

# Offshore Mutual Fund Investing at Merrill

A Client Disclosure Pamphlet  
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# Offshore Mutual Fund Investing at Merrill

## Disclosure Statement (Continued)

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### Introduction

When selecting an offshore mutual fund (also referred to herein as a “mutual fund” or “fund”) that fits your needs, there are several key factors to consider:

- The fund’s investment strategy
- The fund’s risk profile
- The fund’s investment performance
- The fund’s relationship to your overall asset allocation strategy, investment time horizon and liquidity needs
- The fund’s manager
- The fund’s fees and expenses, which will reduce investment returns

This pamphlet offers information about fees and expenses for the offshore open-end mutual fund share classes available through Merrill, as well as the compensation that Merrill and its financial advisors earn with respect to offshore mutual funds.

Merrill, a wholly owned subsidiary of BofA Corp, offers a wide range of investment products and services, including many different open-end mutual funds. Mutual funds available through Merrill include (i) funds that are registered in the United States and typically only offered for sale to “U.S. persons” (“domestic” mutual funds) and (ii) funds that are domiciled outside of the United States and are typically only available to people or entities that are not “U.S. persons” under Regulation S of the Securities Act of 1933 and meet other eligibility requirements (“offshore” mutual funds). Although they are not registered in the United States, offshore mutual funds function similarly to U.S. registered mutual funds in terms of structure, investments, operations, risks and costs. A common type of offshore mutual fund available at Merrill is an Undertakings for Collective Investment in Transferable Securities fund (a “UCITS” fund), which is an open-end European investment fund established in accordance with the UCITS Directive. UCITS funds are typically domiciled in Ireland or Luxembourg. Other types of offshore mutual funds include funds domiciled in the Cayman Islands or other non-U.S. jurisdictions. This pamphlet only refers to offshore mutual funds. For information about U.S. registered mutual funds at Merrill, refer to the “Domestic Mutual Fund Disclosure” at [www.ml.com/funds](http://www.ml.com/funds).

Merrill offers offshore mutual funds in full-service

traditional brokerage accounts and within the Merrill Investment Advisory Program (an asset-based fee program discussed in detail below) where clients work with a dedicated Merrill International Wealth Advisor (referred to herein as a “Merrill financial advisor”) in some capacity and have access to a wide range of securities and other investment products.

**Based on the service model, the same or similar products, accounts and services may vary in their price or fees charged to a client.**

In addition, you may be able to purchase offshore mutual fund shares, including different share classes, directly from the fund family, its distributor, or other financial intermediaries, without paying a fee or sales charge to Merrill or for lower fees and expenses. Further, some offshore mutual funds have investment strategies that can be substantially similar to the strategies of other investment products, such as exchange traded funds and separately managed accounts. These other investment products can have lower costs and expenses but have different features, eligibility, and risks than those offered by offshore mutual funds (e.g., exchangeability, daily net asset value). You should be aware that a Merrill financial advisor’s compensation varies based on the type of investment product; therefore, a Merrill financial advisor can receive more or less compensation if you invest in an offshore mutual fund over another investment product.

You should consider and compare any eligible reasonably available alternatives to offshore mutual funds in light of your particular investment profile. This comparison should take into account the potential costs and expenses of the product and any relevant alternatives as well as any tax considerations.

A review by, or under the supervision of personnel of, the Chief Investment Office (“CIO”), referred to as the “CIO Review Process,” is conducted on each offshore mutual fund that Merrill makes available to its clients. The CIO Review Process consists of (1) proprietary evaluation processes conducted by the CIO, and (2) processes and reviews provided by third parties that Merrill has engaged for this purpose. The third-party reviewers apply evaluation processes that are generally consistent with, but not identical to, the multi-factor processes that the CIO applies. Merrill, through the CIO, reviews such third-

party reviewers' evaluation processes on an ongoing basis and believes that such processes are reasonable and appropriate. Please note that Merrill and the third-party reviewers can differ with respect to their approach to analyzing and rating particular funds or share classes of funds. Accordingly, in certain instances, Merrill may continue to make available to clients funds or share classes that have been assigned a negative rating by such third-party reviewers; this is particularly likely to occur where a third-party reviewer's negative rating is driven solely by reference to the internal expenses associated with a particular share class, and not the total cost of ownership of such share class to the client.

