

# Guide to mutual fund investing

Many investors turn to mutual funds to meet their long-term financial goals. They offer the benefits of diversification and professional management, and are seen as an easy and efficient way to invest. However, as with all investment choices, investing in mutual funds involves risks. Helping you to understand these risks, and how to choose the funds that are in line with your own personal goals, is one of the many services your Financial Advisor can provide.

**If you have questions about mutual funds, or any investment, please contact your Financial Advisor.**

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## Helping you reach your financial goals

Millions of investors find mutual funds the right solution for their long-term financial goals. Some reasons include:

**PROFESSIONAL MANAGEMENT** The fund's portfolio is professionally managed by experienced money managers who research and select investments that are appropriate for the fund's objective, and provide full-time monitoring of the performance of those investments. If changes are necessary, they're able to modify the fund's holdings.

**DIVERSIFICATION** The concept of diversification is as simple as the time-tested advice, "Don't put all your eggs in one basket." By spreading your investments across a wide range of companies and industry sectors, you can better protect your assets during market fluctuations. Mutual fund ownership makes it easy for an investor to maintain a diversified investment portfolio.

**AFFORDABILITY** To invest in a diversified portfolio of individual securities would require a large investment. Many mutual funds allow investors to purchase shares for a relatively low dollar amount for initial and subsequent purchases.

**LIQUIDITY** Investors may redeem their mutual fund shares for any reason at the current net asset value (NAV), plus any fees and charges assessed on redemption.

**DIVIDEND PAYMENTS** A fund can earn income in the form of dividends and interest on the securities in its portfolio, which is passed on to shareholders in the form of dividends.

**DIVIDEND REINVESTMENT** You can set up your account for the automatic reinvestment of any dividends generated by your fund, allowing you to accumulate more shares without incurring a sales charge.

**CAPITAL GAINS DISTRIBUTION** Occurs when the fund sells a security that has increased in value. At the end of each year, most funds will distribute any capital gains (minus any capital losses) to their investors. You may also elect to have these distributions reinvested without incurring a sales charge.

### IMPORTANT REMINDERS

Mutual funds are not guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency.

You can lose money investing in mutual funds.

Past performance is not a reliable indicator of future performance. However, past performance can help you assess a fund's volatility over time.

All mutual funds have costs that lower your investment returns.

The mutual funds and share classes available at J.P. Morgan Securities are limited and will change from time to time. It is important to work with your Financial Advisor to determine which funds and share classes are available for purchase in your account.

Before you invest, be sure to read the fund's prospectus and shareholder reports to learn about the fund you're considering. By clearly understanding the investment you're considering, you'll be better prepared to make a sound investment decision. To obtain a prospectus, please contact your Financial Advisor.

**Investors should carefully consider the investment objectives and risks as well as charges and expenses of the mutual fund before investing. To obtain a prospectus, contact your Financial Advisor or visit the fund company's website. The prospectus contains this and other information about the mutual fund. Read the prospectus carefully before investing.**

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**Investment products: Not FDIC Insured • No Bank Guarantee • May Lose Value**

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## Learning more about mutual funds

A mutual fund is an investment company that pools assets from many investors and invests the money in stocks, bonds and other securities or assets in some combination. The holdings of the mutual fund are its “portfolio.” Each share of the mutual fund represents an investor’s proportionate ownership of the fund’s holdings and the income those holdings may generate. Mutual funds also have some unique characteristics that investors need to consider before making the decision to invest:

**COSTS DESPITE NEGATIVE RETURNS** Sales charges, annual fees and other expenses must be paid by the mutual fund investor regardless of how the fund performs. Investors may also be required to pay taxes on any capital gains distribution they receive, even if the fund declines in value after the shares are purchased, or the shares have been held a relatively short period of time. This is especially important at the end of the year, when many funds distribute capital gains.

