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## Additional Diversification Will Enhance Bright Directions Portfolios

Thank you for participating in the Bright Directions College Savings Program. There are exciting changes coming to the Program on October 29, 2010. As part of the Program's ongoing due diligence and monitoring of the Portfolios the following changes will be implemented and are designed to provide additional diversification and to enhance the Program's current investment lineup. All changes and complete details are included in the enclosed Program Disclosure Statement Supplement and updated Investment Policy Statement. Please read them carefully and keep with your plan papers. The key changes are summarized as follows:

### New Underlying Funds

To continue the Program's goal of providing well-diversified Portfolios, the Program will be adding the following new underlying investment funds within the Age-Based, Target, and Individual Fund Portfolios:

1. **Templeton International Bond Fund**
2. **Dodge & Cox International Stock Fund**
3. **Artisan Emerging Markets Fund**

**Templeton International Bond Fund (FIBZX)** – this fund will provide additional diversification by adding non-U.S. bond exposure to a number of the Age-Based and Target Portfolios. The weighting to each Target Portfolio and the corresponding Age-Based Portfolio is as follows → 4% weighting in Fund 80; 3% in Fund 60; and 2% in Fund 40. The fund will also be available as an Individual Fund Portfolio.

**Dodge & Cox International Stock Fund (DODFX)** – this fund will replace the AllianceBernstein International Value Fund in the Age-Based, Target, and Individual Fund Portfolios. Current assets and any future contributions directed to the AllianceBernstein International Value 529 Portfolio will automatically be invested into the Dodge & Cox International Stock 529 Portfolio.

**Artisan Emerging Markets Fund (ARTEX)** – this fund will provide additional diversification by adding a dedicated emerging markets equity weighting to a number of the Age-Based and Target Portfolios. The exposure will range from a 4% weighting in the most aggressive Age-Based and Target Portfolios, to no exposure in the most conservative Portfolios. The fund will also be available as an Individual Fund Portfolio.

### Individual Fund Portfolio Removal

Effective October 29, 2010 the Calvert Income 529 Portfolio will be removed as an Individual Fund Portfolio. Current assets and any future contributions directed to the Calvert Income 529 Portfolio will automatically be invested into the Northern Bond Index 529 Portfolio.

## Current Asset Allocation and the New Asset Allocation after the changes

The following Target Portfolios, and the corresponding Age-Based Portfolios, will be further diversified with the addition of non-U.S. Bonds and a specific allocation to emerging markets equity. The current asset allocations along with the new asset allocations after the changes are shown in the following table.

### “Current Asset Allocation” and the “New Asset Allocation” after the changes

| Fund 100           | <u>Domestic Equity</u> | <u>International Equity</u> | <u>Emerging Markets</u> | <u>Real Estate</u> | <u>U.S. Bonds</u> | <u>Non-U.S. Bonds</u> |
|--------------------|------------------------|-----------------------------|-------------------------|--------------------|-------------------|-----------------------|
| Current Allocation | 72%                    | 25%                         |                         | 3%                 |                   |                       |
| New Allocation     | 68%                    | 25%                         | 4%                      | 3%                 |                   |                       |

| Fund 80            | <u>Domestic Equity</u> | <u>International Equity</u> | <u>Emerging Markets</u> | <u>Real Estate</u> | <u>U.S. Bonds</u> | <u>Non-U.S. Bonds</u> |
|--------------------|------------------------|-----------------------------|-------------------------|--------------------|-------------------|-----------------------|
| Current Allocation | 58%                    | 20%                         |                         | 2%                 | 20%               |                       |
| New Allocation     | 54%                    | 21%                         | 3%                      | 2%                 | 16%               | 4%                    |

| Fund 60            | <u>Domestic Equity</u> | <u>International Equity</u> | <u>Emerging Markets</u> | <u>Real Estate</u> | <u>U.S. Bonds</u> | <u>Non-U.S. Bonds</u> |
|--------------------|------------------------|-----------------------------|-------------------------|--------------------|-------------------|-----------------------|
| Current Allocation | 43%                    | 15%                         |                         | 2%                 | 40%               |                       |
| New Allocation     | 39.5%                  | 16.5%                       | 2%                      | 2%                 | 37%               | 3%                    |

| Fund 40            | <u>Domestic Equity</u> | <u>International Equity</u> | <u>Emerging Markets</u> | <u>Real Estate</u> | <u>U.S. Bonds</u> | <u>Non-U.S. Bonds</u> |
|--------------------|------------------------|-----------------------------|-------------------------|--------------------|-------------------|-----------------------|
| Current Allocation | 28%                    | 10%                         |                         | 2%                 | 60%               |                       |
| New Allocation     | 27%                    | 10%                         | 1%                      | 2%                 | 58%               | 2%                    |

The above investment changes will be implemented in the following highlighted Age-Based Portfolios:

#### *Beneficiary Age*

| Age-Based Track | 0 – 8    | 9 – 12  | 13 – 16 | 17 – 20 | 21 and over  |
|-----------------|----------|---------|---------|---------|--------------|
| Aggressive      | Fund 100 | Fund 80 | Fund 60 | Fund 40 | Fund 20      |
| Growth          | Fund 80  | Fund 60 | Fund 40 | Fund 20 | Fund 10      |
| Balanced        | Fund 60  | Fund 40 | Fund 20 | Fund 10 | Fixed Income |

**What do you need to do?** As a current investor, no action will be required on your part. The changes are targeted to be implemented at the close of business Friday, October 29, 2010. The upcoming changes being initiated by the Program are not considered an investment change to your Account. Please review carefully the attached Program Disclosure Statement Supplement.

**What if I want to invest differently than outlined?** If you choose to change the Portfolio in which you invest, you may use your annual investment change for calendar year 2010 to select a new Portfolio(s). If you are uncertain whether you have already used your investment change in 2010, please feel free to contact us. You should also consult with your investment professional.