*For more information on any offshore mutual fund, please request a prospectus, offering document and/or, if available, a key investor information document ("KIID") from your financial advisor and read it carefully. Before investing, carefully consider the investment objectives, risks, and charges and expenses of the fund. This and other information can be found in the fund's prospectus. In general, a "U.S. person", as defined in section 7701(a) (30) of the Internal Revenue Code (the "Code"), who is considering whether to make an investment in an offshore mutual fund is strongly encouraged to consult with a U.S. tax advisor before making such an investment. An offshore mutual fund may constitute a "passive foreign investment company" (or "PFIC") as defined in section 1297 of the Code. If an offshore mutual fund is a PFIC, investors who are U.S. persons may be subject to adverse U.S. federal income tax consequences arising from the ownership and disposition of shares in such fund. Under certain circumstances, an election can be made to reduce the impact of those adverse tax consequences, but investors who are U.S. persons should discuss with a U.S. tax advisor (i) whether you would be able to make such an election and (ii) the tax consequences if you are not able to make such an election. Merrill does not provide legal, tax or accounting advice. Please consult your legal and/or tax advisor regarding this information.*

#### **Offshore Mutual Fund Share Classes**

In order to accommodate different investing needs, many offshore mutual funds offer more than one "class" of shares – generally, front-end load (typically known as and referred to herein as "Class A shares"), level-load (typically known and referred to herein as "Class C shares"), rear-end load (typically known and referred to herein as "Class B shares"), and no-load or load-waived shares. Each

share class represents an interest in the same offshore mutual fund's investment portfolio, but with different fees and expenses. Currently, Merrill does not offer offshore mutual fund Class C shares or Class B shares for purchase.

Offshore mutual funds pay various fees, including but not limited to management fees, administrative fees and/or distribution fees. Merrill may receive a portion of certain fees paid by the fund as discussed in detail below in the section entitled *Bundled Fee for Services*. Some offshore mutual funds offer shares in various currencies, portfolio currency hedging options and dividend and income distribution options, which may have higher fees and expenses than other share classes of the fund.

An investor who holds a more expensive share class of an offshore mutual fund will pay higher fees over time and earn lower investment returns than an investor who holds a less expensive share class of the same fund. At Merrill, certain share classes offered by a fund are limited to specific service models, or certain types of investors, accounts or programs. For example, certain no-load offshore fund share classes are available only through certain Merrill asset-based fee programs, as described in more detail below. However, these share classes generally are not available to clients purchasing offshore mutual funds in a full-service brokerage account. For information about a particular offshore mutual fund's share classes and the associated sales charges and expenses, you should review the fund's prospectus, including the fee table.

*Class A Shares.* Class A shares of offshore mutual funds typically allow for a front-end sales charge, also known as a "load", of up to 6.25% to the price of the shares at the time of purchase. When you purchase Class A shares through Merrill, the sales charge for Class A shares could be from 0% to the maximum of 2% for fixed income funds, and could be from 0% to the maximum of 3% for equity funds and "other" asset-class funds (e.g., allocation, commodity, etc.), unless the fund's prospectus has a lower maximum sales charge. The amount of the sales charge is negotiable by you and your Merrill financial advisor. Your Merrill financial advisor has discretion in negotiating the amount of the sale charge, and may charge you a higher amount than other similarly situated investors. For transactions that are in dollars, the sales charge will be deducted from the amount of your investment. For transactions that are in shares, the sales charge will be charged in

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### Disclosure Statement (Continued)

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addition to the amount of your investment. The amount of the sales charge can also vary based upon factors such as the particular fund's sales charge stated in the fund's prospectus and/or the asset class (e.g., equity, fixed income or other asset class, such as an asset allocation fund) of the fund. Check the fund's prospectus and discuss this sales charge with your Merrill financial advisor. The front-end sales charge is paid to Merrill as a "dealer commission or concession" and a portion of that amount is paid to your Merrill financial advisor.

