

# Mutual Fund Disclosure

## How to Reduce the Cost of Investing in Mutual Funds

INTL FCStone Financial Inc. (IFCF) offers its clients a wide variety of mutual funds from over 300 mutual fund families. Mutual funds are an excellent tool in meeting long term financial goals. In the evolution of the mutual fund, many fund families have added features to make their funds even more attractive to clients. These include ways to reduce the amount of sales charges you incur in the purchase of fund shares. This summary is intended as a brief overview of various mutual fund features that may be beneficial for your specific investment needs.

### Differences in Mutual Fund Classes

Mutual funds cover the costs of managing and distributing fund shares through a combination of sales charges, management fees and expenses charged to the fund assets. Many mutual funds have provided investors options on how these costs are covered. Generally, these options are offered through the sales of different classes of shares in the same mutual fund. Different share classes have different initial sales charges, deferred contingent sales charges and management fees. Clients are advised to review all of these when deciding which mutual fund class to buy. Detailed information is available in the fund's prospectus.

For the share class generally referred to as Class A shares, the fund deducts a sales charge from your investment when it is first made. (see following section "Breakpoints on Class A Shares"). This is a percentage of the total amount invested. In addition, mutual funds charge annual expenses to their shareholders. These expenses, stated as a percentage of the asset value invested, are called the expense ratio, and are usually a small percentage of the asset value.

A second class of mutual fund shares, generally referred to as Class B shares, does not deduct a sales charge at the time of sale. Instead, the fund covers the distribution costs through the annual management fees. For this reason, the management fees on Class B shares will normally be higher than those on Class A shares in the same mutual fund. In addition, Class B shares may charge a contingent deferred sales charge when the shares are sold. This deferred sales charge generally applies to shares sold within the first several years of their original purchase. It is based on a predetermined percentage of the investment and is generally graduated, decreasing over several years until there is no contingent deferred sales charge. A unique feature of some Class B shares is that they may convert to Class A shares after being held over a certain period of years as outlined in the fund's prospectus. At conversion, the shares would not be subject to a sales charge and would benefit from paying the generally lower annual management fees that are charged to Class A shares.

The third mutual fund share class, generally referred to as Class C shares, has no specific sales charge. Instead, the management fees will be higher than on Class A or Class B shares. These increased fees are used to pay the fund's distribution charges. Many mutual funds have a contingent deferred sales charge on Class C shares held less than one year to discourage clients who use market timing strategies.

The fund class that offers you the lowest cost to invest will depend on a variety of factors, including how long you plan to hold shares within that fund family, the amount you invest, and the specific fund you purchase. The rationale behind Class B shares is that all of your investment goes to work for you when invested. Assuming a positive return on Class B shares, this allows you to realize a higher return than if the sales charge was deducted at the time of investment. However, if you must sell the shares while they are still subject to the contingent deferred sales charge, the sales charge and annual expenses will generally be higher than if you invested in Class A shares. Accordingly, Class B shares are less appropriate if you will need your investment principal during the deferred sales charge period as outlined in the prospectus.

Class C shares are generally best for investors who plan on holding their shares for a shorter period than Class A or Class B shares. Class C shares do not have an up front sales charge, although many mutual fund families charge a contingent deferred sales charge on the liquidation of Class C shares held less than one year. Class C shares will generally incur higher total expenses over time. As a general rule, Class A mutual funds will have lower overall costs over the long term than either Class B or Class C funds.

The Financial Industry Regulatory Authority (FINRA) has as a website where you can compare the costs and amount of investment growth among various funds, which can be accessed at:  
[http://apps.finra.org/investor\\_information/ea/1/mfetf.aspx](http://apps.finra.org/investor_information/ea/1/mfetf.aspx)

We encourage you to use the FINRA calculator when evaluating specific mutual funds.

#### Breakpoints on Class A shares (Also see Rights of Accumulation below)

With most Class A shares, the more money invested, the lower the sales charge. This is done on a tiered basis with investments eligible for a reduced sales charge, or breakpoint, usually starting at \$50,000. Investments of \$1,000,000 or more are generally not subject to any up-front sales charge. Some funds or fund families offer a breakpoint starting as low as \$25,000. Please read the prospectus for any mutual fund you are considering to determine its specific breakpoint schedule. Your Financial Advisor will provide you the prospectus for your evaluation of fund classes as well as all pertinent information you should know prior to making a purchase of a mutual fund. An updated prospectus will be sent to you when one is published by your mutual fund. Each mutual fund family has prospectuses available on their websites.

