L.M. Kohn & Company
BROKERAGE AND INVESTMENT MANAGEMENT

Mutual Fund Share Class Fee, Expense, and Risk Disclosure

What is a Mutual Fund?

A mutual fund is an investment company that pools money from many people and invests it in stocks, bonds, or other securities. Each investor owns shares, which represent a part of these holdings. All mutual funds will redeem (buy back) your shares on any business day.

When you buy shares, you pay the current net asset value (NAV) (the value of one share in a fund) per share, plus any sales charge (known as a load). When you sell your shares, the fund will pay you NAV less any other sales load. As with individual stocks, the share price of mutual funds fluctuates and the value of an investment may be more or less than its original cost.

Mutual funds can be a great way to invest because:

-They are a collection of many stocks and/or bonds, so your investment risk is spread out

-They are managed by professional fund managers who invest the pooled money into individual securities

-Costs associated with the underlying security are often lower than what you would pay on your own because the fund buys and sells large amounts of securities at a time

Mutual Funds and Taxes

Taxes can significantly reduce the net returns on your mutual fund investment, so you should pay close attention to them.

-Some funds pay dividends on a monthly, quarterly, or annual basis. Dividends are distributed to shareholders on a pro rata basis. They must be reported on your tax return (whether reinvested or paid in cash) in the year of distribution.

-Short-term and Long-term capital gain distributions (representing the fund's net gains from securities sales) must be reported on shareholders tax returns.

-When you redeem shares of a fund, you generally must pay tax on any capital gain realized. The amount of tax to be paid on a gain depends on the rate at which the gain is taxed (short-term or long-term), which in turn depends on how long you owned the fund shares prior to selling them.

The Costs Associated with Mutual Funds

When investing in a mutual fund, you may have the opportunity to choose among several share classes, most commonly Class A, Class B and Class C. The differences among these share classes typically revolve around how much you will be charged for buying the fund, when you will pay any sales charges that apply, and the amount you will pay in annual fees and expenses. This multi-class structure offers you the opportunity to select a share class that is best suited to your investment goals and your expected investment holding period.

Mutual funds have costs that are passed on to investors. It's important for you to understand what the different costs are, since these are usually deducted from the money you've invested and can affect the return of your investment over time.

Typically, mutual fund costs consist of sales charges and annual expenses. The sales charge, often called a load, is deducted from your investment when you buy the fund, or when you sell it. The annual expenses cover the fund's operating costs, including management fees, distribution and service fees (commonly known as 12b-1 fees), and general administrative expenses. They are generally computed as a percentage of your assets and then deducted from the fund before the fund's returns are calculated. (To better understand what these charges are, you should review the Fees and Expenses section of the fund's prospectus.)

So which share class should you choose? That answer depends on multiple factors, including how much you want to invest and your investment time horizon.

Class A shares

Class A shares may appeal to you if you're considering a long-term investment. When you purchase Class A shares, a sales charge, called a front-end load, is typically deducted upfront, thus reducing the actual amount of your initial investment. For example, suppose you decide to spend $35,000 on Class A shares with a hypothetical front-end sales load of 5 percent. You will be charged $1,750 on your purchase, and the remaining $33,250 will be invested.

However, Class A shares offer you discounts called breakpoints, on the front-end load if you buy shares in excess of a certain dollar amount. Typically, a fund will offer several breakpoints, so the more you invest the greater the reduction in the sales load.

For example, let's say that a mutual fund charges a load of 5 percent if you invest less than $50,000, but reduces that load to 4.5 percent if you invest at least $50,000 but less than $100,000. This means that if you invest $49,000, you'll pay $2,450 in sales charges, but if you invest $50,000 (i.e., you reach the first breakpoint), you'll pay only $2,250 in sales charges.

