Comerica Wealth Management

Comerica Securities, Inc.
Member FINRA/SIPC

Comerica Securities Inc. Mutual Fund Guide

With so many different mutual funds available today, Comerica Securities, Inc. wants to help you to ensure that you are investing in the mutual fund that best suits your investment objectives, risk tolerance, and personal needs. The following information will help you better understand different mutual fund share classes, breakpoints, expenses of funds, and how Comerica Securities and your Financial Consultant are compensated when you invest in mutual funds. Before investing in any mutual fund, you should consider the information provided in this guide and read the mutual fund prospectus carefully for specific information about a fund's risks, fees, expenses, and strategy. Other resources regarding information on mutual funds can be found in the "Additional Information" section of this guide. Please consult with your Comerica Securities Financial Consultant if you have any questions about mutual fund investing or you can call our Client Services group at 1-800-232-6983.

How Mutual Funds Work

A mutual fund pools money from shareholders and a professional manager invests the money into a single portfolio based on the objective of the fund. Depending on this objective, the portfolio manager can invest in stocks, bonds, options, commodities, money market securities, or any combination of these. The ability of the fund manager to invest this pool of money over many investments is called diversification and helps minimize the risks associated with investing in an individual financial instrument. Investors buy shares of the fund, while the fund itself owns the underlying investments that have been chosen by the portfolio manager. Most mutual fund companies offer the investor more than one type of share class. Each class represents the same interest or ownership in the fund with the same investment objectives and strategies. However, each share class will have different fees and expenses associated with them. For this reason, each class of shares will likely have different performance results.

Share Classes

While there are many different classes of mutual fund shares offered to both institutional and retail investors with different fee structures, including no-load shares, the most common share classes are Class A, B, and C shares. To help you determine which share class may best fit your needs, you should consider the following questions:

How long do you intend to hold the shares?
How much money will you initially be investing?

Will you be investing more money in the future?
Do you already own shares of a fund company?
What expenses will you pay for each share class?

While there are many other considerations as to what mutual fund to invest in, answering these questions first can help you begin to make the determination of which share class may be best suited for your individual needs.

The Financial Industry Regulatory Authority, Inc. has available a mutual fund expense analyzer which will allow you to compare the expenses of different mutual funds or the different share classes of the same mutual fund. This analyzer, along with various other resources can be accessed at: www.finra.org.

Class A Shares

Class A shares typically charge a front-end sales charge commonly referred to as a load. When you buy Class A shares with a front-end sales charge, this charge is deducted from the amount initially invested in the fund. While Class A shares may impose an asset-based sales charge, ongoing fees and expenses are generally lower than those charged by Class B and C shares. Additionally, mutual fund companies typically offer a reduced sales charge, at different levels called “breakpoints”, depending on the amount you invest. Please see more information on this topic under the “Understanding Breakpoints” section.

Class B Shares

Class B shares typically do not charge a front-end sales charge and your entire initial investment is invested in the fund. However, Class B shares typically have higher internal ongoing expenses than Class A shares. These expenses will reduce your returns by the amount they exceed the internal expenses of A shares. Class B shares also impose a contingent deferred sales charge (CDSC), which you pay when you sell your shares. For this reason, these should not be referred to as "no-load" shares. The CDSC normally declines and eventually is eliminated the longer you hold your shares (the decline period varies between mutual fund families, but it may last anywhere from 5 to 8 years). Once the CDSC is eliminated, Class B shares often then "convert" into Class A shares. When they convert, they will begin to charge the same internal fees and expenses as the Class A shares.

If you intend to purchase a large amount of Class B shares, you may want to discuss with your Financial Consultant whether Class A shares would be preferable. The expense ratio charged on Class A shares is generally lower than for the Class B shares, and the mutual fund may offer large-purchase breakpoint discounts from the front-end sales charge for Class A shares.

Class C Shares

Class C shares usually do not impose a front-end sales charge on the purchase, so the full dollar amount that you pay is immediately invested. Generally, Class C shares impose a small charge if you sell your shares within a short time of purchase, usually one year.

Class C shares typically impose higher ongoing fees and expenses than Class A shares, and since their shares generally do not convert into Class A shares, these expenses will not be reduced over time. For this reason, if you are intending to hold your Class C shares for a longer period of time, they will be more expensive to hold than Class A or even Class B shares. Class C shares should probably not be used unless you have a short time horizon and you do not qualify for breakpoints or other sales charge reductions.