The fees and expenses for Class A shares of an offshore mutual fund are typically lower than the fees and expenses for that fund's Class C and Class B shares, which are not available for purchase at Merrill but are described in more detail below. Generally, Class A shares can be more economical for investors who have an intermediate to longer-term investment time horizon.

*Class C Shares.* Class C shares typically do not assess a front-end sales charge when you buy shares. However, they often impose a CDSC and have higher annual operating expenses. Class C shares become less economical compared to Class A shares for investors who hold their investments over a longer term. In some instances, Class C shares are more economical for investors who have a short to intermediate investment horizon. Further, unlike certain Class B shares, described below, which may convert to Class A shares after a period of time, Class C shares generally do not have a conversion feature. In addition, Class C shares typically impose a contingent deferred sales charge ("CDSC") of 1.00% of the redemption amount during the first year or longer, with no CDSC thereafter, as disclosed in the fund's prospectus. CDSCs are typically paid to the fund's distributor and not to intermediaries or their representatives, such as Merrill or Merrill financial advisors. Certain Class C shares do not impose a CDSC.

Offshore mutual funds may offer CDSC waivers in certain circumstances depending on the terms of the prospectus or offering document, such as in the event of the death of the shareholder. It is your responsibility to notify your Merrill financial advisor to take advantage of a CDSC waiver. For more information on the waivers available, please speak with your Merrill financial advisor.

Existing Class C shares may be redeemed or exchanged for shares of the same class of another

offshore mutual fund within the same fund family, where available.

Class C shares are not available for purchase at Merrill.

*Class B Shares.* Class B shares do not impose a front-end sales charge. Class B shares do, however, typically impose a CDSC, which may be charged to shareholders who redeem Class B shares within a certain number of years. This charge declines over time and eventually is eliminated. For example, the CDSC typically starts at 4% for shares redeemed during the first year and is reduced over time until it is eliminated, generally after four years. CDSCs on Class B shares are typically paid to the fund's distributor or other service provider, not to Merrill or your Merrill financial advisor.

The fund's fees and expenses for Class B shares are typically higher than the fees and expenses for that fund's Class A shares. Some Class B shares convert to Class A shares after a period of time (typically 8 to 10 years), which effectively lowers the fees and expenses and/or sales charges.

Existing Class B shares may be redeemed or exchanged for shares of the same class of another fund within the same fund family, where available.

Class B shares are not available for purchase at Merrill.

*Institutional and No-Load Share Classes.* Institutional and no-load share classes that do not impose a front-end sales charge or CDSC and typically have lower ongoing fees and expenses than Class A shares may be available through Merrill. These share classes are only available in asset-based fee programs, such as Merrill's Investment Advisory Program, as described in more detail below.

*Mutual Fund Family Fund to Fund Exchange Privileges.* Offshore mutual funds may permit investors to exchange their shares in one offshore mutual fund into the same share class of another offshore mutual fund within the same fund family without a sales charge. Fund exchanges are subject to the exchange conditions set forth in the fund's prospectus and fund and share class availability at Merrill. Consult the fund's prospectus to obtain fund-specific information on exchange privileges and consult with your Merrill financial advisor and your tax advisor.

#### **Asset-Based Fee Programs**

You can purchase offshore mutual funds through



various asset-based fee programs available at Merrill, including discretionary and non-discretionary programs. In these programs, you pay Merrill an annual fee based on a percentage of the value of the assets held in your Merrill account associated with these programs.