Additional detailed information is included at [www.BrightDirections.com](http://www.BrightDirections.com). On the Home page click:

- ◆ **Investment Policy Statement** → Click on “Investments” and “Investment Policy Statement”
- ◆ **Audited Financial Statements** → Click on “FAQs” and “Audited Financial Statements”

If you have questions regarding your account or the upcoming enhancements, please feel free to contact one of our customer care representatives at 866 – 722 – 7283 (7:30 am - 5:30 pm CT Monday - Friday, or contact your investment professional. Thank you for investing with Bright Directions.

Sincerely,

*Bright Directions College Savings Program*

## BRIGHT DIRECTIONS COLLEGE SAVINGS PROGRAM PROGRAM DISCLOSURE STATEMENT

Supplement dated October 29, 2010  
to the Program Disclosure Statement dated May 28, 2010

The Bright Directions College Savings Program's (the "Program") Program Disclosure Statement dated May 28, 2010, is hereby amended as follows:

### ❖ **Investment Changes**

To provide additional diversification the Program is making modifications to the asset allocations of the Target and Age-Based Portfolios and will be adding several new underlying mutual funds in which the portfolios invest. These changes will be effective October 29, 2010 and are detailed below.

### ❖ **Asset Classes added to the Age-Based, Target, and Individual Fund Portfolios**

Effective October 29, 2010, to provide additional diversification, two asset classes will be added to the Age-Based, Target, and Individual Fund Portfolios. The following table details the asset classes that will be added to the Portfolios.

| <u>Asset Class</u>      |   | <u>New Underlying Mutual Fund</u>              |
|-------------------------|---|--|
| Non-U.S. Bonds          | ➔ | Templeton International Bond Fund (Adv. Class) |
| Emerging Markets Equity | ➔ | Artisan Emerging Markets Fund (Instl. Shares)  |

### ❖ **Underlying Fund to be Replaced in the Age-Based, Target, and Individual Fund Portfolios**

Effective October 29, 2010 the AllianceBernstein International Value Fund will be replaced in the Age-Based, Target, and Individual Fund Portfolios by the Dodge & Cox International Stock Fund. On October 29, 2010, funds invested in the AllianceBernstein International Value Fund will automatically be transferred to the Dodge & Cox International Stock Fund. The AllianceBernstein International Value Fund will no longer be offered as an Individual Fund Portfolio.

### ❖ **Individual Fund Portfolio Replacement**

Effective October 29, 2010 the Calvert Income 529 Portfolio will be removed as an Individual Fund Portfolio. On October 29, 2010, funds invested in the Calvert Income 529 Portfolio will be sold and automatically transferred to the Northern Bond Index 529 Portfolio.

### ❖ **New Funds**

The Program Disclosure Statement is further amended as follows:

- The following "*Individual Fund Portfolio*" is added to page 11 under a new section heading called Non-U.S. Bond 529 Portfolio:

**Templeton International Bond 529 Portfolio** – invests solely in the Templeton International Bond Fund (Adv. Class). The fund's investment goal is current income with capital appreciation and growth of income. The fund invests predominately in non-U.S. bonds.

- The following two "*Individual Fund Portfolios*" are added to page 14 under the International Equity 529 Portfolios section:

**Dodge & Cox International Stock 529 Portfolio** – invests solely in the Dodge & Cox International Stock Fund. The fund seeks long-term growth of principal and income. The fund invests primarily in a diversified portfolio of equity securities issued by non-U.S. companies from at least three different foreign countries, including emerging markets. The fund focuses on countries whose economic and political systems appear more stable and are believed to provide some protection to foreign shareholders. The fund invests primarily in medium-to-large well established companies based on standards of the applicable market.

**Artisan Emerging Markets 529 Portfolio** – invests solely in the Artisan Emerging Markets Fund (Instl. Shares). The fund seeks maximum long-term capital growth. Artisan employs a fundamental research process to construct a diversified portfolio of emerging market companies. The fund's investment process is focused on identifying companies that are priced at a discount relative to Artisan's estimate of their sustainable earnings.

- The following “*Individual Fund Portfolios*” on page 11 and page 14 and the corresponding underlying mutual fund description on pages 55 and 68 respectively, are deleted: Calvert Income 529 Portfolio and the AllianceBernstein International Value 529 Portfolio.
- The “*Female- and Minority-Owned Growth Portfolio*” on page 14 and page 49 is deleted and the reference to 8 Female- and Minority-Owned Portfolios is changed to 7.
- Under the heading “*Program Highlights,*” the description of Investment Fund Families is revised to read as follows:
 

PIMCO, BlackRock, DFA, Dodge & Cox, American Century, Delaware Funds, Eaton Vance, Northern Funds, William Blair, ING Mutual Funds, T. Rowe Price, Calvert, Templeton, Artisan, PaydenFunds, NCM Capital, Ariel Investments, OppenheimerFunds, Sit Mutual Funds, Forward Funds, John Hancock, and Earnest Partners.
- Under the heading “*Program Fees and Expenses – What Does the Program Cost?*” beginning on page 21, the Fee and Expense tables for each Fee Structure describing the Portfolios are revised to include the estimated underlying fund expenses and the estimated total annual asset-based fees for each Fee Structure in the Portfolios, as set forth in the table below:

| <u>Investment Portfolio</u>                   | <u>Estimated Underlying Fund Expenses*</u> | <u>Estimated Total Annual Asset-Based Fees Fee Structure</u> |          |          |          |
|---|--|--|----------|----------|----------|
|   |  | <u>A</u>   | <u>C</u> | <u>E</u> | <u>F</u> |
| Fund 100                                      | 0.66%                                      | 1.36%  | 1.61%    | 1.36%    | 1.11%    |
| Fund 80                                       | 0.63%                                      | 1.33%  | 1.58%    | 1.33%    | 1.08%    |
| Fund 60                                       | 0.59%                                      | 1.29%  | 1.54%    | 1.29%    | 1.04%    |
| Fund 40                                       | 0.57%                                      | 1.27%  | 1.52%    | 1.27%    | 1.02%    |
| Fund 20                                       | 0.45%                                      | 1.15%  | 1.40%    | 1.15%    | 0.90%    |
| Fund 10                                       | 0.36%                                      | 1.06%  | 1.31%    | 1.06%    | 0.81%    |
| Fixed Income Fund                             | 0.30%                                      | 1.00%  | 1.25%    | 1.00%    | 0.75%    |
| Templeton International Bond 529 Portfolio    | 0.78%                                      | 1.48%  | 1.73%    | 1.48%    | 1.23%    |
| Dodge & Cox International Stock 529 Portfolio | 0.65%                                      | 1.35%  | 1.60%    | 1.35%    | 1.10%    |
| Artisan Emerging Markets 529 Portfolio        | 1.50%                                      | 2.20%  | 2.45%    | 2.20%    | 1.95%    |

