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Understanding mutual fund fees, share classes and certain risk considerations

Highlights

- This document is current as of the listed date above and may change at any time.
- This is a general overview of mutual fund share classes available at UBS. This overview is for educational purposes only. **Because every mutual fund is different, you should always refer to a fund's prospectus for details on that fund's share classes and fees before investing.**
- Since January 2020, UBS only offers the single share class of domestic mutual funds in its brokerage accounts. The single share class has no front-end loads, back-end loads, or 12b-1 fees.
- The other most commonly used share classes in retail brokerage accounts—Class A, B and C shares—may only be used for offshore, legacy and money market fund transactions.
- It is important to understand how UBS and your Financial Advisor are compensated when you purchase mutual fund shares.
- References in this document to “Legacy Transactions” means any purchase or sale of an A, B, C, or related share class of a mutual fund made prior to January 2020.
- Risk considerations for mutual funds are disclosed in each fund's prospectus. This document highlights a number of risks associated with certain mutual fund investments.

When you invest in mutual funds, fees and share classes can impact both the cost of your investment and the returns you earn. This overview broadly describes mutual fund fees and the share classes most commonly offered in retail brokerage accounts, along with the fees you pay.

Beginning in January 2020, the primary share class offered in retail brokerage accounts is a share class without upfront, ongoing or backend sales charges, referred to as the “single share class.” Most of the information in this overview also applies to offshore mutual funds, which are not registered in the United States.

Please contact your Financial Advisor with questions. Additional information is available from the Financial Industry Regulatory Authority (FINRA), an independent regulator, at www.finra.org.

Types of fees

To understand the differences among share classes, you should first review the types of mutual fund fees:

Commission. A fee you pay based on the prevailing market value of the mutual fund's shares being purchased or sold. Commissions are applicable to the purchase and sale of single share classes in UBS brokerage accounts (except in 529 plans, where commissions are charged on buys only).

Management and administrative fees. Shareholders in a fund are assessed their pro-rata share of a fund's expenses, including management and administrative fees. These fees are then paid by the fund to the investment adviser who manages the fund's portfolio. Administrative fees cover other operating expenses.

Upfront sales charge or front-end sales charge. A fee you pay at the time you purchase mutual fund shares. This fee is deducted from your initial investment amount. Since we only offer domestic mutual funds with the single share class, you will not pay an upfront sales charge when you purchase a domestic mutual fund or a 529 at UBS. However, such front-end sales charge applies to interval funds and offshore mutual funds, and many Legacy Transactions.

Surrender charge or back-end sales charge. A fee you pay when you redeem certain types of shares. It is also known as a “contingent deferred sales charge,” or CDSC. At UBS, you will only be assessed a back-end sales charge if the fund you hold was purchased in your UBS account prior to January 2020, or the mutual fund

transferred into your UBS brokerage account from another institution.

12b-1 distribution fees. 12b-1 fees are marketing and distribution expenses domestic mutual funds registered with the SEC pay to financial intermediaries to cover marketing and distribution costs. You pay the 12b-1 fees directly to the mutual fund. These are part of the mutual fund operational expenses, vary among mutual funds as described in the prospectus, and reduce your investment returns.

Trailpayments: Offshore funds do not pay 12b-1 fees. Instead, many offshore funds pay fees often referred to as “trails” for marketing and distribution costs.

Redemption fees: Some mutual fund families also charge a redemption fee (typically 0.25% to 2.00%) if you redeem shares shortly after purchasing them, to discourage short-term trading.

Finder’s Fee: This is compensation that a mutual fund pays to a financial advisor or investment firm for introducing an investor to the fund, when the investor ultimately invests in the fund. The fee is most commonly structured as a one-time payment but can be a percentage of the invested assets on an ongoing basis. At UBS, only interval funds are subject to a finder’s fee.

Why share classes matter

A mutual fund may offer different types, or classes, of shares. Each share class invests in the same group of securities, has the same investment objectives, and follows the same investment policies.

What is different for each class is *how much* you pay in fees and *when* you pay those fees, which can significantly affect long-term return on your investment.

To determine what share classes a mutual fund offers, ask your Financial Advisor and review the fund’s prospectus. The prospectus contains fee tables, details on waivers and discounts, examples, and other useful information.