**KNOWLEDGE OF PORTFOLIO HOLDINGS** By relying on the fund managers to manage the fund’s holdings, the individual investors usually have little current knowledge of the exact makeup of a fund’s portfolio. Additionally, they have no direct influence on the timing or selection of securities the fund manager buys or sells.

**DEGREES OF RISK** All mutual funds carry some degree of risk. You may lose some or all of the money you invest—your principal—because the securities held by a fund fluctuate in value on a daily basis. Any dividends or interest payments may also fluctuate due to changing market conditions.

**BUYING AND SELLING MUTUAL FUNDS** Investors may purchase mutual fund shares in a number of ways. The two most common are from the fund itself or through a Financial Advisor. The price paid for mutual fund shares is the fund’s per share net asset value (NAV), plus any shareholder fees that the fund may impose at the time of purchase, such as sales loads. The NAV is calculated at the end of each business day by dividing the total value of the fund’s holdings (less expenses) by the number of shares owned by the fund’s shareholders. Investors of mutual funds purchase at the NAV next calculated after they place their trade order. Mutual fund shares are “redeemable,” meaning that investors can sell their shares back to the fund at any time. The portfolios of mutual funds are managed by separate entities known as “Investment Advisors,” which are registered with the U.S. Securities and Exchange Commission (SEC).

Most mutual funds that invest in stocks and bonds are designed for long-term investors, not active traders. Mutual funds strive to achieve a particular investment objective, such as capital appreciation or current income, over time. Therefore, they are not designed for

investors seeking quick profits or for those attempting to “time the market.” Instead, mutual funds may be appropriate for those who have made a long-term commitment to investing and realize that it takes time for stocks and bonds to achieve their potential.

**MARKET TIMING** Most mutual funds implement practices and procedures that protect shareholders from investors who are active traders and seek to practice a market timing strategy. Market timing involves the rapid buying and selling of mutual fund shares in an attempt to realize short-term profits. This excessive trading of mutual fund shares may disrupt a fund’s investment strategy. It also may negatively influence performance results by increasing trading costs and/or causing fund managers to hold more cash than they otherwise would prefer to hold. In order to discourage investors from using their funds to practice market timing, a fund may:

**IMPOSE REDEMPTION FEES** Some mutual funds charge fees to investors who redeem their shares within a few months of purchasing them. Usually, the fund company returns the redemption fees to the fund’s portfolio to offset the costs associated with short-term trading.

**IMPLEMENT TRADING RESTRICTIONS** Most funds limit the number of exchanges (selling shares of one fund and using the proceeds to purchase shares of another in the same fund family) and “round-trip” transactions (a purchase followed by a redemption) that shareholders may make within a specific time period. For example, a fund may limit shareholders to two substantive exchanges within a 30-day period.

**MODIFY EXCHANGE PRIVILEGES** Most mutual fund families let their shareholders exchange shares of one fund they manage for shares of another fund they manage, with some restrictions. If this practice results in excessive trading, the fund may modify the exchange privilege. For example, it may make exchanges into certain funds effective on a delayed basis in order to disrupt a market timing strategy.

**IDENTIFY AND ISOLATE MARKET TIMERS** Some funds attempt to identify market timers by monitoring shareholder transactions. Upon identifying market timers, the fund may restrict the timers’ trading privileges or expel them from the fund.

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## Different types of mutual funds

Investors today have thousands of choices when it comes to investing in mutual funds. Understanding your individual financial goals and risk tolerance—either on your own or with the help of your Financial Advisor—is the first step in the journey to reaching your long-term financial goals. This will help you to begin narrowing your choices.

Mutual funds fit into three main categories—money market funds, bond funds, stock funds (also called “equity” funds). Each category has unique features, risks and rewards. In general, the higher the potential return, the higher the potential risk of loss. Mutual funds are not FDIC-insured or guaranteed by any governmental agency.

What’s in a name? There are rules requiring a fund to invest at least 80% of its assets in the type of investments suggested by its name. However, funds can invest up to 20% of their holdings in other types of securities. Always read the prospectus carefully before investing.