\* For registered mutual funds, in the absence of a change that would materially affect the information, based on the most recent fiscal year reported upon in the applicable fund’s most recent prospectus prior to the date of the Program Disclosure Statement, and for Portfolios invested in multiple registered mutual funds, based on a weighted average of each fund’s total annual operating expenses, in accordance with the Portfolio’s asset allocation as of the date of this supplement to the Program Disclosure Statement. Additional information about the new investment funds can be found in the description of the changes to Exhibit C to the Program Disclosure Statement below.

- Set forth in the table below are the Age-Based Portfolios and the corresponding Target Portfolios in which they invest. The new asset allocations on the following page are applicable to the Age-Based and Target Portfolios.

| <u>Age-Based Portfolio</u> | <u>Age of Beneficiary</u> |               |                |                |                    |
|----------------------------|---------------------------|---------------|----------------|----------------|--------------------|
|                            | <u>0 - 8</u>              | <u>9 – 12</u> | <u>13 – 16</u> | <u>17 – 20</u> | <u>Over age 20</u> |
| Age-Based Aggressive       | Fund 100                  | Fund 80       | Fund 60        | Fund 40        | Fund 20            |
| Age-Based Growth           | Fund 80                   | Fund 60       | Fund 40        | Fund 20        | Fund 10            |
| Age-Based Balanced         | Fund 60                   | Fund 40       | Fund 20        | Fund 10        | Fixed Income Fund  |

The following tables show the current and new asset allocations of the Target Portfolios, which are expected to go into effect at close of business on October 29, 2010.

| <b>Current Asset Allocation</b>               | <b>Fund 100</b> | <b>Fund 80</b> | <b>Fund 60</b> | <b>Fund 40</b> | <b>Fund 20</b> | <b>Fund 10</b> | <b>Fixed Income</b> |
|---|-----------------|----------------|----------------|----------------|----------------|----------------|---------------------|
| DFA U.S. Large Cap Value Fund                 | 20%             | 16.5%          | 12%            | 7.5%           | 3.5%           | 2%             | 0%                  |
| American Century Equity Growth Fund           | 21%             | 17%            | 12.5%          | 8%             | 3.5%           | 2%             | 0%                  |
| T. Rowe Price Instl Large-Cap Growth Fund     | 20%             | 16.5%          | 12%            | 7.5%           | 3.5%           | 2%             | 0%                  |
| Northern Small Cap Value Fund                 | 3.5%            | 2.5%           | 2%             | 1.5%           | 1%             | 0.5%           | 0%                  |
| Delaware Small Cap Core Fund (Instl.)         | 4%              | 3%             | 2.5%           | 2%             | 1%             | 0.5%           | 0%                  |
| William Blair Small Cap Growth Fund           | 3.5%            | 2.5%           | 2%             | 1.5%           | 1%             | 0.5%           | 0%                  |
| <b>Domestic Equity Total</b>                  | <b>72%</b>      | <b>58%</b>     | <b>43%</b>     | <b>28%</b>     | <b>13.5%</b>   | <b>7.5%</b>    | <b>0%</b>           |
| AllianceBernstein International Value Fund    | 12.5%           | 10%            | 7.5%           | 5%             | 2.5%           | 1.25%          | 0%                  |
| Oppenheimer International Growth Fd (Class Y) | 12.5%           | 10%            | 7.5%           | 5%             | 2.5%           | 1.25%          | 0%                  |
| <b>International Equity Total</b>             | <b>25%</b>      | <b>20%</b>     | <b>15%</b>     | <b>10%</b>     | <b>5%</b>      | <b>2.5%</b>    | <b>0%</b>           |
| ING Global Real Estate Fund                   | 3%              | 2%             | 2%             | 2%             | 1.5%           | 0%             | 0%                  |
| <b>Real Estate Total</b>                      | <b>3%</b>       | <b>2%</b>      | <b>2%</b>      | <b>2%</b>      | <b>1.5%</b>    | <b>0%</b>      | <b>0%</b>           |
| PIMCO Total Return Fund                       | 0%              | 10%            | 8.5%           | 7%             | 6%             | 0%             | 0%                  |
| Northern Bond Index Fund                      | 0%              | 10%            | 8.5%           | 7%             | 6%             | 0%             | 0%                  |
| PIMCO Short-Term Fund                         | 0%              | 0%             | 0%             | 20%            | 23%            | 25%            | 28%                 |
| PIMCO Low Duration Fund                       | 0%              | 0%             | 20%            | 19%            | 17%            | 15%            | 12%                 |
| BlackRock Inflation Protected Bond Fund       | 0%              | 0%             | 3%             | 7%             | 8%             | 10%            | 10%                 |
| <b>Bond Total</b>                             | <b>0%</b>       | <b>20%</b>     | <b>40%</b>     | <b>60%</b>     | <b>60%</b>     | <b>50%</b>     | <b>50%</b>          |
| BlackRock Cash Funds                          | 0%              | 0%             | 0%             | 0%             | 20%            | 40%            | 50%                 |
| <b>Money Market Total</b>                     | <b>0%</b>       | <b>0%</b>      | <b>0%</b>      | <b>0%</b>      | <b>20%</b>     | <b>40%</b>     | <b>50%</b>          |
| <b>T O T A L</b>                              | <b>100%</b>     | <b>100%</b>    | <b>100%</b>    | <b>100%</b>    | <b>100%</b>    | <b>100%</b>    | <b>100%</b>         |

