CMFI
Coalition of Mutual Fund Investors

February 13, 2008

Nancy M. Morris
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, File No. S7-28-07

Dear Ms. Morris:

The Coalition of Mutual Fund Investors (CMFI) appreciates the opportunity to comment on the proposal by the U.S. Securities and Exchange Commission (SEC) to amend the forms and the rules by which mutual funds disclose prospectus information to investors. CMFI is an Internet-based shareholder advocacy organization based in Washington, D.C.

The most significant aspect of this proposed rule replaces the existing procedure for providing a statutory prospectus to investors with a more streamlined approach. Under this new approach, investors will receive a 3-4 page summary document ("Summary Prospectus") that provides, in a standardized format, the most important information sought after by mutual fund investors. Additional information, such as the statutory prospectus, the statement of additional information (SAI), and the most recent semi-annual and annual reports, will be provided in electronic form on a mutual fund's website, for easy access and use.

The Commission's proposal is a very sensible method for disclosing information to investors. The statutory prospectus is an important document, but it is not being read by the average investor. It is also very expensive for mutual funds to mail a prospectus to each investor when he or she invests in a fund and on an annual basis. It will be more effective to use the two-step disclosure process proposed by the Commission: (1) provide an investor with a Summary Prospectus, either electronically or in paper form; and (2) use the Internet to make the statutory prospectus, the SAI, and other reports available to any investor seeking more information than what is provided in the Summary Prospectus.

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This new disclosure regime will help investors focus on what is most important in making investment decisions with respect to any particular fund. A summary document is much more likely to be reviewed by investors. And the fund industry will avoid the wastefulness of mailing prospectuses to millions of investors who generally do not read this material. For these reasons, CMFI supports this new approach and framework as an excellent way to use technology to improve the quality of the disclosures made to mutual fund investors.

CMFI has reviewed the format of the Hypothetical Summary Prospectus prepared by the SEC staff and contained in the Appendix to the proposed rule. CMFI generally supports the format and presentation developed for this Summary Prospectus. CMFI also has the following comments regarding several of the specific issues contained in this rule proposal:

1. Multiple Fund Prospectus Disclosures. CMFI agrees with the Commission that fund families offering multiple funds should present summary information for each fund sequentially and not in the format that is commonly used today. The multiple fund prospectus is an efficient mechanism to disclose important information about related funds and should be permitted to continue. These funds often have many similar features and characteristics, from investment philosophy to the mechanics of transacting in a particular fund. The proposed Summary Prospectus, on the other hand, is designed to provide a standardized format for investors to receive basic information about each fund that is easily comparable from fund-to-fund. This process will be diluted if funds are permitted to use the current multiple fund prospectus format. Instead, investors should be able to obtain and review a Summary Prospectus for each individual fund within a fund family.

2. Disclosure of the Availability of Breakpoint Discounts. The Commission's proposal requires that the Summary Prospectus include a brief narrative that alerts investors to the availability of volume purchase discounts on front-end sales charges. This narrative would be presented at the beginning of the fee table. For example, the narrative in the Hypothetical Summary Prospectus contained in the Appendix to this proposed rule states: "You may qualify for sales charge discounts if you and your family invest, or agree to invest in the future, at least $25,000 in XYZ Funds." This narrative should be improved by also noting where an investor can go to find this information, i.e., by reviewing the statutory prospectus or the SAI, or both.

3. Disclosure of the Portfolio Turnover Rate. The portfolio turnover rate of a fund is a very informative disclosure to an investor. The turnover rate tells an investor about both the investment style of the manager and the potential brokerage costs that the fund may incur in the future. Funds that employ a low-turnover strategy still

have portfolio turnover; however, the turnover rate will be much lower than funds using a strategy that seeks to buy and sell securities based on the short-term direction of the capital markets. In CMFI's view, it is hard to evaluate portfolio turnover by looking only at the most recent fiscal year of a fund, as the Commission proposes. A "buy and hold" fund may have a year in which the turnover rate is higher than normal because of a short-term need to sell overvalued securities. Likewise, a momentum-driven investment strategy may not be as obvious to a potential investor if he or she only looks at the turnover rate for the most recent fiscal year. A better and more complete disclosure for the Summary Prospectus is the annual average turnover rate for the most recent five (5) years. This information is already provided—on a year-by-year basis—for a 5-year time period in the financial highlights section of the statutory prospectus. Annual turnover data can be easily averaged so that investors can be provided with the turnover rate for the same 5-year period disclosed in the underlying statutory prospectus. This 5-year average presents a more complete picture of the investment philosophy of the fund manager and also conveys more information about the potential trading costs which may be incurred because of expected portfolio turnover in the future.