These asset-based fee programs allow you to purchase institutional, “no-load” shares, or another share class without a front-end sales charge or CDSC (“Advisory Share Classes”) that are not available for purchase in a Merrill brokerage account that offers offshore mutual funds that have sales charges or transaction fees and is serviced by your Merrill financial advisor. The total cost of purchasing and holding offshore mutual fund shares through an asset-based fee program may be more or less than investing in mutual fund shares in a Merrill brokerage account that is serviced by your financial advisor, depending on various factors including but not limited to, the amount of the asset-based fee, the amount and frequency of offshore mutual fund purchases, the anticipated holding period, and the specific offshore mutual fund shares in which you invest. For example, purchasing and holding Class A shares of a mutual fund in a Merrill brokerage account with no front-end sales charge added will have a lower total cost than purchasing and holding an Advisory Share Class in an asset-based fee program. Conversely, purchasing and redeeming Class A shares, within a short timeframe, in a Merrill brokerage account with a maximum front-end sales charge will likely have a higher total cost than purchasing and redeeming an Advisory Share Class, within the same timeframe, in an asset-based fee program.

In some instances, Advisory Share Classes may offer different characteristics (e.g., hedging and distribution), which have different fees and expenses. You should not assume that you will be purchasing the share class with the lowest possible fees and expenses offered in the program or that the fund sponsor makes available to the investing public. Investors who hold shares that have higher fees and expenses will pay more fees over time and earn lower investment returns.

Advisory Share Classes are not available for purchase in a Merrill brokerage account. Fund share classes available for brokerage accounts generally have higher operating expenses than Advisory Share Classes and may charge sales loads, which are used to compensate Merrill and your Merrill financial

advisor. This creates a conflict of interest because it provides an incentive for your Merrill financial advisor to advise or recommend that you terminate your asset-based fee program account and open a brokerage account if the sales loads for future purchases of fund shares in the brokerage account are higher than the program fee. Conversely, Merrill financial advisors could have an incentive to recommend purchasing offshore mutual funds in an asset-based fee program account because they earn ongoing compensation based on the program fee, which is used to compensate Merrill and your Merrill financial advisor and may be higher than the sales load that they are compensated on in a brokerage account.

In addition, certain model portfolios only available in Merrill’s asset-based fee program, invest your assets in offshore mutual funds. Clients enrolled in these models indirectly incur the funds’ expenses. You should ask your Merrill financial advisor for more information about these costs and/or expense differences and whether an asset-based fee program might be right for you.

Due to the taxable nature of share class conversions in certain jurisdictions as well as certain operational restrictions specific to offshore mutual funds, if a less expensive share class of an offshore mutual fund you hold becomes available in the asset-based fee program or if you transfer your Class A or Class C shares from a brokerage account into an asset-based fee account, your shares will not be converted into the less expensive share class. In this scenario, you may choose to redeem your more expensive offshore mutual fund shares and purchase the less expensive Advisory Share Class of the same offshore mutual fund available at Merrill, but should review the fund’s prospectus, including the fee table, and consult with your Merrill financial advisor and tax advisor before doing so.

#### **Compensation of Merrill, Merrill Financial Advisors and Their Managers**

Merrill and Merrill financial advisors’ compensation varies depending on the fund product, asset class, or share class and depends on whether mutual fund shares are purchased through a Merrill brokerage account or an account enrolled in an asset-based fee program. The fund share-class specific compensation and asset-based fee program compensation (described above) are the basis upon which Merrill financial advisors are paid.

For brokerage accounts, the portion of Merrill’s

compensation that is paid to its Merrill financial advisors is calculated by the same formula regardless of which funds are purchased. However, Merrill and/or, Merrill financial advisors may receive more or less compensation depending on the fund, share class, or asset class you purchase. In addition, for certain Class A shares where the sales charge is negotiable, Merrill financial advisors' compensation can vary based on the amount of the sales charge determined by you and your Merrill financial advisor. The difference in compensation creates a conflict of interest because it provides Merrill and/or Merrill financial advisors with an incentive to recommend funds, asset classes or negotiate sales charges that result in receiving more compensation over those that result in receiving less compensation. In addition, for Class A shares, because the sales charge is negotiable, the sales charge you pay may be more or less than the sales charge paid by another similarly situated client for the same fund and share class.

