruments

A Unit Paying Fund is characterized by its practice of distributing income regularly to its investors. This typically involves paying out earnings, such as dividends or interest, instead of reinvesting them back into the fund. The consistent payout of income is a key feature that appeals to investors seeking regular cash flow from their investments. In contrast to the other options, a Unit Paying Fund does not reinvest all earnings into new assets, which makes option B distinct. It also isn't limited to only investing in equities or focusing solely on money market instruments, as its structure can include a diverse range of investment types, aiming to generate income for distribution. Therefore, the hallmark of a Unit Paying Fund lies in its income distribution strategy.

3. What should a trust officer do when a violation of the TOAP code of conduct occurs?

A. Ignore it

B. File a complaint with the appropriate association

C. Discuss it privately with the offenders

D. Resolve it internally without documentation

When a violation of the Trust Officers Association of the Philippines (TOAP) code of conduct occurs, the appropriate action is to file a complaint with the relevant association. This is because the TOAP, as an organization, has established guidelines and procedures to address ethical breaches and ensure accountability among its members. By formally reporting the violation, the trust officer enables the association to investigate and take necessary action, which promotes transparency and upholds the integrity of the profession. This approach ensures that disciplinary measures, if warranted, are applied consistently and fairly, thereby maintaining a high standard of ethical conduct within the industry. Additionally, it allows for a systematic review of the incident, which can foster improvements in practices and policies moving forward.

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4. What is the definition of a benchmark in investment?

A. An average of all fund returns

B. An index that includes multiple securities representing market aspects

C. A specific security used for fund comparisons

D. A standard measure for risk assessment

A benchmark in investment is best understood as an index that includes multiple securities representing aspects of the market. This definition is accurate because benchmarks are commonly used to gauge the performance of investment portfolios against a relevant standard. By encompassing various securities, benchmarks reflect a broader market perspective and provide a comparative framework that investors and fund managers can use to evaluate how well a particular investment or fund is performing. Using a well-constructed benchmark allows investors to assess whether their investment strategy is successful in delivering returns that are on par with the market or a particular segment of the market. Many indices, such as the S&P 500 or the MSCI World Index, serve as typical benchmarks by reflecting the performance of a diverse set of securities within broader market contexts. Other choices do not encapsulate the full concept of a benchmark effectively. An average of all fund returns does not provide a comparative standard but rather a statistical measure that lacks specificity. A specific security used for fund comparisons, while it may serve as a reference point, does not represent the comprehensive nature of a benchmark. A standard measure for risk assessment pertains more to volatility or risk factors, which is not the primary function of a benchmark in the investment context.

5. How is NAVPU calculated if total assets are P8,888,888.89 with deductions of 10% and 1,000 outstanding units?

A. P7,999,999.99

B. P8,000,000.00

C. P7,999.99

D. P8,888.89

To determine the Net Asset Value per Unit (NAVPU), you first need to account for the total assets and apply any necessary deductions before dividing by the number of outstanding units. In this scenario, the total assets are P8,888,888.89. If we consider the 10% deduction, we calculate it by taking 10% of the total assets, which amounts to P888,888.89. This deduction is subtracted from the total assets, resulting in a net asset value of P8,888,888.89 - P888,888.89 = P8,000,000.00. Next, NAVPU is calculated by dividing this net value by the number of outstanding units. With 1,000 outstanding units, the calculation is as follows: NAVPU = Net Asset Value / Number of Outstanding Units NAVPU = P8,000,000.00 / 1,000 = P8,000.00. The answer doesn't correspond with the option that was selected, which was P7,999.99. The accurate calculation shows that the correct resultant NAVPU is P8,000, not P7,999.99. Thus, it's essential to ensure that the calculations align

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6. What is the effect of duration on a fixed income investment's price?

A. Price stability with interest rate changes

B. Increased price with longer duration

C. Sensitivity to changes in interest rates

D. Minimal impact on price

Duration is a key measure that reflects the sensitivity of a fixed income investment's price to changes in interest rates. When duration increases, it indicates that the investment is more sensitive to interest rate fluctuations; thus, its price will experience more significant changes in response to interest rate movements. For example, if interest rates rise, the price of a bond with a longer duration will decrease more than the price of a bond with a shorter duration. This relationship occurs because longer-duration investments take more time to pay back their cash flows, making them more vulnerable to interest rate changes. Conversely, shorter-duration investments usually experience smaller price changes because their cash flows are received sooner. Understanding duration is crucial for investors who are managing the interest rate risk associated with fixed income securities, as it directly relates to how much the price of these securities will fluctuate when market interest rates change.