4. Disclosure of Portfolio Holdings. CMFI supports the inclusion of a fund's largest ten (10) portfolio holdings in the Summary Prospectus. This information will provide an investor with a quick snapshot of the types of securities that a particular fund invests in.

5. Disclosure of Financial Intermediary Compensation. The Commission proposes to have a short paragraph at the end of the Summary Prospectus that informs the investor about the financial relationships between a fund and its third-party intermediaries.[1] As proposed, the disclosure statement would read as follows:

> **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. These payments may influence the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your sales person or visit your financial intermediary's Web site for more information.[2]

While this disclosure is an excellent idea, it is incomplete. Financial intermediaries are responsible for an ever-increasing share of mutual fund transactions

[1] The purpose of this disclosure is to provide mutual fund investors with more information about "certain distribution-related costs that create conflicts for broker-dealers and their associated persons." See 72 Fed. Reg. 67,797 (Nov. 30, 2007).

[2] 72 Fed. Reg. 67,797 (Nov. 30, 2007).

and investors should be aware of other conflicts that exist between funds and their intermediaries. For example, the diffusion of investor-level recordkeeping among the funds and its third-party intermediaries has made it virtually impossible for any fund to enforce its policies and procedures within these third-party arrangements, called "omnibus accounts."[3]

CMFI has studied this issue for the past several years and has released several reports to the public highlighting the lack of uniformity in enforcing a fund's market timing and sales load discount policies, among others, within these third-party accounts.[4] The latest CMFI study, issued in June of 2007, found that all of the largest 50 mutual fund groups are unable to uniformly enforce their policies because of a lack of transparency in these accounts.[5] As a result of this problem, all of these large fund groups now disclose in statutory prospectus filings that they have no choice but to consider waiving, excluding, or limiting the enforcement of their short-term trading policies within omnibus accounts. Attached as Appendix A to this comment letter are excerpts from the most recent prospectus disclosures, which provide documentation of this problem from the largest 50 mutual fund groups.

Investors need to be aware that they may receive non-uniform treatment regarding a fund's policies and procedures if they choose to invest through a third-party intermediary. For this reason, CMFI recommends that this section of the Summary Prospectus contain the following additional disclosure language, 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

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[3] Many third-party financial intermediaries transact in mutual fund shares by using omnibus accounting. On each trading day, these intermediaries compile all purchase, redemption, and exchange orders among their customers and place one consolidated order with each mutual fund. The intermediary, instead of the individual investors, serves as the shareholder of record on the fund's books. The investors who are customers of the intermediary are treated as beneficial owners. This process works in similar fashion to holding securities in "street name."

[4] Analysis of Mutual Fund Redemption Fee Policies, Coalition of Mutual Fund Investors, August 3, 2004; Analysis of Mutual Fund Redemption Fee Policies, Coalition of Mutual Fund Investors, May 5, 2005; An Evaluation of Mutual Fund Redemption Fees and Other Market Timing Policies, Coalition of Mutual Fund Investors, June 20, 2007. All three reports are available on CMFI's website at: http://www.investorscoalition.com/fundstudy.html.

[5] An Evaluation of Mutual Fund Redemption Fees and Other Market Timing Policies, Coalition of Mutual Fund Investors, June 20, 2007, available at http://www.investorscoalition.com/fundstudy.html.

> 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.

The Commission has worked hard to improve transparency within these third-party intermediary accounts. It has mandated more complete disclosure of a fund's excessive trading policies in the statutory prospectus.[6] It has required funds to consider a redemption fee to reduce the economic incentives for arbitrage transactions.[7] And it has required that financial intermediaries and funds have information-sharing agreements to permit funds to request identity and transaction information at the individual investor level.[8]

Unfortunately, these steps alone will not solve the problem. Funds are going to continue to have to disclose in the statutory prospectus that they may waive, exempt or limit the enforcement of their short-term trading policies within these third-party accounts. And this issue is just the tip of the iceberg, as many funds are also unable to ensure the correct application of other policies and corporate actions within these accounts, such as sales load discounts and dividend reinvestments.

This lack of uniformity regarding the enforcement of a fund's frequent trading and other policies should be disclosed to investors in the Summary Prospectus.[9] The most appropriate section for this disclosure would be in the same area as other disclosures relating to financial intermediary compensation and potential conflicts.

