



August 29, 2008

Florence E. Harmon
Acting Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

VIA ELECTRONIC MAIL

Subject: Enhanced Disclosure and New Prospectus Delivery Option for
Registered Open-End Management Investment Companies, SEC File No.
S7-28-07

Dear Ms. Harmon:

The Coalition of Mutual Fund Investors (CMFI) appreciates the opportunity to comment on the results of focus group interviews and a telephone survey of individual investors, concerning the proposal by the Securities and Exchange Commission (SEC or Commission) to provide key mutual fund information to investors in the form of a summary prospectus.¹

CMFI is in general support of the Commission's proposal to replace the existing procedure for providing a statutory prospectus to investors with a more streamlined approach. CMFI filed a comment letter on this proposal several months ago. A copy of the CMFI letter can be found on the SEC's Web site or via the following link: <http://www.investorscoalition.com/CMFICommentLetterreSummaryProspectusRule21308.pdf>.

CMFI applauds the Commission for devoting the resources and taking the time to elicit comments directly from individual investors through both a series of focus groups and a telephone survey. This is an excellent way for the Commission to evaluate the effect of its rulemaking proposal, in addition to the normal process of a public comment period.

CMFI believes that mutual fund investors are generally passive about public policy issues. This should not be a surprise, given the fact that these are investors who have chosen not to invest directly in equity or debt securities, but, instead, have chosen a

¹ The Coalition of Mutual Fund Investors (CMFI) is an Internet-based shareholder advocacy organization located in Washington, D.C. More information about CMFI and its activities can be found on our Web site at www.investorscoalition.com.

third-party—typically an investment manager, mutual fund complex or third-party financial intermediary—to manage part or all of their investable assets.

In order to learn more about the needs and desires of such a generally passive audience, the Commission should consider devoting additional resources toward this type of investor outreach. The Commission also should consider increasing the number of focus groups it conducts in any future rulemaking, in order to elicit views that are more than just anecdotal results. For example, the three focus groups conducted to evaluate this rulemaking proposal only involved a total of 25 people. If the Commission had the resources to conduct 15-20 focus groups, with an average of 8-9 people at each event, it would have generated significantly more information on the views of individual investors.

The Commission Should Broaden the Disclosures of Intermediary Conflicts of Interest in the Summary Prospectus

Each of the three focus groups discussed the Commission's proposal to disclose in the summary prospectus the fact that there may be payments to financial intermediaries which may influence the investment recommendations that these intermediaries make to individual investors. Under the SEC proposal, this disclosure is to be made at the end of the summary prospectus under the title, "Payments to Broker-Dealers and Other Financial Intermediaries."

Aside from the issue of whether the disclosure should contain a footnote or a sentence that defines what the term "intermediary" means, the participants in the focus groups placed significant importance on the disclosure of these types of potential conflicts. The final Report on the focus groups states:

All of the participants said that they wanted this information at the beginning of a relationship with a financial adviser and many wished to be reminded of it whenever they made a purchase. As one Boston participant noted, having this information may mean a 'go/no go' decision with respect to working with a particular financial advisor. As one Denver participant noted, *'I think it is important for people who invest in mutual funds to know about it before they sign in or buy.'*²

The transcripts of the three focus groups held in Boston, Denver, and Dallas elaborate on the importance of full disclosure—up front and over time—of intermediary conflicts of interest. Here are a few of the direct comments made by individual investors on this issue:

² Final Report, Focus Groups on a Summary Mutual Fund Prospectus, May 2008, prepared for the Securities and Exchange Commission by Abt SRBI Inc.

- “These costs are not a small part of the decision process, so I think the earlier the better; certainly before you sign any papers, as a part of the basic process – as part of the performance, if you ask me!”³
- “... I don’t mind a broker making his daily bread, as long as he earns it. But I would like to know the exact percent or if there’s a cap and that type of stuff, you know. And it’s one of those things, like in the newspaper industry – it could be in 3-inch headline and in bold. This is coming directly out of my pocket either on the front-end or on the back-end, but it’s coming out of my pocket. And I think I have a right to know – how many things are in that wallet, you know. And if it’s going and coming – I need to know that, too. That’s a two-way gig and you know.”⁴
- “I think the use of the word ‘intermediary’ is a problem. Because I took a class with that as its name and I have a degree in finance, so it doesn’t bother me. But most people don’t have degrees in finance so they don’t know what that word means. And I think that almost, since it’s the short-form, almost they wanted to explain it; they would draw a little picture of themselves and a little picture of the broker/dealer and a little picture of the person and show them the money flow.”⁵
- “In fact, if I’m talking to somebody that’s a broker that’s, ‘How do you get paid,’ and then, ‘What percent is that?’ That’s one of the things I ask because typically I shop around for something that has the lowest cost just because if they’ve got the like performance I’m going to get more out of it!”⁶
- “As far as transactions. Or for example, if I was looking at three different things and I ask my broker, ‘Okay, how much do you get for “this, this and this”?’ He’ll tell me. His recommendation has to be colored by which one he is getting the most from, if that’s the one he’s recommended.”⁷

These focus group interviews reinforce CMFI’s view that more disclosure needs to be made regarding conflicts of interest by financial intermediaries. As noted above, the Commission’s proposal inserts three sentences about payments to intermediaries under the title, “Payments to Broker-Dealers and Other Financial Intermediaries.” While this is an important disclosure to make, there are other issues that should also be addressed in a summary prospectus.

³ Focus Group Testing: Summary Mutual Fund Prospectus, Transcripts, prepared for the Securities and Exchange Commission by Abt SRBI, page 42 (Denver focus group session on April 9, 2008).

⁴ *Id.* at page 68 (Dallas focus group session on April 15, 2008).

⁵ *Id.* at page 68 (Dallas focus group session on April 15, 2008).

⁶ *Id.* at pages 68-69 (Dallas focus group session on April 15, 2008).

⁷ *Id.* at page 69 (Dallas focus group session on April 15, 2008).

For example, the Commission should make it clear that this generalized disclosure does not alleviate or fulfill the obligation of intermediaries to provide their own individualized disclosures of how much they are benefiting, directly or indirectly, from being able to include and maintain the security positions of their customers within an omnibus account, rather than fully disclosing such individual ownership interest in each mutual fund on that fund's own books and records.

CMFI believes there should be an express statement in the summary prospectus that the mere fact a mutual fund states that it makes payments to intermediaries is not intended to and does not satisfy any obligations the intermediaries have to disclose such payments to their customers. In CMFI's view, intermediaries should be required to provide specific disclosures to their customers of all pertinent information, including all sums or benefits that intermediaries receive from mutual funds. Without limitation, this should include: (1) sums or benefits pertaining to or arising out of transactions in the shares of a mutual fund by such customers; and (2) payments for services rendered by such intermediaries directly or indirectly on behalf of or in lieu of the mutual funds in which a customer is invested.

These disclosures by intermediaries are clearly warranted in light of the Commission's prior experience with summary prospectuses in the late 1980's, which found that many investors do not really read prospectuses, even summary ones. Thus, intermediaries should be required to make specific disclosures at the inception of the customer relationship, each time a transaction is executed, and at least once annually.

CMFI Has Found Widespread Non-Uniformity in Investor Treatment within Omnibus Accounts

As you are well aware, individual investors are becoming increasingly more likely to purchase mutual funds through a third-party financial intermediary—such as a broker, retirement plan, or financial adviser—than by transacting in fund shares directly with a fund complex.

Most financial intermediaries use omnibus accounting to place mutual fund purchase and redemption orders for their customers. Under omnibus accounting, customer orders are aggregated together and presented to the mutual fund as one net purchase or redemption order. The identities and requested transactions of the customers of each intermediary are not normally disclosed to a mutual fund; instead, each intermediary typically maintains an “omnibus account” with the mutual fund or its transfer agent. This account lists the financial intermediary as the shareholder of record for each fund. And the omnibus account will only include the aggregated transactions on behalf of each intermediary, even though each omnibus account may represent tens or hundreds of thousands of customer transactions that have been consolidated together.

In most circumstances, there is almost no transparency at the mutual fund level about the transactions and identities of the individual investors who are transacting

through omnibus accounts. Investor accounts are maintained by the third-party financial intermediary, and brokers and other financial intermediaries are paid shareholder servicing fees out of fund assets for sub-transfer agency services, either through a 12b-1 plan or some other method to deduct these costs from fund assets. Under current industry practice, statements are made in securities filings, usually by the mutual funds, about the existence of these payments to intermediaries in general terms. No specific disclosures are made as to the identity of each intermediary involved, or the amounts attributable to an individual customer's ownership interest.

Since the identities and transactions of the beneficial owners are generally hidden from the fund, these accounts are attractive places to hide out and execute arbitrage strategies without much risk of being caught by fund compliance personnel. Remarkably, omnibus accounts are still functioning in the same basic way almost five (5) years after the initial market timing enforcement proceedings were initiated by state regulators and the SEC.

The Commission and its staff are well aware of this problem and, in the view of CMFI, have taken at least two important steps to improve the system. The first step was to require that all funds improve their prospectus disclosures regarding the policies and procedures that are being employed to address frequent trading abuses.⁸ The second step was the promulgation of Rule 22c-2, which requires that mutual funds have written agreements with all of their financial intermediaries in order to facilitate information sharing at the individual investor level.⁹ Rule 22c-2 requires an intermediary to provide shareholder identification and transaction information for any (or all) of its customers at the request of a fund.¹⁰

Unfortunately, these two rules have caused mutual funds to have to make awkward disclosures in their prospectus filings that they can't enforce their market timing policies and procedures within omnibus accounts because of a lack of timely information, operational difficulties, and other reasons.

