Understanding Investment Fees and Charges

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Securities Commission

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If you are thinking of investing …

You have options.

You can invest in securities (such as mutual funds, shares, bonds, etc) or insurance products (such as segregated funds, annuities, etc).
If you decide to invest in securities, you can:

- use a registered securities adviser to help you; or
- do your own investing using an online brokerage service.

Using a registered securities adviser will cost you more because you are paying for their knowledge, resources, time and advice which is valuable.

Online investing through a discount brokerage service is cheaper but you will only have access to a limited number of investments and you will not be receiving the same level of service that a registered securities adviser provides. You will need to determine for yourself your risk tolerance, your investment goals and objectives, and how long you will need to hold your investments until you need the money based on your age, income and expenses.

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How are securities advisers paid?

If you have a registered securities adviser, you are paying him or her in some way for the services they provide, such as access to investment products and their knowledge, research, time, and advice. Your registered securities adviser and the firm they work for are not working for free. Registered securities advisers are compensated for the services they provide to you in a number of ways. Be sure to ask your registered adviser about all of the fees and charges that you will be paying when you invest. Some fees and charges may be negotiable, so it is important to read all of the information an adviser provides you and to ask questions if it is not clear to you what you will be paying for the investments and advisory services.

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Investment firm fees and charges

Registered securities advisers work for firms that may charge fees for the services provided to their clients in the following ways:

Management Fees
These are amounts charged by portfolio managers based on a percentage of the value of the client's investment portfolio. The fee is negotiated at the beginning of the client-adviser relationship, and pays for the cost of managing the overall portfolio.

Commissions
These are amounts charged per securities transaction when bought and sold by an adviser.

Flat Fees for Services
These are amounts the adviser charges at a set rate, usually on an hourly basis. Fee-only advisers do not collect commissions and can provide unbiased advice because they do not earn fees from products they recommend.

Discount Brokers Fees and Charges
Discount or online brokers vary in the services they offer and the amounts they charge. Generally, they charge a fee for each trade. However they may also charge additional amounts related to the size and scope of a client's account.

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Mutual funds fees & charges

A mutual fund is an investment product made up of a pool of money collected from many investors which invests in a collection of stocks, bonds and other securities, and is managed by a professional investment fund manager. Mutual fund fees and charges are built into a mutual fund so it's not always clear how much a mutual fund costs. Always ask your registered adviser what a mutual fund's fees and charges are before you invest.

Management Expense Ratio (MER)

The Management Expense Ratio is the total amount charged by a mutual fund for the management of the fund and its administration costs, including its accounting and legal expenses. The MER is expressed as a percentage of the value of the whole mutual fund. The MER is paid indirectly by an investor and is a reduction from the fund's assets and return. For example, if a mutual fund that has an MER of 1 percent experiences a return on its investments of 6 percent, then at the end of the year your statement will reflect a return of 5 percent because the 1 percent MER will have reduced the mutual fund's rate of return on its investments.

You can find the MER of a mutual fund in the fund facts document for the fund. It is listed as a percentage. An Mer typically ranges from 1-3 per cent, although it can be higher