Understanding Breakpoints

Most mutual funds often offer discounts on front-end sales charges or loads for larger investments in Class A shares. The investment levels at which the discounts become available are called "breakpoints" and vary from fund family to fund family. For example, a purchase of $49,500 in mutual fund shares may be charged a front-end sales load of 5.75% or $2,846.25, while a purchase of $50,000 in the same fund shares might be charged a sales load of 4.50% or $2,250. In this example, by choosing to invest $500 more, you would have saved $596.25 in sales charges which means an additional $1,096.25 ($500 + $596.25) increase in your initial investment. Typically, there are several breakpoint levels and if you invest more and reach each of these thresholds, the greater the reduction in the sales load. In addition, you may become entitled to receive a breakpoint discount based on rights of accumulation or by using letters of intent.

The Financial Industry Regulatory Authority, Inc. has published an Investor Alert, which provides additional information regarding availability of breakpoints, available at: http://www.finra.org/Investors/ProtectYourself/InvestorAlerts/

Rights of Accumulation

A right of accumulation (ROA) typically gives you a discount on your current mutual fund purchases by combining both your current and previous fund transactions to reach a breakpoint. For example, if you are investing $10,000 in a fund today, but previously had invested $40,000, those amounts can be combined to reach a $50,000 breakpoint, which will entitle you to a lower sales load on your $10,000 purchase.

Letter of Intent

If you can't immediately invest the minimum amount necessary to trigger a breakpoint discount and you are planning to make additional investments over the coming months, you might still be able to obtain a reduced sales charge by means of a letter of intent (LOI). An LOI is a statement you sign that expresses your intent to invest a certain amount within a given period of time which will entitle you to the breakpoint charge as specified by the fund. Many fund companies permit you to include purchases completed within 90 days before the LOI is signed and within 13 months after the LOI is signed in reaching the dollar amount of the breakpoint threshold. If you expect to invest regularly in a fund with a front-end sales load, it is worth finding out if a LOI can help you qualify for a reduced charge. However, if you do not fulfill your commitment for the total dollar amount within the specified time frame, the discounted sales charges from previous investments will be recaptured by the fund and the fund reserves the right to sell shares you own to claim this amount.

Family Discounts

In the case of either ROAs or LOIs, you usually may use mutual fund assets in other related accounts, in different mutual fund classes, or in different mutual funds that are part of the same fund family, toward your discounts. For example, a fund may allow you to get a breakpoint discount by combining your fund purchases with those of your spouse or children. You also may be able to credit mutual fund transactions in retirement accounts, educational savings accounts, or in accounts at other brokerage firms.

Each mutual fund and family of funds sets its own breakpoints and the conditions through which discounts are available. These terms and conditions differ from one fund to another, and they also can change. It is important to inform your Financial Consultant of any other holdings in a fund family in order to determine any breakpoints you may qualify for. You can also find specific information on fund breakpoints in the mutual fund prospectuses and Statement of Additional Information or on most mutual fund company Web sites.

Net Asset Value (NAV) Transfers and Buybacks

Mutual fund investors may wish to consider the benefits to buying into the same family of funds not only for their breakpoint discounts but to also to take advantage of NAV transfers. Investors that transfer their funds from one fund into another fund within the same family of funds are able to buy the new shares at NAV. Another advantage is buying back mutual fund shares that were previously sold. Some mutual fund companies allow for buyback without incurring a front end sales load if purchase is completed within a certain amount of time. Please see the mutual fund prospectus and Statement of Additional Information for additional information; this information is also available on most mutual fund company Web sites.

Please be aware that sales, redemptions or exchanges between mutual funds may be considered taxable events and you should consult your tax advisor prior to making any such investment decision.

Other Sales Charge Waivers and Discounts

Some Mutual Fund companies will offer sales charge waivers or discounts for certain types of retirement plan accounts or charitable or other institutional investors. These discounts may be significant. Investors should ensure that they review the prospectus for their purchase carefully and inquire to their investment professional if there are any discounts available to them based on the nature of the account relationship or the source of the invested funds.

Investment Advisory Accounts

Comerica Securities offers mutual funds in our investment advisory program accounts. Instead of paying a sales charge or commission on each transaction, you pay an annual fee, billed quarterly in advance based on a percentage of the value of the assets held in the account. These accounts offer funds that are load-waived or no-load fund shares. Annual operating expenses, charged by the fund, may apply to these shares. Investment Advisory accounts provide features and benefits that may not be available in a traditional brokerage account. The total cost of purchasing and holding a fund in these programs may be more or less than in a traditional brokerage account. You may ask your Financial Consultant to provide you with more information about whether an Investment Advisory account is appropriate for you

12b-1 Fees, Costs and Expenses

Annual fund operating expenses, or the cost of doing business, include management fees, distribution and marketing expenses commonly called 12b-1 fees, the cost of shareholder services fees and other expenses. You do not pay operating expenses directly; rather, they are deducted from the fund's total assets, so they reduce investment returns. The prospectus includes the fund's expense ratio which will help you compare annual expenses of different funds.