**New Asset Allocation  
Target Portfolios**  
(effective October 29, 2010)

| <b>New Asset Allocation</b>                   | <b>Fund 100</b> | <b>Fund 80</b> | <b>Fund 60</b> | <b>Fund 40</b> | <b>Fund 20</b> | <b>Fund 10</b> | <b>Fixed Income</b> |
|---|-----------------|----------------|----------------|----------------|----------------|----------------|---------------------|
| DFA U.S. Large Cap Value Fund                 | 19%             | 15%            | 11%            | 7%             | 3.5%           | 2%             | 0%                  |
| American Century Equity Growth Fund           | 19%             | 15%            | 11.5%          | 7%             | 3.5%           | 2%             | 0%                  |
| T. Rowe Price Instl. Large-Cap Growth Fund    | 19%             | 15%            | 11%            | 7%             | 3.5%           | 2%             | 0%                  |
| Northern Small Cap Value Fund                 | 3.5%            | 3%             | 2%             | 2%             | 1%             | 0.5%           | 0%                  |
| Delaware Small Cap Core Fund (Instl.)         | 4%              | 3%             | 2%             | 2%             | 1%             | 0.5%           | 0%                  |
| William Blair Small Cap Growth Fund           | 3.5%            | 3%             | 2%             | 2%             | 1%             | 0.5%           | 0%                  |
| <b>Domestic Equity Total</b>                  | <b>68%</b>      | <b>54%</b>     | <b>39.5%</b>   | <b>27%</b>     | <b>13.5%</b>   | <b>7.5%</b>    | <b>0%</b>           |
| Dodge & Cox International Stock Fund          | 12.5%           | 10.5%          | 8.25%          | 5%             | 2.5%           | 1.25%          | 0%                  |
| Oppenheimer International Growth Fd (Class Y) | 12.5%           | 10.5%          | 8.25%          | 5%             | 2.5%           | 1.25%          | 0%                  |
| Artisan Emerging Markets Fund                 | 4%              | 3%             | 2%             | 1%             | 0%             | 0%             | 0%                  |
| <b>International Equity Total</b>             | <b>29%</b>      | <b>24%</b>     | <b>18.5%</b>   | <b>11%</b>     | <b>5%</b>      | <b>2.5%</b>    | <b>0%</b>           |
| ING Global Real Estate Fund                   | 3%              | 2%             | 2%             | 2%             | 1.5%           | 0%             | 0%                  |
| <b>Real Estate Total</b>                      | <b>3%</b>       | <b>2%</b>      | <b>2%</b>      | <b>2%</b>      | <b>1.5%</b>    | <b>0%</b>      | <b>0%</b>           |
| PIMCO Short-Term Fund                         | 0%              | 0%             | 0%             | 20%            | 23%            | 25%            | 28%                 |
| PIMCO Low Duration Fund                       | 0%              | 0%             | 20%            | 19%            | 17%            | 15%            | 12%                 |
| BlackRock Inflation Protected Bond Fund       | 0%              | 0%             | 3%             | 7%             | 8%             | 10%            | 10%                 |
| Northern Bond Index Fund                      | 0%              | 8%             | 7%             | 6%             | 6%             | 0%             | 0%                  |
| PIMCO Total Return Fund                       | 0%              | 8%             | 7%             | 6%             | 6%             | 0%             | 0%                  |
| Templeton International Bond Fund             | 0%              | 4%             | 3%             | 2%             | 0%             | 0%             | 0%                  |
| <b>Bond Total</b>                             | <b>0%</b>       | <b>20%</b>     | <b>40%</b>     | <b>60%</b>     | <b>60%</b>     | <b>50%</b>     | <b>50%</b>          |
| BlackRock Cash Funds                          | 0%              | 0%             | 0%             | 0%             | 20%            | 40%            | 50%                 |
| <b>Money Market Total</b>                     | <b>0%</b>       | <b>0%</b>      | <b>0%</b>      | <b>0%</b>      | <b>20%</b>     | <b>40%</b>     | <b>50%</b>          |
| <b>T O T A L</b>                              | <b>100%</b>     | <b>100%</b>    | <b>100%</b>    | <b>100%</b>    | <b>100%</b>    | <b>100%</b>    | <b>100%</b>         |

## **NEW INVESTMENT FUND DESCRIPTIONS**

In "Exhibit C – Investment Portfolios and Mutual Fund Information" beginning on page 47, the summary and descriptions of the investment objectives and strategies, primary risks, and fees and expenses of the new investment funds are set forth below. The descriptions are taken from the prospectuses of the funds and are intended to summarize their respective investment objectives and policies. **For more complete information regarding any fund, you may request a prospectus from your financial advisor, the Program Manager, or by visiting [www.brightdirections.com](http://www.brightdirections.com). All investments carry some degree of risk which will affect the value of a Fund's investments, investment performance, and price of its shares. It is possible to lose money by investing in the Funds. For complete information please see the Fund's Prospectus.**

### **Templeton International Bond Fund** **(Advisor Shares)**

**Investment Objective.** The fund's investment goal is current income with capital appreciation and growth of income. The fund invests predominately in non-U.S. bonds.

**Primary Investment Strategies.** Under normal market conditions, the Fund invests at least 80% of its net assets in "bonds." Bonds include debt securities of any maturity, such as bonds, notes, bills and debentures. Shareholders will be given at least 60 days' advance notice of any change to the 80% policy.

Bonds represent an obligation of the issuer to repay a loan of money to it, and generally provide for the payment of interest. Although the Fund may buy bonds rated in any category, it focuses on "investment grade" bonds. These are issues rated in the top four rating categories by independent rating agencies such as Standard & Poor's (S&P®) or Moody's Investors Service (Moody's) or, if unrated, determined by the Fund's manager to be comparable. The Fund may also invest up to 35% of its total assets in bonds that are rated below investment grade. Generally, lower rated securities pay higher yields than more highly rated securities to compensate investors for the higher risk. The Fund may invest without limit in emerging markets.