**MONEY MARKET FUNDS** Typically less volatile than other types of mutual funds because they invest in high-quality, short-term money market instruments that are issued and payable in U.S. dollars. A money market fund is not designed to offer capital appreciation. Money market funds pay dividends that are usually declared daily, paid monthly, and generally reflect short-term interest rates. “Inflation risk,” the risk that the inflation rate will grow faster than the investment’s return over time, can be a concern for money market fund investors.

A money market fund that qualifies as a “government money market fund” under applicable regulations must invest 99.5% of its assets in cash, government securities and/or repurchase agreements that are backed by cash and government securities. Other types of money market funds may invest in government securities as well as certificates of deposit, commercial paper of companies, or other highly liquid and low-risk securities. These types of money market funds may include funds that seek to operate as a “retail money market fund” under applicable regulations. A “retail money market fund” is a fund that will maintain policies and procedures reasonably designed to limit all beneficial owners of the fund to natural persons. Effective October 14, 2016, only “government” and “retail” money market funds may maintain a stable \$1.00 net asset value per share, and only “government” money market funds can operate without the possible imposition of a liquidity fee and/or redemption gate.

You could lose money by investing in a money market fund. With respect to a money market fund that qualifies as a “retail” or “government” money market fund, although the money market fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. In the case of a money market fund that does not qualify as a “retail” or “government” money market fund, because the share price of the money market fund will fluctuate, when you sell your shares they may be worth more or less than what you originally paid for them. If a money market fund does not qualify as a “government” money market fund, effective October 14, 2016, the money market fund may impose a fee upon sale of your shares or may temporarily suspend your ability to sell shares if the money

market fund’s liquidity falls below required minimums because of market conditions or other factors. An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. A money market fund’s sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.

**BOND (OR INCOME) FUNDS** Generally have higher risks than money market funds, due to the fact that they typically pursue strategies aimed at producing higher yields. Unlike money market funds, there are no laws to restrict bond funds to high-quality or short-term investments. And because there are many different types of bonds, these funds can vary dramatically in their risks and rewards. One of the major risks associated with bond funds is “credit risk,” or the risk that companies or other issuers may fail to pay their debts. The credit quality of the bonds contained in a fund will have a direct impact on their credit risk. Another risk is “interest rate risk,” or the risk that the market value of the bonds will go down when interest rates increase. Funds that invest in longer-term bonds tend to have a higher interest rate risk and fluctuate more dramatically in value. Interest earned on a bond fund’s portfolio is passed through to investors as dividends, which may be taken in cash or reinvested. This component of a bond fund’s earnings (less expenses) is called its yield. The two major factors that affect a bond fund’s yield are the quality and maturity of the bonds in the portfolio. In general, lower-quality bonds and those with longer maturities entail greater risk and generally offer higher yields. The share price or NAV of a bond fund may change based on the market value of the bonds in the portfolio. The value of the bonds in the portfolio may change in response to changes in interest rates. To calculate the total return of a bond fund, it is necessary to include the change in share price along with any income earned (dividends and capital gains distributions).

**STOCK (OR EQUITY) FUNDS** Typically have higher risks and volatility than money market and bond funds. However, over the long term, stocks have historically performed better than any other type of

investment. “Market risk” is the greatest potential risk for investors in stock funds. Stock prices can fluctuate dramatically for many reasons, such as the overall strength of the economy or demand for particular products or services. Types of stock funds include:

**GROWTH FUNDS** Focus on stocks (companies) that may not pay a regular dividend but have the potential for large growth. There are also different types of growth funds, including small, medium and large cap funds, which will invest in the stock of these types of companies.

**SECTOR FUNDS** May specialize in a particular industry segment, such as technology or consumer products stocks. A sector fund concentrates its investments in one sector and involves more risks than a fund that invests more broadly.