CMFI has just updated its own analysis of the prospectus disclosures of the largest mutual fund groups, in order to evaluate the impact of Rule 22c-2 and the efforts by funds to enforce their frequent trading policies and procedures within omnibus

⁸ Disclosure Regarding Market Timing and Selective Disclosure of Portfolio Holdings, 69 Fed. Reg. 22,300 (Apr. 23, 2004), available at <http://www.investorscoalition.com/disclemarkettimingfinalrule.pdf>.

⁹ Mutual Fund Redemption Fees, 70 Fed. Reg. 13,328 (Mar. 18, 2005); Mutual Fund Redemption Fees, 71 Fed. Reg. 11,351 (Mar. 7, 2006); Mutual Fund Redemption Fees, 71 Fed. Reg. 58,257 (Oct. 3, 2006).

¹⁰ CMFI has been supportive of Rule 22c-2 because it offers more transparency at the individual investor level within omnibus accounts. However, the Rule is flawed in that it does not require daily monitoring of customer identities and transaction information, something that can occur in a very cost-effective manner through the back office systems operated by the National Securities Clearing Corporation (NSCC). The NSCC can provide a solution to this regulatory problem because it processes more than 80 percent of mutual fund orders between financial intermediaries and funds. You can obtain more information about how to improve Rule 22c-2 by reading CMFI's comment letters to the SEC on the Regulatory Action page of our website: <http://www.investorscoalition.com/regulatory.htm>.

accounts. This analysis follows several studies of this problem by CMFI, and the results of our research can be found on the homepage of our website (www.investorscoalition.com).

Attached to this letter are excerpts from very recent prospectus disclosures of the largest 50 mutual fund management companies. These disclosures should help the Commission evaluate how large the problem of omnibus accounts has become. Public and industry sources estimate that more than fifty percent (50%) of all mutual fund shareholder accounts are subject to omnibus accounting. This means that mutual funds are now not able to oversee the transactions of a **majority** of their shareholders.

Here are a few specific examples from these prospectus disclosures:

- “The ability of Invesco Aim Affiliates to monitor trades that are made through accounts that are maintained by intermediaries (rather than the funds’ transfer agent) and through conduit investment vehicles may be severely limited or non-existent.” AIM Global Growth Fund Prospectus, May 1, 2008, page A-15.
- “... Fund management may not be able to determine that a specific order, particularly with respect to orders made through omnibus accounts or 401(k) plans, is short-term or excessive, and will be disruptive to the Fund and so makes no representation that all such orders can or will be rejected.” BlackRock Global Emerging Markets Fund Prospectus, October 29, 2007, page 34.
- “... the Fund anticipates that limitations on its ability to identify trading activity to specific shareholders, including where shares are held through intermediaries in multiple or omnibus accounts will mean that these restrictions may not be able to be applied uniformly in all cases.” Federated International Equity Fund Prospectus, January 31, 2008, page 40.
- “Excessive trading in omnibus accounts is likely to go undetected by the fund and may increase costs to the fund and disrupt its portfolio management. ... There is no assurance that [Fidelity Management & Research Company] will request data with sufficient frequency to detect or deter excessive trading in omnibus accounts effectively.” Fidelity Aggressive Growth Fund Prospectus, January 29, 2008, pages 11-12.
- “While the Fund will encourage financial intermediaries to apply the Fund’s Market Timing Trading Policy to their customers who invest indirectly in the Fund, the Fund is limited in its ability to monitor the trading activity or enforce the Fund’s Market Timing Trading Policy with respect to customers of financial intermediaries. For example, should it

occur, the Fund may not be able to detect market timing that may be facilitated by financial intermediaries or made difficult to identify in the Omnibus Accounts used by those intermediaries for aggregated purchases, exchanges and redemptions on behalf of all their customers.” Templeton Global Opportunities Trust Prospectus, May 1, 2008, pages 49-50.

- [Massachusetts Financial Services Company] believes that intermediaries are required to enforce the terms of the prospectus for each MFS fund for which they maintain an omnibus account with MFSC, including the MFS funds’ frequent trading policies. However, there can be no assurance that each financial intermediary enforces the specific and/or general purchase and exchange limitations of the MFS funds’ frequent trading policies.” Supplement to the MFS Emerging Markets Equity Funds Prospectus, June 1, 2008, page 3.
- “The Fund, the Distributor, the Manager and the Transfer Agent encourage [its] financial intermediaries to apply the Fund’s policies to their customers who invest indirectly in the Fund. However, the Transfer Agent may not be able to detect excessive short term trading activity in accounts maintained in “omnibus” or “street name” form that are registered in such a manner that the underlying beneficial owners are not identified to the Transfer Agent.” Oppenheimer International Growth Fund Prospectus, February 29, 2008, pages 33-34.

These prospectus disclosures are confirmation that there is a significant lack of uniformity in enforcing market timing policies and procedures across different shareholder classes. In effect, the treatment you receive as an investor depends on the distribution channel you select to purchase a mutual fund. An investor who purchases fund shares directly from a fund will be subject to redemption fees, exchange limitations, and whatever else a mutual fund uses to discourage frequent trading. However, an investor transacting in fund shares through a broker or other third-party intermediary is likely to receive different, and probably less restrictive, treatment.

This problem of non-uniformity also extends to other fund policies, such as the proper calculation of breakpoint discounts, contingent deferred sales charges (CDSCs), and dividend reinvestments. All of these other actions and events cannot be enforced uniformly in omnibus accounts because of the hundreds of recordkeepers and institutions handling fund transactions in a manner that is independent of the underlying mutual fund.

These problems become exacerbated when you factor in the 12b-1 fee system. The distribution portion of the fee is nothing more than a substitute for a sales load. For a number of mutual funds, this fee is charged to all shareholders, including those who purchased directly and are not in need of an intermediary’s services. The second portion of the fee, the shareholder servicing expense, is used in part to pay for recordkeeping and

account maintenance services provided by intermediaries to their customers for the underlying mutual fund.

A pending lawsuit on 12b-1 fees against the Capital Research and Management Company alleges that the sub-transfer agency fees paid to intermediaries by the American Funds are often higher than the account maintenance fees paid to service direct accounts. Here is what is stated in the complaint:

Inflated sub-transfer agency fees paid by the [American] Funds and their investors were really used to pay for revenue sharing arrangements. For example, instead of charging \$5 per account for the year, the broker would charge \$25 per account per year. The inflated amount would be used to settle revenue sharing agreements.¹¹

This complaint also cites a 2005 lawsuit against the same management company filed by the California Attorney General, which alleges that sub-transfer agency fees were paid “ostensibly for the cost of record-keeping but were, in part, actually a disguised additional form of Shelf-Space Payments from fund assets.”¹²

The allegation here is a stunning one—that brokers may be charging significantly higher account fees to mutual funds than the amounts paid to service direct accounts.

CMFI is very concerned about this problem. It appears to us that mutual funds are paying higher and higher fees for these third-party accounts, but mutual funds are not able to enforce their prospectus policies and procedures within these accounts, as noted above. And this situation is occurring without any meaningful disclosure to place the customers of intermediaries on notice regarding how much their share purchases on an omnibus basis, rather than a fully-disclosed basis, is adversely impacting the returns they are receiving from their investments.

Mutual funds are now facing a predicament in which fund trustees have authorized higher payments for account servicing, while funds are actually receiving fewer services and are now losing control over the transactions occurring in these third-party accounts. Ironically and unfortunately, these higher payments for shareholder servicing are causing many funds to be unable to provide uniform treatment of fund shareholders across distribution channels. And all of this is occurring without any significant and specific disclosures to the individual customers of financial intermediaries.

¹¹ *In Re American Mutual Funds Fee Litigation*, Fourth Amended Complaint, CV 04-5593, filed May 16, 2008, pages 50-51.

¹² *Id.* at 51, citing Complaint, *State v. American Funds Distributors, Inc.*, No. BC330774 (Cal. Super. Ct. Mar. 24, 2005), page 9.

A Summary Prospectus Should Inform Investors about the Problem of Non-Uniform Treatment in Omnibus Accounts

CMFI has found that virtually every mutual fund prospectus discloses that a fund is unable to ensure or guarantee the uniform application of its frequent trading policies within third-party omnibus accounts. And this problem is the tip of the iceberg, as mutual funds are not able to ensure that other prospectus policies and procedures are enforced within these accounts, such as breakpoint discounts, CDSCs, and dividend reinvestments.

If the SEC is to adopt a summary prospectus rule to help investors gain a snapshot of the “key” information needed to make an investment decision, the Commission needs to consider adding language to the summary prospectus about these issues.

In our earlier comment letter, CMFI recommended that the summary prospectus contain a more complete explanation of these conflicts than merely disclosing that payments may be made to intermediaries. Here is what CMFI proposed, with suggested amendatory language to the current proposal in underlined form:

Payments to Broker-Dealers and Other Financial Intermediaries. If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank), the Fund and its related companies may pay the intermediary for the sale of Fund shares and related services involving your account. These payments may influence the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. A broker-dealer or other intermediary also may not be able to apply the Fund’s policies and procedures to your account in the same or even similar manner to other investors whose individual transactions are known to the Fund. Ask your sales person or visit your financial intermediary’s Web site for more information.