Common share classes

Following are brief, general descriptions of common mutual fund share classes. Because the specifics of

share classes can vary significantly, it is important to review a fund’s prospectus before investing.

Single share class

The single share class offers a simplified pricing structure that has no front-end loads, back-end loads, or 12b-1 fees. For mutual fund transactions in the single share class, UBS charges commissions on both buys and sells, except in 529 plans, where commissions are charged on buys only. Management, administrative, and operating expenses continue to apply and are imposed directly by the mutual fund.

The commissions charged are described at ubs.com/mutualfundcommissions.

Class A shares (for Legacy Transactions and interval funds only)

Class A shares generally include an upfront sales charge, which is deducted from your initial investment amount. Discounts may be available if you invest a large amount, hold multiple mutual funds within the same fund family, commit to additional purchases, or aggregate holdings with qualifying household or family members. These shares typically have lower 12b-1 and administrative fees compared to Class B and Class C shares. When purchased through advisory programs, Class A shares are usually offered at Net Asset Value (NAV) without any sales charges.

At UBS, you will pay an upfront fee for interval and offshore funds. For interval funds, these up-front sales charges generally range from 0.00% to 3.00%. For offshore funds, purchases are negotiated between you and your Financial Advisor but are subject to a maximum amount of the lesser of 4% or the amount set by the mutual fund company.

Class B shares (for Legacy Transactions only)

Class B shares generally do not have an upfront sales charge at the time of purchase.

Instead, they typically include a surrender charge, also known as a Contingent Deferred Sales Charge (CDSC), which applies when you redeem your shares. The CDSC typically decreases each year you hold the shares and usually reaches zero after about six years. These charges generally range from 1% to 5.5% but typically are 4% for B shares. These shares generally have 12b-1 and administrative fees that are higher than Class A shares

and similar to Class C shares. If held long enough, generally eight years, Class B shares normally convert automatically to Class A shares, which have lower annual fees. Many fund families have discontinued offering Class B shares.

Class C shares (for Legacy Transactions only)

C shares generally do not have an upfront sales charge but may include a CDSC fee when you sell the shares. The CDSC for these shares typically decreases to zero within 12-18 months, except for reinvested dividends or capital gains. Like B shares, the charges can range from 1% to 5.5% but typically are 1% for C shares.

These shares typically have higher ongoing 12b-1 and administrative fees than Class A shares. Unlike Class B shares, Class C shares generally do not convert to Class A shares, so higher ongoing fees continue for as long as you hold the shares.

Discounts and Breakpoints (for Interval Funds only)

You have several ways to reduce the upfront sales charge on Class A shares of interval funds. Discounts are generally available if you:

– *Make a large investment.* The more you invest, the lower your sales charge. There are usually several thresholds, called “breakpoints”. The typical breakpoint for interval funds that you purchase at UBS are:

- 2.5%, for holdings up to \$100,000
- 2.0%, sometimes lower, for holdings between \$100,000 and \$250,000
- 0.00% for holdings of \$250,000 or more

– *Hold mutual funds in the same fund family.* You can generally get a sales charge discount by purchasing various mutual funds from the same fund family, even if they are different share classes, for different account types (IRA, trust, etc.), or held at a firm other than UBS.

– *Sign a letter of intent.* If you commit to buying a specified dollar amount of additional shares within a specific period, usually 13 months, through a letter of intent, some mutual funds let you apply the discount retroactively. If you do not make your

purchase within the specified time, the fund family will sell shares in your account to make up for the discount you received and restrict you from selling fund shares in that amount.

– *Aggregate your shares with other shares in the fund held by qualifying household or family members.* To make sure you receive all applicable breakpoint discounts, ask your Financial Advisor to link, or “household,” all your eligible accounts (i.e., individual, IRA, Roth IRA, 529, Revocable Trust and related accounts such as those of immediate family members. With these accounts linked, UBS can aggregate your holdings and determine your eligibility for breakpoint discounts.

– *Reinvest dividends and capital gains, or earlier redemptions.* Mutual funds may waive sales charges when you reinvest dividends and capital gains.

– *Reinstatement privileges* -Some fund families offer a “reinstatement privilege,” waiving sales charges when you reinvest proceeds from an earlier redemption of a specific share class in the same fund or fund family. They may also offer a “NAV transfer” privilege, in which you can use the redemption proceeds to buy funds in a different mutual fund family. Time limits and other conditions may apply; refer to the prospectus for details.

