

Important Information About Mutual Funds

Introduction

When you buy shares of a mutual fund from your H.D. Vest Advisor, you may choose from a number of different share classes. And even though these classes represent ownership of the same portfolio – offered by the same fund company and managed by the same investment advisor – each share class has a different cost structure. To choose the share class that best fits with your financial goals, you need to make some basic assumptions about how much you intend to invest, how long you’re likely to hold the shares, and whether you’ll be buying more shares in the future. You also need to make sure you understand how the various fees, expenses and charges will affect your investment over time. Once you’ve put these concepts in perspective, you can then make an informed decision about choosing a share class that matches your needs, resources and time horizon.

In this guide, we’ll present information that may be helpful when it comes to mutual fund investing. You’ll find a review of common types of share classes, an explanation of fees and commissions you may be required to pay, plus other information on how to manage fund costs and where you can go to learn more. But remember, before investing in any share class of any fund, you should read the prospectus carefully to learn more about the fund’s risks, goals, fees, expenses, strategy and management. Your H.D. Vest Advisor will be happy to send you a prospectus plus other fund information and to provide assistance if you have questions.

Getting Started with Share Classes

Many mutual fund families offer three different share classes for a given mutual fund: class A, class B and class C shares. Although there are many other share classes such as classes T, I and R, most mutual funds generally fall into one of the first three mentioned above. The main difference in the share classes is the varying sales charges, distribution fees and management fees associated with each share class. Your H.D. Vest Advisor will be compensated differently depending on the share class you choose. (See the “Advisor Compensation” section.)¹

When deciding which share class to buy, you should start by asking yourself the following questions: How long do I plan to hold the fund?

- How long do I plan to hold the fund?
- How much money do I intend to invest?
- Will I be purchasing more shares in the future?
- What expenses will I pay for each class?
- Do I qualify for any sales charge discounts?

¹ This discussion of share classes and the associated sales charges relates primarily to commission-based brokerage accounts. In a fee-based account, you pay an ongoing fee based on the value of the assets in the account, and do not pay “loads” or sales charges on individual transactions. However, other fees and payments discussed below may still be paid to H.D. Vest and/or your Advisor.

Class A Shares

If you buy class A shares, you'll typically pay a front-end sales charge or commission, commonly known as a load. This commission is deducted from the amount you invest. For example, if your initial investment in class A mutual fund shares is \$1,000 and the sales charge is 5%, \$50 will be deducted from your investment to pay your Advisor and H.D. Vest, leaving \$950 to be used to purchase shares. If your total purchase of class A shares exceeds certain dollar amounts, you may be eligible for a discount on the front-end sales charge. This discount is commonly known as a breakpoint and is offered by most fund companies. You may be eligible for this discount if you meet one of the following criteria:

- Make a large purchase (usually in an amount over \$50,000, but sometimes as low as \$25,000)
- Hold other mutual funds offered by the same fund family, known as Rights of Accumulation
- Commit to purchasing additional shares on a regular basis within a specified time frame, usually 13 months, known as Letter of Intent
- Have family members (or others with whom you may link purchases according to fund company rules) who hold shares in the same fund family

A more detailed description of Rights of Accumulation, Letter of Intent and other discounts can be found in the "Getting a Break on Breakpoints" section.

Understanding Breakpoints

If you purchase class A shares, mutual fund companies typically offer multiple breakpoints, which may be available at different investment thresholds. As a rule, the greater your total purchase, the greater the sales charge discount will be. Assuming a given purchase is consistent with your investment goals, you can often lower sales charges by adjusting the total amount to take advantage of breakpoints. For example, using the hypothetical schedule below, if you bought \$24,000 of class A shares, you would pay a commission of 5% or \$1,200. However, if you invested \$25,001 in the same class A shares, your commission would drop to \$1,062.54.

Sample Breakpoint Schedule — Class A Shares	
(This table is offered for illustrative purposes only. Actual breakpoints, if offered, will vary for different funds and fund families. Note that many fund families do not offer breakpoint discounts for purchases of less than \$50,000.)	
Investment Amount	Sales Load
Less than \$25,000	5.00%
\$25,001 or more but less than \$50,000	4.25%
\$50,001 or more but less than \$100,000	3.75%
\$100,001 or more but less than \$250,000	3.25%
\$250,001 or more but less than \$500,000	2.75%
\$500,001 or more but less than \$1 million	2.00%
\$1 million or more	0.00%

Even if you don't invest the minimum amount necessary to reach a breakpoint threshold, there are several ways to take advantage of reduced sales charges. Commonly offered by most brokerage firms and mutual fund companies, these opportunities are called Rights of Accumulation and Letters of Intent. While some fund families may consider only class A shares when calculating a breakpoint, other fund families also include class B and class C shares in the equation. Also, assets you have within the same fund family held at other brokerage firms can be considered for breakpoints.