CMFI also believes that intermediaries should also be required to disclose to each of their customers—both up front and periodically—the amounts they have received from mutual funds for maintaining the security positions of their customers within an omnibus account. This disclosure should include any amounts received that are directly or indirectly related to an intermediary’s maintenance of an omnibus account in the name of the intermediary.

Conclusion

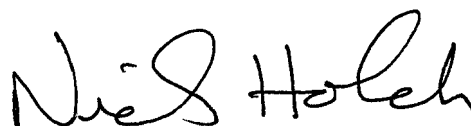
CMFI supports the Commission’s proposal to change the statutory prospectus procedure by which investors receive key information about a mutual fund. However, the summary prospectus should include language that discloses to investors the fact that investing through an intermediary may result in non-uniform application of a mutual fund’s frequent trading and other policies and procedures. This is something that is being

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disclosed in almost every mutual fund prospectus currently, and should certainly also be disclosed in any summary prospectus that is to serve as a substitute, in part, for the statutory prospectus. The SEC also should require intermediaries to provide up front and periodic disclosures of the payments they are receiving that relate to their use of omnibus accounting.

If the Commission or its staff has any questions or needs additional information about CMFI's views on this issue, please feel free to contact us.

Sincerely,

A handwritten signature in black ink that reads "Niels Holch". The signature is written in a cursive, slightly slanted style.

Niels Holch
Executive Director

Attachment

cc: The Honorable Christopher Cox
The Honorable Luis A. Aguilar
The Honorable Kathleen L. Casey
The Honorable Troy A. Paredes
The Honorable Elisse B. Walter
Andrew Donahue, Division of Investment Management
Robert Plaze, Division of Investment Management
Deborah D. Skeens, Division of Investment Management
Kristin J. Kaepplein, Office of Investor Education and Advocacy

COALITION OF MUTUAL FUND INVESTORS

Excerpts from SEC Prospectus Filings Regarding Enforcement of Mutual Fund Market Timing and Other Short-Term Trading Policies within Omnibus Accounts

Largest Fifty (50) Mutual Fund Groups¹

(Updated as of August 1, 2008)

1. AIM Funds (www.invescoaim.com). “Some investment in the funds are made through accounts that are maintained by intermediaries (rather than the funds’ transfer agent) and some investments are made indirectly through products that use the funds as underlying investments, such as employee benefit plans, funds of funds, qualified tuition plans, and variable insurance contracts (these products are generally referred to as conduit investment vehicles). If shares of the funds are held in an account maintained by an intermediary or in the name of a conduit investment vehicle (and not in the names of individual investors), the intermediary account or conduit investment vehicle may be considered an individual shareholder of the funds for purposes of assessing redemption fees. In these cases, the funds are likely to be limited in their ability to assess redemption fees on transactions initiated by individual investors, and the applicability of redemption fees will be determined based on the aggregate holdings and redemption of the intermediary account or the conduit investment vehicle. If shares of the funds are held in an account maintained by an intermediary or in the name of a conduit investment vehicle (and not in the names of individual investors), the intermediary or conduit investment vehicle may impose rules intended to limit short-term money movements in and out of the funds which differ from those described in this prospectus. In such cases, there may be redemption fees imposed by the intermediary or conduit investment vehicle on different terms (and subject to different exceptions) than those set forth above. . . . The ability of Invesco Aim Affiliates to monitor trades that are made through accounts that are maintained by intermediaries (rather than the funds’ transfer agent) and through conduit investment vehicles may be severely limited or non-existent.” AIM Global Growth Fund Prospectus, May 1, 2008, pages A-14-A-15.
2. AllianceBernstein Investments (www.alliancebernstein.com). “Shareholders seeking to engage in excessive short-term trading activities may deploy a variety of strategies to avoid detection and, despite the efforts of the Funds and their agents to detect excessive or short duration trading in Fund shares, there is no guarantee that the Funds will be able to identify these shareholders or curtail their trading practices. In particular, the Funds may not be able to detect excessive or

¹ The 50 largest mutual fund groups were identified and ranked by the Financial Research Corporation, as reported in Money Management Executive on April 16, 2007. The 50 fund groups were ranked by the dollar amount of long-term assets, including exchange-traded funds (“ETFs”). In this document, the fund groups are presented in alphabetical order.

short-term trading in Fund shares attributable to a particular investor who effects purchase and/or exchange activity in Fund shares through omnibus accounts. Also, multiple tiers of these entities may exist, each utilizing an omnibus account arrangement, which may further compound the difficulty of detecting excessive or short duration trading activity in Fund shares.” AllianceBernstein Growth Funds Prospectus, November 1, 2007, page 36.

3. American Century Investments (www.americancentury.com). “Due to the complexity and subjectivity involved in identifying abusive trading activity and the volume of shareholder transactions American Century Investments handles, there can be no assurance that American Century Investments’ efforts will identify all trades or trading practices that may be considered abusive. American Century Investments monitors aggregate trades placed in omnibus accounts and works with financial intermediaries to identify shareholders engaging in abusive trading practices and impose restrictions to discourage such practices. Because American Century Investments relies on financial intermediaries to provide information and impose restrictions, our ability to monitor and discourage abusive trading practices in omnibus accounts may be dependent upon the intermediaries’ timely performance of such duties.” American Century Investments Global Growth Fund Prospectus, April 1, 2008, page 26.
4. American Funds (www.americanfunds.com). “The fund, through its transfer agent, American Funds Service Company, maintains surveillance procedures that are designed to detect frequent trading in fund shares. Under these procedures, various analytics are used to evaluate factors that may be indicative of frequent trading. . . . American Funds Service Company will work with certain intermediaries (such as investment dealers holding shareholder accounts in street name, retirement plan recordkeepers, insurance company separate accounts and bank trust companies) to apply their own procedures, provided that American Funds Service Company believes the intermediary’s procedures are reasonably designed to enforce the frequent trading policies of the fund. . . . There is no guarantee that all instances of frequent trading in fund shares will be prevented.” American Funds New World Fund Prospectus, July 30, 2008, pages 19-20.
5. Barclays Global Investors (http://us.ishares.com). “The Trust’s Board of Trustees has adopted a policy of not monitoring for frequent purchases and redemptions of Fund shares (“frequent trading”) that appear to attempt to take advantage of a potential arbitrage opportunity presented by a lag between a change in the value of the Fund’s portfolio securities after the close of the primary markets for the Fund’s portfolio securities and the reflection of that change in the Fund’s NAV (“market timing”), because the Fund sells and redeems its shares directly through transactions that are in-kind and/or for cash, with a deadline for placing cash-related transactions no later than the close of the primary markets for the Fund’s portfolio securities. The Board of Trustees has not adopted a policy of monitoring for other frequent trading activity because shares of the Funds are listed and

traded on national securities exchanges.” iShares MSCI EAFE Index Fund Prospectus, December 1, 2007, pages 10-11.²

6. BlackRock Funds (www1.blackrock.com). “Each [BlackRock] Distributor has entered into agreements with respect to financial advisers and other financial intermediaries that maintain omnibus accounts with the Transfer Agent pursuant to which such financial advisers and other financial intermediaries undertake to cooperate with the Distributor in monitoring purchase, exchange and redemption orders by their customers in order to detect and prevent short-term or excessive trading in the Fund’s shares through such accounts. . . . The Fund applies these policies to all shareholders (except that there are certain conditions under which the redemption fee will not be assessed – See “Your Account – Pricing of Shares – Redemption Fee”). However, Fund management may not be able to determine that a specific order, particularly with respect to orders made through omnibus accounts or 401(k) plans, is short-term or excessive, and will be disruptive to the Fund and so makes no representation that all such orders can or will be rejected.” BlackRock Global Emerging Markets Fund Prospectus, October 29, 2007, page 34.

7. BNY Hamilton Funds (www.bnyhamiltonfinds.com). “While the Funds seek to monitor for market timing and other abusive trading activities in known omnibus accounts, focusing on transactions in excess of \$250,000, the netting effect in omnibus accounts makes it more difficult for the Funds to identify those activities in the accounts, and the Funds may be unable to locate and restrict individual persons in the accounts who are engaged in abusive trading. Identification of particular traders may be further limited by operational systems and technical limitations in omnibus and certain other accounts. The Funds are often dependent upon financial intermediaries to detect and monitor for market timing and other abusive trading in Fund shares. Financial intermediaries generally utilize their own policies and procedures to identify persons engaged in abusive trading, and these policies and procedures may be different than those utilized by the Funds. However, to the extent market timing or other abusive trading is identified in an omnibus account, the Funds encourage financial intermediaries to address such trading activity in a manner consistent with the Funds’ policies and procedures. The Funds have attempted to put safeguards in place to assure that financial intermediaries have implemented procedures designed to deter market timing and other abusive trading. Despite these safeguards, there is no assurance that the Funds will be able to effectively identify and eliminate market timing and other abusive trading in the Funds, in particular with respect to omnibus accounts.” BNY Hamilton Equity Funds Prospectus, April 25, 2008, page 76.

² Note: Barclays Global Investors offers Exchange-Traded Funds (ETFs) under the trade name “iShares.” As a result of the structure of ETFs, these funds do not need to utilize redemption fees or other market timing policies.