**EQUITY INCOME FUNDS** Invest in stocks that pay regular dividends.

**INDEX FUNDS** Seek to achieve the same return as a particular market index, such as the S&P 500 Composite Stock Price Index, by investing in all or many of the companies included in the index. It is not possible to directly invest in an index.

**BALANCED FUNDS** Provide investors with a combination of both stock and bond holdings in one mutual fund.

**UNIT INVESTMENT TRUSTS (UITs)** Type of investment company that buys and holds a generally fixed portfolio of stocks, bonds or other securities. “Units” in the trust are sold to investors who receive a share of principal and dividends or interest. UITs have a stated termination date. Like mutual funds, UITs may charge an initial sales charge and a deferred sales charge. The UIT’s prospectus contains

information about the portfolio of securities within the UIT and the sales charges.

**EXCHANGE-TRADED FUNDS (ETFs)** Type of investment company that offers investors a proportionate share of a portfolio of stocks, bonds or other securities. Like individual equity securities, ETFs are traded on a stock exchange and can be bought and sold throughout the trading day through a broker-dealer. Many ETFs attempt to track various stock market sectors, international indices and bond indices. Recently, additional types of ETFs, including leveraged ETFs and actively managed ETFs, have been introduced. Since ETFs trade on an exchange, prices are determined by the prices buyers and sellers are willing to pay and may not represent the NAV of the underlying securities or investments. ETFs may trade at a premium or discount to the NAV.

**NON-TRADITIONAL FUNDS** Non-traditional funds are mutual funds or ETFs that pursue alternative investment strategies. While traditional funds generally focus their investment strategies on long-term buy-and-hold stock and bond investing, non-traditional funds generally employ more complex trading strategies, such as selling securities short in anticipation of a drop in their price, using leverage, and purchasing options and futures. Some non-traditional funds also focus their investment strategies on investing in gold, commodities (such as copper and oil) or real assets such as real estate. These strategies have generally been associated with alternative investment products such as hedge funds. Additional information, including the risks associated with investing in non-traditional funds, can be located at [www.jpmorgansecurities.com/NTF](http://www.jpmorgansecurities.com/NTF).

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## Mutual fund fees and expenses

Running any business involves costs, and mutual fund companies are no exception. Transaction costs, advisory fees, marketing and distribution expenses (12b-1 fees) are just a few of the costs associated with running a mutual fund. These costs are passed to investors in the form of fees and expenses. It’s important to clearly understand these fees, because they will impact your investment returns.

**SALES CHARGE (LOAD)** Paid when you initially purchase mutual fund shares. Usually associated with A shares, this charge is also known as a “front-end load.” A portion of this is usually paid to the broker selling the shares. Sales charges reduce the amount of your initial investment, as they are deducted from your initial investment purchase.

**CONTINGENT DEFERRED SALES CHARGE (LOAD)** Paid when you sell mutual fund shares. Usually associated with B or C shares, this charge is also known as a “back-end load.” The amount will depend on how long you own the shares, and may decrease to zero if a B share is held as a long-term investment. May also be paid when selling shares purchased without a front-end load because the purchase was more than \$1 million.

**EXCHANGE FEE** Paid when shareholders exchange (transfer) to another fund within the same fund group.

**MANAGEMENT/INVESTMENT ADVISORY FEES** Paid out of the fund’s assets to the fund’s Investment Advisor for investment portfolio management and administrative fees that are not included in the “Other Expenses” category.

**DISTRIBUTION/SERVICE FEES (12B-1 FEES)** Paid by the fund from fund assets to cover the costs of marketing and selling fund shares and/or to cover the costs of providing shareholder services, such as advertising, printing and mailing of prospectuses, phone centers and more.

**OTHER EXPENSES** Expenses not included under “Management/Investment Advisory Fees” or “Distribution/Service Fees,” such as custodial expenses, legal and accounting expenses, transfer agent and administrative expenses.