Merrill addresses the conflict of interest related to the variable nature of how Merrill financial advisors are compensated by limiting the maximum sales charge that can be charged for purchases of Class A shares, as well as not permitting the purchase of Class C or Class B shares of offshore mutual funds, although this does not eliminate the conflict of interest.

Merrill financial advisors' managers are compensated differently than the Merrill financial advisors, reflecting their different responsibilities and accountabilities. However, the portion of total compensation earned by Merrill with respect to offshore fund sales that is paid to managers is calculated pursuant to the same formula for all funds.

Merrill addresses conflicts related to how Merrill financial advisors and managers are compensated in a variety of ways, including the disclosure of the conflicts in this pamphlet. Moreover, Merrill financial advisors are required to recommend or select mutual funds in accordance with the applicable standard of care.

In addition, Merrill has established a variety of policies, procedures, restrictions and disclosures designed to address and to monitor for these potential conflicts of interest, both those arising between and among accounts as well as between accounts and Merrill's business. Further, Merrill

selects mutual funds that are available on the CIO Review Process.

Additional information on compensation and conflicts of interest is available in the [Regulation Best Interest Disclosure Statement](#).

#### **Fund Families' Cost Sharing for Training Events and Other Meetings & Gifts, Meals and Entertainment**

Fund family representatives periodically participate in Merrill-hosted internal training and education conferences for invited Merrill financial advisors and Merrill-hosted client and prospect events, like seminars, trade shows and booth events and share in the costs of such events.

In addition, fund families periodically host educational meetings for Merrill financial advisors (Manager Meetings) where Merrill financial advisors are provided with information on products and services and the opportunity to interact with investment and sales personnel. Fund families are permitted to pay for eligible costs associated with such meetings, including the financial advisors cost of travel and accommodation and continuing education fees.

Furthermore, fund family representatives are permitted to provide gifts, meals and entertainment subject to the limits established under Merrill's internal policies and also can provide monetary support directly to charities for charitable events that Merrill's employees attend or can contribute, from time to time, to charitable events and causes that Merrill supports.

The participation of, and payment of costs by, a fund family for conferences, client events, and Manager Meetings, and the provision of gifts, entertainment and charitable sponsorships or donations present conflicts of interest. They create incentives for Merrill financial advisors to recommend products of participating third-party firms. Additional information on these conflicts of interest is available in the Regulation Best Interest Disclosure Statement.

#### **Additional Merrill Services and Compensation**

In addition to receiving dealer concessions and a portion of the fund's fees, if applicable, in connection with clients' purchasing and holding offshore mutual fund shares, Merrill provides other services for which it may receive additional compensation from offshore mutual funds or their affiliates. This additional compensation is often but not always disclosed in detail in a fund's prospectus, offering document, website and/or, if available, KIID.

## Offshore Mutual Fund Investing at Merrill

### Disclosure Statement (Continued)

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Merrill only makes available to its clients shares of those offshore mutual funds whose affiliates have entered into contractual arrangements with Merrill that generally include the payment of one or more of the fees described below. The following fees do not purchase placement on any preferred lists or any special positioning or coverage of certain funds by Merrill. These fees are used to cover the types of services outlined below and are not passed on to Merrill financial advisors or their managers as compensation.