Working with your Financial Advisor

If you maintain a brokerage account at UBS, your Financial Advisor can help you determine which mutual funds are most appropriate for your specific situation.

How UBS Financial Services Inc. and your Financial Advisor are compensated when you buy mutual funds

UBS Financial Services Inc. and your Financial Advisor are compensated based on the type of account you maintain, and the mutual fund share class you purchase. For more details, please contact your Financial Advisor or visit *Your Relationship with UBS at ubs.com/us/en/wealth-management/about-us/disclosure-documents.html*.

Fees you pay

Brokerage Accounts:

Commissions. For all mutual fund transactions involving the single share class, you will pay UBS a commission on both buys and sells, except for transactions in 529 plan accounts, where you will pay a commission on buys only. Financial Advisors receive a portion of the commission paid. Financial Advisors have the ability to discount commissions. More information is available at ubs.com/mutualfundcommissions.

For example, if you buy \$20,000 worth of a mutual fund and the maximum commission is \$435.00, plus a \$5.25 processing and handling fee (per transaction), the maximum cost for the trade is \$20,440.25.

When you pay an upfront sales charge, or sell shares and pay a contingent deferred sales charge, the mutual fund company typically keeps a small portion of that charge and pays the rest to UBS, which in turn pays your Financial Advisor.

For example, if you buy \$10,000 of Class A mutual fund shares with a 5.75% upfront sales charge, you would pay a sales charge of \$575. Typically, the mutual fund company would keep a portion. UBS would receive the remainder and pay part of that amount to your Financial Advisor, based on a standard compensation formula. The formula is the same for every mutual fund family we offer.

12b-1 fees

12b-1 fees are marketing and distribution expenses that certain mutual funds pay to financial intermediaries to cover marketing and distribution costs. 12b-1 fees are paid directly by investors to the mutual fund. These fees are part of the mutual fund operational expenses, vary among mutual funds as described in the prospectus, and reduce your investment returns.

For Legacy Shares, many mutual funds pay a 12b-1 fee to UBS directly from the fund's assets on a monthly (but sometimes quarterly) basis. The typical ranges of 12b-1 fees in mutual funds held by clients are as follows:

- A shares: generally, 0.10% to 0.50%, (most frequently 0.25%)
- For Interval Funds, A shares generally 0.25% to 0.75%, (most frequently 0.75%)
- B shares: generally, 1.00%,

–C shares: generally, 0.50% to 1.00%, (most frequently 1.00%)

– Retirement shares: generally, 0.25% to 1.00% (most frequently 0.50%).

If you are participating in the American Funds SIMPLE IRA Plus offering, the Retirement shares pay UBS 0.50% annually.

Finder's fees (for Interval Funds only). Interval funds sometimes pay UBS a finder's fee for certain purchases of the investment. This fee is generally determined based on the total dollar value of a client's holdings with the fund company (other than transactions in qualified plans and some nonprofit/charity accounts) and is described in the fund's prospectus or the fund's Statement of Additional Information. Where UBS receives these amounts, Financial Advisors will receive a portion of these fees based on the grid rate applicable to them. These are one-time payments made by the fund's asset manager. Such fees generally are 1.50% of the purchase amount. Redemptions within certain time frames may result in a CDSC fee to be charged to you by the fund company to offset the one-time payment previously made to UBS.

Offshore Funds Trail Payments

Most offshore funds pay UBS a fee expressed as a percentage of the fund's stated management fees, which represents **both** trails paid to Financial Advisors, as well as revenue share paid to UBS. These fees are negotiated with each fund family and are paid monthly (but sometimes quarterly).

For brokerage shares, the fees generally range from 55% to 65% of the fund's management fee, with 65% being the most commonly paid rate.

Trail payments are service fees we receive for the shareholder services your Financial Advisor provides when you hold an offshore fund. These trail payments are a portion of the total fee we receive from the offshore fund and are paid to your Financial Advisor based on the grid rate applicable to them. Revenue sharing is individually negotiated with each offshore mutual fund company. Trails charged by offshore funds reduce your investment returns.

