

# Offshore Mutual Fund Investing at Merrill Lynch

A Client Disclosure Pamphlet  
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Incorporated

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## Table of Contents

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Introduction	2-3
Offshore Mutual Fund Share Classes	3-4
Asset-Based Fee Programs	4-5
Compensation of Merrill Lynch, Merrill Lynch Financial Advisors and Their Managers	5-6
Non-Monetary Compensation	6-7
Additional Merrill Lynch Services and Compensation	7
Bundled Fee for Services	7-8
Offshore Money Market Mutual Funds	8-9
Purchases, Sales and Transfers	9
Other Services	9-10

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### Introduction

In selecting an offshore mutual fund (also referred to below 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 mutual fund share classes available through Merrill Lynch, Pierce, Fenner & Smith Incorporated (“Merrill Lynch”), as well as the compensation that Merrill Lynch earns with respect to those funds.

Merrill Lynch, a wholly owned subsidiary of Bank of America Corporation (“BofA Corp”), offers a wide range of investment products and services, including many different open-end mutual funds that are domiciled and operated outside of the United States and are only offered for sale to people or entities that are not considered “U.S. persons” under Regulation S of the Securities Act of 1933 and meet other eligibility requirements. These funds are called “offshore” mutual funds and, although they are not registered in the United States, they function similarly to U.S. registered mutual funds in terms of structure, investments, operations, risks and costs. A common type of offshore fund available at Merrill Lynch 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 are typically domiciled in Ireland or Luxembourg. Other types of offshore 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 Lynch, refer to the Domestic Mutual Fund Investing at Merrill Lynch Pamphlet at [www.ml.com/funds](http://www.ml.com/funds).

Merrill Lynch offers offshore mutual funds in full-service traditional brokerage accounts and within the Merrill Lynch Investment Advisory Program (an asset-based fee program discussed in detail below)

where clients work with a Merrill Lynch International Wealth Advisor (referred to herein as a “Merrill Lynch Financial Advisor”) in some capacity.

Depending on the type of account you choose, the price or fees for the same or similar products and/or services may vary. In addition, you may be able to purchase offshore mutual funds or share classes directly from the fund company or its distributor, or through other financial intermediaries, without paying a fee or sales charge to Merrill Lynch 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 investment products can have lower costs and expenses but have different features than those offered by offshore mutual funds (e.g., exchangeability, daily net asset value). A Merrill Lynch Financial Advisor’s compensation varies based on the type of investment product, therefore a Merrill Lynch Financial Advisor can receive more or less compensation if you invest in an offshore mutual fund over another investment product.

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 various mutual funds, including offshore mutual funds, that Merrill Lynch 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 Lynch 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 Lynch, 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 CIO 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 Lynch 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 Merrill Lynch 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 (or 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 Lynch 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 the various investment needs of different categories of investors, many offshore mutual funds offer more than one “class” of shares – generally, Front Load shares, Level Load shares, and Rear Load shares. Each share class represents an interest in the same mutual fund’s investment portfolio, but with different fees and expenses. Currently, Merrill Lynch does not offer Level Load shares or Rear Load shares for purchase.

Offshore mutual funds pay various fees, including but not limited to management fees, administrative fees and/or distribution fees. Merrill Lynch 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 share class that has higher

fees and expenses than another share class of the same fund will pay higher fees over time and earn lower investment returns. At Merrill Lynch, certain share classes offered by a fund are limited to specific types of accounts. For example, certain institutional offshore fund share classes are available only through a Merrill Lynch Investment Advisory Program account, as described more fully below. 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 and speak with your Merrill Lynch Financial Advisor.

*Front Load Shares.* Front Load shares, often referred to as “Class A Shares,” typically add a front-end sales charge of up to 6.25% to the price of the shares at the time of purchase. When you purchase Front Load shares through Merrill Lynch, the maximum sales charge for Front Load shares is 2% for fixed income funds, and 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 sales charge is negotiable and the amount of the sales charge that is added to a particular transaction is determined by you and your Merrill Lynch Financial Advisor. 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, Merrill Lynch policy and/or the asset class of the fund. Check the fund’s prospectus and discuss this sales charge with your Merrill Lynch Financial Advisor. The front-end sales charge is paid to Merrill Lynch as a “dealer commission or concession” and a portion of that amount is paid to your Merrill Lynch Financial Advisor.