8. Columbia Funds (www.columbiafunds.com). “The Fund takes various steps designed to detect and prevent excessive trading, including daily review of available shareholder transaction information. However, the Fund receives buy, sell and exchange orders through financial intermediaries, and cannot always know or reasonably detect excessive trading that may be facilitated by financial intermediaries or by the use of the omnibus account arrangements they offer. . . . Some financial intermediaries apply their own restrictions or policies to underlying investor accounts, which may be more or less restrictive than those described here. This may impact the Fund’s ability to curtail excessive trading, even where it is identified. For these and other reasons, it is possible that excessive trading may occur despite the Fund’s efforts to detect and prevent it.” Columbia Acorn International Prospectus, May 1, 2008, page 30.
9. Davis Funds (www.davisfunds.com). “Certain financial intermediaries, such as 401(k) plan administrators, may apply purchase and exchange limitations which are different than the limitations discussed above. These limitations may be more or less restrictive than the limitations imposed by the Davis Funds, but are designed to detect and prevent excessive trading. . . . Davis Funds and Davis Advisors use several methods to reduce the risk of market timing. These methods include: (i) limiting annual exchange activity per fund account; and (ii) committing staff to selectively review on a continuing basis recent trading activity in order to identify trading activity that may be contrary to the Funds’ market timing policy. . . . Davis Funds are limited in their ability to monitor the trading activity or enforce the Funds’ market timing policy with respect to customers of financial intermediaries. Shareholders seeking to engage in excessive trading practices may employ a variety of strategies to avoid detection. The ability of Davis Funds to detect and curtail excessive trading practices may also be limited by operational systems and technological limitations.” Davis Series, Inc. Prospectus, May 1, 2008, pages 85-86.
10. Dimensional Fund Advisors (DFA) Funds (www.dfaus.com). “The ability of the Fund and Dimensional to impose [arbitrage market timing] limitations, including the purchase blocking procedures, on investors investing through Intermediaries is dependent on the receipt of information necessary to identify transactions by the underlying investors and the Intermediary’s cooperation in implementing the Trading Policy. Investors seeking to engage in excessive short-term trading practices may deploy a variety of strategies to avoid detection, and despite the efforts of the Fund and Dimensional to prevent excessive short-term trading, there is no assurance that the Fund, Dimensional or their agents will be able to identify those shareholders or curtail their trading practices. The ability of the Fund, Dimensional and their agents to detect and limit excessive short-term trading also may be restricted by operational systems and technological limitations. The purchase blocking procedures of the Trading Policy may not apply to redemptions by shareholders whose shares are held on the books of Intermediaries if the Intermediaries have not adopted procedures to implement this Policy. The Fund and Dimensional will work with Intermediaries to develop such policies to

institute the purchase blocking procedures or other procedures that the Fund and Dimensional determine are reasonably designed to achieve the objective of this Trading Policy.” DFA International Value Portfolio IV Prospectus, March 29, 2008, page 16.

11. Dodge & Cox Funds (www.dodgeandcox.com). “In general, it is the Funds’ expectation that each Processing Organization will enforce either the Funds’ or its own excessive trading policy. As a general matter, the Funds do not directly monitor the trading activity of beneficial owners of the Funds’ shares who hold those shares through third-party 401(k) and other group retirement plans and other omnibus arrangements maintained by Processing Organizations. Although the Funds have entered into information sharing agreements with Processing Organizations, which give the Funds the ability to request information regarding the trading activity of beneficial owners and to prohibit further purchases by beneficial owners who violate the Funds’ excessive trading policy, the ability of the Funds to monitor, detect and curtail excessive trading through Processing Organizations’ accounts may be limited, and there is no guarantee that the Funds will be able to identify shareholders who may have violated the Funds’ excessive trading policy. Depending on the portion of Fund shares held through such Processing Organizations, excessive trading through Processing Organizations could adversely affect Fund shareholders.” Dodge & Cox Funds Prospectus, May 1, 2008, page 28.
12. Dreyfus Funds (www.dreyfus.com). “Dreyfus’ ability to monitor the trading activity of investors whose shares are held in omnibus accounts is limited and dependent upon the cooperation of the financial intermediary in providing information with respect to individual shareholder transactions. However, the agreements between the distributor and financial intermediaries include obligations to comply with the terms of this prospectus. Further, all intermediaries have been requested in writing to notify the distributor immediately if, for any reason, they cannot meet their commitment to make fund shares available in accordance with the terms of the prospectus and relevant rules and regulations.” Dreyfus Premier International Small Cap Fund Prospectus, February 1, 2008, page 24.
13. DWS-Scudder (www.dws-investments.com). “In certain circumstances where shareholders hold shares of a fund through a financial intermediary, the fund may rely upon the financial intermediary’s policy to deter short-term or excessive trading if the Advisor believes that the financial intermediary’s policy is reasonably designed to detect and deter transactions that are not in the best interests of a fund. A financial intermediary’s policy relating to short-term or excessive trading may be more or less restrictive than the DWS Funds’ policy, may permit certain transactions not permitted by the DWS Funds’ policies, or prohibit transactions not subject to the DWS Funds’ policies. . . . There is no assurance that these policies and procedures will be effective in limiting short-term and excessive trading in all cases. For example, the Advisor may not be able

to effectively monitor, detect or limit short-term or excessive trading by underlying shareholders that occurs through omnibus accounts maintained by broker-dealers or other financial intermediaries. The Advisor reviews trading activity at the omnibus level to detect short-term or excessive trading. If the Advisor has reason to suspect that short-term or excessive trading is occurring at the omnibus level, the Advisor will contact the financial intermediary to request underlying shareholder level activity. Depending on the amount of fund shares held in such omnibus accounts (which may represent most of a fund's shares) short-term and/or excessive trading of a fund's shares could adversely affect long-term shareholders in a fund." DWS Emerging Markets Equity Fund Prospectus, March 1, 2008, page 51.

14. Eaton Vance Funds (www.eatonvance.com). "The Funds and the principal underwriter have provided guidance to financial intermediaries (such as banks, broker-dealers, insurance companies and retirement administrators) concerning the application of Eaton Vance funds' market timing and excessive trading policies to Fund shares held in omnibus accounts maintained and administered by such intermediaries, including guidance concerning situations where market timing or excessive trading is considered to be detrimental to a Fund. Each Fund or its principal underwriter may rely on a financial intermediary's policy to restrict market timing and excessive trading if it believes that policy is likely to prevent market timing that is likely to be detrimental to each Fund. Such policy may be more or less restrictive than a Fund's policy. Each Fund and the principal underwriter cannot ensure that these financial intermediaries will in all cases apply the policies of the Funds or their own policies, as the case may be, to accounts under their control." Eaton Vance Global Growth Fund Prospectus, January 1, 2008, page 12.
15. Evergreen Investments (www.evergreeninvestments.com). "There are certain limitations on the Fund's ability to detect and prevent short-term trading. For example, while the Fund has access to trading information relating to investors who trade and hold their shares directly with the Fund, the Fund may not have timely access to such information for investors who trade through financial intermediaries such as broker dealers and financial advisors or through retirement plans. Certain financial intermediaries and retirement plans hold their shares or those of their clients through omnibus accounts maintained with the Fund. The Fund may be unable to compel financial intermediaries to apply the Fund's short-term trading policy described above. The Fund reserves the right, in its sole discretion, to allow financial intermediaries to apply alternative short-term trading policies. The Fund will use reasonable diligence to confirm that such intermediaries are applying the Fund's short-term trading policy or an acceptable alternative. ... It is possible that excessive short-term trading or trading in violation of the Fund's trading restrictions may occur despite the Fund's efforts to prevent them." Evergreen Global and International Funds Prospectus, March 1, 2008, page 47.

16. Federated Investors (www.federatedinvestors.com). “The Fund’s objective is that its fees and restrictions on short-term trading should apply to all shareholders, that are subject to the fees and restrictions, regardless of the number or type of accounts in which Shares are held. However, the Fund anticipates that limitations on its ability to identify trading activity to specific shareholders, including where shares are held through intermediaries in multiple or omnibus accounts, will mean that these restrictions may not be able to be applied uniformly in all cases.” Federated International Equity Fund Prospectus, January 31, 2008, page 40.
17. Fidelity Investments (www.fidelity.com). “Excessive trading in omnibus accounts is likely to go undetected by the fund and may increase costs to the fund and disrupt its portfolio management. Under policies adopted by the Board of Trustees, intermediaries will be permitted to apply the fund’s excessive trading policy (described above), or their own excessive trading policy if approved by FMR. In these cases, the fund will typically not request or receive individual account data but will rely on the intermediary to monitor trading activity in good faith in accordance with its or the fund’s policies. Reliance on intermediaries increases the risk that excessive trading may go undetected. For other intermediaries, the fund will generally monitor trading activity at the omnibus account level to attempt to identify disruptive trades, focusing on transactions in excess of \$250,000. The fund may request transaction information, as frequently as daily, from any intermediary at any time, and may apply the fund’s policy to such transactions exceeding \$5,000. The fund may prohibit purchases of fund shares by an intermediary or by some or all of an intermediary’s clients. FMR will apply these policies through a phased implementation. There is no assurance that FMR will request data with sufficient frequency to detect or deter excessive trading in omnibus accounts effectively.” Fidelity Aggressive Growth Fund Prospectus, January 29, 2008, pages 11-12.
18. First Eagle Funds (www.firsteaglefunds.com). “In most cases the Funds depend on cooperation from intermediaries in reviewing certain accounts, thereby limiting the Funds’ ability to monitor and discourage inappropriate trading. Although the Funds are committed to seeking the cooperation of intermediaries, the Funds often do not have immediate access to individual account-level activity for those investing through an intermediary (and generally must request information about this account activity rather than receiving it automatically). In addition, not all intermediaries maintain the types of sophisticated transaction tracking systems that permit them to apply the types of reviews applied by the Funds.” First Eagle Funds Prospectus, March 1, 2008, pages 50-51.
19. Franklin Templeton Investments (www.franklintempleton.com). “While the Fund will encourage financial intermediaries to apply the Fund’s Market Timing Trading Policy to their customers who invest indirectly in the Fund, the Fund is limited in its ability to monitor the trading activity or enforce the Fund’s Market Timing Trading Policy with respect to customers of financial intermediaries. For example, should it occur, the Fund may not be able to detect market timing that