► **Rights of Accumulation.** A Right of Accumulation is an agreement that allows you to combine class A shares you already own with additional class A share purchases in the same fund family for the purpose of achieving breakpoints or other associated discounts. For example, if you already hold \$80,000 worth of class A shares of a given fund and you buy an additional \$20,000 of class A shares, the fund company may allow you to combine those investments to reach a \$100,000 breakpoint. This may entitle you to a considerably lower sales charge on your \$20,000 purchase.

► **Letters of Intent.** A Letter of Intent is an agreement you make with a fund company to invest a certain amount within a given period of time, and thus, you become eligible for breakpoints. When assessing sales charges, many fund companies allow you to include purchases completed within 90 days before the Letter of Intent is signed and within 13 months after the agreement commences. Investors should always read the prospectus carefully for more details. If you expect to invest on a regular basis or make additional investments during the next 13 months, a Letter of Intent is worth considering because it can help you qualify for reduced sales charges for purchases made prior to reaching the breakpoint. But make sure you have the resources and commitment to invest the stated amount within the agreed-upon time frame; if not, the fund company may retroactively collect the higher sales charge.

► **Discounts for Families or Owners of Multiple Accounts.** Another way to become eligible for sales load discounts is to combine the accounts of multiple members of a given family. Most fund companies will permit you to take advantage of breakpoints if you aggregate your fund purchases with those of your spouse or dependent children. You may also be able to reach discount thresholds if you aggregate mutual fund purchases across multiple accounts, such as certain retirement accounts, educational savings accounts or accounts at other brokerage firms. In some cases, employer-sponsored retirement or savings plan accounts may be combined as well. Details and eligibility vary from one fund family to another. Please read the prospectus or Statement of Additional Information (SAI) available from your Advisor for more details.

Ongoing Fees and Expenses

A mutual fund deducts fees from its total assets to cover various day-to-day services, including portfolio management and administration. These and certain other fees and costs are generally referred to as a fund's expense ratio, which is described in detail in a fund's prospectus.

Similarly, 12b-1 fees may be deducted from a mutual fund's assets to cover certain costs associated with marketing and distributing the fund to investors. 12b-1 fees are paid out of fund assets, and thus they increase the expenses the investor pays as a fund shareholder. The investor does not pay these fees directly. They are deducted from the total assets in the fund and therefore reduce investment returns. The amount of 12b-1 fee is determined by the mutual fund company and is set forth in the mutual fund's prospectus and/or Statement of Additional Information. Depending on the share class, these fees can range from 0.25% to 1% or \$25 to \$100 annually for every \$10,000 investment. Generally, the 12b-1 fee in class A shares averages 0.25% or \$25 in annual expenses on a \$10,000 investment.

Class B Shares

If you purchase class B shares, you will not pay a front-end sales charge in most cases. However, you will be required to pay what is known as a contingent-deferred sales charge (CDSC) if you sell your shares within a certain period of time (typically five to nine years). In addition, class B shares are generally subject to higher 12b-1 fees, which result in higher ongoing expenses than class A shares. For example, a 12b-1 fee in class B shares can range from 0.75% to 1% or \$75 to \$100 in annual expenses for every \$10,000 invested.

The CDSC associated with class B shares gets smaller over time and expires at the end of the designated period. Also, the higher annual fees will diminish investment returns over time. At that time, or shortly thereafter, most class B shares “convert” into class A shares. When this happens, your investment will become subject to the same expenses as class A shares.