**TOTAL ANNUAL FUND OPERATING EXPENSES (EXPENSE RATIO)** A line on the fee table that provides the total of a fund’s annual operating expenses as a percentage of the fund’s average net assets. Annual operating expenses include the ongoing costs of running the fund, and the fund company pays these expenses from the fund’s assets before it distributes any earnings to shareholders. Included among the annual operating expenses of all mutual funds is the investment advisory fee, which the fund pays to the Investment Advisor for managing the portfolio. In some cases, the Investment Advisor may enter into revenue-sharing arrangements with firms that distribute the fund. The Investment Advisor finances these

arrangements out of its investment advisory fee and must disclose the details of such arrangements in the prospectus or Statement of Additional Information (SAI).

**REVENUE SHARING** Paid by some funds, their Investment Advisors, distributors or other entities to brokerage firms, or other distributors of mutual funds, based on the amount of the fund’s shares sold by the distributor. In addition to sales loads and 12b-1 fees described in the prospectus, some mutual fund advisors, distributors or other entities make payments to J.P. Morgan Securities LLC (JPMS) based on the amount of the fund’s shares sold by JPMS or owned by JPMS’s clients.

*The fund prospectus is a valuable tool that will provide you with information on the various fees. Each fund prospectus is required to provide a “fee table” near the front of the prospectus that can help you compare the costs of different funds.*

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## Buying, selling and exchanging

Mutual fund shares can be purchased and sold on any business day. Mutual funds are priced once each day at a time specified in the prospectus, usually 4:00 p.m. ET, which is the close of business on the New York Stock Exchange. When your purchase or sale order is received before the established cut-off time, your transaction will receive the price calculated for that day.

**PURCHASING MUTUAL FUND SHARES** When you buy shares, you pay the current NAV per share plus any fee the fund may assess at the time of purchase, such as a sales charge or other type of purchase fee.

**SELLING MUTUAL FUND SHARES** When you sell your shares, the fund will pay you the current NAV minus any fee the fund assesses at the time of redemption, such as a deferred (or back-end) sales charge or redemption fee.

**EXCHANGING SHARES** Many mutual fund companies have several different types of funds in which to invest. Most offer exchange privileges within their family of funds, allowing shareholders to transfer their holdings from one fund to another within the family, without incurring an additional sales charge, as their investment objectives or risk tolerance change.

Exchanges may have tax consequences. Even if the fund doesn’t charge you for the exchange, you’ll be liable for any gain on the sale of your original shares or, depending on the circumstances, eligible to take a loss.

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## Understanding share classes

Different share classes provide you with choices for how you wish to pay for your investment. Many mutual funds make more than one share class available to investors. Each share class invests in the same portfolio of securities and has the same investment objective and policies; however, each share class has different sales charges and expenses. This multi-class structure allows investors to select a fee and expense structure that is most appropriate for their individual investment goals. Here is a brief description and comparison of the share classes commonly available to individual investors.

**CLASS A SHARES** In general, Class A shares include a front-end sales charge (or load) that’s included in the purchase price of the shares and is determined by the amount you invest. The more you invest, the lower your purchase cost as a percentage of your investment. Many

mutual fund families offer volume discounts known as “breakpoints,” based on the amount of investment. Information regarding a mutual fund’s breakpoints may be found in the prospectus. For long-term investors, Class A shares generally represent the least costly method

SHARES	SALES CHARGE	12B-1 FEES	BREAKPOINT POTENTIAL	CONSIDER FOR
<b>CLASS A</b>	Paid at the time of investment	Typically lower than B or C share classes	Volume discounts called “breakpoints” or sales charge waivers may be available	Large, long-term investments
<b>CLASS B</b>	Deferred until shares are sold. Charged decreases over several years until it goes to zero	Typically higher than A shares, but may convert to an A share after a specified period of time	No volume discounts are available	Small, long-term investments
<b>CLASS C</b>	If imposed, is usually charged only if shares are sold within the first-year holding period	Typically higher than Class A shares and never converts to Class A shares	No volume discounts are available	Short-term investments