may be facilitated by financial intermediaries or made difficult to identify in the Omnibus Accounts used by those intermediaries for aggregated purchases, exchanges and redemptions on behalf of all their customers. More specifically, unless the financial intermediaries have the ability to apply the Fund's Market Timing Trading Policy to their customers (for example, participants in a 401(k) retirement plan) through such methods as implementing short-term trading limitations or restrictions, imposing the Fund's redemption fee and monitoring trading activity for what might be market timing, the Fund may not be able to determine whether trading by customers of financial intermediaries is contrary to the Fund's Market Timing Trading Policy. ” Templeton Global Opportunities Trust Prospectus, May 1, 2008, pages 49-50.

20. GMO Trust (www.gmo.com). “In addition, shares of some Funds are distributed through financial intermediaries that submit aggregate or net purchase and redemption orders through omnibus accounts. These omnibus accounts often by nature engage in frequent transactions due to the daily trading activity of their participants. Because transactions by omnibus accounts often take place on a net basis, GMO's ability to detect and prevent frequent trading strategies within those accounts may be limited. A financial intermediary may agree to monitor for and restrict frequent trading in accordance with the Procedures. In addition, the Funds may rely upon a financial intermediary to monitor for and/or restrict frequent trading in accordance with the intermediary's policies and procedures in lieu of the Procedures if GMO believes that the financial intermediary's policies and procedures are reasonably designed to detect and prevent frequent trading activity that GMO would consider harmful to a Fund and its shareholders.” GMO Trust Prospectus, June 30, 2008, page 104.
21. Goldman Sachs Funds (www2.goldmansachs.com/gsam). “Goldman Sachs reviews on a regular, periodic basis available information relating to the trading activity in the Fund in order to assess the likelihood that a Fund may be the target of excessive trading. As a part of its excessive trading surveillance process, Goldman Sachs, on a periodic basis, examines transactions that exceed certain monetary thresholds or numerical limits within a period of time. . . . The identity of individual investors whose purchase and redemption orders are aggregated are ordinarily not tracked by the Funds on a regular basis. A number of these financial intermediaries may not have the capability or may not be willing to apply the Fund's market-timing policies or any applicable redemption fee. While Goldman Sachs may monitor share turnover at the omnibus account level, the Fund's ability to monitor and detect market timing by shareholders or apply any applicable redemption fee in these omnibus accounts may be limited in certain circumstances, and certain of these financial intermediaries may charge the Fund a fee for providing certain shareholder information requested as a part of the Fund's surveillance process. The netting effect makes it more difficult to identify, locate and eliminate market timing activities. In addition, those investors who engage in market-timing and other excessive trading activities may employ a variety of techniques to avoid detection. There can be no assurance that the Fund

and Goldman Sachs will be able to identify all those who trade excessively or employ a market timing strategy, and curtail their trading in every instance.” Goldman Sachs International Equity Funds Prospectus, February 29, 2008, pages 48-49.

22. Harbor Funds (www.harborfunds.com). “When financial intermediaries establish omnibus accounts with Harbor Funds, Harbor Funds monitors trading activity in the account at the omnibus level. Because activity in the omnibus account represents the aggregate trading activity of the intermediary’s underlying customers, Harbor Funds monitors trading activity in omnibus accounts in a different manner than it does in accounts which Harbor Funds believes are owned directly by the investor. . . . Because Harbor Funds normally monitors trading activity at the omnibus account level, Harbor Funds may not be able to detect or prevent excessive short-term trading or market timing activity at the underlying customer level. In addition, some financial intermediaries may impose their own restrictions on short-term trading which may differ from Harbor Funds’. Harbor Funds may choose to rely on the intermediary’s restrictions on short-term trading in place of its own only if Harbor Funds determines, in its discretion, that the intermediary’s restrictions provide reasonable protection for the funds from excessive short-term trading activity.” Harbor Equity Funds Prospectus, March 1, 2008, as revised May 15, 2008, page 45.

23. The Hartford Mutual Funds (www.hartfordinvestor.com). “The fund’s policies for deterring frequent purchases and redemptions of fund shares by the fund’s shareholders are intended to be applied uniformly to all fund shareholders to the extent practicable. Some financial intermediaries, such as broker-dealers, investment advisors, plan administrators, and third-party transfer agents, however, maintain omnibus accounts in which they aggregate orders of multiple investors and forward the aggregated orders to the funds. Because the funds receive these orders on an aggregated basis and because these omnibus accounts may trade with numerous fund families with differing market timing policies, the fund is limited in its ability to identify or deter Excessive Traders or other abusive traders. The fund’s procedures with respect to omnibus accounts are as follows: (1) Where Hartford Administrative Service Company (“HASCO”) is provided individual shareholder level transaction detail on a daily basis, HASCO shall monitor the daily trade activity of individual shareholders and apply the Policy. (2) Where an intermediary will implement the Policy on behalf of HASCO, HASCO shall obtain an appropriate annual certification from such intermediary. (3) Where an intermediary has established reasonable internal controls and procedures (which may be more or less restrictive than those of the fund) for limiting exchange activity in a manner that serves the purposes of the Policy as determined by the Frequent Trading Review Committee (comprised of the funds’ Chief Compliance Officer, Chief Legal Officer and a senior business leader of The Hartford), HASCO shall permit such intermediary to apply its procedures in lieu of those of the fund and obtain an appropriate annual certification. Finally, (4) where none of the foregoing occurs, HASCO shall monitor the accounts at an omnibus level and

apply detection tools designed to identify suspicious trading patterns that warrant further review. In such cases, HASCO shall request and evaluate individual shareholder level transaction detail and seek to impose restrictions in accordance with the Policy. In October 2007, new SEC rules became effective which require the fund and intermediaries to enter into written agreements intended to promote transparency in omnibus accounts. As the fund and intermediaries implement the requirements of the new rules, it is expected that the fund will be able to apply its frequent trading policies to omnibus accounts. Nonetheless, the fund's ability to identify and deter frequent purchases and redemptions of the fund's shares through omnibus accounts is limited, and the fund's success in accomplishing the objectives of the policies concerning frequent purchases and redemptions of fund shares in this context depends significantly upon the cooperation of the financial intermediaries." The Hartford Diversified International Fund Prospectus, June 30, 2008, pages 23-24.

24. Janus Funds (www.janus.com). "In an attempt to detect and deter excessive trading in omnibus accounts, the Funds or their agents may require intermediaries to impose restrictions on the trading activity of accounts traded through those intermediaries. Such restrictions may include, but are not limited to, requiring that trades be placed by U.S. mail, prohibiting purchases for a designated period of time (typically 30 to 90 days) by investors who have recently redeemed Fund shares, requiring intermediaries to report information about customers who purchase and redeem large amounts, and similar restrictions. The Funds' ability to impose such restrictions with respect to accounts traded through particular intermediaries may vary depending on the systems capabilities, applicable contractual and legal restrictions, and cooperation of those intermediaries. . . . Although the Funds take steps to detect and deter excessive trading pursuant to the policies and procedures described in this Prospectus and approved by the Board of Trustees, there is no assurance that these policies and procedures will be effective in limiting excessive trading in all circumstances. For example, the Funds may be unable to completely eliminate the possibility of excessive trading in certain omnibus accounts and other accounts traded through intermediaries. Omnibus accounts may effectively conceal the identity of individual investors and their transactions from the Funds and their agents. This makes the Funds' identification of excessive trading transactions in the Funds through an omnibus account difficult and makes the elimination of excessive trading in the account impractical without the assistance of the intermediary. Although the Funds encourage intermediaries to take necessary actions to detect and deter excessive trading, some intermediaries may be unable or unwilling to do so, and accordingly, the Funds cannot eliminate completely the possibility of excessive trading." Janus Equity Funds Prospectus, February 28, 2008, pages 120-122.
25. John Hancock Funds (www.jhfunds.com). "[T]he ability of the fund to monitor trades that are placed by omnibus or other nominee accounts is limited in those instances in which the financial intermediary, including a financial adviser, broker, retirement plan administrator or fee-based program sponsor, maintains the

records of the fund's underlying beneficial owners. . . . These arrangements often permit the financial intermediary to aggregate its clients' transactions and ownership positions and do not identify the particular underlying shareholder(s) to the fund. However, the fund will work with financial intermediaries as necessary to discourage shareholders from engaging in abusive trading practices and to impose restrictions on excessive trades. . . . The fund cannot guarantee the accuracy of the information provided to it from financial intermediaries and so cannot ensure that it will be able to detect abusive trading practices that occur through omnibus or other nominee accounts. As a consequence, the fund's ability to monitor and discourage excessive trading practices in these types of accounts may be limited." John Hancock Global Opportunities Fund Prospectus, May 1, 2008, page 16.