The fees and expenses for Front Load shares of an offshore mutual fund are typically lower than the fees and expenses for that fund’s Level Load and Rear Load shares (which are described below and generally do not have a front-end sales charge). Generally, Front Load shares are more economical for investors who have an intermediate to longer-term investment time horizon.

The dollar amount at which you should consider purchasing Front Load shares of a fund can be evaluated by analyzing the front-end sales charge and fees and expenses of the Front Load share class as compared to the sales charges or CDSC, as

applicable, and the fees and expenses of other share classes of the same fund.

**Level Load Shares.** Level Load shares, often referred to as “Class C Shares”, do not impose a front-end sales charge so the full value of your investment is used to purchase Level Load shares in a fund. However, the fees and expenses for Level Load shares are higher than comparable fees and expenses for the fund’s Front Load shares. In addition, Level Load 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.

CDSCs are typically paid to the fund’s distributor for amounts it paid to Merrill Lynch when you purchased your Level Load shares. Neither Merrill Lynch nor your Merrill Lynch Financial Advisor typically receives the CDSC. Certain Level Load shares, such as liquid Level Load shares, do not impose a CDSC.

Many offshore mutual funds 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. You should consult a fund’s prospectus or offering document to determine whether you may qualify for a waiver. Notify your Merrill Lynch Financial Advisor if you believe you qualify for a CDSC waiver. For more information on the waivers available, please speak with your Merrill Lynch Financial Advisor.

Merrill Lynch typically receives up-front compensation of 1.00% of the invested amount on Level Load shares, which is paid by the fund’s distributor or other service provider at the time of sale, and a portion of this amount is paid to your Merrill Lynch Financial Advisor. Certain Level Load shares, such as liquid Level Load shares, do not pay Merrill Lynch or its Financial Advisors this compensation.

Level Load shares often impose a CDSC and have higher fees and expenses, so as compared to Front Load shares, they become less economical for investors who hold their investments over a longer term. In some instances, Level Load shares are more economical for investors who have a short to intermediate investment horizon. Further, unlike certain Rear Load shares, described below, which typically convert to Front Load shares after a period of time, Level Load shares generally do not have a conversion feature.

Level Load shares are no longer available for purchase at Merrill Lynch. Existing Class C shares may be redeemed or exchanged for shares of the same class of another fund within the same fund family, where applicable.

**Rear Load Shares.** Rear Load shares, often referred to as “Class B” shares, do not impose a front-end sales charge. Rear Load shares do, however, typically impose a CDSC, which may be charged to shareholders who redeem Rear Load shares within a certain number of years. This charge declines over time and eventually is eliminated. For example, the CDSC might start at 4% for shares redeemed during the first year and then be reduced over time until it is eliminated, generally after four years. CDSCs on Rear Load shares are typically paid to the fund’s distributor for amounts it paid to Merrill Lynch when you purchased your Rear Load shares. Neither Merrill Lynch nor your Merrill Lynch Financial Advisor typically receives the CDSC.

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

Rear Load shares are no longer available for purchase at Merrill Lynch. Existing Rear Load shares may be redeemed or exchanged for shares of the same class of another fund within the same fund family, where applicable.

**Institutional, No-Load, Load-Waived and Other Share Classes.** In addition to Front, Level and Rear Load shares, other share classes that impose different fees may be available through Merrill Lynch. Typically, these shares are only available through Merrill Lynch’s Investment Advisory Program.

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

You can purchase mutual funds through various asset-based fee programs available at Merrill Lynch, including discretionary and non-discretionary investment advisory programs. In these programs, you pay Merrill Lynch an annual fee based on a percentage of the value of the assets held in your Merrill Lynch account associated with the programs.

These asset-based fee programs allow you to purchase institutional shares, “no-load” fund shares, or load-waived Front Load shares. In limited

instances, if a “no-load” share class is not available in a particular combination of currency hedging options and dividend and income distribution options, only the load-waived Front Load share class, which typically has higher fees and expenses than the no load share class, will be offered. Accordingly, you should not assume that you will be invested in 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 and note that an investor who holds a share class that has higher fees and expenses than another share class of the same fund will pay higher fees over time and earn lower investment returns.

