

MANAGEMENT EXPENSE RATIOS

Every investment has a cost associated with it – for mutual funds, the Management Expense Ratio (MER) is one of the main costs. It represents the expenses a fund company incurs for managing and operating a mutual fund throughout the year. This fee can vary anywhere from 0.5% to 4% of invested assets, depending on the fund.

It's important to know that a mutual fund's rate of return is published net of fees. This means that the return you see as an investor – whether published online, in newspapers or on your statement – reflects performance data reported after the fund's MER has been deducted. For example, if the fund's investment gained 8.5% last year and its MER was 2.5%, the reported return would be 6%.

EXAMPLE COST OF AN MER

If the average market value of your fund was \$10,000 and the MER was 2.5%, the cost to you is:

$$\begin{array}{rclcl}
 \$10,000 & \times & 2.5\% & = & \$250 \\
 \text{AVG MARKET VALUE} & & \text{MER} & \text{approximately} & \text{PER YEAR}
 \end{array}$$

COMPONENTS OF AN MER

The four components are:

TRAILING COMMISSIONS

Most mutual funds pay a trailing commission (also known as a 'trailer') to the investment dealer, and a portion may be paid to your investment professional in return for investment advice and account servicing.

INVESTMENT MANAGEMENT

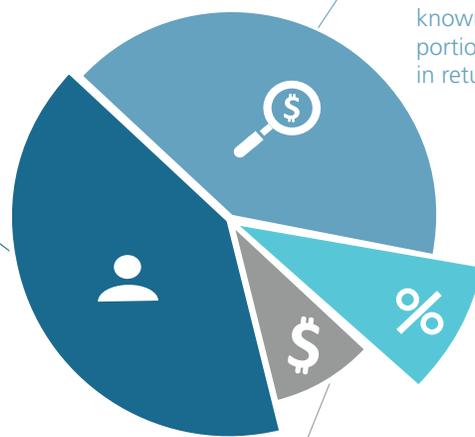
Paid to the portfolio manager, the investment management fee covers the cost of fund oversight, service and administration.

TAX

The rate and type of tax varies by province.

OPERATING EXPENSES

- Includes day to day costs such as:
- Regulatory filing fees
 - Bookkeeping and administrative fees
 - Audit fees
 - Legal fees
 - Custody fees
 - Marketing costs



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