26. JP Morgan Funds (www.jpmorganfunds.com). "While the Funds seek to monitor for market timing activities in omnibus accounts, the netting effect limits the Funds' ability to locate and eliminate individual market timers. As a result, the Funds are often dependent upon Financial Intermediaries who utilize their own policies and procedures to identify market timers. These policies and procedures may be different than those utilized by the Funds. The Funds have attempted to put safeguards in place to assure that Financial Intermediaries have implemented procedures designed to deter market timing and abusive trading. Despite these safeguards, there is no assurance that the Funds will be able to effectively identify and eliminate market timing and abusive trading in the Funds particularly with respect to omnibus accounts." JP Morgan International Equity Funds Prospectus, February 29, 2008, page 46.
27. Julius Baer Funds (www.artiofunds.com). "Shareholders seeking to engage in excessive trading practices may deploy a variety of strategies to avoid detection, and, despite the efforts of the Funds to prevent their excessive trading, there is no guarantee that the Funds or their agents will be able to identify such shareholders or curtail their trading practices. The ability of the Funds and their agents to detect and curtail excessive trading practices may also be limited by operational systems and technological limitations. Because the Funds will not always be able to detect frequent trading activity, investors should not assume that the Funds will be able to detect or prevent all frequent trading or other practices that disadvantage the Funds. Omnibus or other nominee account arrangements are common forms of holding shares of a Fund, particularly among certain financial intermediaries such as financial advisers, brokers or retirement plan administrators. These arrangements often permit the financial intermediary to aggregate their clients' transaction and ownership positions in a manner that does not identify the particular underlying shareholder(s) to a Fund. The Funds comply fully with applicable federal rules requiring them to reach an agreement with each of its financial intermediaries pursuant to which certain information regarding purchases, redemptions, transfers and exchanges of fund shares by underlying beneficial owners through intermediary accounts will be provided to the Funds upon request. However, there can be no guarantee that all excessive,

short term, or other trading activity the Funds may consider inappropriate will be detected even with such agreements in place.” Julius Baer Funds Prospectus, February 29, 2008, page 101.

28. Legg Mason Funds (www.leggmason.com). “With respect to accounts where shareholder transactions are processed or records are kept by third-party intermediaries, the funds use reasonable efforts to monitor such accounts to detect suspicious trading patterns. For any such account that is so identified, a fund will make such further inquiries and take such other actions as shall be considered necessary or appropriate to enforce the funds’ frequent trading policy against the shareholder(s) trading through such account and, if necessary, the third-party intermediary (retirement plan administrators, securities broker-dealers, and mutual fund marketplaces) maintaining such account. A fund may accept undertakings from intermediaries to enforce frequent trading policies on behalf of the fund that provide a substantially similar level of protection against excessive trading. . . . Although each fund will monitor shareholder transactions for certain patterns of frequent trading activity, there can be no assurance that all such trading activity can be identified, prevented or terminated.” Legg Mason Global Trust, Inc. Prospectus, May 1, 2008, page 25.
29. Lord Abbett (www.lordabbett.com). “With respect to monitoring of accounts maintained by a Financial Intermediary, to our knowledge, in an omnibus environment or in nominee name, the Distributor will seek to receive sufficient information from the Financial Intermediary to enable it to review the ratio of purchase versus redemption activity of each underlying sub-account or, if such information is not readily obtainable, in the overall omnibus account(s) or nominee name account(s). If we identify activity that we believe may be indicative of frequent trading activity, we normally will notify the Financial Intermediary and request it to provide the Distributor with additional transaction information so that the Distributor may determine if any investors appear to have engaged in frequent trading activity. The Distributor’s monitoring activity normally is limited to review of historic account activity. This may result in procedures that may be less effective at detecting and preventing frequent trading than the procedures the Distributor uses in connection with accounts not maintained in an omnibus environment or in nominee name.” Lord Abbett Affiliated Fund Prospectus, March 1, 2008, page 48.³
30. MFS Investment Management (www.mfs.com). “MFSC believes that financial intermediaries are required to enforce the terms of the prospectus for each MFS fund for which they maintain an omnibus account with MFSC, including the MFS

³ Lord Abbett also discloses in this Prospectus on page 49 that it also may be unable to ensure uniform treatment in the assessment of contingent deferred sales charges (CDSCs) within omnibus accounts: “The nature of these relationships also may inhibit or prevent the Distributor or the Fund from assuring the uniform assessment of CDSCs on investors, even though the Financial Intermediaries operating in omnibus environments typically have agreed to assess the CDSCs or assist the Distributor or the Fund in assessing them.”

funds' frequent trading policies. However, there is no assurance that each financial intermediary enforces the specific and/or general purchase and exchange limitations of the MFS funds' frequent trading policies. ... In circumstances where shareholders hold shares through financial intermediaries, the MFS funds may rely upon the financial intermediary's policy to restrict frequent trading and its monitoring of such policy in lieu of the MFS funds' two-exchange limit if MFSC believes that the financial intermediary's policy is reasonably designed to identify and curtail trading activity that is not in the best interest of the funds ("Adopted Financial Intermediary Policy"). ... Depending upon the composition of a fund's shareholder accounts and the efforts made by certain shareholders to evade these limitations, MFSC may not be in a position to monitor and deter frequent trading with respect to a significant percentage of a fund's shareholders. MFSC's ability to monitor and deter frequent trading in omnibus accounts ultimately depends on the capability and cooperation of the financial intermediary and the frequency with which MFSC requests underlying shareholder account data from omnibus accounts. In certain instances, a financial intermediary may be unable to provide MFSC with information about underlying shareholder level activity. There is no assurance that MFSC will request data with sufficient frequency to detect or deter frequent trading in omnibus accounts effectively. Shareholders seeking to engage in frequent trading practices may deploy a variety of strategies to avoid detection, and, despite the efforts of MFSC to prevent frequent trading, there is no assurance that MFSC will be able to identify such shareholders or curtail their trading practices." Supplement to the MFS Emerging Markets Equity Funds Prospectus, June 1, 2008, pages 3-4.

31. Morgan Stanley Funds (Retail) (www.morganstanley.com). "Except as described in each of these sections, and with respect to trades that occur through omnibus accounts at intermediaries, as described below, the Fund's policies regarding frequent trading of Fund shares are applied uniformly to all shareholders. With respect to trades that occur through omnibus accounts at intermediaries, such as investment managers, broker-dealers, transfer agents and third party administrators, the Fund (i) has requested assurance that such intermediaries currently selling Fund shares have in place internal policies and procedures reasonably designed to address market-timing concerns and has instructed such intermediaries to notify the Fund immediately if they are unable to comply with such policies and procedures and (ii) requires all prospective intermediaries to agree to cooperate in enforcing the Fund's policies with respect to frequent purchases, redemptions and exchanges of Fund shares. Omnibus accounts generally do not identify customers' trading activity to the Fund on an individual ongoing basis. Therefore, with respect to trades that occur through omnibus accounts at financial intermediaries, to some extent, the Fund relies on the financial intermediary to monitor frequent short-term trading within the Fund by the financial intermediary's customers. However, the Fund or the distributor has entered into agreements with financial intermediaries whereby intermediaries are required to provide certain customer identification and transaction information upon the Fund's request. The Fund may use this information to help identify and

prevent market-timing activity in the Fund. There can be no assurance that the Fund will be able to identify or prevent all market-timing activities.” Morgan Stanley International Fund Prospectus, February 29, 2008, page 19.

32. Morgan Stanley Funds (Institutional) (www.morganstanley.com). “Except as described in each of these sections, and with respect to trades that occur through omnibus accounts at Financial Intermediaries, as described below, the Fund’s policies regarding frequent trading of Portfolio shares are applied uniformly to all shareholders. With respect to trades that occur through omnibus accounts at intermediaries, such as investment advisers, broker-dealers, transfer agents and third party administrators, the Fund (i) has requested assurance that such Financial Intermediaries currently selling Portfolio shares have in place internal policies and procedures reasonably designed to address market-timing concerns and has instructed such Financial Intermediaries to notify the Fund immediately if they are unable to comply with such policies and procedures and (ii) requires all prospective Financial Intermediaries to agree to cooperate in enforcing the Fund’s policies with respect to frequent purchases, redemptions and exchanges of Portfolio shares. With respect to trades that occur through omnibus accounts at Financial Intermediaries, to some extent, the Fund relies on the Financial Intermediary to monitor frequent short-term trading within a Portfolio by the Financial Intermediary’s customers and to collect the Portfolio’s redemption fee from its customers. However, the Fund has entered into agreements with Financial Intermediaries whereby Financial Intermediaries are required to provide certain customer identification and transaction information upon the Fund’s request. The Fund may use this information to help identify and prevent market-timing activity in the Fund. There can be no assurance that the Fund will be able to eliminate all market timing activities.” Morgan Stanley Institutional Fund Trust Prospectus, May 1, 2008, page 35.
33. Natixis Equity Funds (www.funds.natixis.com). “The ability of a Fund and the Distributor to monitor trades that are placed by omnibus or other nominee accounts is more limited in those instances in which the financial intermediary maintains the record of a Fund’s underlying beneficial owners. In general, each Fund and the Distributor will review trading activities at the omnibus account level. If a Fund and the Distributor detect suspicious activity, they may request and receive personal identifying information and transaction histories for some or all of the underlying shareholders (including plan participants) to determine whether such shareholders have engaged in market timing or other excessive, short-term trading activity. If a Fund believes that a shareholder has engaged in market timing or other excessive, short-term trading activity in violation of the Fund’s policies through an omnibus account, the Fund will attempt to limit transactions by the underlying shareholder which engaged in such trading, although it may be unable to do so. The Fund may also limit or prohibit additional purchases of Fund shares by an intermediary. Investors should not assume the Fund will be able to detect or prevent all market timing or other

trading practices that may disadvantage the Fund.” Natixis Equity Funds Prospectus, May 1, 2008, page 49.

