MUTUAL FUND INVESTING

PLEASE NOTE: THIS HANDOUT IS FOR CLIENT-RETENTION PURPOSES ONLY AND SHOULD NOT BE SUBMITTED TO COORDINATED CAPITAL SECURITIES, INC.

Coordinated Capital Securities, Inc. (CCS) is providing this educational piece to help ensure that you are investing in the mutual funds and the share classes that best suit your investment objectives, risk tolerance, time horizon and diversification needs.

This guide will help you better understand the features and costs associated with the various share classes, as well as how your CCS financial representative and our firm are compensated when you invest in mutual funds.

It will also help you take advantage of all available discounts as you work with your CCS financial representative.

As always, if you have any questions about your mutual fund investments, please contact your CCS financial representative.

CCS offers clients a wide range of investment alternatives and services, including a variety of mutual funds. Deciding which mutual funds to invest in can be complex. It is important for you to work with your CCS financial representative to evaluate how a particular mutual fund fits your individual needs and objectives.

An important aspect of the mutual fund screening and selection process is to read the mutual fund's prospectus carefully before investing. Each prospectus contains important information that will help you make informed decisions. Your CCS financial representative will provide you with a prospectus for the mutual funds you are considering. Your CCS financial representative will also answer your questions on how the mutual fund's shares are priced and the compensation your CCS financial representative and our firm will receive from your investment.

This educational disclosure document is designed to provide you with a general overview of factors you should evaluate when considering an investment in a mutual fund.

Costs of Investing in Mutual Funds

In addition to including information about a fund's objectives, risks and other characteristics, a fund's prospectus also includes fee information listing the charges you pay, which include sales charges and annual operating expenses. You can pay these charges in a variety of ways, depending on the share class you choose.

Sales Charges. These charges provide compensation for the fund company, our firm and your CCS Financial Representative, who helps you select funds to pursue your investment objectives. Most sales charges are either "front-end" (charged when you buy shares) or "back-end" (charged when you sell). A back-end charge is also called a "contingent deferred sales charge (CDSC)," because as you hold your shares for longer periods the charge is reduced or eliminated.

Operating Expenses. Many of the costs associated with running a mutual fund are operating expenses or, simply put, the cost of doing business. Included in fund operating expenses are management fees, 12b-1 fees*, shareholder mailings and other expenses. Operating expenses are not paid directly as a fee, but they are deducted from the fund's assets, so they reduce investment returns.

* The fund company takes 12b-1 fees out of the fund's assets each year for marketing and distribution expenses, which may include compensating financial professionals or other investment professionals.

Redemption Fees. A short-term redemption fee may be charged when shareholders redeem their mutual fund shares before a specified period, as defined by the mutual fund company. This fee may be charged regardless of the initial sales charge paid. Redemption fees are designed to discourage frequent trading in mutual funds and to offset the costs associated with those trades. These fees are paid directly to the mutual fund company and not to the financial professional. Each fund's rules about short-term redemption are different

Share Class

Typically, a mutual fund offers more than one "class" of its shares to investors. Each share class will charge different fees and expenses, depending on the class you choose, and these fees can affect the return of your investment over time. Although there are many different classes of mutual fund shares, the most common are "Class A," "Class B" and "Class C," which are explained in more detail below.

Class A shares. These are sometimes simply called "A shares" and typically impose a front-end sales charge (a fee charged when you first buy a mutual fund) that is deducted from your initial investment. The operating expenses of the fund are generally lower for A shares than for B or C shares. You should also be aware that most funds offer discounts (called "breakpoint discounts") on the front-end sales charge for large investments — so as the size of your total investment within a fund family increases, the sales charge may decrease.