The Fund is a non-diversified fund, meaning that the Fund may invest a larger proportion of its assets in the securities of one or more issuers than a fund that is "diversified".

For purposes of pursuing its investment goal, the Fund regularly enters into currency-related transactions involving certain derivative instruments, including currency and cross currency forwards, options on currencies (as a purchaser of such options), and currency and currency index futures contracts. The use of derivative currency transactions may allow the Fund to obtain net long or net negative (short) exposure to selected currencies. The results of such transactions may also represent, from time to time, a significant component of the Fund's investment returns. The Fund may also enter into various other transactions involving derivatives, including financial futures contracts (such as interest rate or bond futures) and options on such contracts, swap agreements (which may include interest rate swaps). The use of these derivative transactions may allow the Fund to obtain net long or net negative (short) exposures to selected interest rates, countries, duration or credit risks. The manager considers various factors, such as availability and cost, in deciding whether, when and to what extent to enter into derivative transactions.

The Fund may use any of the above currency techniques or other derivative transactions for the purposes of enhancing Fund returns, increasing liquidity, gaining

exposure to particular instruments in more efficient or less expensive ways and/or hedging risks relating to changes in interest rates and other market factors. By way of example, when the manager believes that the value of a particular foreign currency is expected to increase compared to the U.S. dollar, the Fund could enter into a forward contract to purchase that foreign currency at a future date. If at such future date the value of the foreign currency exceeds the then current amount of U.S. dollars to be paid by the Fund under the contract, the Fund will recognize a gain. When used for hedging purposes, a forward contract or other derivative instrument could be used to protect against possible declines in a currency's value where a security held or to be purchased by the Fund is denominated in that currency, or it may be used to hedge the Fund's position by entering into a transaction on another currency expected to perform similarly to the currency of the security held or to be purchased (a "proxy hedge").

A futures contract is a standard binding agreement between two parties to buy or sell a specified quantity of an underlying instrument or asset, such as a specific security or currency, at a specified price at a specified later date that trade on an exchange. A "sale" of a futures contract means the acquisition of a contractual obligation to deliver the underlying instrument called for by the contract at a specified price on a specified date. A "purchase" of a futures contract means the acquisition of a contractual obligation to acquire the underlying instrument called for by the contract at a specified price on a specified date. The purchase or sale of a futures contract will allow the Fund to increase or decrease its exposure to the underlying instrument. Although most futures contracts by their terms require the actual delivery or acquisition of the underlying instrument, some require cash settlement. The Fund may buy and sell futures contracts that trade on U.S. and foreign exchanges.

A forward contract is an obligation to purchase or sell a specific foreign currency at an agreed exchange rate (price) at a future date, which is individually negotiated and privately traded by currency traders and their customers in the interbank market. A cross currency forward, sometimes referred to as a "cross-hedge," is a forward contract to sell a specific foreign currency in exchange for another foreign currency and may be used when the Fund believes that the price of one of those foreign currencies will experience a substantial movement against the other foreign currency. A cross-hedge will tend to reduce or eliminate exposure to the currency that is sold, and increase exposure to the currency that is purchased, similar to when the Fund sells a security denominated in one currency and purchases a security denominated in another currency. A cross-hedge will protect the Fund against losses resulting from a decline in the hedged currency, but will cause the Fund to assume

the risk of fluctuations in the value of the currency it purchases.

Swap agreements, such as interest rate swaps, are contracts between the Fund and, typically, a brokerage firm, bank, or other financial institution (the swap counterparty) for periods ranging from a few days to multiple years. In a basic swap transaction, the Fund agrees with its counterparty to exchange the returns (or differentials in rates of return) earned or realized on a particular "notional amount" of underlying instruments. The notional amount is the set amount selected by the parties as the basis on which to calculate the obligations that they have agreed to exchange. The parties typically do not actually exchange the notional amount. Instead, they agree to exchange the returns that would be earned or realized if the notional amount were invested in given instruments or at given interest rates. An interest rate swap is an agreement between two parties to exchange interest rate obligations, generally one based on an interest rate fixed to maturity while the other is based on an interest rate that changes in accordance with changes in a designated benchmark (for example, LIBOR, prime, commercial paper, or other benchmarks).

The Fund may also, from time to time, enter into various other derivative strategies, including financial and index futures contracts and options on such contracts, as well as interest rate swaps. A financial futures contract is an agreement to buy or sell a specific security or securities at a specified future date and price. Among other techniques, the Fund may also use futures contracts on U.S. Treasury securities to help manage risks relating to interest rates and other market factors, to increase liquidity, to invest in particular instruments in more efficient or less expensive ways, and to quickly and efficiently cause new cash to be invested in the securities markets or, if cash will be needed to meet shareholder redemption requests, to remove Fund assets from exposure to the market. In addition, the Fund may invest in swap agreements which may include interest rate, index, total return, currency and credit default swaps for the purposes of attempting to obtain a particular desired return at a lower cost to the Fund than if the Fund had invested directly in an instrument that yielded that desired return. Swap agreements are contracts between the Fund and, typically, a brokerage firm, bank or other institutional buyer for periods ranging from a few days to more than a year, in which the two parties agree to exchange the returns (or differentials in rates of return) earned or realized on a particular set dollar or other currency value of predetermined investments or instruments. The gross returns to be exchanged or "swapped" between the parties are calculated with respect to a "notional amount", i.e., the return on or increase in value of a particular U.S. dollar amount invested at a particular interest rate, in a particular foreign currency, or in a "basket" of securities representing a particular index. The "notional amount" of the swap agreement is only a fictive basis on which to calculate the obligations which the parties to a swap agreement have agreed to exchange. The Fund's obligations (or rights) under a swap agreement will generally be equal only to the net amount to be paid or received under the agreement based on the relative values of the positions held by each party to the agreement (the "net amount").