6. Disclosure of Ticker Symbols. With thousands of funds being offered to investors, it has become very difficult for all but the most astute investors to identify individual funds. Many funds now have multiple classes with different characteristics. Funds also sometimes go through name changes that are hard to track, even if an investor uses an independent research tool, like Morningstar or Value Line. One very simple way to ensure that an investor is going to purchase the fund and the class that he or she expects to purchase is to ensure that the investor knows the ticker symbol for each investment vehicle. For this reason, the Commission should require that the ticker symbol for each fund (and the ticker symbols for each class of a fund offering) be displayed on the first page of the Summary Prospectus. This will be a valuable aid to

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[6] Disclosure Regarding Market Timing and Selective Disclosure of Portfolio Holdings, 69 Fed. Reg. 22,300 (Apr. 23, 2004).

[7] 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).

[8] Id (codified at 17 C.F.R. § 270.22c-2(a)(2) and § 270.22c-2(c)(5)).

[9] Specifically, this proposed language should be added to the Financial Intermediary Compensation language requirement in Item 9 of Form N-1A.

individual investors and will facilitate their ability to transact in a particular fund after reading a Summary Prospectus. To ensure consistency, CMFI also recommends that ticker symbols be included on the first page or on the cover page of the statutory prospectus and the SAI.

7. Availability of the Statement of Additional Information. For the last four years, CMFI has advocated that the SAI be made available to investors over the Internet.[10] Currently, an investor can only receive this document by calling a 1-800 number and requesting a copy. An investor also can obtain a copy through the SEC's EDGAR system. The Commission's proposal to require that this document be made available through a mutual fund's website will make it much easier for investors to review this document and become more knowledgeable about fund operations and management. CMFI strongly supports this requirement.

8. Legend on the Summary Prospectus Cover Page. The Hypothetical Summary Prospectus provided with the proposed rule contains the following sentence in the legend: "You can find the Fund's prospectus and other information about the Fund, including the *statement of additional information and most recent reports to shareholders*, online at [Web address]" (emphasis added).[11] Within the description of the proposed rule itself, this same sentence in the required legend reads: "You can find the Fund's prospectus and other information about the Fund online at [________]."[12] Since the SEC's proposed rule requires that a fund provide an electronic copy of the SAI on a non-SEC website and since all funds must file such a disclosure at least annually, CMFI recommends that the sentence used in the required legend include a specific reference to the SAI. It will not take up excessive space in the legend and it will alert investors that such a document exists and can be easily accessed by investors seeking additional information. The language used in the legend of the Hypothetical Summary Prospectus presents this disclosure in the most complete and helpful manner.

9. Updating Requirements for the Summary Prospectus. CMFI agrees with the Commission's proposal to require quarterly updating of performance and portfolio holdings information in the Summary Prospectus. CMFI agrees with the Commission that quarterly updating improves the usefulness of this document to investors. A quarterly updating requirement also should not be an undue burden on funds.

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[10] Statement of Niels C. Holch, Coalition of Mutual Fund Investors, Hearing before the Senate Subcommittee on Financial Management, the Budget and International Security, U.S. Senate, January 27, 2004; Comment Letter by the Coalition of Mutual Fund Investors, SEC File No. S7-26-03, February 6, 2004; Comment Letter by the Coalition of Mutual Fund Investors, SEC File No. S7-28-03, February 11, 2004; Comment Letter by the Coalition of Mutual Fund Investors, SEC File No. S7-29-03, February 23, 2004, available at http://www.investorscoalition.com/regulatory.htm.

[11] Hypothetical Summary Prospectus, prepared by the SEC staff, available at: http://www.sec.gov/rules/proposed/2007/33-8861.pdf#appendix.

[12] 72 Fed. Reg. 67,800 (Nov. 30, 2007), explaining proposed rule 498(b)(1).

10. Time Period for Internet Access of Fund Documents. The proposed rule requires that funds keep the statutory prospectus, the SAI, and other reports on a dedicated website for at least ninety (90) days.[13] Since there is little cost to leaving these documents on a website, CMFI recommends that these documents remain on such a website for one (1) year or until replaced by a new filing, which will be done at least on an annual basis for the prospectus and the SAI. A similar rule can be developed for the semi-annual and annual reports; these documents should stay on the website until they are replaced by more updated reports.

CMFI appreciates the opportunity to comment on the Commission's proposed rule to modify the current prospectus disclosure regime. This new approach will clearly make mutual fund information disclosures more meaningful, while at the same time using technology to provide additional information to investors in a faster and more cost-effective manner than the current disclosure framework.