**SHARE CLASS SUMMARY** The fee table in each fund’s prospectus shows the fees and expenses paid by each class of shares. In addition, FINRA provides an online Fund Analyzer to help you understand the impact that fees and expenses can have on your investment. You may use the analyzer to compare different share classes or different mutual funds. Go to [www.finra.org/fundanalyzer](http://www.finra.org/fundanalyzer).

to purchase mutual funds. Class A shares usually have lower 12b-1 fees (annual marketing or distribution fees) than other share classes offered by the fund. Many mutual funds provide that purchases of \$1 million or more of Class A shares will not be subject to a front-end sales charge. However, the purchaser will incur a deferred or back-end sales charge if any of the shares are sold within a specified time period, generally 12-18 months. In addition, certain investors may be entitled to a sales charge or load waiver based, for example, on account type or employment affiliation.

**CLASS B SHARES** Class B shares usually do not contain front-end loads, but rather include back-end sales charges or Contingent Deferred Sales Charges (CDSC). If you sell the shares within a specified number of years, you pay the sales charge, which usually declines over time. The 12b-1 fees associated with Class B shares generally are higher than those imposed on Class A shares. Most fund companies automatically will convert your Class B shares to Class A shares once you’ve held the Class B shares for a specified number of years. From that point forward, you’ll benefit from the lower 12b-1 fees of the Class A shares. Additionally, higher total fund expenses will result in lower dividend distributions than Class A shares.

**CLASS C SHARES** Class C shares generally do not include front-end sales charges, but they do contain higher 12b-1 fees and may have a sales charge if you sell within the first year. In addition, 12b-1 fees never convert to a lower amount, and higher total fund expenses will result in lower dividend distributions than Class A shares.

#### **MAKING THE MOST OF MUTUAL FUND CLASS A**

**SHARE DISCOUNT OPPORTUNITIES** Mutual funds that charge front-end sales charges, also known as sales loads, may offer a reduced sales charge when a larger investment is made or may offer sales

charge waivers for certain investors or account types. The investment levels required to obtain a reduced sales charge are commonly referred to as “breakpoints.” Each fund company establishes its own formula for how it will calculate whether an investor is entitled to receive a breakpoint and establishes its own rules for sales charge waivers. It’s important to read the prospectus and work with your Financial Advisor to learn how a particular fund establishes eligibility.

*Your Financial Advisor can help you ensure you’re receiving the correct breakpoint discount or sales charge waiver, or answer any questions about the sales charges applied to your transactions.*

*A mutual fund’s breakpoint schedule and waiver eligibility rules can be found in the fund’s prospectus or Statement of Additional Information (SAI).*

#### **INSTITUTIONAL, RETIREMENT, NO-LOAD AND OTHER SHARE**

**CLASSES** Institutional, retirement, no-load and certain other fund shares are generally available only through J.P. Morgan Securities’ asset-based fee advisory programs. In these programs, you typically pay an annual fee based on a percentage of the value of the assets held in your account, including the value of the fund shares. These programs provide features and benefits that may not be available in a traditional brokerage account that charges transaction fees. The total cost of purchasing and holding mutual fund shares through an asset-based fee advisory program may be more or less than investing in mutual fund shares in a traditional J.P. Morgan Securities brokerage account that is serviced by your Financial Advisor.

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## Tax consequences

Mutual funds have different tax consequences than many other investments. When you purchase and hold mutual fund shares, you will owe income tax on any ordinary dividends in the year you receive or reinvest them. Additionally, the law requires mutual funds to distribute capital gains to shareholders when they sell securities for a profit that can't be offset by a loss. You may have to pay taxes on the fund's capital gains for that year even if you still own the shares. Then, when you sell your shares, you will owe taxes on any capital gain you received on the sale.

When you invest in a tax-exempt fund, such as a municipal bond fund, some or all of your dividends will be exempt from federal (and sometimes state and local) income tax. You will, however, owe taxes on any capital gains realized by the fund and on the sale of your shares. Anytime you receive a capital gains distribution, you will usually owe taxes—even if the fund has had a negative return from the point during the year when you purchased your shares.