With derivatives, the manager attempts to predict whether an underlying investment will increase or decrease in value at some future time. The manager considers various factors, such as availability and cost, in deciding whether

to use a particular instrument or strategy. These techniques could result in a loss if the counterparty to the transaction does not perform as promised. Moreover, investors should bear in mind that the Fund is not obligated to actively engage in any derivative transactions.

### **Portfolio Selection**

The manager allocates the Fund's assets based upon its assessment of changing market, political and economic conditions. It will consider various factors, including evaluation of interest and currency exchange rate changes and credit risks.

### **Commodity Exchange Act Exclusion**

The Fund has claimed an exclusion from the definition of the term "commodity pool operator" under the Commodity Exchange Act (CEA), and, therefore, is not subject to registration or regulation as a commodity pool operator under the CEA.

### **Temporary Investments**

When the manager believes market or economic conditions are unfavorable for investors, the manager may invest up to 100% of the Fund's assets in a temporary defensive manner by holding all or a substantial portion of its assets in cash, cash equivalents or other high quality short-term investments. Temporary defensive investments generally may include short-term U.S. government securities, commercial paper, short-term bank time deposits, bankers' acceptances and money market fund shares (including shares of an affiliated market fund). The manager also may invest in these types of securities or hold cash while looking for suitable investment opportunities, to maintain liquidity or to segregate on the Fund's books in connection with its derivative strategies, such as forward currency, currency or interest rate futures positions. In these circumstances, the Fund may be unable to achieve its investment goal.

### **Main Risks**

**Interest Rate.** When interest rates rise, bond prices fall. The opposite is also true: bond prices rise when interest rates fall. In general, securities with longer maturities are more sensitive to these price changes.

**Foreign Securities.** Investing in foreign securities, including securities of foreign governments, typically involves more risks than investing in U.S. securities. Certain of these risks also may apply to securities of U.S. companies with significant foreign operations. These risks can increase the potential for losses in the Fund and affect its share price.

Currency exchange rates. Foreign securities may be issued and traded in foreign currencies. As a result, their values may be affected by changes in exchange rates between foreign currencies and the U.S. dollar, as well as between currencies of countries other than the U.S. For example, if the value of the U.S. dollar goes up compared to a foreign currency, an investment traded in that foreign currency will go down in value because it will be worth fewer U.S. dollars.

Currency management strategies. Currency management strategies, including the use of currency and cross currency forwards and currency futures contracts, may substantially change the Fund's exposure to currency exchange rates and could result in losses to the Fund if currencies do not perform as the manager expects. In addition, currency management strategies, to the extent that they are used as a hedging technique to reduce the Fund's exposure to currency risks, may also reduce the Fund's ability to benefit from favorable changes in

currency exchange rates. There is no assurance that the manager's use of currency management strategies will benefit the Fund or that they will be, or can be, used at appropriate times.

**Political and economic developments.** The political, economic and social structures of some foreign countries may be less stable and more volatile than those in the U.S. Investments in these countries may be subject to the risks of internal and external conflicts, currency devaluations, foreign ownership limitations and tax increases. It is possible that a government may take over the assets or operations of a company or impose restrictions on the exchange or export of currency or other assets. Some countries also may have different legal systems that may make it difficult for the Fund to vote proxies, exercise shareholder rights, and pursue legal remedies with respect to its foreign investments. Diplomatic and political developments, including rapid and adverse political changes, social instability, regional conflicts, terrorism and war, could affect the economies, industries and securities and currency markets, and the value of the Fund's investments, in non-U.S. countries. These factors are extremely difficult, if not impossible, to predict and take into account with respect to the Fund's investments.

**Trading practices.** Brokerage commissions and other fees generally are higher for foreign securities. Government supervision and regulation of foreign securities markets, currency markets, trading systems and brokers may be less than in the U.S. The procedures and rules governing foreign transactions and custody (holding of the Fund's assets) also may involve delays in payment, delivery or recovery of money or investments.

**Availability of information.** Foreign companies may not be subject to the same disclosure, accounting, auditing and financial reporting standards and practices as U.S. companies. Thus, there may be less information publicly available about foreign companies than about most U.S. companies.

**Limited markets.** Certain foreign securities may be less liquid (harder to sell) and their prices may be more volatile than many U.S. securities. This means the Fund may at times be unable to sell foreign securities at favorable prices.

**Emerging markets.** The risks of foreign investments typically are greater in less developed countries, sometimes referred to as developing or emerging markets. For example, political and economic structures in these countries may be less established and may change rapidly. These countries also are more likely to experience high levels of inflation, deflation or currency devaluation, which can harm their economies and securities markets and increase volatility. In fact, short-term volatility in these markets and declines of 50% or more are not uncommon. Restrictions on currency trading that may be imposed by emerging market countries will have an adverse effect on the value of the securities of companies that trade or operate in such countries.

**Credit.** An issuer of bonds may be unable to make interest payments and repay principal when due. Changes in an issuer's financial strength or in a security's credit rating may affect a security's value and, thus, impact Fund performance.

**Lower-rated securities.** Securities rated below the top four ratings, sometimes called "junk bonds," generally have more credit risk than higher-rated securities, and have greater potential to become distressed or to default.

Issuers issuing high yield, fixed-income securities are not as strong financially as those issuing securities with higher credit ratings. These issuers are more likely to encounter financial difficulties and are more vulnerable to changes in the economy, such as a recession or a sustained period of rising interest rates that could affect their ability to make interest and principal payments. If an issuer stops making interest and/or principal payments, payments on the securities may never resume. These securities may be worthless and the Fund could lose its entire investment.

The prices of high yield, fixed-income securities fluctuate more than higher quality securities. Prices are especially sensitive to developments affecting the company's business and to changes in the ratings assigned by rating agencies. Prices of corporate high yield securities often are closely linked with the company's stock prices and typically rise and fall in response to factors that affect stock prices. In addition, the entire high yield securities market can experience sudden and sharp price swings due to changes in economic conditions, stock market activity, large sustained sales by major investors, a high-profile default, or other factors.

