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## Mutual Fund, Money Fund and Bank Deposit Program Disclosures

### Charges, Breakpoint Discounts, Fees and Revenue Sharing

Before investing in mutual funds, it is important that you understand the sales charges, expenses and management fees that you will be charged, as well as the breakpoint discounts to which you may be entitled. Understanding these charges and breakpoint discounts will assist you in identifying the best investment for your particular needs and may help you to reduce the cost of your investment.

This section will give you general background information about these charges and discounts; however, sales charges, expenses, management fees and breakpoint discounts vary from mutual fund to mutual fund. Therefore, you should discuss these matters with your advisor and review each mutual fund's prospectus and statement of additional information (which are available from your advisor) to obtain the specific information regarding the charges and breakpoint discounts associated with a particular mutual fund.

### Mutual Fund Sales Charges

Investors who purchase mutual funds must make certain choices, including which funds to purchase and which share class is most advantageous in light of their specific investing needs. Each mutual fund has a specified investment strategy. You should consider whether the mutual fund's investment strategy is compatible with your investment objectives. Additionally, many mutual funds offer different share classes. Although each share class represents a similar interest in the mutual fund's portfolio, the mutual fund will charge you different fees and expenses depending upon your choice of share class. As a general rule, Class A shares carry a "front-end" sales charge or "load" that is deducted from your investment at the time you buy the fund shares. This sales charge is a percentage of your total purchase.

As explained below, many mutual funds offer volume discounts to the front-end sales charge assessed on Class A shares at certain predetermined levels of investment, which are called "breakpoint discounts." In contrast, Class B and C shares usually do not carry any front-end sales charges. Instead, investors who purchase Class B or C shares pay asset-based sales charges, which may be higher or lower than the charges associated with Class A shares. Investors who purchase Class B or C shares may also be required to pay a sales charge known as a contingent deferred sales charge when they sell their shares, depending upon the rules of the particular mutual fund. This is known as a "back-end" sales charge or "load."

### Mutual Fund Breakpoint Discounts

Many mutual funds offer investors a variety of ways to qualify for breakpoint discounts on the sales charge associated with the purchase of Class A shares. In general, most mutual funds provide breakpoint discounts to investors who make large purchases at one time. The extent of the discount depends upon the size of the purchase.

Generally, as the amount of the purchase increases, the percentage used to determine the sales load decreases. The entire sales charge may be waived for investors who make very large purchases of Class A shares. Mutual fund prospectuses contain tables that illustrate the available breakpoint discounts and the investment levels at which breakpoint discounts apply. Additionally, many mutual funds allow investors to qualify for breakpoint discounts based upon current holdings from prior purchases through Rights of Accumulation (ROA) and from future purchases based upon Letters of Intent (LOI). Mutual funds have different rules regarding the availability of ROAs and LOIs. Therefore, you should discuss these matters with your advisor and review the mutual fund's prospectus and statement of additional information to determine the specific terms upon which a mutual fund offers ROAs or LOIs.

*Rights of Accumulation*—Many mutual funds allow investors to count the value of previous purchases of the same fund, or another fund within the same fund family, with the value of the current purchase to qualify for breakpoint discounts. Moreover, mutual funds may allow investors to count existing holdings in multiple accounts, such as individual retirement accounts (IRAs) or accounts at other financial organizations to qualify for breakpoint discounts. Therefore, if you have accounts at other financial organizations and wish to take advantage of the balances in these accounts to qualify for a



breakpoint discount, you must advise your advisor about those balances. You may need to provide documentation if you wish to rely upon balances in accounts at another firm.

In addition, many mutual funds allow investors to count the value of holdings in accounts of certain related parties, such as spouses or children, to qualify for breakpoint discounts. Each mutual fund has different rules that govern when relatives may rely upon each other's holdings to qualify for breakpoint discounts. You should consult with your advisor and review the mutual fund's prospectus and statement of additional information to determine what these rules are for the fund family in which you are investing. If you wish to rely upon the holdings of related parties to qualify for a breakpoint discount, you should inform your advisor about these accounts. You may need to provide documentation to your advisor if you wish to rely upon balances in accounts at another firm. Mutual funds also follow different rules to determine the value of existing holdings. Some funds use the current net asset value (NAV) of existing investments in determining whether an investor qualifies for a breakpoint discount. However, some use the historical cost, which is the cost of the initial purchase, to determine eligibility for breakpoint discounts. If the mutual fund uses historical costs, you may need to provide account records, such as confirmation statements or monthly statements, to qualify for a breakpoint discount based upon previous purchases. You should consult with your advisor or firm, and review the mutual fund's prospectus and statement of additional information to determine whether the mutual fund uses NAV or historical costs to determine breakpoint eligibility.

*Letters of Intent*—Many mutual funds allow investors to qualify for breakpoint discounts by signing an LOI, which commits the investor to purchasing a specified amount of Class A shares within a defined period of time, usually 13 months. For instance, if an investor plans to purchase \$50,000 worth of Class A shares over a period of 13 months, but each individual purchase would not qualify for a breakpoint discount, the investor could sign an LOI at the time of the first purchase and receive the breakpoint discount associated with a \$50,000 investment on the first and all subsequent purchases.

Additionally, some funds offer retroactive LOIs that allow investors to rely upon purchases in the recent past to qualify for a breakpoint discount. However, if an investor fails to invest the amount required by the LOI, the fund is entitled to retroactively deduct the correct sales charges based upon the amount that the investor actually invested.

If you intend to make several purchases within a 13-month period, you should consult your advisor and the mutual fund prospectus to determine if it would be beneficial for you to sign an LOI.

As you can see, understanding the availability of breakpoint discounts is important because it may allow you to purchase Class A shares at a lower price. The availability of breakpoint discounts may save you money and may also affect your decision regarding the appropriate share class in which to invest. Therefore, you should discuss the availability of breakpoint discounts with your advisor and carefully review the mutual fund prospectus and its statement of additional information when choosing among the share classes offered by a mutual fund. If you wish to learn more about [mutual fund share classes](#) or [mutual fund breakpoints](#), you can also review the investor alerts via the [Financial Industry Regulatory Authority](#) (FINRA) website.

### **Mutual Fund Fees and Revenue Sharing**

Pershing may receive servicing fees from mutual funds that participate in Pershing's mutual fund no-transaction-fee program (FundVest®) in lieu of clearance charges to your financial organization. Participation by your financial organization in this program is optional and your financial organization may share with Pershing in such fees. These fees may be considered revenue sharing and are a significant source of revenue for Pershing, and they may be a significant source of revenue for your financial organization. These fees are paid in accordance with an asset-based formula.

Pershing also receives operational reimbursements from mutual funds in the form of networking or omnibus processing fees. These reimbursements are based either on a flat fee per holding or a percentage of assets and are remitted to Pershing for its work on behalf of the funds. This work may include, but is not limited to, subaccounting services, dividend calculation and posting, accounting, reconciliation, client confirmation and statement preparation and mailing, and tax statement preparation and mailing. These fees are a significant source of revenue for Pershing.

