

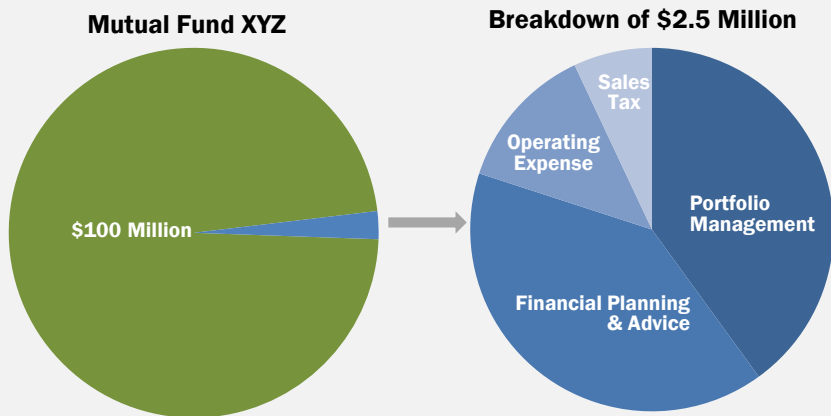
Understanding Management Expense Ratios

What is an MER?

A Management Expense Ratio (MER) represents the costs associated with owning a mutual fund. It indicates how much a fund pays in management fees and operating expenses (including taxes) on an annual basis. MERs are expressed as percentage of daily average net assets during the year.

Example

$$\frac{\text{Fees and expenses of \$2.5 million}}{\text{Average assets of \$100 million}} = \text{MER of } \mathbf{2.5\%}$$



This example is based on a typical retail equity mutual fund in Canada with MER calculated in accordance with National Instrument 81-102. Mutual Funds in Canada may have slightly different breakdowns due to management fee rates, cost structure and operating efficiency. This example is for illustrative purposes only.

How are they calculated?

$$\text{MER} = \frac{\text{Annual fees and expenses (including taxes)}}{\text{Daily average net asset value}}$$

What you pay

What you get

Sales Tax

- Taxes - HST/GST

Operating Expenses

- Fund valuation & custodial
- Audit & legal
- Record keeping and tax reporting

Portfolio Management

- Asset mix optimization
- Investment selection by top money management teams
- Risk management (ongoing monitoring of money managers and sector exposure, currency management, portfolio rebalancing)
- Tax effectiveness (i.e. corporate class)

Financial Planning & Advice

- Planning (investments, estate, tax, retirement)
- Matching your goals, risk tolerance and time horizon with the desired investment portfolio
- Optimization: allocating assets into RRSP, RESP, TFSA, etc.
- Reviewing progress with you on an ongoing basis



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