Fund Analyzer

To compare expenses by share class, you may want to use the Fund Analyzer tool provided by the Financial Industry Regulatory Authority (FINRA) at http://apps.finra.org/fundanalyzer/1/fa.aspx

Before choosing a share class, consider the following questions:

- How long do I plan to hold the fund?
- How much money do I intend to invest?
- Will I be purchasing more shares in the future?
- What expenses will I pay for each class?
- Do I qualify for any sales charge discounts?
- Talking with your CCS financial representative about these questions will help you make an informed decision when determining which share class(es) match your needs, resources and time horizon.

To learn more about mutual funds in general, contact your CCS financial representative or visit the following websites:

- Investment Company Institute: ici.org
- Financial Industry Regulatory Authority: finra.org
- Securities and Exchange Commission: sec.gov

Also, most domestic mutual fund families allow investors to aggregate holdings in related accounts to reach a breakpoint (and so receive a discount). This is called "rights of accumulation (ROA)." Those breakpoints typically occur at $25,000, $50,000, $100,000, $250,000, $500,000 and $1 million but may vary with the fund.

Finally, most fund families permit investors to sign a "letter of intent (LOI)" indicating an intention to invest a certain amount in the fund over a certain period of time, entitling them to a breakpoint discount at lower initial levels of investment. Each fund's rules about ROAs and LOIs differ, and so it is important to ask your CCS financial representative about the particular fund family's rules before investing to make sure you receive any available discounts.

Class B shares. Class B shares typically do not have a front-end sales charge and impose higher annual operating expenses than A shares. B shares normally impose a CDSC, which you pay if you sell your shares within a certain number of years. The CDSC generally gets smaller each year and usually is eliminated after the seventh or eighth year. Some B shares may convert to A shares at that point.

Class C shares. Typically, class C shares do not have a front-end sales charge and generally impose a lower CDSC than B shares, often 1% for 1 year. Like B shares, C shares normally impose higher annual operating expenses than A shares — but, unlike some B shares, they typically do not convert to A shares. Investors who want flexibility and who have a shorter investment time horizon may find that C shares best meet their needs; however, not all fund families offer C shares.

C shares are generally most appropriate for investors who want more flexibility in constructing and managing a diversified portfolio. When taking into consideration the total costs and expenses of C shares, investors should think carefully about whether C shares are an appropriate investment class for their investment goals, especially for investors intending to hold the C shares for a longer period of time. Once again, some limits may be set to help ensure that the best interest of clients is served, regardless of the purchase size.

Class I shares. These are an institutional share class that are typically sold without a sales charge and offer lower annual costs and management expenses than traditional share classes like A, B and C shares. Furthermore, I shares generally do not feature a CDSC for the sale of your shares. As a result of these lower costs and expenses, I shares are typically offered at a much higher minimum investment amount than class A, B or C shares.

No-load shares. Although no-load shares do not carry either front- or back-end sales charges, they do impose ongoing fees and expenses. If you purchase or sell no-load funds through brokerage account, you may pay a transaction fee or advisory fee to our firm.

Advisory Fee-Based Accounts

Some mutual fund share classes charge a distribution fee pursuant to Rule 12(b)-1 under the Investment Company Act of 1940. These fees are commonly referred to as "12b-1 fees" or "trails". These recurring fees, which are included in a mutual fund's total annual fund operating expenses, vary by share class, but typically range from 25 basis points (.0025) to 100 basis points (.01). 12b-1 fees are included in the calculation of the annual operating expenses of a mutual fund and are disclosed in the fund prospectus. Mutual fund companies also offer share classes that do not charge 12b-1 fees. These share classes are referred to by a variety of names in the mutual fund industry such as "Institutional Class", "Class I", "Class F2," "Class Y", "Class Z", etc. The expense ratio of an advisory share usually is lower than a non-advisory share class over time. The expense ratio within a mutual fund share class can fluctuate from what is shown in a prospectus for the fund offering and annual report and can vary over time and from year to year. A fund that was deemed to have a lower expense ratio at the time of purchase may not actually maintain that expense ratio during the time that the fund is held, and new fund share classes may become available with different expense ratios. In addition, advisory share classes may not be available to all clients because of account minimums set forth by the Fund company.