Sample CDSC Schedule — Class B Shares	
(This table is offered for illustrative purposes only. Actual sales charges will vary for different funds and fund families.)	
Years Since Purchase	Contingent-Deferred Sales Charge (CDSC)
0–1	7.00%
1–2	6.00%
2–3	5.00%
3–4	4.00%
4–5	3.00%
5–6	2.00%
6–7	1.00%
7+	0.00%

Even though you won’t pay a front-end sales load for class B shares, the higher annual fees will diminish investment returns over time. And because of the CDSC, you should probably not choose this share class if you intend to sell your shares within a relatively short period. And remember: Purchasers of class B shares aren’t usually eligible for breakpoints. If you intend to invest in class B shares, you should consult with your Advisor to determine whether an investment in class A shares might make more sense due to the availability of breakpoints or other sales charge discounts. It is also important to know that H.D. Vest and your Advisor receive compensation on the purchase of class B shares even if you did not pay an up-front sales load, and, depending on a number of factors, this compensation may be greater than what we would have received had you purchased class A shares.

Class C Shares

For class C shares, mutual fund companies typically charge a constant load structure throughout the life of the fund investment. If you purchase class C shares, you may or may not pay a front-end sales charge. The CDSC associated with class C shares tends to be relatively small (generally 1%, for example), and it generally expires within a year. However, class C shares usually impose higher annual fund-operating expenses. These fees continue as long as you hold your shares. Since higher expenses will reduce investment performance, it may be more expensive to own class C shares versus class A shares or class B shares if you intend to maintain your investment for a long holding period. Expenses in class C shares typically range from 0.9% to 1.1%. For example, for every \$10,000 investment in class C shares, the annual expenses would be \$90 to \$110. Since higher expenses can reduce investment performance, class C shares should probably not be considered unless you have a relatively short investment horizon and do not qualify for breakpoints or other sales charge discounts. Finally, even though you may not have paid an up-front commission on the purchase of class C shares, H.D. Vest and your Advisor will receive a commission.

No-Load Funds

No-load mutual funds do not charge a front-end sales charge or a deferred sales charge, such as a CDSC. Also, these funds typically have the lowest fees.

Fund-of-Funds

Some mutual funds invest in the shares of other mutual funds. Such funds are called fund-of-funds. While the up-front sales charge and ongoing fees and expenses for fund-of-funds may appear to be lower than mutual funds that hold securities directly, keep in mind that investors also pay all of the ongoing fees and expenses associated with the underlying mutual funds in the fund-of-funds' portfolio. These fees generally are not shown in the fund-of-funds' prospectus, but can be determined by reviewing the mutual fund holdings for the fund-of-funds you are interested in or by asking your H.D. Vest Advisor.

A Final Note on Fees, Expenses and Share Classes

It is important to know that fees and expenses vary from fund to fund, and also from share class to share class. Generally, class A shares have lower fund expenses than those associated with class B and class C shares. For this reason, investors who intend to hold shares of a fund for a relatively long period may find that it makes sense to pay the front-end sales load for class A shares and benefit from lower fund expenses over time.

As a result of the above, H.D. Vest will not accept purchases of \$100,000 or greater in class B shares.

Sharpening the Focus

Steps You Can Take to Manage Mutual Fund Sales Charges

► **Understand how breakpoints work.** The best place for information on these sales charge discounts is the mutual fund prospectus. Another helpful document is a fund's SAI, which further describes fund fees, expenses, strategy and management. Your H.D. Vest Advisor is also a good source of information about sales charges and other costs associated with owning various share classes of a mutual fund.

► **Review current holdings.** When making a decision about buying a fund, review your account statements and those of other family members to see if your aggregate holdings might entitle you to a breakpoint discount. But don't limit this review to accounts at a single brokerage firm; you may hold shares of the same fund in different accounts at various investment firms (or even with the mutual fund company itself). These overlapping holdings can sometimes be aggregated for the purpose of obtaining a reduced sales commission.

► **Keep your Advisor in the loop.** If you think you may be eligible for a breakpoint discount because of multiple accounts that you or your family might own, be sure to share this information with your H.D. Vest Advisor. Also, discuss any plans you may have for making any additional purchases in the future. Based on your time horizon, investment goals and periodic investment targets, your Advisor can help you choose the most cost-effective share class for your needs.

► **Review holdings across multiple fund families.** Many investors like to spread assets among a number of different mutual fund complexes. This strategy may be appropriate if the goal is to enhance diversification or to select funds that are perceived to be unique or superior to their peers within a certain investment category. At the same time, this approach can reduce the opportunities for obtaining breakpoint discounts, which can increase the cost of mutual fund investing.