The following is an example of a breakpoint schedule for Class A shares offered by many mutual fund families:

Class A Shares Investment	Sales Charge as a % of the amount invested
Less than \$25,000	5.75%
\$25,000, but less than \$50,000	5.00%
\$50,000, but less than \$100,000	4.50%
\$100,000, but less than \$250,000	3.50%
\$250,000, but less than \$500,000	2.50%
\$500,000, but less than \$750,000	2.00%
\$750,000, but less than \$1 Million	1.50%
\$1 Million and above	None

These features were added by the mutual fund families as part of the market competition for professionally managed funds. Accordingly, there are differences in the sales charges and expense ratios among mutual funds. Please talk to your Financial Advisor about which class of shares would be most appropriate for your investment.

## Rights of Accumulation for Class A Shares

Most Class A mutual fund shares have a reduced initial sales charge once a minimum amount has been invested in their family of mutual funds within a specified time frame. For example, assume you currently own \$35,000 of a mutual fund's shares. If the fund offers reduced sales charges at \$50,000 and you invest another \$15,000 in that fund, you would be eligible for a lower sales charge on this \$15,000 additional investment. The amount of investment needed to be eligible for a reduced sales charge and the nature of shares eligible for this feature varies from mutual fund to mutual fund. Please read the mutual fund prospectus to determine if it honors rights of accumulation and if so, at what investment levels. With many funds, you can take advantage of this reduced sales charge even if the previous shares you purchased are not held with IFCF. By discussing all of your mutual fund holdings with your Financial Advisor, you are assisting them in determining your most suitable and cost effective investment.

## Letters of Intent for Class A Shares

Letters of Intent can reduce the sales charges for clients who plan to purchase at least the minimum amount of Class A mutual fund shares to qualify for a reduced sales charge over a short, defined period. For example, if you plan to invest \$100,000 in the same mutual fund family over the next year, you may be eligible for a reduced sales charge. Your ability to use Letters of Intent, the amount of investment needed to qualify, and the time period for investment varies from mutual fund to mutual fund. The most common reduced sales charge applies if you make a \$100,000 minimum investment over 13 months.

If you think you will be investing the specified minimum in a particular fund family over the fund's time horizon, executing a Letter of Intent could lower your sales charges. Please advise your Financial Advisor how much you plan to invest in additional shares of the mutual fund family over the next 13 months. Signing a letter of intent does not require you to purchase any additional shares. If for any reason you do not purchase enough shares to qualify for the reduced sales charge over the period, the mutual fund will automatically restate your holdings to the sales charge level appropriate to your total purchases.

In addition, some mutual funds will allow clients to back date Letters of Intent to bring some past purchases under a Letter of Intent. Ask your Financial Advisor for the details on the mutual fund you are considering. The most common back dating period offered by mutual funds is 90 days. However, where offered, this feature varies widely from mutual fund to mutual fund.

Please review the prospectus to determine whether the fund honors Letters of Intent and at what investment levels and discuss the potential to reduce your costs with your Financial Advisor.

## Related Party Holdings

Some mutual funds will aggregate the holdings of your family in determining the reduced sales charge on mutual fund purchases. This includes purchases made by these family members in the mutual fund or some related mutual funds within the family of funds that are made at the same time as your investment.

For those mutual funds that offer this feature, the definition of family member varies widely. For some funds, it may include only you, your spouse and your children who are minors. For others, it may include your extended family including parents, siblings, in-laws, etc.

When discussing your investment with your Financial Advisor, please indicate what mutual fund shares are already held by you and your family members. Because some mutual funds provide this feature for your extended family, providing us with this information may reduce your expenses.

If you would like to learn more about mutual fund share classes or mutual fund breakpoints, you may wish to review the Investor Alerts available on the FINRA Web site. See <http://www.finra.org/Investors/ProtectYourself/InvestorAlerts/>, or visit the many mutual fund Web sites available to the public.

## Mutual Fund Exchanges and Reinstatements

Once you have an investment in shares of a mutual fund, your investment needs or risk tolerance may change. Most fund families have a series of mutual funds with different investment objectives. Most fund families will allow you to liquidate all or a portion of your current fund investment and reinvest the proceeds in another fund within the same family. This is known as a mutual fund exchange or sales charge waiver on fund transfers. The key is that if the change is made in the same fund family, your costs are generally negligible compared to changing your investment to another fund family.

Sometimes, you may liquidate Class A mutual fund shares to meet an immediate cash need. Some fund families will allow you to repurchase the fund shares with no sales charge if the repurchase is done within a relatively short period of time after the sale, for example within 90 days. Please talk to your Financial Advisor or refer to the prospectus for details on whether your fund permits this type of redemption and reinstatement.

**Mutual Funds are Not FDIC Insured Not Bank Guaranteed  
Subject to Investment Risk, Including Loss of Principal**