Sales Charge Reductions for Specific Types of Accounts

Certain mutual fund companies waive sales charges on purchases of front-end loaded share classes (i.e. Class A share or equivalents) for qualified retirement plans (QRPs such as 401(k)s, 403(b)s or profit-sharing and defined benefit plans), SIMPLEs, SEPs and charities (including foundations and non-profits) and allow the trades to be placed at NAV subject to specific eligibility requirements as disclosed in the prospectus. Fund families and, in some cases, individual mutual funds within a fund family have their own unique requirements for sales charge waivers which are outlined in the prospectus. These requirements may include minimum plan asset amounts, number of eligible employees or plan participants. Please contact your CCS financial representative for more information regarding sales charge reductions.

How CCS and your Financial Representative are compensated

In connection with your investment in the mutual funds offered through our firm, you should also be aware that CCS and your financial representative each receive compensation.

- You may be subject to the payment of a commission or load as described above and as disclosed in the prospectus of the mutual fund. A portion of the commission payment (on average 85%) received by CCS is paid to your financial representative.
- Ongoing payments (known as "residuals" or "trails") on mutual fund shares are set by the fund family and are paid to CCS A portion of these payments (on average 85%) is paid to your financial representative.
- In certain fee-based accounts, CCS and your financial representative's compensation is based on a percentage of the assets in the account, rather than on concessions or trails as mentioned above. On average 85% of the fees received by CCS are paid to your CCS financial representative.

The compensation formula to determine the amount of payment to your financial representative is the same for all mutual funds. However, some funds may carry higher sales charges than others, and that may create an incentive for financial representatives to sell such funds.

Rolling-Over Assets from a Qualified Plan to an Individual IRA

Please keep in mind that rolling over assets to an IRA with our firm is just one of multiple options for your retirement plan. Each of the following options is different and may have distinct advantages and disadvantages.

1. Roll assets to an IRA
2. Leave assets in your former employer's plan, if plan allows
3. Move assets to your new/existing employer's plan, if plan allows
4. Cash out or take a lump sum distribution

When considering rolling over assets from an employer plan to an IRA, factors that should be considered and compared between the employer plan and the IRA include fees and expenses, services offered, investment options, when penalty free withdrawals are available, treatment of employer stock, when required minimum distributions begin and protection of assets from creditors and bankruptcy. Investing and maintaining assets in an IRA with our firm will generally involve higher costs than those associated with employer-sponsored retirement plans. There is a conflict when we recommend that you rollover your Qualified Plan assets into an IRA account with CCS as opposed to leaving the assets in the current plan. The conflict exists because we will be compensated if you make the change and will not be compensated if you don't. You should consult with the plan administrator and a professional tax advisor before making any decisions regarding your retirement assets.

Mutual Fund Switches

As your objectives change, you can switch among the mutual funds in the mutual fund family whose objectives most closely meet your needs, without incurring an additional sales charge. Staying within the same mutual fund family may be preferable, because switching from one mutual fund family to another may involve additional costs or fees. On the other hand, there may be legitimate reasons to switch to a mutual fund in another mutual fund family, or another type of investment product, such as a variable annuity or unit investment trust, when the original mutual fund family does not offer the type of investment product you are interested in.

If you do choose to switch to a mutual fund in a different mutual fund family or to another type of investment, and your account is based on commission, you will most likely incur a sales charge on the new investment. In addition to the new sales charge, you will be subject to a new redemption period if you switch into share classes that have CDSCs, such as B and C shares. You should also be aware that there may be tax consequences related to your sale, redemption or exchange of mutual fund shares. If you have questions about the possible tax consequences of a sale, redemption or exchange of your mutual fund shares, you should consult your tax advisor prior to making any such investment decision. It is also important for you to consider how your overall investment may be impacted by a mutual fund switch, depending on the type of fund you own.

