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Understanding Mutual Fund Share Classes

Investing in mutual funds through a broker or other financial professional usually means choosing among different classes of shares issued by each mutual fund you wish to purchase. This brochure is intended to help you understand mutual fund share classes generally, so you can choose the class of shares that best meets your needs. Of course, the characteristics of one mutual fund's share classes may differ from those of other mutual funds. Before investing, you should obtain and read the prospectus for the mutual fund and share class that interests you, in order to understand the unique features of that fund's shares.

What Are Mutual Fund Classes?

A single mutual fund, with one portfolio and one investment adviser, may offer more than one "class" of its shares to investors. Each class represents a similar interest in the mutual fund's portfolio. The principal differences among classes of shares of the same mutual fund relate to the sales charges and other expenses: how much you will pay, when you will pay those charges, and how much your broker will be paid for selling the shares to you. Each class also may have a different minimum investment size; your ability to exchange between two mutual funds in the same family of funds is likely to be limited to mutual funds offering the same class of shares as the one you wish to sell. These details are explained in the mutual fund's prospectus.

For your convenience, we have provided a glossary of fee and expense terms at the end of this document.

What Types of Fees and Expenses Will I Pay?

Check the fee table in the mutual fund's prospectus to find the precise amount of the mutual fund's fees and expenses. The most common types of share classes are Classes A, B and C, which are described below.

If You Buy Class A Shares:

Class A shares typically charge a front-end sales charge. When you buy Class A shares with a front-end sales charge, a portion of the dollars you pay is not invested. Class A shares may also impose an ongoing asset-based sales charge, but it generally is lower than the asset-based sales charge imposed by the other classes.

A mutual fund may offer you discounts, called breakpoints, on the front-end sales charge if you:

- make a large purchase;
- already hold other mutual funds offered by the same fund family.

You also may qualify for a discount if other members of your family own shares in the same fund family. Each mutual fund has its own requirements as to which accounts may be combined to help you reach a breakpoint. You should ask your financial professional whether any breakpoint discounts are available to you. To determine whether you qualify for any breakpoint discounts, we may need to ask you to provide information about your other investments, as well as investments owned by members of your family.

Discounts may also be available in the form of Class A share sales charge waivers, depending on the type of account being opened. If you qualify for a sales charge waiver, you may be able to purchase a Class A mutual fund without paying a front-end sales charge for that purchase. Although criteria differ significantly among mutual fund sponsors, types of accounts that may qualify include tax exempt or charitable entities, rollovers from qualified plans using the sponsor's approved administrator, and accounts held by financial institution employees. It is important to review the terms in the prospectus or Statement of Additional Information for the terms and qualification for sales charge waivers.

Over longer periods of time, it may be less expensive for you to buy and hold Class A shares, rather than Class B or C shares of the same mutual fund. It depends on the particular mutual fund's sales charges and expenses, how much you plan to invest, and how long you plan to hold the shares before selling. Your financial professional can help you decide which share class of a particular mutual fund would be the least expensive for you to buy. You may also use the free FINRA Mutual Fund Expense Analyzer, available on the internet at <http://apps.finra.org/fundanalyzer/1/fa.aspx>.

If you cannot immediately purchase the dollar amount of Class A shares needed to qualify for a breakpoint discount, a mutual fund may permit you to receive such a discount if it offers a "Right of Accumulation" or the opportunity to sign a "Letter of Intent."

Right of Accumulation. Some mutual funds offer a Right of Accumulation; this allows you to aggregate shares you own in related accounts in some or all mutual funds within that fund's family, in order to reach a breakpoint discount. Mutual funds typically allow you to aggregate fund shares that you and certain other investors own, for

example, members of your family. This option also gives you the ability to count earlier purchases of shares of funds in your accounts and in related accounts towards the breakpoint discount on your current purchase. A Right of Accumulation may often be combined with a Letter of Intent for additional benefits.

