



## Press Release

### **Mutual Funds Closed to New Investments Continuing to Charge 12b-1 Fees, Says S&P**

**New York, August 4, 2003** –Standard & Poor's funds research reported today that domestic mutual funds currently closed to new investments are continuing to charge a 12b-1 fee to investors even though there is no longer a need to market the fund. A leading provider of independent investment research, ratings and indices, Standard & Poor's research revealed that, as of last month, 139 funds with a total of 232 share classes are charging an average 12b-1 fee of .62% to investors with 74 of the funds charging the Securities Exchange Commission's (SEC) enforced maximum rate of 1% of the fund's net assets annually.

According to information culled from Standard & Poor's database of over 15,000 domestic mutual funds, equity funds represent the highest percentage of closed funds still charging a 12b-1 fee. As of last month, the average closed equity fund charges its investors a .65% 12b-1 fee. International equity funds based in the U.S. (39) have been charging an average fee of .61%. Fixed income funds (29) and money market funds (6) round out the group of 12b-1 chargers, imposing average 12b-1 fees of .48% and .52% respectively.

Standard & Poor's research into the topic also found that the top five fund management companies, determined by the total number of funds under its management still charging a 12b-1 fee on funds closed to new investments, are some of the biggest names in the industry. Idex Mutual Funds currently list 53 funds that are closed to new investments, yet charge a 12b-1 fee. INVESCO Funds Group (23), ING Investments (19), Dreyfus Corporation (16), and General Electric Investment Corporation (12) round out the top five fund management companies charging 12b-1 fees on closed funds.

The 12b-1 fees are fees paid by a mutual fund out of the fund's assets to cover distribution expenses and shareholder service expenses. According to the SEC definition on 12b-1 fees, distribution fees include fees paid for marketing and selling fund shares, such as compensating brokers and others who sell fund shares, and paying for advertising, the printing and mailing of prospectuses to new investors, and the printing and mailing of sales literature. Under NASD rules, 12b-1 fees that are used to pay marketing and distribution expenses (as opposed to shareholder service expenses) cannot exceed 0.75 percent of a fund's average net assets per year.

"We spoke with a random sampling of fund companies imposing a 12b-1 fee on their closed fund and found that most consider the 12b-1 a necessary fee to charge since the fund remained open to existing investors," explains Phil Edwards, Standard & Poor's Managing Director of Funds Research. "Standard & Poor's feels this is an insufficient explanation, especially in an environment dominated by single digit returns."

"Investors need to understand how competitive their fund's fees really are, as Standard & Poor's research has shown that mutual funds charging above average fees typically under perform their peers," continues Edwards. "Mutual Funds that are closed to investors but continue to charge a 12-b1 fee aren't competitively pricing their product. While 12-b1 fees are just one component of a fund's total expenses, it can raise the overall expense ratio to uncompetitive levels."

A full list of the 232 mutual funds closed to new investments that still charge a 12b-1 fee, as determined by Standard & Poor's fund database, can be found by accessing Standard & Poor's homepage [www.standardandpoors.com](http://www.standardandpoors.com).

#### **About Standard & Poor's Funds Research**

As a recognized authority in institutional-quality financial research, Standard & Poor's has 65 fund analysts located in nine offices around the world offering in-depth mutual fund reports on over 15,000 U.S. domestic mutual funds and

ratings on over 1800 funds worldwide. In addition, company's custom-designed client solutions provide access to performance data on nearly 80,000 investment funds in the U.S., European, Asian, and Offshore universe.

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