Training and Education

We may be reimbursed by mutual fund companies or their affiliates for expenses CCS or your CCS financial representative incur for educational meetings, client seminars, and conferences held periodically during any given year in the normal course of business. This commitment could lead our financial representatives and Home Office employees to focus on the mutual funds offered from these mutual fund families versus the mutual funds offered by families which are not represented during these training and education support sessions. Although training and education compensation is not related to individual transactions or assets held in client accounts, it is important to understand that, due to the total number of product sponsors whose products are offered, it is not possible for all mutual fund companies to participate in a single meeting or event. Consequently, those product sponsors that do participate in training or educational meetings, seminars or other events gain an opportunity to build relationships with financial professionals; these relationships could lead to additional sales of that particular fund company's products.

Risks

Each type of mutual fund offers unique risks and characteristics. Please refer to each fund's prospectus for additional details.

The prospectus contains information you should carefully consider, including the fund's investment objectives, risks, charges and expenses, and other important information about the investment company.

Your CCS financial representative can provide you with a free prospectus upon request for any mutual fund you may be considering. You should read it carefully before investing.

Mutual funds are generally actively managed. Fund managers may purchase or sell securities in the fund portfolio in an attempt to take advantage of changing market conditions. It is possible for a mutual fund to hold securities, even though their market value and dividend yields may have changed. A mutual fund may carry the same investment risk as the securities within the fund. Securities in a fund portfolio may depreciate, and the fund may not achieve its intended objective. In addition, each mutual fund is subject to specific risks that vary depending on the fund's investment objectives and portfolio composition.

A mutual fund that invests in foreign including emerging and frontier markets have certain risks not associated with domestic investments, such as currency fluctuation, political and economic instability, and different accounting standards. This may result in greater share price volatility. These risks are heightened in frontier and emerging markets.

Non-traditional mutual funds are complex products, and are subject to a number of risks that transcend those of traditional mutual funds and other risks discussed in this guide. Consequently, these funds should only be purchased by sophisticated investors who understand the speculative nature of these investments. Before making an investment in a non-traditional mutual fund, you should consider all the risks associated with, but not limited to, your financial ability to purchase complex products in volatile markets. Other factors to consider include how periodic rebalancing may increase your exposure in response to the day's gains or reduce your exposure in response to the day's losses, and the fact that some funds are not intended to be held long term. In addition, some non-traditional mutual funds may be thinly traded, which could impact your ability to sell your shares quickly. Finally, non-traditional mutual funds may enter into various total return swap agreements with different counterparties. If the counterparty engaged in a swap agreement becomes unable to deliver its share of the contract, it will default on the swap, which will negatively affect the value of the non-traditional mutual fund.

Mutual funds that invest using alternative strategies are more complex investment vehicles which generally have higher costs and substantial risks. They tend to be more volatile than other types of mutual funds and present an increased risk of investment loss. Relative to broad, long-only traditional asset class mutual funds, alternative mutual funds may employ more complex strategies, investments, and portfolio structures. In doing so, some of these strategies may expose investors to additional risks, including by not limited to the following: short selling, leverage risk, counterparty risk, liquidity risk, commodity price volatility risk, and/or managed futures roll yield risk.

Investor Characteristics

Selecting the appropriate program and mutual funds for your investment objectives involves a number of factors, such as fund strategies, fund performance history, risks, investment time horizon, fees and expenses, and portability, among others. You should review any program's disclosure document as well as a fund's share classes, as detailed in the fund prospectus, to fully evaluate your options. In addition, you should be aware that certain mutual funds may not be transferable from one investment firm to another. As a result, if you or your financial representative changes investment firms, you may need to choose to liquidate these products, which may incur additional fees or tax consequences. In some instances, it may be prudent to leave these mutual funds at the previous firm rather than transfer them. It is important to remember that you are not required to sell such mutual funds when you or your financial representative changes firms. You can open an account with the new firm and transfer only the mutual funds you wish to move. It is not required that you move everything in your previous account or liquidate mutual funds that are not transferable. To make the decision that is most appropriate for you, talk with your CCS financial representative.