Letter of Intent. Some mutual funds permit investors who sign a Letter of Intent to be charged a discounted sales charge on their purchases of Class A shares. A Letter of Intent is a document you sign indicating your intent to purchase a stated dollar amount of fund shares over a specified period of time (frequently, 13 months). By signing a Letter of Intent, you will be charged the reduced sales charge that applies to the total amount of your intended purchase on your first purchase and on all subsequent purchases. If you fail to purchase the intended total dollar amount of fund shares in the time allowed, you will be required to reimburse the discount.

Multiple Fund Purchases. It is important for you to understand that purchases made into a single fund family allow for potential and significant reductions in sales charges by meeting certain breakpoints. These breakpoints typically start at \$50,000 and usually become larger at \$100,000, \$250,000 and \$500,000. If you direct your investments into more than one fund family, your ability to reach a particular breakpoint may be reduced or even eliminated, resulting in you paying higher sales charges. You should always consider the benefits of executing a Letter of Intent or using Rights of Accumulation whenever possible to reduce sales charges within the same fund family.

If You Buy Class B Shares:

Class B shares typically do not charge a front-end sales charge, but they do impose asset-based sales charges that may be higher than those incurred if you purchased Class A shares. Class B shares also normally impose a Contingent Deferred Sales Charge (CDSC) if the shares are not held a required length of time; you pay this sales charge when you sell your shares. For this reason, these should not be referred to as “no-load” shares.

The CDSC typically starts at 5% if you sell within one year of purchasing Class B shares. This sales charge normally declines gradually over a period of several years; it is eliminated if you hold the shares long enough (typically at least six years). Once the CDSC is eliminated, Class B shares often “convert” into Class A shares. When they convert, they begin to charge the same asset-based sales charge as the Class A shares, and there will be no CDSC charged if you sell your shares.

Since Class B shares do not impose a sales charge at the time of purchase, all of your dollars are invested immediately, unlike with Class A shares. However, your annual expenses with Class B shares, as measured by the expense ratio, may be higher because Class B shares typically charge a higher asset-based sales charge. This, in addition to the possibility of paying a CDSC when you sell your Class B shares, could result in Class B shares being more expensive than other available classes of shares.

If you intend to purchase a large amount of Class B shares, you may want to discuss with your financial professional whether the purchase of Class A shares would be preferable. The expense ratio charged on Class A shares is generally lower than for Class B shares, and you may qualify for a discount on the Class A shares’ front-end sales charge, depending on any breakpoints offered by the particular mutual fund.

To determine if Class A shares may be more advantageous, refer to the mutual fund’s prospectus, which will describe the purchase amounts that qualify for a breakpoint discount.

If You Buy Class C Shares:

Class C shares usually do not impose a front-end sales charge on the purchase, so the full dollar amount you pay is invested immediately. Often, Class C shares impose a small charge if you sell your shares within a short time of purchase, usually one year. Class C shares typically impose higher asset-based sales charges than Class A shares, and since their shares generally do not convert into Class A shares, their asset-based sales charge will not be reduced over time. Class C shares are often used for asset-allocation purposes.

While Class C shares do not impose a sales charge at the time of purchase, they may impose a CDSC or other redemption fees. In addition, in most cases your expense ratio will be higher than with Class A shares, and even than with Class B shares if you hold those shares for a long time! For this reason, Class C shares may be most appropriate if you plan to hold your shares for a relatively short period of time. As always, please refer to the mutual fund’s prospectus for specific details as to the cost of purchasing, holding, and selling shares of this or other classes.

Other Mutual Fund Share Classes

Some mutual funds offer classes of shares that differ from the typical Class A, B and C shares described above. These share classes may be designated by a letter, such as D or Z, or by a title such as “Investor Class” or “Institutional Class.” In some cases, a share class may have no front-end sales charge or CDSC and low expenses. These classes often are designed for investment by institutional investors, such as 401(k) plans and Section 529 college savings plans. Other share classes offered by a mutual fund may have varying combinations of front-end sales charges, CDSCs, and asset-based sales charges. “No-load” share classes of mutual funds exist for investors who are comfortable investing without the advice of a broker; these investors typically purchase such shares by contacting the mutual fund directly. Refer to the mutual fund’s prospectus for more information about these share classes.