Advisor Compensation

Your H.D. Vest Advisor receives compensation for the sale of investment products, including mutual funds. This compensation may be based on a particular transaction, such as a commission for the purchase of mutual fund shares, or may be based on fees if you have a fee-based account. In addition, a portion of the total compensation received by your Advisor may take the form of a trailer; that is, it may be paid periodically during the timeframe in which your account is open.

H.D. Vest's Relationship with Mutual Funds, Insurance Companies and Wells Fargo Advantage Funds

H.D. Vest has reviewed and approved hundreds of mutual fund and insurance companies and made them available for Advisors to offer their clients. Within this universe, a select group of companies have agreed to provide payments to help H.D. Vest with the educational, training, record-keeping and other costs associated with bringing these products to H.D. Vest's customers. These payments are calculated as a percentage of assets and/or initial sales, or a combination of both. The amount paid from mutual fund companies can range from 0.00% to 0.10% on assets and 0.10% to 0.25% on sales, or some combination of both. For example, for every \$10,000 initial investment, H.D. Vest might receive up to \$25 in additional compensation in year one, and up to \$10 annually if these assets stay invested. Wells Fargo Advantage Funds money market funds may pay up to 0.39% on assets or up to \$39 annually for each \$10,000 that remains invested. H.D. Vest may also receive additional lump sum payments, which could be significant in amount.

H.D. Vest also receives revenue from an affiliate, Wells Fargo Funds Management, LLC, relating to customer assets held by Wells Fargo Advantage Funds. H.D. Vest also may receive indirect benefits or compensation from its affiliates, including in connection with the referral of business among Wells Fargo & Company subsidiaries.

In exchange for sharing costs, mutual fund and insurance companies receive enhanced access to H.D. Vest's sales force, and may interact with its Advisors during training events, conference calls, and meetings. They also receive heightened visibility through the distribution of sales literature and newsletters, and by means of links, information, and lists posted on H.D. Vest's intranet pages.

All of these above-referenced payments are in addition to the sales charges and other fees disclosed in the fee tables found in the prospectuses of the mutual funds of these fund families. Over the course of managing your relationship, your Advisor may recommend products from these mutual fund families and insurance companies, and from Wells Fargo Advantage Funds. Advisors do not, however, receive any portion of, or any additional compensation as a result of, these payments or compensation arrangements between H.D. Vest and the product sponsors. Advisors may, however, separately receive reimbursement for marketing expenses, client functions and attendance at due diligence, training and education meetings sponsored by H.D. Vest or the product sponsors.

Mutual fund policies can be found in a fund's prospectus and SAI. If you have any questions about these practices, please contact your H.D. Vest Advisor.

The following mutual fund and insurance companies, or their affiliates, have arrangements to pay H.D. Vest for training and support, account administration and/or record-keeping services:

Mutual Funds

OppenheimerFunds
Putnam Investments
DWS Investments
MFS Investment Management
Van Kampen Investments
Lincoln Financial Distributors
Invesco Aim
The Hartford Funds
John Hancock Funds
Wells Fargo Advantage Funds
American Funds
Delaware Investments
Franklin Templeton Investments
Virtus Investment Partners

Insurance

Allianz Insurance Group
The Hartford Insurance Group
Sun Life of Canada (US)
Lincoln Benefit Life
Lincoln Financial Distributors
John Hancock Annuities
MetLife Investors
The Hartford / PLANCO
AXA Equitable

Where to Go for More Information

For additional information on share classes or other mutual fund investing topics, please refer to the Financial Industry Regulatory Authority (FINRA) website (www.finra.org) and the website of the Securities and Exchange Commission (www.sec.gov). One useful resource found on both websites is a calculator that investors can use to determine which share class may offer the least expensive fee structure for a given fund investment. FINRA's "Mutual Fund Expense Analyzer" can be found at http://apps.finra.org/investor_information/ea/1/mfetf.aspx and the SEC's "Mutual Fund Cost Calculator" is located at <http://www.sec.gov/investor/tools/mfcc/get-started.htm>.

Important information about specific mutual fund and variable insurance products, including share classes, investment objectives, the risks involved, and the fees, expenses and other costs that can affect the performance of your investment, can be found in the prospectus and SAI relating to the particular product. Many mutual fund and insurance companies make these documents available on their websites, and they are also available from your H.D. Vest Advisor or directly from the mutual fund or insurance company. We strongly encourage you to read and carefully consider this information before investing.

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