*Marketing Services and Support.* Merrill provides a variety of distribution, marketing services and support to sponsors of offshore mutual funds regarding their funds that are available through Merrill. These services include, but are not limited to the provision of: an offshore fund specialist support desk for Merrill financial advisors; work stations that include information, announcements, data, and tools relating to their funds; ongoing review and implementation of features and restrictions imposed by their funds; strategic planning support that is intended to assist fund sponsors with strategies that are aligned with Merrill's investment themes and goals; making Merrill financial advisors or other employees available for education regarding their funds; sales related reports and other information; and branch office support, including phones, computers, conference rooms, as well as facilities and personnel support for prospectuses and promotional and other materials relating to their funds. For these services, Merrill receives Marketing Services and Support fees as a part of the Bundled Fee for Services described below, paid by the mutual fund or by its adviser, principal underwriter, or another agent on its behalf.

Merrill addresses conflicts related to marketing services and support fees for the services described in this section in a variety of ways, including the disclosure of the conflicts in this pamphlet. In addition, Merrill selects mutual funds that are available on its brokerage platforms based on qualitative and quantitative evaluation of such factors as performance, risk management policies and procedures and on the consistency of the execution of their strategy. Merrill has also adopted various policies and procedures reasonably designed to prevent the receipt of marketing services and support fees from affecting the nature of the advice or recommendations provided to clients by Merrill financial advisors, although such policies and procedures do not eliminate such conflicts of interest. Merrill financial advisors do not have an incentive to recommend certain funds or share classes that pay marketing services and support fees because Merrill

financial advisors do not receive additional compensation as a result of these types of payments.

A list of mutual fund families that paid Merrill \$100,000 or more for marketing services and support and the range of marketing services and support payments received as of the prior calendar year is available at [www.ml.com/funds](http://www.ml.com/funds) under "Marketing Support Disclosure".

*Sub-Accounting Related Services.* Merrill provides various sub-accounting services (as defined below) and other related administrative services with respect to each offshore mutual fund position held in an account at Merrill. These services include, for example, aggregating and processing purchases, redemptions, and exchanges, dividend distribution and reinvestment, consolidated account statements, tax reporting, and other recordkeeping and reporting services ("sub-accounting services"). For these services, Merrill receives sub-accounting fees as a part of the Bundled Fee for Services described below, paid by the mutual fund or by its adviser, principal underwriter, or another agent on its behalf.

Sub-accounting service arrangements and the amount of the compensation paid to Merrill varies by fund and by share class. Merrill receives the agreed-upon sub-accounting fee for providing these sub-accounting services and this cost is either borne by the mutual fund (like other mutual fund expenses) as part of its operating costs or by its adviser, principal underwriter, or other agent.

#### **Bundled Fee for Services**

Offshore mutual funds typically pay Merrill a bundled fee which can be used for distribution, marketing services and support, sub-accounting related services, and/or paying a portion of Merrill financial advisors' compensation as described above. The amount of the fees varies among fund families and share classes and ranges from 0.10% to a maximum annual rate of 0.70% for Class B shares, from 0.00% to 1.25% for Class C shares, from 0.00% to 0.75% for no-Load shares and from 0.00% to a 0.80% for Class A shares. Typically, Merrill receives between 0.25% and 0.53% for Class B shares, 1.10% and 1.19% for Class C shares, 0.10% and 0.38% for no-Load shares and 0.45% and 0.70% for Class A shares.

Merrill only offers offshore mutual funds and fund share classes that pay the Bundled Fee described above. A fund may offer a share class that does not



include a fee for the services that Merrill provides. Accordingly, you should not assume that you will be invested in the share class with the lowest possible fees and expenses that the fund sponsor makes available to the investing public. It is generally in your best interest to purchase lower fee share classes because your returns are not reduced in whole or part by additional fees and expenses. In addition, funds that would otherwise meet Merrill's criteria for inclusion on Merrill's product platform but whose principal underwriters, agents or sponsors do not agree to pay such fees typically will not be available for purchase in your account at Merrill, thereby limiting the available universe of offshore mutual funds and share classes available to you.