A Word About Mutual Fund Expenses

Like most investments, all mutual funds charge fees and expenses that are paid by investors. These fees and expenses vary widely from fund to fund and fund class to fund class.

How Does My Time Horizon Affect My Investment Decision?

In the Investment Objective section of the New Account Form, you stated your intended Account Level Time Horizon. You elected one of the following options: Short-term (zero to five years), Intermediate-term (six to ten years) or Long-term (more than ten years). This election is at the Account Level, and is your planned time before you need to withdraw most, if not all, of your funds from the account. We recognize, however, that within your account you may own certain investments with various maturity dates and intended holding periods. As such, your Account Level Time Horizon may be different than the intended holding period for different investments, or you may intend to withdraw smaller amounts prior to closing the account. Your intended Account Level and Investment Level Time Horizon may impact the recommendation for mutual fund share classes.

Long-term investors who hold mutual funds for a number of years generally find the best value with A Shares, in particular for larger investment amounts. However, a Long-term investor investing smaller sums (under the initial \$50,000 breakpoint) may find B Shares to be an acceptable alternative. C Shares may also be an acceptable alternative for investors with a Long-term Time Horizon at the Account Level if (a) they invest smaller amounts into that fund family under the \$50,000 breakpoint; (b) they need to withdraw some portion of their funds on a short-term basis; or (c) they want the flexibility of moving their investment between fund families. While there may be value in the flexibility of investing with C Shares, it generally comes with greater expenses if the funds are held long-term, which will impact performance. Therefore, it is important to consider not only the Time Horizon at the Account Level, but also the Time Horizon of each individual investment.

Glossary of Terms: Fees and Expenses

Asset-Based Sales Charges

These are fees that you do not pay directly, but are taken out of a mutual fund's assets for marketing and distribution of its shares. For example, asset-based sales charges could be used to compensate a broker/dealer for the sale of mutual fund shares, for advertisements, and to print copies of the prospectus. Asset-based sales charges include "Rule 12b-1" fees, which are dedicated to these types of distribution costs.

Breakpoint

A mutual fund may offer you discounts, called breakpoints, on the front-end sales charge if you:

- want to make a large purchase;
- already hold other mutual funds offered by the same fund family.

Contingent Deferred Sales Charge or CDSC

This fee is charged when you sell your mutual fund shares. For example, if you redeem shares valued at \$1,000, and the mutual fund imposes a CDSC of 1%, you would receive \$990. This CDSC normally declines the longer the shares are held and is eventually eliminated after a number of years, often in the seventh year that you own the shares.

Expense Ratio

A mutual fund's expense ratio measures the fund's total annual expenses expressed as a percentage of the fund's net assets. For example, an expense ratio of 1% represents an annual charge to the fund's net assets — including your proportional interest in those assets — of 1% every year.

The expense ratio includes the asset-based sales charge and other ongoing fees that are deducted from a mutual fund's assets to pay for the services of the mutual fund's investment adviser or transfer agent, or for other expenses. Front-end sales charges and CDSCs are not included in the expense ratio because they are charged directly to the investor.

The fee table in the front of a mutual fund's prospectus provides the amount of a mutual fund's expense ratio and its front-end sales charge and CDSC.

Front-End Sales Charge

This fee is charged when you purchase mutual fund shares. For example, suppose you wish to spend \$1,000 to purchase Class A shares, and the mutual fund imposes a front-end sales charge of 5%. You will be charged \$50 on your purchase, and you will receive shares with a market value of \$950. Depending on the size of your purchase, a breakpoint discount may lower this sales charge.

Time Horizon

Your Account Level Time Horizon is the length of time before you plan to withdraw most, if not all, of your funds from your account. You may also have a different Time Horizon for a portion of the funds in your account, or a Time Horizon for specific investments (such as time until maturity of a Certificate of Deposit). For mutual funds, for a Long-term Time Horizon for the amount you are investing (especially for amounts over \$50,000), A Shares would typically be the most cost-effective investment alternative and have the best performance.