High yield securities generally are less liquid than higher-quality securities. Many of these securities do not trade frequently, and when they do their prices may be significantly higher or lower than expected. At times, it may be difficult to sell these securities promptly at an acceptable price, which may limit the Fund's ability to sell securities in response to specific economic events or to meet redemption requests.

#### **Derivative Instruments**

The performance of derivative instruments depends largely on the performance of an underlying instrument or index. Derivative instruments involve costs, may be volatile, and may involve a small initial investment relative to the risk assumed. Their successful use will usually depend on the manager's ability to accurately forecast movements in the market relating to the underlying instrument. Should a market or markets, or prices of particular classes of investments move in an unexpected manner, especially in unusual or extreme market conditions, the Fund may not achieve the anticipated benefits of the transaction, and it may realize losses, which could be significant. If the manager is not successful in using such derivative instruments, the Fund's performance may be worse than if the manager did not use such derivative instruments at all. To the extent that the Fund uses such instruments for hedging purposes, there is the risk of imperfect correlation between movements in the value of the derivative instrument and the value of underlying investment or other asset being hedged. There is also the risk, especially under extreme market conditions, that an instrument, which usually would operate as a hedge, provides no hedging benefits at all.

#### **Income**

Since the Fund can only distribute what it earns, the Fund's distributions to shareholders may decline when interest rates fall.

#### **Non-Diversification**

The Fund is a non-diversified fund. It may invest a greater portion of its assets in the securities of any one issuer and invest in a smaller number of issuers overall than a diversified fund. The Fund may be more sensitive to economic, business, political or other changes affecting similar issuers or securities, which may result in greater fluctuation in the value of the Fund's shares. The Fund

intends, however, to meet certain tax diversification requirements.

**Fees & Expenses.**

(Based on the prospectus dated January 1, 2010)

|                                      |       |
|--------------------------------------|-------|
| Total Annual Fund Operation Expenses | 0.78% |
| expenses deducted from Fund's assets |       |

\* \* \*

**Dodge & Cox International Stock Fund**

**Investment Objective.** The fund seeks long-term growth of principal and income.

**PRINCIPAL INVESTMENT STRATEGIES**

The Fund invests primarily in a diversified portfolio of equity securities issued by non-U.S. companies from at least three different foreign countries, including emerging markets. Under normal circumstances, the Fund will invest at least 80% of its total assets in common stocks, preferred stocks, securities convertible into common stocks, and securities that carry the right to buy common stocks of non-U.S. companies.

The Fund invests primarily in medium-to-large well established companies based on standards of the applicable market. In selecting investments, the Fund invests primarily in companies that, in Dodge & Cox's opinion, appear to be temporarily undervalued by the stock market but have a favorable outlook for long-term growth. The Fund also focuses on the underlying financial condition and prospects of individual companies, including future earnings, cash flow, and dividends. Various other factors, including financial strength, economic condition, competitive advantage, quality of the business franchise, and the reputation, experience, and competence of a company's management are weighed against valuation in selecting individual securities. The Fund also considers the economic and political stability of a country and the protections provided to foreign shareholders.

The Fund may enter into forward currency contracts or currency futures contracts to hedge foreign currency exposure.

**PRINCIPAL RISKS OF INVESTING**

**You could lose money by investing in the Fund, and the Fund could underperform other investments. You should expect the Fund's share price and total return to fluctuate within a wide range. The Fund's performance could be hurt by:**

- *Issuer risk.* Securities held by the Fund may decline in value because of changes in the financial condition of, or other events affecting, the issuers of these securities.
- *Management risk.* Dodge & Cox's opinion about the intrinsic worth of a company or security may be incorrect, Dodge & Cox may not make timely purchases or sales of securities for the Fund, the Fund's investment objective may not be achieved, and the market may continue to undervalue the Fund's securities.
- *Equity risk.* Equity securities generally have greater price volatility than fixed income securities.
- *Market risk.* Stock prices may decline over short or extended periods due to general market conditions.
- *Liquidity risk.* The Fund may not be able to sell a security in a timely manner or at desired prices.

- *Non-U.S. investment risk.* Foreign stock markets may decline due to conditions unique to an individual country, including unfavorable economic conditions relative to the United States. Investment income may be reduced by foreign taxes, including foreign withholding taxes on interest and dividends. There may be increased risk of delayed settlement of portfolio transactions or loss of certificates of portfolio securities.

- *Non-U.S. currency risk.* Foreign currencies may decline relative to the U.S. dollar, which reduces the unhedged value of securities denominated in those currencies. Dodge & Cox may not hedge or may not be successful in hedging the Fund's currency exposure. The Fund also bears transaction charges for currency exchange.

- *Non-U.S. issuer risk.* Foreign securities may decline in value because of political, economic, or market instability; the absence of accurate information about foreign companies; risks of internal and external conflicts; or unfavorable government actions, including expropriation and nationalization. Non-U.S. securities are sometimes less liquid, more volatile, and harder to value than securities of U.S. issuers. Lack of uniform accounting, auditing, and financial reporting standards, with less governmental regulation and oversight than U.S. companies, may increase risk. Some countries also may have different legal systems that may make it difficult for the Fund to vote proxies, exercise shareholder rights, and pursue legal remedies with respect to investments. These risks may be higher when investing in emerging markets. Certain of these risks may also apply to securities of U.S. companies with significant foreign operations.

**Fees & Expenses.**

(Based on the prospectus dated May 1, 2010)

|                                      |       |
|--------------------------------------|-------|
| Total Annual Fund Operation Expenses | 0.65% |
| expenses deducted from Fund's assets |       |

**Artisan Emerging Markets Fund**  
**(Institutional Shares)**

**Investment Objective**

The Artisan Emerging Markets Fund seeks maximum long-term capital growth.

**Primary Investment Strategies**

Artisan employs a fundamental research process to construct a diversified portfolio of emerging market companies. The Fund's investment process is focused on identifying companies that are priced at a discount relative to Artisan's estimate of their sustainable earnings.