How your Financial Advisor is paid for offshore funds purchases after June 30, 2020

Effective June 30, 2020, UBS has leveled the percentage of these trails paid to your Financial Advisor. The current ranges of trail payments that your Financial Advisor receives for purchases of offshore funds made at UBS after June 30, 2020, are as follows:

- For equity offshore funds, the maximum trail will not exceed 0.75% per annum
- For fixed income offshore funds, the maximum trail will not exceed 0.50% per annum
- For ultra short offshore funds, the maximum trail will not exceed 0.25% per annum

How your Financial Advisor is paid on offshore funds purchases before June 30, 2020 (Legacy Shares)

Trails for offshore funds you purchased prior to June 30, 2020 are limited to B and C shares only. The amount of the trail fees paid varies among funds, asset classes and share classes but is disclosed in the applicable fund prospectus. The typical ranges of trail fees in offshore funds Legacy Shares held by clients are as follows:

- B shares: generally, 0.50% to 1.00% (most frequently 1.00%)
- C shares: generally, 0.75% to 1.00% (most frequently 1.00%)

Financial Advisors will also receive trail fees for legacy shares purchased outside UBS after June 30, 2020, and subsequently transferred to UBS.

Trailing payments are received for offshore mutual fund shares you hold in a UBS advisory program. The fee is either rebated or credited to you as described in the **UBS Form ADV Disclosure Brochures** found ubs.com/advisorydisclosures.

Processing and handling fee. For transactions with a principal amount over \$500, UBS charges a \$5.25 processing and handling fee on the purchase and sale of most mutual fund shares in retail brokerage accounts, to defray transaction processing costs. No part of this fee is paid to Financial Advisors.

Advisory Accounts: You pay an advisory fee instead of per-trade commissions. Your Financial Advisor receives a portion of this fee. Complete details are in the **Form ADV Disclosure Brochures** at ubs.com/advisorydisclosures.

Additional Compensation

UBS Financial Services Inc. receives additional compensation in connection with the sale of mutual funds. This compensation is a result of marketing, networking, omnibus, or revenue sharing agreements we have with mutual fund and insurance companies offered on our platform. Please see [Revenue Sharing and non-Cash Compensation](#) for more information.

General Risk considerations

As with any other investment, an investment in a mutual fund, offshore fund or interval fund carries risks which are disclosed in detail in each fund's prospectus.

Those risks include, but are not limited to, ***the risk of loss of your entire investment.*** Mutual funds are not bank deposits and are not insured or guaranteed by the FDIC (Federal Deposit Insurance Corporation) or any other government agency.

Some fund types such as interval funds are specialized investment vehicles characterized by limited liquidity, with primary risks centered on the inability to easily sell shares ([liquidity risk](#)) and the potential for pro-rated repurchases. They invest in illiquid assets, causing valuation difficulties and higher fees, which can reduce net returns compared to traditional mutual funds. Shares cannot be sold on demand; they are only redeemable during periodic, set intervals (e.g., quarterly). If redemption requests exceed the fund's offering, requests are pro-rated, meaning you may not be able to sell all your shares at once.

Please note that this general overview is not meant to be exhaustive or complete.

Please review each fund's prospectus or offering document carefully before investing and discuss any questions with your Financial Advisor.

For more information about these types of funds and the risks that may be associated with them, please refer to the fund's prospectus.

Questions

If you have questions about mutual funds, please contact your Financial Advisor.

Important information about brokerage and advisory services. As a firm providing wealth management services to clients, UBS Financial Services Inc. offers investment advisory services in its capacity as an SEC-registered investment adviser and brokerage services in its capacity as an SEC-registered broker-dealer. Investment advisory services and brokerage services are separate and distinct, differ in material ways and are governed by different laws and separate arrangements. It is important that you understand the ways in which we conduct business and that you carefully read the agreements and disclosures that we provide about the products or services we offer. For more information, please review client relationship summary provided at ubs.com/relationshipsummary.

Mutual funds are sold by prospectus. **More complete information about the funds, including information on investment objectives, risks, charges, and expenses is detailed in the prospectus. Please read the prospectus and consider this information carefully before investing.**

Neither UBS Financial Services Inc. nor its Financial Advisors provide tax or legal advice. Please consult your personal tax and/or legal advisors regarding your individual situation.

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