These asset-based fee programs provide features and benefits as well as share classes that are not available in a traditional Merrill Lynch brokerage account that charges transaction fees and is serviced by your Merrill Lynch Financial Advisor. However, the total cost of purchasing and holding mutual fund shares through an asset-based fee program may be more or less than investing in mutual fund shares in a traditional Merrill Lynch brokerage account that is serviced by your Merrill Lynch Financial Advisor depending on the amount of the asset-based fee and the specific mutual fund shares in which you invest.

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

Institutional shares and “no-load” shares are not available for purchase in a Merrill Lynch brokerage account. Mutual fund share classes available for brokerage accounts generally have higher expenses than institutional shares and “no-load” shares and may charge sales loads, which are used to compensate Merrill Lynch and your Merrill Lynch Financial Advisor. This creates a conflict of interest because it provides an incentive for your Merrill Lynch Financial Advisor to advise or recommend that you terminate your asset-based fee program account and open a brokerage account or move individual positions to a brokerage account if there is a difference in compensation.

Due to the taxable nature of share class conversions in certain jurisdictions, if a less expensive offshore

mutual fund share class of a fund you hold becomes available in the asset-based fee program or if you transfer your Front Load or Level Load shares from a brokerage account into an asset-based fee account, your shares will not be converted into the less expensive share class. You may redeem your shares and purchase the less expensive share class but should review the fund’s prospectus, including the fee table, and consult with your Merrill Lynch Financial Advisor and tax advisor.

The fees and expenses associated with these share classes and/or any compensation that Merrill Lynch receives in connection with your investments are in addition to, and will not reduce, your annual asset-based fee.

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

As explained above, Merrill Lynch and Merrill Lynch 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 traditional brokerage account or 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 Lynch Financial Advisors are paid. The portion of Merrill Lynch’s compensation that is paid to its Merrill Lynch Financial Advisors is calculated by the same formula regardless of which funds are purchased. However, some fund share classes carry higher front-end sales charges or fees than others (e.g., Front Load shares may have higher front-end sales charges and therefore pay higher up-front compensation than Level Load shares). In addition, some offshore funds may have higher maximum front-end sales charges or have higher fees than other offshore funds.

As a result of these differences, Merrill Lynch and/or, Merrill Lynch Financial Advisors may receive more or less compensation depending on the fund, share class, or asset class you purchase. In addition, for certain Front Load shares where the sales charge is negotiable, Merrill Lynch Financial Advisors’ compensation can vary based on the amount of the sales charge determined by you and your Merrill Lynch Financial Advisor. The variance in compensation creates a conflict of interest because it provides Merrill Lynch and/or Merrill Lynch 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

Front Load 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 Lynch addresses the conflict of interest related to the variable nature of how Merrill Lynch Financial Advisors are compensated by limiting the maximum sales charge that can be charged for purchases of Front Load shares and not permitting the sale of Level Load or Rear-Load shares, although this does not eliminate the conflict of interest. Moreover, Merrill Lynch Financial Advisors are required to recommend or select mutual funds in accordance with the applicable standard of care.

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

#### **Non-Monetary Compensation**

Representatives of fund companies, often referred to as "wholesalers," work with Merrill Lynch, Financial Advisors and their managers to promote those fund companies' offshore mutual funds. Consistent with rules and internal policies that are applicable to Merrill Lynch, fund distributors and/or their affiliates will periodically participate in Merrill Lynch hosted internal training and education conferences, as well as conferences that Merrill Lynch may host for clients. The amount paid to participate/for participation is used by Merrill Lynch Financial Advisors or Merrill Lynch to offset the expenses incurred for these events and cannot be reasonably allocated to any particular client. In addition, fund families periodically organize training programs to provide Merrill Lynch Financial Advisors and certain personnel with information on their platform of products and service, the opportunity to interact with a firm's management, and to obtain information that may be helpful to employees in their practices. Fund families pay for the costs associated with these meetings, which generally includes meals, travel and accommodations.