You should be aware that the amount of the bundled fee paid by the different funds varies among funds and, in certain instances, between share classes of individual funds. Therefore, Merrill receives more fees from some funds than it receives from others. This results in a conflict of interest because it creates an incentive for Merrill to recommend that you invest in mutual funds and/or share classes that pay higher fees.

Merrill addresses conflicts related to the bundled fee for the services described in this section in a variety of ways, including the disclosure of the conflicts in this pamphlet. In addition, Merrill selects mutual funds that are available on its platforms based on qualitative and quantitative evaluation of such factors as performance, risk management policies and procedures and on the consistency of the execution of their strategy. Merrill has also adopted various policies and procedures reasonably designed to prevent the receipt of these fees from affecting the nature of the advice or recommendations provided to clients by Merrill financial advisors, although such policies and procedures do not eliminate such conflicts of interest. Merrill financial advisors do not have an incentive to recommend or select certain funds or share classes that pay these fees because Merrill financial advisors do not receive additional compensation as a result of these types of payments.

#### **Offshore Money Market Mutual Funds**

Merrill makes available offshore money market mutual funds ("Money Funds") for purchase in a Merrill account. The Money Funds available for purchase in a Merrill account require a client to place a purchase or redemption order in order to transact in the fund. At Merrill, Money Funds are not available as an automatic cash sweep program that

allows the automatic movement of cash balances to an offshore money market mutual fund.

Merrill also makes available a limited number of offshore money market mutual funds to give clients the ability to exchange assets from offshore mutual funds within the same fund family ("Exchange-Only Money Funds," and together with Money Funds, "Money Market Funds"). If you would like the ability to exchange into a different fund family's Exchange-Only Money Fund, you will need to open an account, outside of your relationship with Merrill, directly with that fund family's transfer agent or other service provider. For purposes of this pamphlet, Exchange-Only Money Funds are made available on the same terms as offshore mutual funds described in the preceding sections in respect of available share classes, fees and expenses, and compensation to Merrill.

Similar to the information provided in the "Offshore Mutual Fund Share Classes" section above, the Money Funds available at Merrill may offer more than one class of shares. Each share class represents an interest in the same investment portfolio, but may have or be subject to different fees and expenses. The availability and eligibility requirements of share classes offered by a Money Fund are typically outlined in the fund prospectus, offering document and/or, if available, a KIID of the fund and may vary from class to class.

Money Funds have various fees, including but not limited to management fees, administrative fees, and/or distribution fees, which can vary among Money Funds or share classes of a particular Money Fund. At Merrill, certain share classes offered by a Money Fund are limited to specific types of accounts. For example, share classes available in a Merrill asset-based fee account, generally are less expensive than share classes available in a full-service brokerage account, but asset-based fee accounts are subject to an annual asset-based fee. For information about a particular Money Fund's share classes and the associated expenses, you should review the Money Fund's prospectus, including the fee table and speak with your Merrill financial advisor.

In addition, fund families may offer a share class of the Money Fund that does not include each of these fees. You may be able to purchase other share classes that have lower fees and expenses directly from the fund company or its distributor or through

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### Disclosure Statement (Continued)

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other financial intermediaries. It is generally in your best interest to purchase lower fee share classes because your returns are not reduced in whole or part by additional fees and expenses.

Assets held in the Money Funds are also financially beneficial to Merrill and its affiliates. Merrill provides distribution and marketing services and support with respect to the Money Funds. In consideration of the provision of the marketing services and support Merrill receives compensation between 0.0% and 0.10% annually of the value of Money Fund shares held in Merrill accounts. However, Merrill typically receives from fund sponsors 0% on assets in asset-based fee program, and between 0.05% and 0.085% on assets in brokerage accounts.

Merrill provides various sub-accounting related services with respect to each Money Fund position held in an account at Merrill in a bundled payment. These fees vary among fund families and share classes, ranging between 0.0% and 0.015% (see *Additional Merrill Services and Compensation* section above).

