

UNDERSTANDING MUTUAL FUND SHARE CLASSES

This overview broadly provides information on mutual fund share classes offered by LPL Financial LLC (“LPL”) within brokerage accounts. Because every mutual fund is different, we recommend that you refer to a fund’s prospectus for details on that fund’s share classes. **Before investing in a mutual fund, you should read the fund’s prospectus carefully. You may also request a copy of the fund’s Statement of Additional Information (“SAI”), for additional details.** If you have any questions or would like additional information, please contact your Advisor or LPL Client Services at (800)-558-7567.

Why Share Classes Matter

A single mutual fund usually offers more than one “class” of its shares to meet investor preferences and needs. Each share class represents investments in the same mutual fund portfolio but offers investors a choice of how and when to pay for fund distribution costs as well as what ongoing fees and expenses you pay in connection with your investment in the fund. The key distinctions among share classes are the sales charges and ongoing fees and expenses you pay in connection with your investment in the fund.

When considering which share class to purchase, you should carefully consider your intended holding period and purchase amounts, because those factors will help determine which share class is likely most advantageous for you. Investors generally should consider Class A shares (the initial sales charge alternative) if they expect to hold the investment over the long term. Class C shares (the level sales charge alternative) should generally be considered for shorter-term holding periods. In addition to intended holding periods, the size of your purchase should also be taken into account when selecting a share class. Investors anticipating large purchases should consider Class A rather than Class C shares because the former typically offer sales-charge discounts (“breakpoints”), in some cases beginning at investments of \$25,000, which increase as the size of your investment increases. Shorter-term investors anticipating very large purchases should also consider Class A rather than Class C shares due to the significant breakpoint discounts available at those investment levels. In certain limited instances, Class B shares (the deferred sales charge alternative) may be appropriate. You should refer to the “Institutional, Retirement, No-Load, Advisory, and Other Share Classes” section of this disclosure to learn more about these Class B, and other, share classes. To determine what share classes a mutual fund offers, ask your Advisor and review the fund’s prospectus.

Fund prospectuses contain fee tables, details on waivers and discounts, examples, and other useful information. In addition, the Financial Industry Regulatory Authority (FINRA) maintains a Mutual Fund Expense Analyzer tool on its website at www.finra.org/fundanalyzer that may help you in making a decision about which share class is best for you.

Class A Shares

Purchasers in brokerage accounts of Class A shares are typically charged a front-end sales charge or commission (sales charges on mutual funds are also referred to as “loads”) that is included in the price of the fund shares. When you buy shares with a front-end sales charge, a portion of the money you send to the fund for investment is used to pay the sales charge. For example, if you invest \$10,000 in a fund and the front-end load is 5 percent, you would be charged \$500, and the remaining \$9,500 would be invested in the chosen fund. Class A share 12b-1 fees (generally 0.25% or \$25 per \$10,000.00 of fund assets per year) typically are lower than those of Class C shares. Funds may offer purchasers of Class A shares volume discounts, which are also called breakpoint discounts (discussed more fully below), on the front-end sales charge if the investor:

- Makes a large purchase;

- Holds other mutual funds offered by the same fund family;
- Commits to purchase additional shares of the fund; or
- Has family members (or others with whom they may link purchases according to the prospectus) who hold funds in the same fund family.

How Breakpoints Work

When you purchase Class A shares at or above a “breakpoint,” you are entitled to pay a reduced front-end sales charge. For example, suppose the prospectus says that a breakpoint occurs when you purchase \$25,000 or more of Class A shares. If you buy less than \$25,000 worth of shares, the sales charge is 5.0%. If you buy \$25,000 or more worth of shares, the sales charge is 4.25%. Now, suppose you buy \$24,500 worth of Class A shares. You would pay \$1,225 in sales charge. If you buy \$25,000 of shares, you would pay only \$1,062.50. In this example, by choosing to invest an additional \$500 you would actually pay \$162.50 less in the front-end sales charge, and those savings would increase your net investment in the fund.

Mutual funds typically offer multiple breakpoints, each at increasingly higher investment levels. Increasing your investment size, if you are able and willing to do so, can allow you to take advantage of higher breakpoints and further reduce the sales charges you pay. It is important that you understand how breakpoints work so that, consistent with your investment objectives, you can take advantage of the lowest possible front-end sales charge.

Set forth below is a sample breakpoint discount schedule showing the front-end sales load applicable to a purchase of Class A shares at different levels of investment. Please note that different funds and fund families may have different breakpoint schedules, and you should check the fund prospectus to see the actual breakpoints.