From time to time, fund managers, fund distributors and/or their affiliates may provide Merrill Lynch Financial Advisors with non-monetary gifts and gratuities (gifts), such as promotional items, meals and access to certain industry related conferences.

Fund managers, fund distributors and/or their affiliates may also make charitable donations or cover the costs of reasonable entertainment in connection with events sponsored by Merrill Lynch or related to clients.

These reimbursement payments, fund family training programs, entertainment, gifts and charitable donations result in conflicts of interest because they create incentives for Merrill Lynch Financial Advisors and Merrill Lynch to recommend or select funds of these fund families. In addition, wholesalers who participate in events or provide entertainment have more opportunities to interact and build relationships with Merrill Lynch Financial Advisors. This creates a conflict of interest to the extent this leads Merrill Lynch Financial Advisors to sell mutual funds from these fund families.

Fund families are not permitted to condition their reimbursement payments, fund family training programs, charitable donations, entertainment, and gifts on any amount of sales of their funds and Merrill Lynch does not incentivize Merrill Lynch Financial Advisors to recommend or select one fund family over another. In addition, Merrill Lynch has implemented policies and procedures intended to identify, quantify and track gifts and entertainment that Merrill Lynch and Merrill Lynch Financial Advisors and personnel receive. Merrill Lynch reports gifts and entertainment received by it or Merrill Lynch employees to the extent such amounts exceed the thresholds imposed by applicable regulations.

Merrill Lynch addresses conflicts of interest related to how Merrill Lynch Financial Advisors and managers are compensated (including non-cash compensation), in a variety of other ways, including the disclosure of the conflicts of interest in this pamphlet. Moreover, Merrill Lynch Financial Advisors are required to recommend or select mutual funds that are appropriate for each client in accordance with the applicable standard of care, which includes: the client's investment objectives, risk tolerance, time horizon, financial situation, liquidity needs and the costs associated with the recommendation or selection. In addition, Merrill Lynch 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 Lynch's business.

From time to time, Merrill Lynch may recognize certain Merrill Lynch Financial Advisors through promotional programs that that factor in, among other criteria, overall sales of offshore mutual funds. These programs may reward Merrill Lynch Financial Advisors with compensation, including attendance at off-site locations and/or various employee training sessions that may be sponsored or co-sponsored by offshore fund companies whose funds Merrill Lynch makes available.

#### **Additional Merrill Lynch 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 mutual fund shares, Merrill Lynch and its affiliates and/or subsidiaries provide other services for which they receive additional compensation from funds or their affiliates. This additional compensation is often but not always disclosed in detail in a fund's prospectus, offering document and/or, if available, KIID.

Merrill Lynch only makes available to its clients shares of those offshore mutual funds whose affiliates have entered into contractual arrangements with Merrill Lynch 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 Lynch. These fees are used to cover the types of services outlined below and are not passed on to Merrill Lynch Financial Advisors or their managers as compensation.

*Marketing Services and Support.* Merrill Lynch provides a variety of distribution, marketing services and support to sponsors of offshore mutual funds regarding their funds that are available through Merrill Lynch. These services include, but are not limited to the provision of: an offshore fund specialist support desk for Merrill Lynch Financial Advisors to answer questions regarding their funds; 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 Lynch's investment themes and goals; making Merrill Lynch 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. A list of mutual fund families that paid Merrill Lynch \$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).

*Sub-Accounting and Related Administrative Services.* Merrill Lynch, through its subsidiary, Financial Data Services, LLC ("FDS"), provides various sub-accounting and other related administrative services with respect to each mutual fund position held in an account at Merrill Lynch. 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").

Sub-accounting service arrangements and the amount of the compensation paid to Merrill Lynch varies by fund and by share class. FDS 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 Lynch a bundled fee which can be used for distribution, marketing services and support, sub-accounting and related administrative services, and/or paying a portion of Merrill Lynch Financial Advisors' compensation as described above. The amount of the fees varies among fund families and share classes and ranges from 0.25% to a maximum annual rate of 1.25% for Rear Load shares, from 0.00% to 2.25% for Level Load shares, from 0.00% to 0.75% for No-Load shares and from 0.00% to a 1.45% for Front Load shares. Typically, Merrill Lynch receives between 0.25% and 1.13% for Rear Load shares, 1.10% and 1.80% for Level Load shares, 0.10% and 0.38% for No-Load shares and 0.45% and 1.10% for Front Load shares.