Merrill only offers for brokerage accounts Money Funds from fund families that pay marketing services and support fees and, for all accounts, sub-accounting fees. Therefore, Money Funds that would otherwise meet Merrill's criteria for inclusion on its product platform but whose principal underwriters, agents or sponsors do not agree to pay such fees will not be available for purchase in your brokerage and/or asset-based account at Merrill, thereby limiting the available universe of funds available to you. You should be aware that the amount of marketing services and support fees and sub-accounting fees paid by the different fund families varies, therefore Merrill receives more fees from some fund families than it receives from others. This results in a conflict of interest because it creates an incentive for Merrill to recommend or select funds from fund families that pay higher fees.

Merrill addresses conflicts related to marketing services and support and sub-accounting fees in a variety of ways, including the disclosure of the conflicts in this pamphlet. In addition, Merrill selects funds that are available on its platforms based on qualitative and quantitative evaluation of such factors as performance, risk management policies and procedures and on the consistency of the execution of their strategy. Merrill has also adopted various policies and procedures reasonably designed to prevent the receipt of marketing services and support

and sub-accounting fees from affecting the nature of the advice or recommendations provided to clients by Merrill financial advisors, although such policies and procedures do not eliminate such conflicts of interest. Merrill financial advisors do not have an incentive to recommend or select certain funds or share classes that pay these fees because Merrill financial advisors do not receive additional compensation as a result of these types of payments.

For brokerage accounts, Merrill financial advisors are compensated at a rate based on their clients' total assets held in the Money Funds. For asset-based fee accounts, Merrill financial advisors receive an annual fee based on a percentage of the value of the total assets held in your account associated with these programs.

*An investment in a Money Market Fund is not a bank deposit, and is not insured or guaranteed by Bank of America, N.A., Merrill, or any government agency. Although a Money Market Fund seeks to preserve the value of your investment, it is possible to lose money by investing in a Money Market Fund.*

#### **Purchases, Sales and Transfers**

Merrill maintains policies prohibiting late trading in, and the excessive trading of, mutual fund shares. Merrill's excessive trading policies may not be consistent with fund companies' excessive trading policies. Merrill personnel may not open accounts or enter client transactions for the purpose of late trading, excessive trading, or market timing, nor may they facilitate late trading, excessive trading or market timing in accounts at the funds' transfer agents or assist clients in making other arrangements to late trade, excessively trade or market time offshore funds. There is no guarantee that all instances of excessive trading will be prevented.

In certain cases, the funds you hold through Merrill may not be transferable to another financial intermediary. This may occur for a number of reasons, including situations where the other financial intermediary does not have appropriate agreements with those funds. The same may be true if you hold your offshore fund shares at another financial intermediary and attempt to transfer those shares to your Merrill account. In these instances you will need to determine what you would like to do with the fund shares: (i) liquidate them (which may result in redemption or other fees, sales charges or a taxable

### Disclosure Statement *(Continued)*

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event), (ii) transfer them from the financial intermediary to the fund (or its transfer agent), (iii) request share certificates to be issued to you (typically not available for offshore fund shares), or (iv) retain them at the financial intermediary through which you currently hold them. Some funds may offer waivers of redemption or other fees in certain circumstances. Please refer to the applicable fund prospectus or contact your Merrill financial advisor for further information. It is your responsibility to notify your Merrill financial advisor, or an Investment Center representative if any redemption or other fee waivers are available to you.

#### **Provision of Diversified Financial Services by Merrill and its Affiliates**

BofA Corp. is a diversified financial services company that generally provides, through Merrill and its affiliates,

a wide range of services to retail and institutional clients for which it receives compensation. As a result, Merrill, BofA Corp. and its affiliates can be expected to pursue additional business opportunities with the entities whose investments Merrill and its financial advisors recommend to you. More detailed information on these services is available in the [Regulation Best Interest Disclosure Statement](#).

Information about a particular offshore fund's policies regarding selection of brokers generally may be found in the fund's prospectus, which you may request from the fund.