



# The **A|B|Cs** of Mutual Fund Pricing

A GUIDE TO THE MOST COMMON MUTUAL FUND SHARE CLASSES



STIFEL

Dear Valued Client:

Mutual funds often represent an appropriate way to help investors pursue their long-term financial goals and objectives. Mutual funds come in many shapes and sizes. Not only do mutual funds offer investors a convenient way to invest, they also offer diversification, access to professional money management, liquidity, and numerous investment strategies that match a variety of objectives. In addition, most mutual funds are available with a minimal initial investment.

As with any investment decision, it is important to consider a number of factors before making an investment in a mutual fund. You should consider the objectives and risks of the fund and match them to your own goals and risk tolerance. You should understand the costs and different pricing choices, and you should understand how Stifel and your Financial Advisor are compensated on that investment.

Generally, most of this information is readily available in the fund's prospectus, which should be read carefully before you invest. Additional detail may be provided by the mutual fund company in the fund's Statement of Additional Information (SAI). For your convenience, Stifel has also assembled in this brochure some of the most commonly asked questions about the different mutual fund pricing options to help you make an informed choice.

Stifel is pleased to be a partner in helping you pursue your financial goals. Your financial success is important to us, and we are committed to providing you with the support you need to make informed investment decisions.

Sincerely,

Stifel, Nicolaus & Company, Incorporated

*Investors should consider a fund's investment objective, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other important information, is available from your Financial Advisor and should be read carefully before investing. The investment return and principal value of an investment will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than their original cost.*

# A Shares

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These shares are sometimes referred to as front-end load shares. The load or sales charge is deducted from the initial investment amount. Investors are eligible for discounts or a sales charge reduction as their investment amount increases. The schedule of discounts offered by a mutual fund company is commonly referred to as a breakpoint schedule. While every fund family is different, breakpoints are normally offered on investments over \$50,000. Of the available classes of mutual funds, A Shares usually have the lowest overall expense ratio. The expense ratio reflects the percentage of the fund's assets that is spent annually for management and administration costs. Expenses directly affect a fund's return. Because of the lower expense ratio, A Shares generally demonstrate better long-term performance over other share classes in the same fund.

# I Shares

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This class of shares is often referred to as institutional shares. Generally, these shares are reserved for financial institutions, banks, insurance companies, and institutional clients. These funds have neither a front-end load nor back-end contingent deferred sales charge (CDSC), and often have the lowest expense ratio of all share classes. Minimum initial investment amounts for I shares usually start at \$1,000,000 and can range to as high as \$10,000,000. Additionally, investors may have access to I shares with lower initial investment minimums within an advisory program.

# C Shares

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This class of shares is sometimes referred to as level load shares. Unlike A shares, these funds do not charge a front-end load. However, many funds charge a 1% back-end CDSC if the assets are sold within the first 12 to 18 months. The expense ratio on C Shares is generally higher than A Shares and directly impacts fund performance.

# R Shares

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Also known as retirement shares, R shares are generally used for employer-sponsored retirement plans. These funds have neither a front-end load nor a back-end CDSC. Although every fund family is different, R shares typically have low initial investment amounts. Additionally, R shares expense are generally low.

## Commonly Asked Questions

After reviewing the different features of each share class available within a mutual fund family, what questions should you ask when determining what share class is best for you? Listed below are a few questions that will help you evaluate your share class options:

### 1. What are the breakpoints, and what are the charges?

Knowing the breakpoints and charges will help you determine your up-front costs and your ability to reduce the up-front sales charges. Breakpoints usually apply to all of the funds in a fund family. For example, if you invest \$50,000 in two funds within the same family, you may be entitled to a reduced sales charge on both investments.

### 2. What if I already have money in the fund?

Any additional investments over breakpoint levels qualify for a reduced sales charge, commonly referred to as Rights of Accumulation. Also, to benefit investors, mutual fund companies generally offer investors the ability to receive discounts on new investments based on the aggregate value of all related accounts. Related accounts may include, but are not limited to, investments you and your immediate family members hold in other brokerage, retirement, fee-based account, and even 529 college savings plans. Please consult your Financial Advisor regarding your particular situation.

### 3. What if I have investments in his fund family with a different investment firm?

All related investments at the fund family may be eligible for consideration towards

a reduced sales charge. Providing your Financial Advisor with a comprehensive summary of your mutual fund holdings is essential in determining the appropriate share class and/or breakpoints.

#### **4. What if I think I can reach a certain breakpoint, but with a series of purchases over the next 13 months?**

You can complete a letter of intent that allows you to receive the reduced sales charge on all of the purchases provided you meet the breakpoint level within 13 months. This option is available with most mutual funds.

#### **5. What if I know when I will need the money?**

Mutual funds are generally long-term investments. By having an understanding of the fee structure, it will help you determine how liquidations will affect your net returns and, thus, help you determine the best share class for you.

#### **6. Are there any other discounts and waivers I should know about?**

The prospectus generally details any discounts that may be available to investors in addition to the breakpoint discounts. This information is typically detailed under “Sales Charge Reductions and Waivers” within the current mutual fund prospectus. Additional discounts that may be available include: 1) Net Asset Value (NAV) Reinstatement in which a fund company allows a client to reinvest his or her sale proceeds from the same fund company back into the fund at no sales charge as long as the reinstatement occurs within a certain time period or 2) Net Asset Value (NAV) Transfer in which a fund company allows a client to invest sale proceeds from another fund family at no sales charge. Generally, the prospectus outlines the terms and conditions of these and other discounts if they are offered by the mutual fund company.

#### **7. How can I evaluate the expenses of a mutual fund?**

Like most investments, all mutual funds charge fees and expenses that are paid by investors. These fees and expenses can vary widely from fund to fund or fund class to fund class. Expense calculators are one resource that investors can use in addition to the prospectus to help compare fees and expenses and determine how those fees impact returns. Investors should consider using resources provided by FINRA at [www.finra.org](http://www.finra.org) under For Investors, then Tools & Calculators, then Fund Analyzer.

**Take the time to evaluate the differences in share classes, assess how long you anticipate holding the mutual fund(s), and review the prospectus, so that you make an informed choice about what share class is appropriate for you. Choices other than those described in this brochure may also be available, including, but not limited to, no-load, institutional, advisor, or investor shares. The prospectus contains more complete information regarding pricing options, fees, and expenses and should be read thoroughly. If you need additional information or have any questions, please contact your Financial Advisor.**

There is also information on mutual fund investing available from the SEC web site ([www.investor.gov](http://www.investor.gov)) under the Introduction to Investing and then Investment Products section, on FINRA’s web site ([www.finra.org](http://www.finra.org)) under the For Investors then Protect Your Money then Investor Alerts section on the report titled, “Understanding Mutual Fund Classes,” and finally on Stifel’s web site ([www.stifel.com](http://www.stifel.com)) under “Important Disclosures.”

# STIFEL

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