Merrill Lynch only offers 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 Lynch or its subsidiary



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 our criteria for inclusion on our 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 Lynch, thereby limiting the available universe of 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 Lynch's and/or its affiliate 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 Lynch to recommend that you invest in funds and share classes that pay higher fees to Merrill Lynch and/or its affiliate.

Merrill Lynch 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 Lynch selects mutual funds 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 Lynch 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 Lynch Financial Advisors, although such policies and procedures do not eliminate such conflicts of interest. Merrill Lynch Financial Advisors do not have an incentive to recommend or select certain funds or share classes that pay these fees because Merrill Lynch Financial Advisors do not receive additional compensation as a result of these types of payments.

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

Merrill Lynch makes available money market mutual funds ("Money Funds") for purchase in a Merrill Lynch account. The Money Funds available for purchase in a Merrill Lynch account require a client to place a purchase or redemption order in order to transact in the fund.

Merrill Lynch also makes available a limited number of money market mutual funds to give clients the ability to exchange assets from 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 may need to open an account 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 mutual funds described in the preceding sections in respect of available share classes, fees and expenses, and compensation to Merrill Lynch.

Similar to the information provided in the "*Offshore Mutual Fund Share Classes*" section above, the Money Funds available at Merrill Lynch 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 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. Merrill Lynch may receive a portion of certain fees paid by the fund as discussed in detail below.

Fund families may offer a share class of the Money Fund that does not include each of these fees. In addition, you may be able to purchase other share classes that have lower fees and expenses through your Merrill Lynch account, directly from the fund company or its distributor, or through 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 Lynch and its affiliates. Merrill Lynch 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 Lynch receives compensation of up to 0.10% annually of the value of Money Fund shares held in Merrill Lynch accounts. However, Merrill Lynch typically receives between

0.022% and 0.05% from fund sponsors.

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

Merrill Lynch 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 Lynch'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 Lynch, 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 Lynch 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 Lynch to recommend or select funds from fund families that pay higher fees.

Merrill Lynch 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 Lynch 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 Lynch 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 Lynch Financial Advisors, although such policies and procedures do not eliminate such conflicts of interest. Merrill Lynch Financial Advisors do not have an incentive to recommend or select certain funds or share classes that pay these fees because Merrill Lynch Financial Advisors do not receive additional compensation as a result of these types of payments.

For brokerage accounts, Merrill Lynch Financial Advisors are compensated at a rate based on their clients' total assets held in the Money Funds. For

asset-based fee accounts, Merrill Lynch 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 Lynch, 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 Lynch maintains policies prohibiting late trading in, and the excessive trading of, mutual fund shares. Merrill Lynch's excessive trading policies may not be consistent with fund companies' excessive trading policies. Merrill Lynch 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 Lynch 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 Lynch 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 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. Please refer to the applicable fund prospectus or contact your Merrill Lynch Financial Advisor for further information.

#### **Other Services**

Bank of America Corporation is a diversified financial services company that together with its affiliates generally seeks to provide a wide range of services to

**Disclosure Statement (Continued)**

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retail and institutional clients for which it receives compensation. As a result, BofA Corp and Merrill Lynch can be expected to pursue additional business opportunities with the firms whose funds Merrill Lynch makes available to its clients. Consistent with industry regulations applicable to Merrill Lynch, these services could include (but are not limited to): banking and lending services, sponsorship of deferred compensation and retirement plans, investment banking, securities research, institutional trading services, investment advisory services, and effecting portfolio securities transactions for funds and other clients. Merrill Lynch professionals (including your Merrill Lynch Financial Advisor) involved with the offering of funds to individual investor clients may introduce fund distributors, sponsors or service providers to other services that BofA Corp and its

affiliates provide. Merrill Lynch Financial Advisors may, as permitted by law, receive compensation (the amount of which may vary) in connection with these products and services. Revenue paid for, or generated by, such services may not be used by the fund distributors, sponsors or service providers to compensate Merrill Lynch, directly or indirectly, for any of the fees described throughout this pamphlet.

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.