34. Oakmark Funds (www.oakmark.com). “Despite the Fund’s efforts to detect and prevent abusive trading activity, there can be no assurance that the Funds will be able to identify all of those who may engage in abusive trading and curtail their activity in every instance. In particular, it may be difficult to identify such activity in certain omnibus accounts and other accounts traded through Intermediaries, some of which may be authorized agents of the Funds. Omnibus accounts are comprised of multiple investors whose purchases, exchanges and redemptions are aggregated before being submitted to the Funds. Consequently, the Funds may not have knowledge of the identity of investors and their transactions as those transactions are submitted to the Funds. Under a federal rule, the Funds are required to have an agreement with many of their Intermediaries obligating the Intermediaries to provide, upon a Fund’s request, information regarding the Intermediaries’ customers and their transactions. However, there can be no guarantee that all excessive, short-term or other abusive trading activity will be detected, even with such agreements in place. The Funds will not accept purchase orders from Intermediaries who materially fail to comply with such agreements. To the degree the Funds are able to detect excessive or short-term trading in accounts maintained by an Intermediary, the Funds will seek the cooperation of the Intermediary to stop such trading. However, there can be no assurance that the Intermediary will cooperate in all instances. Certain Intermediaries may not presently possess the operational or technical capabilities to track purchase, redemption or exchange orders made by an individual investor as requested by the Funds. Certain Intermediaries, in particular retirement plan administrators and sponsors, may possess other capabilities or utilize other techniques to deter excess or short-term trading upon which the Funds may rely. These other capabilities and techniques may be more or less restrictive than those utilized by the Funds.” The Oakmark Fund Prospectus, January 28, 2008, page 42.
35. Oppenheimer Funds (www.oppenheimerfunds.com). “The Fund, the Distributor, the Manager and the Transfer Agent encourage [its] financial intermediaries to apply the Fund’s policies to their customers who invest indirectly in the Fund. However, the Transfer Agent may not be able to detect excessive short term trading activity in accounts maintained in “omnibus” or “street name” form that are registered in such a manner that the underlying beneficial owners are not identified to the Transfer Agent. The Transfer Agent will attempt to monitor overall purchase and redemption activity in those accounts to seek to identify patterns that may suggest excessive trading by the underlying owners. If evidence of possible excessive trading activity is observed by the Transfer Agent, the financial intermediary that is the registered owner will be asked to review the account activity, and to confirm to the Transfer Agent and the Fund that appropriate action has been taken to curtail any excessive trading activity.”

Oppenheimer International Growth Fund Prospectus, February 29, 2008, pages 33-34.

36. PIMCO/Allianz Funds (www.allianzinvestors.com). “Although the Trust and its service providers seek to use these methods to detect and prevent abusive trading activities, and although the Trust will consistently apply such methods, there can be no assurances that such activities can be mitigated or eliminated. By their nature, omnibus accounts, in which purchases and sales of Fund shares by multiple investors are aggregated for presentation to a Fund on a net basis, conceal the identity of the individual shareholders from the Fund. This makes it more difficult for a Fund to identify short-term transactions in the Fund.” PIMCO Funds Prospectus, July 31, 2008, page 63.
37. Pioneer Investments (http://us.pioneerinvestments.com). “While we use our reasonable efforts to detect excessive trading activity, there can be no assurance that our efforts will be successful or that market timers will not employ tactics designed to evade detection. If we are not successful, your return from an investment in the fund may be adversely affected. Because the fund may invest a significant portion of its portfolio in securities that are valued using fair value pricing methods, this risk may be greater. Frequently, fund shares are held through omnibus accounts maintained by financial intermediaries such as brokers and retirement plan administrators, where the holdings of multiple shareholders, such as all the clients of a particular broker or other intermediary, are aggregated. Our ability to monitor trading practices by investors purchasing shares through omnibus accounts may be limited and dependent upon the cooperation of the broker or other intermediary in taking steps to limit this type of activity.” Pioneer International Value Fund Prospectus, June 30, 2008, page 37.
38. Principal Funds (www.principal.com). “The Funds monitor trading activity to identify and take action against abuses. While our policies and procedures are designed to identify and protect against abusive trading practices, there can be no certainty that we will identify and prevent abusive trading in all instances. If we are not able to identify such excessive trading practices, the Funds may be negatively impacted and may cause investors to suffer the harms described. ... When we do identify abusive trading, we will apply our policies and procedures in a fair and uniform manner. If we are not able to identify such abusive trading practices, the abuses described above may negatively impact the Funds. ... The imposition of the excessive trading fee may be waived if an intermediary, such as a retirement plan recordkeeper, through which Fund shares are made available to shareholders is unable or unwilling to impose the fee, but is able to implement other procedures the Fund believes are reasonably designed to prevent excessive trading in Fund shares.” Principal Investors Fund, Inc. Prospectus, February 29, 2008, page 158.
39. Prudential (Jennison Dryden) Funds (www.jennisondryden.com). “The Fund itself generally cannot monitor trading by particular beneficial owners. The Fund

communicates to Intermediaries in writing that it expects the Intermediaries to impose restrictions on transfers by beneficial owners. Intermediaries may impose different or stricter restrictions on transfers by beneficial owners. Consistent with the restrictions described above, investments in the Fund through retirement programs administered by Prudential Retirement will be similarly identified for frequent purchases and redemptions and appropriately restricted. The Transfer Agent also reviews the aggregate net flows in excess of \$1 million. In those cases, the trade detail is reviewed to determine if any of the activity relates to previously identified policy offenders. In cases of omnibus orders, the Intermediary may be contacted by the Transfer Agent to obtain additional information. The Transfer Agent has the authority to cancel all or a portion of the trade if the information reveals that the activity relates to previously identified policy offenders. Where appropriate, the Transfer Agent may request that the Intermediary block a financial adviser or client from accessing the Fund. If necessary, the Fund may be removed from a particular Intermediary's platform. Shareholders seeking to engage in frequent trading activities may use a variety of strategies to avoid detection and, despite the efforts of the Fund to prevent such trading, there is no guarantee that the Fund, the Transfer Agent or Intermediaries will be able to identify these shareholders or curtail their trading practices." Dryden International Equity Fund Prospectus, December 31, 2007, pages 48-49.

40. Putnam Investments (www.putnam.com). "The fund is generally not able to identify trading by a particular beneficial owner within an omnibus account, which makes it difficult or impossible to determine if a particular shareholder is engaging in excessive short-term trading. Putnam Management monitors aggregate cash flows in omnibus accounts on an ongoing basis. If high cash flows or other information indicate that excessive short-term trading may be taking place, Putnam Management will contact the financial intermediary, plan sponsor or recordkeeper that maintains accounts for the underlying beneficial owner and attempt to identify and remedy any excessive trading. However, the fund's ability to monitor and deter excessive short-term traders in omnibus accounts ultimately depends on the capabilities and cooperation of these third-party financial firms. A financial intermediary or plan sponsor may impose different or additional limits on short-term trading." Putnam International New Opportunities Fund Prospectus, January 30, 2008, page 34.
41. RiverSource Investments (distributed by Ameriprise) (www.riversource.com). "Although the fund does not knowingly permit market timing, it cannot guarantee that it will be able to identify and restrict all short-term trading activity. The fund receives purchase and sale orders through financial institutions where market timing may not always be successfully detected." RiverSource International Small Cap Fund Prospectus, December 28, 2007, page S-16.
42. Russell Funds (www.russell.com). "If the Funds do not have direct access to the shareholder's account to implement the purchase revocation, the Funds will require the shareholder's Financial Intermediary to impose similar revocation of

purchase privileges on the shareholder. In the event that the Financial Intermediary cannot, due to regulatory or legal obligations, impose a revocation of purchase privileges, the Funds may accept an alternate trading restriction reasonably designed to protect the Funds from improper trading practices. . . . The Funds will use reasonable efforts to detect frequent trading activity but may not be able to detect such activity in certain circumstances. While the Funds have the authority to request and analyze data on shareholders in omnibus accounts and will use their best efforts to enforce the policy described above, there may be limitations on the ability of the Funds to detect and curtail frequent trading practices and the Funds may still not be able to completely eliminate the possibility of improper trading under all circumstances. Shareholders seeking to engage in frequent trading activities may use a variety of strategies to avoid detection and, despite the efforts of the Funds to prevent frequent trading, there is no guarantee that the Funds or their agents will be able to identify each such shareholder or curtail their trading practices.” Russell Funds Prospectus, February 29, 2008, pages 99-100.