You may also qualify for breakpoint discounts by signing a letter of intent and agreeing to purchase additional shares within a certain period of time (generally 13 months), or by combining your current purchase with other investment holdings that you or your spouse and children have within the same fund or family of funds (called a right of accumulation). Since rules vary, read your fund's prospectus to find out how you may qualify for available breakpoint discounts, or contact your investment advisor for more information. Class A shares tend to have lower annual expenses than either C share or even B Share mutual funds, thus reducing your overall costs. This may make Class A shares more attractive to you if you wish to hold on to the fund for a longer period of time.

Class B Shares

When you purchase Class B shares you are putting 100% of your investment to work immediately since there is no front-end sales charge as in the A shares, however there are significant costs associated with this share class. The first cost to note is the higher annual ongoing expenses. The second concern with this share class is the Contingent Deferred Sales Charge. Most B share mutual funds have a 7 year holding period before the expiration of any deferred sales charge. If you were top redeem share prior to the end of the stated contingent deferred sales charge period you would be subject to a fee imposed by the fund. In many case B share mutual funds convert to the lower annual expense A share class after the expiration of the contingent deferred sale charge (CDSC). In essence B shares lock your money up for a 7 year period (some mutual funds have different CDSC periods). This share class may be more suitable for investors who typically hold their investment positions for 7 or more years.

Class C shares

When you purchase Class C shares, a front-end load is normally not imposed. There is a CDSC charge that is reduced to zero if you hold the shares beyond the CDSC period, which for Class C shares is typically 12 months. For those reasons Class C shares may be appropriate if you intend to keep the fund for less than 5 years.
The 12b-1 fees are greater for Class C shares than for Class A shares. The expenses will not decrease during the life of the investment, because C Class shares generally don't convert to Class A shares. In addition, there are no breakpoints available for large purchases.

Risk & Past Performance

Risks: Because each fund pursues its own unique investment objectives, each fund has its own set of risks. While equity funds invest principally in common stocks and other equity securities and the fixed income funds invest principally in bonds and other fixed income securities, in order to achieve their investment objectives, the funds may at times use certain types of investment derivatives, such as options, futures, forwards and swaps. These instruments involve risks different from, and in certain cases, greater than, the risks presented by more traditional investments. For funds that can invest in foreign securities, which may include emerging markets securities, risks may be magnified due to changes in foreign exchange rates and the possibility of substantial volatility due to political and economic uncertainties in foreign countries. Funds that invest substantially all of their assets in foreign securities include risks not associated with funds that invest primarily in U.S. issues. Because those funds will invest in foreign currency denominated securities fluctuations may be magnified by changes in foreign exchange rates. These risks are fully discussed in each fund's prospectus.

-Each mutual fund has a prospectus and other literature that describe the fund's objective and how it plans to achieve that objective, and the fund's style of investing. The prospectus also discloses important specific details about the fund that you should be aware of, including allowable investments, fund costs, past performance, risks, and financial statements. Always read a fund's prospectus before investing.

-For further information on mutual fund classes, log on to the website of the Financial Industry Regulatory Authority (FINRA) at www.finra.org. You can also find information on the Securities and Exchange Commission (SEC) website at www.sec.gov.

-As you consider how best to invest in mutual funds, keep in mind that there's no guarantee any mutual fund will achieve its investment objective. You should discuss all of your investment goals with a qualified financial professional. Mutual funds are not guaranteed or insured by the FDIC or any other government agency. You can lose money investing in mutual funds.

-Past performance does not guarantee future results. Current performance may be lower or higher than past performance. The investment return and principal value of an investment in the fund will fluctuate as the prices of the individual securities in which it invests fluctuate, so that shares, when redeemed, may be worth more or less than their original cost. You should consider the investment objectives, risks, charges and expenses of the Fund carefully before investing

For Further information please contact your financial advisor or the home office at 1-800-478-0788.
For mutual fund share class cost comparisons go to www.lmkohn.com and click on mutual fund analyzer or go directly to FINRA's website, www.finra.org and go onto to apps.finra.org/fundanalyzer/1/fa.aspx