If CMFI can provide additional information to the Commission as it considers a final version of this proposal, please feel free to contact me.

Sincerely,

Niels Holch

Niels Holch
Executive Director

Attachment

cc: The Honorable Christopher Cox
The Honorable Paul Atkins
The Honorable Kathleen Casey
Andrew Donahue, Division of Investment Management
Robert Plaze, Division of Investment Management
Tara R. Buckley, Division of Investment Management
Brent J. Fields, Division of Investment Management
Kieran G. Brown, Division of Investment Management
Sanjay Lamba, Division of Investment Management

[13] 72 Fed. Reg. 67,802 (Nov. 30, 2007), explaining proposed rule 498(f)(1).

# APPENDIX

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

Largest Fifty (50) Mutual Fund Groups[1]

(Updated as of February 8, 2008)

1. AIM Investments. "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 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 Aggressive Growth Fund Prospectus, February 8, 2008, page A-14.

2. AllianceBernstein Investments. "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 short-term trading in Fund shares

[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.

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. "[A]merican Century's ability to monitor trades that are placed by individual shareholders within group, or omnibus, accounts maintained by financial intermediaries is severely limited because American Century generally does not have access to the underlying shareholder account information. However, American Century monitors aggregate trades placed in omnibus accounts and seeks to work with financial intermediaries to discourage shareholders from engaging in abusive trading practices and to impose restrictions on excessive trades. There may be limitations on the ability of financial intermediaries to impose restrictions on the trading practices of their clients. As a result, American Century's ability to monitor and discourage abusive trading practices in omnibus accounts may be limited." American Century Investments Veedot Fund Prospectus, March 1, 2007, page 18.

4. American Funds. "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 Perspective Fund Prospectus, December 1, 2007, pages 18-19.

5. Barclays Global Investors. "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. "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 Developing Capital Markets Fund Prospectus, October 29, 2007, page 34.

7. BNY Hamilton Funds. "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 30, 2007, pages 70-71.

8. Columbia Funds. "The Fund typically is not able to identify trading by a particular beneficial owner through an omnibus account, which may make it

[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.

difficult or impossible to determine if a particular account is engaged in market timing. Consequently, there is the risk that the Fund may not be able to identify, deter or curtail market timing that occurs in the Fund, which may result in certain shareholders being able to market time the Fund while the shareholders in the Fund bear the burden of such activities. Certain financial intermediaries . . . have different policies regarding monitoring and restricting market timing in the underlying beneficial owner accounts that they maintain through an omnibus account that may be more or less restrictive than the Fund practices discussed above. . . . If an intermediary does not enforce the Fund's [market timing] policy, the intermediary must either provide data transparency to Columbia Management or Columbia Management must determine that intermediary's policy taken in its entirety provides protections to Fund shareholders that are generally commensurate with the Fund's policy." Columbia Acorn International Prospectus, May 1, 2007, pages 18-19.

9. Davis Funds. "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 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, 2007, as amended September 1, 2007, pages 91-92.

10. Dimensional Fund Advisors (DFA) Funds. "The ability of the Funds 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 Funds and Dimensional to prevent excessive short-term trading, there is no assurance that the Funds, Dimensional or their agents will be able to identify those shareholders or curtail their trading practices. The ability of the Funds, Dimensional and their agents to detect and limit excessive short-term trading also may be restricted by operational systems and technological limitations." DFA Investment Dimensions Group Inc. Prospectus, March 30, 2007, page 73.

11. Dodge & Cox Funds. "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." Dodge & Cox Funds Prospectus, May 1, 2007, page 25.

12. Dreyfus Funds. "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." Dreyfus Emerging Leaders Fund Prospectus, January 1, 2008, page 13.

13. DWS-Scudder. "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." DWS Emerging Markets Equity Fund Prospectus Supplement, September 24, 2007, page 2.

14. Eaton Vance. "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. "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." Evergreen Global and International Funds Prospectus, March 1, 2007, page 51.

16. Federated Investors. "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. "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. "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 access to individual account-level activity for those investing through an intermediary. 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, 2007, page 51.

19. Franklin Templeton Investments. "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, 2007, pages 43-44.

20. GMO Trust. "[S]hares of some Funds are distributed through financial intermediaries that submit net purchase and redemption orders through omnibus accounts. These omnibus accounts engage in frequent transactions due to the daily trading activity of underlying shareholders. Because transactions by omnibus accounts 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 Funds' 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 Funds' Procedures if GMO believes that the financial intermediary's policies and procedures are reasonably designed to detect and prevent frequent trading activity that is harmful to a Fund and its shareholders." GMO Trust Prospectus Supplement, December 21, 2007, page 4.