- **Sustainable Earnings.** Artisan believes that over the long-term a stock's price is directly related to the company's ability to deliver sustainable earnings. Artisan determines a company's sustainable earnings based upon financial and strategic analyses. Artisan's financial analysis of a company's balance sheet, income statement, and statement of cash flows focuses on identifying historical drivers of return on equity. Artisan's strategic analysis examines a company's competitive advantages and financial strength to assess sustainability.

- **Valuation.** Artisan believes that investment opportunities develop when businesses with sustainable earnings are undervalued relative to peers and historical industry, country and regional valuations. Artisan values a business and develops a price target based on Artisan's assessment of the business's sustainable earnings and cash flow expectations and Artisan's risk analysis.

- **Risk Analysis.** Artisan believes that a disciplined risk framework allows greater focus on fundamental stock selection. Artisan incorporates its assessment of company-specific and macroeconomic risks into its valuation analysis to develop a risk adjusted target price. Artisan’s risk-rating assessment includes a review of the currency, interest rate, monetary and fiscal policy and political risks to which a company is exposed.

Under normal circumstances, the Fund invests no less than 80% of its net assets plus any borrowings for investment purposes at market value at the time of purchase in equity securities of issuers domiciled, headquartered, or whose primary business activities or principal trading markets are emerging markets. The Fund invests in common stocks and other equity securities of companies across a broad market capitalization range. The Fund may also invest to a limited extent in equity-linked securities that provide economic exposure to a security of one or more non-U.S. companies without a direct investment in the underlying securities (called “participation certificates” in this prospectus but may be called different names by issuers).

**PRINCIPAL RISKS**

Like all mutual funds that invest primarily in stocks, the Fund takes investment risks and it is possible for you to lose money by investing in the Fund. Artisan’s ability to choose suitable investments for the Fund has a significant impact on the Fund’s ability to achieve its investment objective. The Fund’s principal risks include:

- **Stock Market Risks.** While common stocks and other equity securities have shown greater growth than other types of securities over time, in the short-term, stock prices fluctuate widely in response to company, market, economic or other news.
- **Foreign Investing Risks.** Foreign stocks as an asset class may underperform U.S. stocks, and foreign stocks may be more volatile than U.S. stocks. Risks relating to investments in foreign securities (including, but not limited to, depositary receipts and participation certificates) include: currency exchange rate fluctuation; less available public information about the issuers of securities; less stringent regulatory standards; lack of uniform accounting, auditing and financial reporting standards; and country risks including less liquidity, high inflation rates, unfavorable economic practices and political instability.

The risks of foreign investments typically are greater in emerging and less developed markets. For example, political and economic structures in these less developed countries may be new and changing rapidly, which may cause instability and greater risk of loss. Their securities markets may be less developed, and securities in those markets are generally more volatile and less liquid than those in the developed markets. Emerging market countries also are more likely to experience high levels of inflation, deflation or currency devaluations, which could hurt their economies and securities markets. Certain emerging markets also may face other significant internal or external risks, including a heightened risk of war, and ethnic, religious and racial conflicts. In addition, governments in many emerging market countries participate to a significant degree in their economies and securities markets, which may impair investment and economic growth of companies in those markets. High levels of national debt tend to make such markets also heavily reliant on foreign capital and, therefore, vulnerable to capital flight.

Also, because foreign securities usually are denominated and traded in foreign currencies, while the Fund values its assets in U.S. dollars, the values of the Fund’s non-U.S. investments will be affected favorably or unfavorably by changes in currency exchange rates relative to the U.S. dollar.

- **Small and Medium-Sized Company Risks.** Stocks of small and medium-sized companies tend to be more volatile and less liquid than stocks of large companies. Compared to large companies, small and medium-sized companies typically may have analyst coverage by fewer brokerage firms – meaning they may trade at prices that reflect incomplete or inaccurate information. Small companies may have a shorter history of operations, less access to financing, and a less diversified product line – making them more susceptible to market pressures and more likely to have a volatile stock price. During some periods, stocks of small and medium-sized companies, as an asset class, have underperformed the stocks of larger companies.
- **Growth Investing Risks.** Growth stocks may fall out of favor with investors and underperform other asset types during given periods. A company may never achieve the earnings growth Artisan anticipated.
- **Risks of Emphasizing a Region, Sector or Industry.** If the Fund has invested a higher percentage of its total assets in a particular region, sector or industry, changes affecting that region, sector or industry may have a significant impact on the performance of the Fund’s overall portfolio.
- **Investing in IPOs Risks.** Investing in initial public offerings (IPOs) is risky and the prices of stocks purchased in IPOs tend to fluctuate more widely than stocks of companies that have been publicly traded for a longer period of time. Stocks purchased in IPOs generally do not have a trading history, and information about the companies may be available for very limited periods.
- **Participation Certificates Risks.** Investing in a participation certificate subjects the Fund to the risks associated with an investment in the underlying equity security and also exposes the Fund to counterparty risk, which is the risk that the bank or broker-dealer that issues the certificate will not fulfill its contractual obligation to timely pay the Fund the amount owed under the certificate.
- **Impact of Actions by Other Shareholders.** The Fund, like all mutual funds, pools the investments of many investors. Actions by one investor or multiple investors may have an impact on the Fund and on other investors. For example, shareholder purchase and redemption activity may affect the per share amount of the Fund’s distributions of its net income and net realized gains, if any, thereby increasing or reducing the tax burden on the Fund’s shareholders subject to income tax who receive Fund distributions.

|  |       |
|--|-------|
| <b><u>Fees &amp; Expenses.</u></b>   |       |
| (Based on the prospectus dated January 28, 2010)   |       |
| Total Annual Fund Operation Expenses   | 1.50% |
| After Fee Waivers and Expense Reimbursement expenses deducted from Fund’s assets                         |       |
| Redemption Fee   | 2.00% |
| (the fund will charge you a 2.00% redemption fee when you sell or exchange shares owned 90 days or less) |       |