How Compensation is Paid to Comerica Securities and Your Financial Consultant

Comerica Securities, Inc. (CS) and our Financial Consultants (FC) routinely receive compensation for the sale of mutual funds. Payments from mutual fund companies to CS may consist of a portion of any front-end sales charges, selling fees, or concessions (depending on the share class in which you invest), fees for distribution (Rule 12b-1 fees) and shareholder services fees. The ongoing mutual fund payments CS may receive from the fund company, of which a percentage may be passed on to the FC, are based upon the amount of your investment held with the fund and are paid in consideration of the ongoing servicing and operational support provided. The Rule 12b-1 fees and shareholder service fees are paid out of fund assets, are part of the fund's expenses, and are required by law to be disclosed in the fund prospectus. Commission payments CS passes on to the FC from mutual fund companies do not favor one fund or fund family over another. Comerica Securities and our FCs may also receive additional cash and non-cash compensation for support. Such support is used for general business and marketing purposes such as seminars, training conferences and entertainment.

In addition to the compensation arrangements described above, CS may seek or receive supplemental payments from our approved providers which are used for supporting general business expenses such as marketing seminars, training and educational conferences, and other marketing efforts or client entertainment that our FCs may participate in. CS may seek or receive payments calculated as a percentage of the fund family's gross sales through CS, a percentage of the total of fund assets held at CS, fixed payments, or a combination of these. The supplemental payments received for these activities vary by mutual fund family, and are subject to change at any time. To the extent these supplemental payments are paid by a third party, such as the fund's sponsor, distributor or investment advisor, and not out of fund assets or sales charges, these amounts are not required to be included in the fund expense tables of the prospectus.

During 2018, Comerica Securities receives supplemental payments from the following investment product providers, including mutual fund, annuity (fixed and variable) and insurance providers.

Pacific Life
Prudential

It is important to note that, while we may receive these supplemental payments from mutual fund families to help pay the expenses we incur in selling their funds, CS does not require fund families to make such payments in order to be considered approved providers. Additionally, our FCs are not required to recommend any fund that provides additional compensation, nor do they directly share in any of the marketing support fees CS receives.

Any questions you may have regarding the form of compensation your FC receives should be discussed with that Financial Consultant.

Comerica Securities, Inc. Approved Mutual Fund Providers

With so many choices of mutual funds available to today's investor, it can sometimes be a challenge to find the right funds to meet their unique investment needs and objectives. Comerica Securities and its FCs are committed to assist you in selecting funds that will help meet your investment goals. In order to serve you, CS has entered into selling agreements with more than 50 fund families representing over 1,000 mutual funds. From this group of funds, CS conducted additional due diligence and selected fund families offering a variety of mutual funds as our "approved providers." Our FCs generally recommend funds offered by approved providers. We believe that focusing our training and product support efforts on the approved providers allows our FCs to gain a more comprehensive understanding of the investment objectives and other features of these funds which, in turn, enables them to better serve our customers. We also believe that our selection of approved providers offers investors a wide variety of fund and investment objective options, thereby enabling our customers to diversify and balance their portfolios, both at the time of their initial fund purchases and as their investment objectives and asset allocation needs change.

The following is a list of approved providers:

FUND FAMILY

Alliance Bernstein
Allianz
American Century Funds
American Funds
Blackrock
Calamos
Calvert
Columbia
Dreyfus Premier
Eaton Vance
Federated
Fidelity (Advisory Accounts)
Fidelity Advisor
Franklin Templeton
Goldman Sachs
Hartford
Hussman (Advisory Accounts)
INVESCO/Aim

Ivy
Janus
John Hancock Mutual Funds
Lord Abbett
MainStay Funds
MFS Investment Management
Victory
Oppenheimer
Natixis (includes Loomis Sayles and other Natixis funds)
Nuveen
PIMCO
Principal Mutual Funds
Putnam
T. Rowe Price (Advisory Accounts)
Thornburg
Transamerica
Van Eck
Vanguard (Advisory Accounts)

Additional Information

For additional information on mutual fund investing, you can visit the Securities and Exchange Commission (www.SEC.gov) or FINRA (www.FINRA.org) Web sites. Both sites offer calculators that can help you determine which share class may offer the fee structure with the least expense.

For additional information on a particular fund, including applicable fees and charges, please refer to the fund's Prospectus and Statement of Additional Information. The prospectus can be obtained from your Financial Consultant or calling our Client Services group at 1-800-232-6983. Please read the prospectus carefully before investing.

To check the background of Comerica Securities, or any of its investment professionals, you may access FINRA BrokerCheck at http://brokercheck.finra.org