21. Goldman Sachs Funds. "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 intermediaries may not have the capability or may not be willing to apply the Funds' market-timing policies or any applicable redemption fee. While Goldman Sachs may monitor share turnover at the omnibus account level, a 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 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 Funds 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, December 28, 2007, page 83.

22. Harbor Funds. "When financial intermediaries establish omnibus accounts with Harbor Funds, Harbor Funds monitors trading activity 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, 2007, as revised November 1, 2007, page 47.

23. The Hartford Mutual Funds. "The funds' policies for deterring frequent purchases and redemptions of fund shares by a fund shareholder 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 funds are substantially limited in their ability to identify or deter Excessive Traders or other abusive

traders. The funds' procedures with respect to omnibus accounts will be 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 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 policy in lieu of this Policy 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 determine whether shareholder transactions violating the Policy may be occurring. In such cases, HASCO shall request and evaluate individual shareholder level transaction detail and seek to impose restrictions in accordance with the Policy." The Hartford Mutual Funds Prospectus, March 1, 2007, page 230, as amended by the Prospectus Supplement dated August 31, 2007, page 8.

24. Janus Funds. "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, 2007, pages 108-110.

25. John Hancock Funds. "[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 Equity and International Funds Prospectus Supplement, December 17, 2007, page 1.

26. JP Morgan Funds. "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 28, 2007, page 63.

27. Julius Baer Funds. "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. For example, the ability of the Funds to monitor trades that are placed by omnibus or other nominee accounts is severely limited in those instances in which the financial intermediary, including a financial adviser, broker or retirement plan administrator, maintains the record of a Fund's underlying beneficial owners. 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." Julius Baer Funds Prospectus, October 30, 2007, pages 59-60.

28. Legg Mason. "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, 2007, page 24.

29. Lord Abbett. "With respect to monitoring 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, September 14, 2007, page 47.[3]

[3] Lord Abbett also discloses in this Prospectus on page 48 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."

30. MFS Investment Management. "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 fund. . . . MFSC is generally not able to identify trading by a particular underlying shareholder within an omnibus account, which makes it difficult or impossible to determine if a particular underlying shareholder has violated the two exchange limit or is otherwise engaged in frequent trading. However, MFSC reviews trading activity at the omnibus level to detect suspicious trading activity. If MFSC detects suspicious trading activity at the omnibus level it will contact the financial intermediary to request underlying shareholder level activity to determine whether there is underlying shareholder level frequent trading. In certain instances, a financial intermediary may be unwilling or unable to provide MFSC with information about underlying shareholder level activity. . . . Accordingly, depending upon the composition of a fund's shareholder accounts, the level of cooperation provided by the financial intermediary and in light of 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." MFS Asset Allocation Funds Prospectus, October 1, 2007, pages 51-52.

31. Morgan Stanley Funds (Retail). "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, filed December 20, 2007, page 19.

32. Morgan Stanley Funds (Institutional). "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 intermediaries currently selling Portfolio 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 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 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, April 30, 2007, page 30.

33. Natixis Equity Funds. "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 Funds will be able to detect or prevent all market timing or other trading practices that may disadvantage the Funds." Natixis Equity Funds Prospectus, February 1, 2008, page 34.

34. Oakmark Funds. "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. . . . 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. "While the Fund, the Distributor, the Manager and the Transfer Agent encourage financial intermediaries to apply the Fund's policies to their customers who invest indirectly in the Fund, the Transfer Agent may not be able to detect excessive short term trading activity facilitated by, or in accounts maintained in, the "omnibus" or "street name" accounts of a financial intermediary. Therefore, the Transfer Agent might not be able to apply this policy to accounts such as (a) accounts held in omnibus form in the name of a broker-dealer or other financial institution, or (b) omnibus accounts held in the name of a retirement plan or 529 plan trustee or administrator, or (c) accounts held in the name of an insurance company for its separate account(s), or (d) other accounts having multiple underlying owners but registered in a manner such that the underlying beneficial owners are not identified to the Transfer Agent. However, 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 account activity, and to confirm to the Transfer Agent and the Fund that appropriate action has been taken to curtail any excessive trading activity. However, the Transfer Agent's ability to monitor and deter excessive short-term trading in omnibus or street name accounts ultimately depends on the capability and cooperation of the financial intermediaries controlling those accounts." Oppenheimer International Growth Fund Prospectus, March 30, 2007, page 39.

