

Understanding Management Expense Ratios

What is an MER?

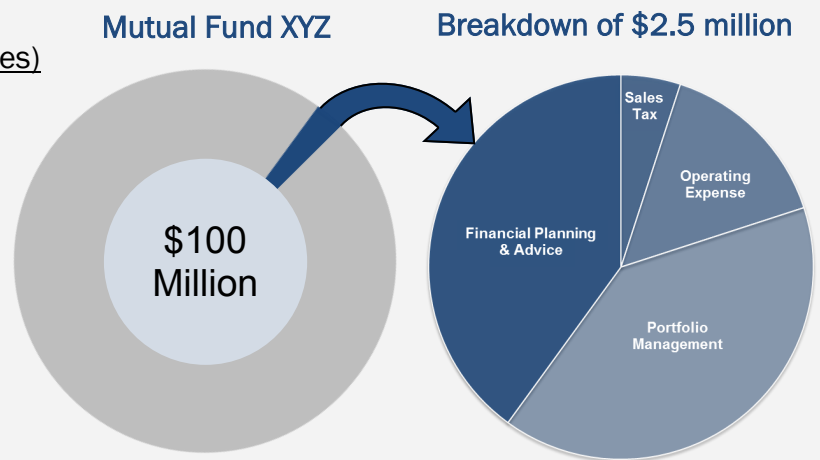
A Management Expense Ratio (MER) represents the costs associated with owning a mutual fund. This indicates how much a fund pays in management fees and operating expenses (including taxes) on an annual basis. MERs are expressed as a percentage of daily average net assets during the year.

How are they calculated?

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

Example:

$$\begin{aligned} \text{MER} &= \frac{\text{Fees and expenses of \$2.5 million}}{\text{Average assets of \$100 million}} \\ &= 2.5\% \end{aligned}$$



What you pay

Sales Tax

Operating Expenses

Portfolio Management

Financial Planning & Advice

What you get

- ◆ Taxes - HST/GST

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

- ◆ 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)

- ◆ 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

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.