43. Schwab Funds (www.schwab.com). “The fund may defer to an intermediary’s [frequent trading] policies with respect to those shareholders who invest in the fund through such intermediary. The fund will defer to an intermediary’s policies only after the fund determines that the intermediary’s frequent trading policies are reasonably designed to deter transactional activity in amounts and frequency that are deemed to be significant to the fund and in a pattern of activity that potentially could be detrimental to the fund. . . . Currently, only certain intermediaries have the systems capability to collect the redemption fees on behalf of the fund. Even intermediaries that do have the capability may use criteria and methods for tracking, applying and calculating the fees that are different from those of the fund or may be unwilling to collect the fees. As such, the fund may not be able to collect redemption fees through these intermediaries. The fund notifies all financial intermediaries of its policy and will encourage all financial intermediaries to develop the capability to begin collecting the redemption fees from all of their customers that invest in the fund.” Schwab International Core Equity Fund Prospectus, May 1, 2008, pages 18-19.
44. SEI Investments (www.sei.com). “Judgments with respect to implementation of the Funds’ policies are made uniformly and in good faith in a manner that the Funds believe is consistent with the best long-term interests of shareholders. When applying the Funds’ policies, the Funds may consider (to the extent reasonably available) an investor’s trading history in all SEI funds, as well as trading in accounts under common ownership, influence or control, and any other information available to the Funds. The Funds’ monitoring techniques are intended to identify and deter short-term trading in the Funds. However, despite the existence of these monitoring techniques, it is possible that short-term trading may occur in the Funds without being identified. For example, certain investors seeking to engage in short-term trading may be adept at taking steps to hide their identity or activity from the Funds’ monitoring techniques. Operational or

technical limitations may also limit the Funds' ability to identify short-term activity. The Funds and/or their service providers have entered into agreements with financial intermediaries that require them to provide the Funds and/or their service providers with certain shareholder transaction information to enable the Funds and/or their service providers to review the trading activity in the omnibus accounts maintained by financial intermediaries. The Funds may also delegate trade monitoring to the financial intermediaries. If excessive trading is identified in an omnibus account, the Funds will work with the financial intermediary to restrict trading by the shareholder and may request the financial intermediary to prohibit the shareholder from future purchases or exchanges into the Funds. The Funds will monitor trading activity coming from such intermediaries and take reasonable steps to seek cooperation from any intermediary through which the Funds believe short-term trading activity is taking place. Certain of the Funds are sold to participant-directed employee benefit plans. The Funds' ability to monitor or restrict trading activity by individual participants in a plan may be constrained by regulatory restrictions or plan policies. In such circumstances, the Funds will take such action, which may include taking no action, as deemed appropriate in light of all the facts and circumstances." SEI Institutional Investments Trust Prospectus, filed August 1, 2008, page 140.

45. SSgA Funds (www.ssgafunds.com). "While the SSgA Funds attempt to discourage market timing, there can be no guarantee that it will be able to identify investors who are engaging in excessive trading or limit their trading practices. Additionally, frequent trades of small amounts may not be detected. However, the SSgA Funds have entered into agreements with Intermediaries that require the Intermediaries to provide upon request trading information at the underlying shareholder level. Nevertheless, the SSgA Funds recognize that it may not always be able to detect or prevent market timing activity or other activity that may disadvantage the Funds or its shareholders." SSgA International Growth Fund Prospectus, December 18, 2007, page 62.
46. T. Rowe Price (www.troweprice.com). "If your shares are held through an intermediary in an omnibus account, T. Rowe Price relies on the intermediary to assess the redemption fee on underlying shareholder accounts. T. Rowe Price seeks to identify intermediaries establishing omnibus accounts and to enter into agreements requiring the intermediary to assess the redemption fees. There are no assurances that T. Rowe Price will be successful in identifying all intermediaries or that the intermediaries will properly assess the fees. Intermediaries who are unable to implement redemption fees due to systems limitations must either (1) implement short-term trading restrictions approved by T. Rowe Price until they have the system capabilities to assess the fees or (2) set forth an implementation plan acceptable to T. Rowe Price. . . . In such situations [where intermediaries establish omnibus accounts], T. Rowe Price reviews trading activity at the omnibus account level and looks for activity that indicates potential excessive or short-term trading. If it detects suspicious trading activity, T. Rowe Price contacts the intermediary to determine whether the excessive trading policy has

been violated and may request and receive personal identifying information and transaction histories for some or all underlying shareholders (including plan participants) to make this determination. If T. Rowe Price believes that its excessive trading policy has been violated, it will instruct the intermediary to take action with respect to the underlying shareholder.” T. Rowe Price International Funds—Equity Portfolios Prospectus, March 1, 2008, pages 26 and 35.

47. USAA Investments (www.usaa.com). “Some investors purchase USAA fund shares through financial intermediaries that establish omnibus accounts to invest in the USAA family of funds for their clients and submit net orders to purchase or redeem shares after combining their client orders. The USAA family of funds subject to the short-term trading policies generally treat these omnibus accounts as an individual investor and will apply the short-term trading policies to the net purchases and sales submitted by the omnibus account unless the funds or their transfer agent have entered into an agreement requiring the omnibus account to submit the underlying trading information for their clients upon our request and/or monitor for excessive trading. For those omnibus accounts for which we have entered into agreements to provide underlying trade information, the intermediary or USAA Funds reviews net activity in these omnibus accounts for activity that indicates potential excessive short-term trading activity. If we detect suspicious trading activity at the omnibus account level, we will request underlying trading information and review the underlying trading activity for individual accounts to identify individual accounts engaged in excessive short-term trading activity. We will instruct the omnibus account to restrict, limit, or terminate trading privileges in a particular fund for individual accounts identified as engaging in excessive short-term trading through these omnibus accounts. We also may rely on the intermediary to review for, [sic] identify underlying trading activity for individual accounts engaged in excessive short-term trading activity, and to restrict, limit, or terminate trading privileges.” USAA Target Retirement Funds Prospectus, filed July 31, 2008, pages 12-13.
48. The Vanguard Group (www.vanguard.com). “When intermediaries establish accounts in Vanguard funds for their clients, we cannot always monitor the trading activity of individual clients. However, we review trading activity at the omnibus level, and if we detect suspicious activity, we will investigate and take appropriate action. If necessary, Vanguard may prohibit additional purchases of fund shares by an intermediary or by certain of the intermediary’s clients. Intermediaries may also monitor their clients’ trading activities in the Vanguard funds. For those Vanguard funds that charge purchase or redemption fees, intermediaries will be asked to assess purchase and redemption fees on shareholder and participant accounts and remit these fees to the funds. The application of purchase and redemption fees and frequent-trading policies may vary among intermediaries. There are no assurances that Vanguard will successfully identify all intermediaries or that intermediaries will properly assess purchase and redemption fees or administer frequent trading policies.” Vanguard International Growth Fund Prospectus, April 29, 2008, pages 35-36.

49. Van Kampen Investments (www.vankampen.com). “Except as described in each of these sections and with respect to omnibus accounts, the Fund’s policies regarding frequent trading of Fund shares are applied uniformly to all shareholders. With respect to trades that occur through omnibus accounts at intermediaries, such as investment advisers, broker dealers, transfer agents, third party administrators and insurance companies, the Fund (i) has requested assurance that such intermediaries currently selling Fund shares have in place internal policies and procedures reasonably designed to address market timing concerns and has instructed such intermediaries to notify the Fund immediately if they are unable to comply with such policies and procedures and (ii) requires all prospective intermediaries to agree to cooperate in enforcing the Fund’s policies with respect to frequent purchases, exchanges and redemptions of Fund shares. On omnibus accounts at intermediaries, the intermediary generally does not provide specific shareholder transaction information to the Fund on individual shareholder accounts on an ongoing basis. Therefore, to some extent, the Fund relies on the intermediaries to monitor frequent short-term trading by shareholders. As a part of the Fund’s or the Distributor’s agreements with intermediaries, the intermediaries are required to provide certain shareholder identification and transaction information upon the Fund’s request. The Fund may use this information to help identify and prevent market-timing activity in the Fund. There can be no assurance that the Fund will be able to identify or prevent all market-timing activity.” Van Kampen Global Growth Fund Prospectus, April 15, 2008, pages 24-25.
50. Wells Fargo Funds (www.wellsfargoadvantagefunds.com). “... certain brokers, retirement plan administrators and/or fee-based program sponsors who maintain underlying shareholder accounts do not have the systems capability to track and assess redemption fees. Though these intermediaries will be asked to assess redemption fees on shareholder and participant accounts and remit these fees to the Fund, there are no assurances that all intermediaries will properly assess redemption fees. Further, a financial intermediary may apply different methodologies than those described above in assessing redemption fees or may impose their own redemption fee that may differ from the Fund’s redemption fee. . . . A financial intermediary through whom you may purchase shares of the Fund may independently attempt to identify excessive trading and take steps to deter such activity. As a result, a financial intermediary may on its own limit or permit trading activity of its customers who invest in Fund shares using standards different from the standards used by Funds Management and discussed in this Prospectus. Funds Management may permit a financial intermediary to enforce its own internal policies and procedures concerning frequent trading in instances where Funds Management reasonably believes that the intermediary’s policies and procedures effectively discourage disruptive trading activity.” Wells Fargo Advantage International Stock Funds Prospectus, April 1, 2008, pages 35 and 37.