

COST BASIS

Cost basis is used to determine the taxable gain or loss from a transaction. Generally, cost basis is the original amount you paid for shares in your Fund account, including, if applicable, reinvested dividends and capital gains distributions. Upon a sale or exchange of Fund shares within a taxable account, you will realize a capital gain or loss, which is determined by comparing the sales price to the cost basis.

As a result of Congress passing the Emergency Economic Stabilization Act of 2008, the IRS requires mutual fund companies to report the cost basis of shares for taxable accounts that are acquired on or after January 1, 2012, including whether gains and losses are short-term or long-term. Tax deferred accounts, such as 529 accounts, and other retirement plans, generally are not impacted by these changes.

There are various methods for calculating cost basis. As a shareholder you have the right to select a cost basis method for your covered shares (shares acquired on or after January 1, 2012). If you do not select a cost basis method, the Fund's default cost basis method of Average Cost will be applied to your account(s).

FREQUENTLY ASKED QUESTIONS ABOUT COST BASIS

What types of accounts require a cost basis election?

Cost basis reporting applies to regular taxable accounts and to accounts owned by S Corporations. Cost basis reporting does not apply to IRAs.

How will the changes affect reporting for shares in my account?

Covered shares are Fund shares acquired on or after January 1, 2012. If you sell or exchange covered shares within a taxable Fund account, the Fund will report the cost basis and holding period of the shares sold on Form 1099-B by mid-February of the following year. This information will also be reported to the IRS. You will be required by the IRS to use the cost basis information reported on Form 1099-B when completing your annual tax returns.

Non-covered shares are Fund shares acquired prior to January 1, 2012, or shares transferred into your account without corresponding cost basis information. If you sell or exchange non-covered shares within a taxable Fund account, and the Fund has Average Cost basis information for your shares, the cost basis and holding period information will be reported to you along with your Form 1099-B. This information will not be reported to the IRS. If you have chosen a method other than the Average Cost method for your non-covered shares, you are responsible for keeping those cost records.

What cost basis methods are available for covered shares?

Average Cost (ACST)	You direct us to sell shares at an averaged acquisition price. The average cost is determined by totaling the cost of all covered shares in an account and dividing by the number of covered shares owned. Shares are disposed of on a first-in, first-out basis.
First-In, First-Out (FIFO)	You direct us to sell the oldest shares in your account first.
Last-In, First-Out (LIFO)	You direct us to sell the newest shares in your account first.
High Cost, First-Out (HIFO)	You direct us to sell the highest cost shares in your account first.
Low Cost, First-Out (LOFO)	You direct us to sell the lowest cost shares in your account first.
Specific Lot Identification (SLID)	You inform us upon each sale of which specific shares to redeem. If you choose this method, you must specify a secondary method to apply in the case of any automated transactions or for redemptions placed without specific lot instructions.

How can I elect a cost basis method for covered shares in my account?

There are a couple of ways to elect a cost basis method for covered shares in an account.

Complete a Paper Form — Complete and mail a Cost Basis Election Form found in the Download section.

Speak With a Shareholder Service Representative – Call 1-800-773-3863 between the hours of 8AM and 5PM EST.

Am I required to use the same cost basis method for all of my taxable accounts?

No. You may elect a different cost basis method for each of your regular taxable Fund accounts.

What happens if I do not make an election?

If you do not elect a cost basis method prior to January 1, 2012, the Fund's default cost basis method of Average Cost will be applied to your taxable accounts.

Will I be able to change my cost basis method after an election is made?

According to the new cost basis reporting regulation, you may choose to elect a cost basis method at any time prior to the sale of a covered security. However, if you chose the average cost method and wish to change that method, your change may be prospective (if you have already sold covered shares in your account) or retroactive (if you have not yet sold any covered shares in your account). You should consult your tax advisor on such change. For all other cost basis methods, you may change your cost basis method on existing covered shares at any time.

For further information on tax matters, you may wish to call the Internal Revenue Service at 1-800-TAX-1040 (829-1040). Information on mutual fund tax matters is available in IRS Publication No. 564, and information on individual retirement accounts can be found in IRS Publication No. 590.

How is Average Cost different from other available cost basis methods?

The Average Cost basis accounting method is handled uniquely under the new IRS regulations as compared to other cost basis methods. If you elect or are defaulted to the Average Cost basis method for your covered shares, you may retroactively change to another method (revocation) at any time prior to the first redemption or transfer of shares from your account.

Following the first redemption or transfer of covered shares out of a Fund account, any change from the Average Cost method will be applied prospectively only to new shares acquired. Unlike other cost basis methods where changes can be conveyed via the phone, Average Cost basis elections and revocations must be made in writing using the Cost Basis Election Form found in the Download Information section.

Am I able to change the cost basis method used for a sale of shares after it has occurred?

Under current IRS regulations, you are not allowed to change the cost basis used for a sale after it has occurred.

Why did the Fund choose Average Cost as the default method for accounts?

Average Cost is one of the more popular cost basis methods for mutual funds and requires the least amount of recordkeeping by you or your tax advisor.

If I have both covered shares and non-covered shares in my account, which shares will be depleted first when I redeem shares?

If you sell shares in a regular taxable account, the Fund will deplete any non-covered shares first, unless you specifically identify share lots you wish to sell.

If I transfer covered account shares to a financial intermediary, will my cost basis transfer?

Yes, the law requires that the Fund sends your financial intermediary firm a cost basis statement if we have cost basis information for covered shares in your Fund account.

If I donate shares as a gift or transfer, does cost basis transfer to the recipient?

Gifted and transferred shares are a complicated tax issue. Under IRS regulations, gifted covered shares remain covered shares. Generally, a recipient of gifted shares accepts the 'carryover' original cost basis and holding period from the

donor. However, in the case of shares gifted at a loss, and subsequently sold at a loss, the recipient is required to use the value of the shares at the date of the gift to determine the amount of the capital loss.

Special tax rules apply in the event of transfers of shares between spouses, between accounts with common ownership, or due to divorce. As the Fund is not in the business of providing tax or legal advice to taxpayers, we recommend seeking advice from an independent tax advisor.

If I inherit shares from a decedent or estate, what cost basis information is used?

Inherited shares are a complicated tax issue. Usually, the cost basis is the value of the shares on the date of death, and the date of death is used as the acquisition date. However, an authorized representative of an estate can provide alternative instructions.

Special tax rules apply for certain joint account registrations, trusts, and partnerships. As the Fund is not in the business of providing tax or legal advice to taxpayers, we recommend seeking advice from an independent tax advisor.

What changes are anticipated for tax reporting?

The IRS has drafted changes to Form 1099-B for tax year 2012, adding new boxes for cost basis information. The deadline for mailing Form 1099-B to shareholders is February 15. The Fund will provide cost basis information on sale of covered shares in your account beginning in tax year 2012 on Form 1099-B to you and to the IRS.

I still would like more information. What should I do?

We are happy to discuss your account options with you. However, as the Fund is not in the business of providing tax or legal advice to taxpayers, we recommend seeking advice from an independent tax advisor.