7. What does marked-to-market mean?

A. Assigning value based on historical cost

B. Assigning a value based on current market price

C. Determining value based on expected future performance

D. Valuing assets using a fixed depreciated rate

Marked-to-market refers to the accounting practice of valuing assets based on their current market price rather than historical costs or other methods. This approach provides a more accurate and up-to-date reflection of an asset's worth, as it takes into account fluctuations in market conditions, demand, and economic factors. In the context of investments, such as those held in Unit Investment Trust Funds, it ensures that the reported value represents what investors would realistically receive if they were to sell those assets in the market today. Using market prices allows for transparency and relevance in financial reporting, which is particularly important for investors who need to assess the current value of their holdings to make informed decisions. The adoption of marked-to-market accounting helps to align financial statements with actual market conditions, thus improving the quality of financial information available to stakeholders.

8. Which of the following is a key component of an investor's risk profile?

A. Age

B. Geographical location

C. Investment horizon

D. Social status

A key component of an investor's risk profile is the investment horizon. This refers to the length of time an investor expects to hold an investment before needing to access the funds. The investment horizon greatly influences an investor's ability to take on risk. Generally, the longer the investment horizon, the more risk an investor may be willing to tolerate, as there is more time to recover from potential losses. For example, a younger investor with a longer time frame before needing the funds may choose to invest in assets that are volatile but have the potential for higher returns, while an investor nearing retirement may prefer more stable, lower-risk investments. Age does play a role in an investor's risk profile, as it often correlates with investment horizon, but it is not as direct a factor as the investment horizon itself. Geographical location and social status can influence an investor's economic environment and access to certain investments, but they are less critical in determining the inherent risk tolerance than the investment horizon, which directly dictates the strategy an investor might adopt based on their long-term financial goals.

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9. What is the primary goal of portfolio management?

A. To minimize risks as much as possible

B. To maintain liquidity at all times

C. To systematically combine investments for maximum return

D. To focus on short-term gains only

The primary goal of portfolio management is to systematically combine investments for maximum return. This approach involves careful consideration of various assets to achieve an optimal allocation that aligns with an investor's financial objectives and risk tolerance. By effectively diversifying investments, portfolio management seeks to enhance returns over time while also managing the overall risk that comes with different asset classes. Focusing solely on short-term gains can lead to volatile decision-making and does not typically align with a balanced investment strategy that considers long-term growth. Maintaining liquidity is certainly important, especially for meeting immediate financial needs, but it is not the overarching goal of portfolio management. Minimizing risks is a crucial aspect as well, but it should be balanced with the pursuit of returns, as aiming for returns without acknowledging potential risks can lead to suboptimal investment choices.

10. What information must be gathered from a client when opening a UITF account?

A. Only personal identification

B. Client's financial history only

C. Risks related to the investment

D. Client information and customer suitability statement

When opening a UITF account, it is crucial to gather comprehensive client information along with a customer suitability statement. This ensures that the financial institution has a clear understanding of the client's financial situation, investment objectives, risk tolerance, and overall suitability for the particular Fund. Collecting detailed client information, such as income, investment experience, goals, and personal circumstances, allows the financial institution to assess whether the UITF aligns with the client's needs and objectives. Additionally, the suitability statement is essential for compliance and helps ensure that the client is aware of the risks associated with their investment, thus promoting informed decision-making. Other options do not offer a full picture of what is needed. Solely gathering personal identification lacks the depth required for thorough client profiling. Focusing only on the client's financial history ignores essential factors like risk tolerance and current investment objectives. The mention of investment risks is also insufficient on its own; while understanding risks is vital, it is only one component of the comprehensive assessment required when establishing a UITF account.

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Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

https://unitinvestmenttrustfund.examzify.com

We wish you the very best on your exam journey. You've got this!

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