Sample Breakpoint Schedule: Class A Shares (Front-End Sales Load)

Investment Amount	Sales Load
Less than \$25,000	5.0%
\$25,000 or more but less than \$50,000	4.25%
\$50,000 or more but less than \$100,000	3.75%
\$100,000 or more but less than \$250,000	3.25%
\$250,000 or more but less than \$500,000	2.75%
\$500,000 or more but less than \$1 million	2.0%
\$1 million or more	0.0%

Rights of Accumulation and Letters of Intent

If you can’t immediately invest the amount necessary to reach a breakpoint, you still might be able to qualify for a breakpoint discount based on “rights of accumulation” and “letters of intent.”

- *Rights of Accumulation* – A right of accumulation (“ROA”) permits you to accumulate or combine your existing Class A holdings with other Class A holdings for the purpose of qualifying for breakpoints and associated discounts. For example, if you are investing \$10,000 in Class A shares of a fund today, and you already own \$40,000 in Class A shares of that fund family, the fund may allow you to combine

those investments to reach a \$50,000 breakpoint, entitling you to a lower sales load on your \$10,000 purchase today. These accumulation rights also may allow investors to aggregate their holdings in “related” accounts, such as accounts owned by the investor’s family members or certain of the investor’s accounts held at other brokerage firms. Please refer to the fund prospectus for details as rules may vary from fund family to fund family.

- *Letters of Intent* – A letter of intent (“LOI”) is an agreement that expresses your intention to invest an amount equal to or greater than a breakpoint within a given period of time, generally 13 months after the LOI period begins. Many fund companies permit you to include purchases completed within 90 days before the LOI is initiated for the purpose of obtaining a breakpoint discount. If you expect to make additional investments during the next 13 months in a fund with a front-end sales load, it’s worth finding out if an LOI can help you qualify for a breakpoint discount to reduce your front- end sales charge.

Class C Shares

Investments in Class C shares usually are not subject to front-end sales charges. However, purchasers of Class C shares are typically required to pay a CDSC if the shares are sold within a short time of purchase, usually 12 or 18 months. In addition, the 12b-1 fees associated with Class C shares are typically higher than those of Class A shares, typically 0.75% or 1% per year of the fund’s assets. Many Class C shares do not “convert” to Class A shares, which means that these ongoing 12b-1 fees continue indefinitely. Class C shares are often purchased by investors who have less than \$1 million in assets to invest in a fund family and who have a shorter-term investment horizon, because during those first years Class C shares will generally be more economical to purchase, hold and sell than Class A shares. Conversely, Class C shares generally become less economical than Class A shares when held over longer time periods. Class C shares, however, offer the flexibility to change investments among different fund families periodically, without paying front-end sales charges or (possibly) CDSCs.

Institutional, Retirement, No-Load, Advisory, and Other Share Classes

In addition to the Class A and C shares described above, you may be able to purchase other share classes that charge different fees through LPL. In some instances, only certain types of investments, investors, accounts, or programs may qualify for these other share classes. For example, some funds offer “retirement” shares for retirement plans. These retirement shares do not charge any front-end sales charge or CDSC, but may impose a 12b-1 fee or other ongoing asset-based fee. Some funds also offer “institutional” shares, which do not charge any front-end sales charge or CDSC. Certain other “no-load” or “advisory” share classes may only be available through LPL’s fee-based advisory programs. In addition, Class B shares typically are not subject to a front-end sales charge, but purchasers normally are required to pay a contingent deferred sales charge (“CSDC”), otherwise known as a “back-end” sales charge, on shares sold within a prescribed time period (typically four to seven years). You should consult with your Advisor for more information about these programs and alternative share classes.

Information about Compensation and Conflicts of Interest

For information regarding brokerage compensation practices and conflicts of interest, including in connection with mutual funds, please refer to *LPL Financial Brokerage Compensation Information and Related Conflicts of Interest*, at the following link on lpl.com: https://lplfinancial.lpl.com/content/dam/lpl-www/documents/disclosures/brokerage_compensation_conflicts_of_interest.pdf. In addition, the most current information regarding compensation received by LPL from third party product advisors and their

affiliates, including mutual fund sponsors, is available at: [https://lplfinancial.lpl.com/content/dam/lpl-
www/documents/disclosures/legal_disclosures.pdf](https://lplfinancial.lpl.com/content/dam/lpl-
www/documents/disclosures/legal_disclosures.pdf).

Important Note

Some of the information in this disclosure has been adapted in part from information available on FINRA's website. We invite you to examine the wealth of information provided on FINRA's website (www.FINRA.org) and the SEC's website (www.SEC.gov). In particular, you can find calculators on both websites to assist in determining which share class in a fund family offers the least expensive fee structure. FINRA's "Fund Analyzer" is located at: https://tools.finra.org/fund_analyzer/.

Mutual funds are sold by prospectus only. You should consider the investment objectives, risks, charges and expenses of the fund carefully before investing. The prospectus contains this and other information about the fund. You can obtain a copy of the prospectus from your Advisor or the fund company's website. Please read the prospectus carefully before investing.