36. PIMCO/Allianz Funds. "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, October 1, 2007, page 55.

37. Pioneer Investments. "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 invests a significant portion of its portfolio in securities that are fair valued, 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, are aggregated. Our ability to monitor trading practices by investors purchasing shares through omnibus accounts is limited and dependent upon the cooperation of the financial intermediary in taking steps to limit this type of activity." Pioneer International Value Fund Prospectus, April 1, 2007, page 36.

38. Principal Funds. "If an intermediary, such as a retirement plan or recordkeeper, is unwilling to impose the Fund's excessive trading fee, the Fund may waive such fee if it determines that the intermediary is able to implement other policies and procedures reasonably designed to prevent excessive trading in Fund shares. If an intermediary is unable to implement the Fund's excessive trading policy or to implement other procedures reasonably designed to prevent excessive trading in Fund shares, the Fund may waive the application of its excessive trading policy with respect to transactions of beneficial owners underlying the intermediary's omnibus account if, in Fund management's opinion, the purchases and redemptions at the omnibus level are not likely to have an adverse impact on the management of the Fund's portfolio. The Fund will monitor net purchases and redemptions in any such omnibus account in an effort to identify trading activity that might adversely impact the management of the Fund's portfolio and, if such excessive trading is identified, will require the intermediary to prohibit ongoing excessive trading by the underlying beneficial owner or owners whose transactions are determined to be excessive." Principal Investors Fund, Inc. Prospectus, May 29, 2007, page 179.

39. Prudential (Jennison Dryden) Funds. "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." Dryden International Equity Fund Prospectus, December 31, 2007, page 30.

40. Putnam Investments. "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 Voyager Fund Prospectus, November 30, 2007, page 32.

41. RiverSource Investments (distributed by Ameriprise). "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 Aggressive Growth Fund Prospectus, July 30, 2007, page S-16.

42. Russell Funds. "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, March 1, 2007, as supplemented November 1, 2007, pages 87-88.

43. Schwab Funds. "The funds may also defer to an intermediary's frequent trading policies with respect to those shareholders who invest in the funds through such intermediary. The funds will defer to an intermediary's policies only after the funds determine that the intermediary's frequent trading policies adequately protect fund shareholders. Transactions by fund shareholders investing through such intermediaries will be subject to the restrictions of the intermediary's frequent trading policies, which may differ from those of the funds. . . . A number of these financial intermediaries may not have the capability or may not be willing to apply the funds' market timing policies. As a result, a fund cannot assure that its policies will be enforced with regard to fund shares held through such omnibus arrangements. While each fund may monitor share turnover at the omnibus account level, a fund's ability to monitor and detect market timing by particular shareholders in these omnibus accounts is limited and, therefore, the fund may not be able to determine whether trading by these shareholders is contrary to the fund's market timing policies." Schwab Active Equity Funds Prospectus, February 28, 2007, as amended July 13, 2007, pages 57-58.

44. SEI Investments. "The Fund's monitoring techniques are intended to identify and deter short-term trading in the Fund. However, despite the existence of these monitoring techniques, it is possible that short-term trading may occur in the Fund 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 Fund's monitoring techniques. Operational or technical limitations may also limit the Fund's ability to identify short-term activity. While it is the Fund's intention that intermediaries trading in Fund shares will assist the Fund in enforcing the Fund's policies, certain intermediaries may be unable or unwilling to effectively enforce the Fund's trading or exchange restrictions. The Fund will monitor trading activity coming from such intermediaries and take reasonable steps to seek cooperation from any intermediary through which the Fund believes short-term trading activity is taking place." SEI Screened World Equity Ex-US Fund Prospectus, filed December 11, 2007, page 15.

45. SSgA Funds. "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 Funds Prospectus, December 18, 2007, page 62.

46. T. Rowe Price. "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. . . . 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 is 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, September 4, 2007, revised to November 16, 2007, pages 25 and 33-34.

47. USAA Investments. "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. For those omnibus accounts for which we have entered into agreements to provide underlying trade information, the USAA family of 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." USAA Total Return Strategy Fund Prospectus, May 1, 2007, page 11.

48. The Vanguard Group. "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, December 10, 2007, page 33.

49. Van Kampen Investments. "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 Equity Allocation Fund Prospectus, October 31, 2007, page 27.

50. Wells Fargo Funds. "[C]ertain 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, February 1, 2008, pages 27 and 29.