Consider contacting the fund to learn when it makes distributions so you won't pay more than your fair share of taxes. Mutual funds are required to disclose after-tax returns in the "Risk/Return Summary" section of their prospectuses.

*We encourage you to consult your tax advisor for more information on the tax consequences of mutual fund investing.*

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## Sources of fund information

**THE PROSPECTUS** When you're considering the purchase of mutual fund shares, you should always review the fund's prospectus before you invest. The prospectus is the fund's selling document, and it contains the following information:

- Fund investment objectives/goals
- Strategies for achieving those goals
- Principal risks of investing in the fund
- Fees and expenses
- Past performance

The prospectus also provides information on the fund's managers and Investment Advisors, and describes how to purchase and sell fund shares. The SEC requires funds to include specific categories of information in their prospectuses and to present key data (such as fees and past performance) in a standard format so that investors can more easily compare different funds.

**STATEMENT OF ADDITIONAL INFORMATION (SAI)** The SAI explains a fund's operations in greater detail than the prospectus. It includes the fund's financial statements and details about the history of the fund, fund policies on borrowing and concentration, the identity of officers, directors and persons who control the fund, investment advisory and other services, brokerage commissions, tax matters and performance such as yield and average annual total return information. The mutual fund is typically required to send you an SAI anytime you request one, and the back cover of a fund's prospectus should contain information on how to obtain the SAI.

**SHAREHOLDER REPORTS** A mutual fund must also provide shareholders with annual and semiannual reports within 60 days after the end of the fund's fiscal year and 60 days after the fund's fiscal mid-year. These reports contain a variety of updated financial information, a list of the fund's portfolio securities and other information.

You may obtain any of these documents by:

- Contacting your Financial Advisor
- Calling or writing to the fund
- Visiting the fund's website

You can obtain additional information about mutual funds at the educational websites of the U.S. Securities and Exchange Commission ([www.SEC.gov](http://www.SEC.gov)), the Financial Industry Regulatory Authority ([www.FINRA.org](http://www.FINRA.org)), the Securities Industry Association ([www.SIA.com](http://www.SIA.com)) and the Investment Company Institute ([www.ICI.org](http://www.ICI.org)).

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## Mutual fund glossary

**12B-1/DISTRIBUTION FEES** Fees paid by the fund out of fund assets to cover the costs of marketing and selling fund shares and sometimes to cover the costs of providing shareholder services. "Distribution fees" include fees to compensate brokers and others who sell fund shares and to pay for advertising, the printing and mailing of prospectuses to new investors, and the printing and mailing of sales literature. "Shareholder Service Fees" are fees paid to persons to respond to investor inquiries and provide investors with information about their investments.

**BREAKPOINTS** Mutual funds that charge front-end sales loads may charge a lower sales load for larger investments. The investment levels required to obtain a reduced sales load are commonly referred to as "breakpoints."

**CLASSES** Different types of shares issued by a single fund, often referred to as Class A shares, Class B shares, etc. Each class invests in the same "pool" (or investment portfolio) of securities and has the same investment objectives and policies. But each class has different shareholder services and/or distribution arrangements with different fees and expenses, and therefore different performance results.

**CONTINGENT DEFERRED SALES CHARGE (CDSC)** Type of back-end load, the amount of which depends on the length of time the investor held his or her shares. For example, a contingent deferred sales load might be (X)% if an investor holds his or her shares for one year, (X - 1)% after two years, and so on until the load reaches zero and is eliminated completely.

**EXCHANGES** Mutual fund companies may offer exchange privileges within their family of funds, allowing shareholders to transfer their holdings from one fund to another within the family.

**EXPENSE RATIO** Fund's total annual operating expenses (including management fees, 12b-1 fees and other expenses) expressed as a percentage of average net assets.

**INVESTMENT ADVISOR/MANAGER** Person who manages portfolios of securities, including mutual funds.

**INVESTMENT COMPANY** Company (corporation, business trust, partnership or limited liability company) that issues securities and is primarily engaged in the business of investing in securities. The three basic types of investment companies are open-end mutual funds, closed-end funds and unit investment trusts (UITs).

**LETTER OF INTENT (LOI)** Investing an amount greater than the fund's breakpoint within a designated period (usually 13 months) makes you eligible to receive a breakpoint discount on the sales charge as if the purchases had been made in a single lump sum (some mutual funds do allow for retroactive LOIs).

**MANAGEMENT/ADVISORY FEE** Fee paid out of a fund's assets to the fund's Investment Advisor or its affiliates for managing the fund's portfolio. Also includes any other management and administrative fees payable to the fund's Investment Advisor or its affiliates, and which are not included in the "Other Expenses" category. A fund's management fee appears as a category under "Annual Fund Operating Expenses" in the Fee Table.

**MUTUAL FUND** Common name for an open-end investment company. Like other types of investment companies, mutual funds pool money from many investors and invest the money in stocks, bonds, short-term money market instruments or other securities. Mutual funds continuously

issue redeemable shares that investors purchase directly from the fund (or through a broker for the fund) instead of purchasing from investors on a secondary market.

**NET ASSET VALUE (NAV)** Value of the fund's assets minus its liabilities. SEC rules require funds to calculate the NAV at least once daily. To calculate the NAV per share, the fund's liabilities are subtracted from its assets and then divided by the number of shares outstanding. NAV is usually calculated at the close of the New York Stock Exchange (4 p.m. ET).

**NO-LOAD FUND** Fund that does not charge any type of sales load. Not every type of shareholder fee is a "sales load," however, and a no-load fund may charge fees that are not sales loads. (No-load funds also charge operating expenses.)

**OPERATING EXPENSES** Costs a fund incurs in connection with running the fund, including management fees, 12b-1 fees and other expenses.

**PORTFOLIO** Individual's or entity's combined holdings of stocks, bonds or other securities and assets.

**PROSPECTUS** Written document that contains information about the mutual fund's costs, investment objectives, risks and performance. Prospectuses may be obtained from the mutual fund company (through its website or by phone or mail); your Financial Advisor may also provide you with a copy.

**RELATED ACCOUNTS** Used in factoring breakpoint discounts, and defined differently by each mutual fund, related accounts are those owned by family members in the same household (i.e., spouse and minor children).

**RIGHTS OF ACCUMULATION (ROA)** Privilege that allows you to combine your family's existing account balances and with new share purchases to qualify for breakpoint discounts.

**RIGHTS OF REINVESTMENT (REINSTATEMENT)** Allows clients to reinvest proceeds from a redemption, dividend payment or capital distribution back into the same fund or fund family's shares without a sales charge or to recoup all or part of any sales charge paid (i.e., contingent deferred sales charge ["CDSC"]) on such shares with other holding privileges, provided the reinvestment occurs within the period of time stated in the prospectus (e.g., 60 days of the redemption).

**SALES CHARGE (OR "LOAD")** Amount that investors pay when they purchase (front-end load) or redeem (back-end load) shares in a mutual fund, similar to a commission.

**SHAREHOLDER SERVICE FEES** Fees paid to persons to respond to investor inquiries and provide investors with information about their investments. See also "12b-1 fees."

**STATEMENT OF ADDITIONAL INFORMATION (SAI)** Conveys information about an open- or closed-end fund that is not necessarily needed by investors to make an informed investment decision, but that some investors find useful. Although funds are not required to provide investors with an SAI, they must send the SAI upon request and without charge. Also known as "Part B" of the fund's registration statement.

**TOTAL ANNUAL FUND OPERATING EXPENSE** Total of a fund's annual fund operating expenses, expressed as a percentage of the fund's average net assets, that can be found in the fund's fee table in the prospectus.