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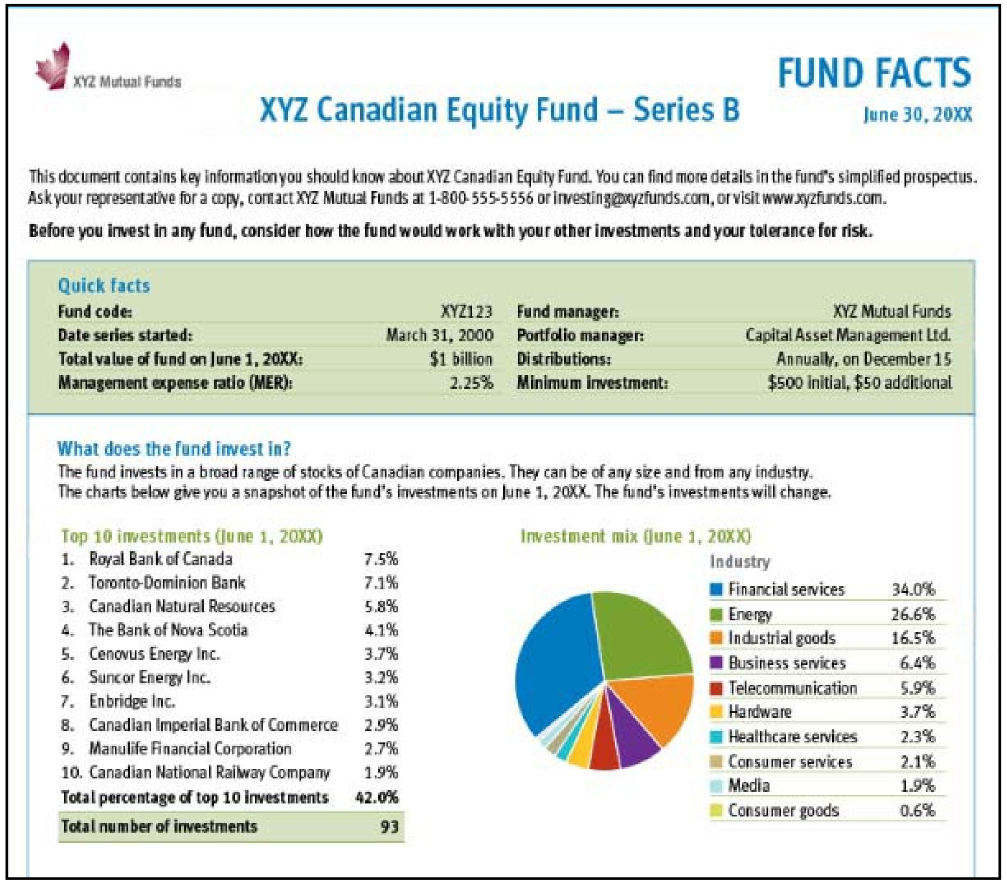
Since the MER reduces the amount of the return on an investment, it is important to consider the amount of the MER and what services you will be getting for it when deciding to invest in a mutual fund. An MER may be high because the fund manager is actively researching, trading and managing the mutual fund. However, even a difference of one percent can compound over time and reduce the long term return on your investment.

Trailing Commissions or Trailer Fees

Trailing commissions are amounts built into a mutual fund's MER. They are paid by the mutual fund company to a registered adviser's firm each year as long as the client stays invested in the fund. They generally run from 0.25-1 per cent.

Different fund companies pay different trailing commissions to registered firms, so the amount of a trailing commission could influence an adviser's investment recommendation.



XYZ Mutual Funds

FUND FACTS

June 30, 20XX

XYZ Canadian Equity Fund – Series B

This document contains key information you should know about XYZ Canadian Equity Fund. You can find more details in the fund's simplified prospectus. Ask your representative for a copy, contact XYZ Mutual Funds at 1-800-555-5556 or investing@xyzfunds.com, or visit www.xyzfunds.com.

Before you invest in any fund, consider how the fund would work with your other investments and your tolerance for risk.

Quick facts

Fund code:	XYZ123	**Fund manager:**	XYZ Mutual Funds
Date series started:	March 31, 2000	**Portfolio manager:**	Capital Asset Management Ltd.
Total value of fund on June 1, 20XX:	$1 billion	**Distributions:**	Annually, on December 15
Management expense ratio (MER):	2.25%	**Minimum investment:**	$500 initial, $50 additional

What does the fund invest in?

The fund invests in a broad range of stocks of Canadian companies. They can be of any size and from any industry. The charts below give you a snapshot of the fund's investments on June 1, 20XX. The fund's investments will change.

Top 10 investments (June 1, 20XX)

1. Royal Bank of Canada	7.5%
2. Toronto-Dominion Bank	7.1%
3. Canadian Natural Resources	5.8%
4. The Bank of Nova Scotia	4.1%
5. Cenovus Energy Inc.	3.7%
6. Suncor Energy Inc.	3.2%
7. Enbridge Inc.	3.1%
8. Canadian Imperial Bank of Commerce	2.9%
9. Manulife Financial Corporation	2.7%
10. Canadian National Railway Company	1.9%
Total percentage of top 10 investments	**42.0%**
Total number of investments	**93**

Investment mix (June 1, 20XX)

Industry

Financial services	34.0%
Energy	26.6%
Industrial goods	16.5%
Business services	6.4%
Telecommunication	5.9%
Hardware	3.7%
Healthcare services	2.3%
Consumer services	2.1%
Media	1.9%
Consumer goods	0.6%

Fund Facts:
The MER for a mutual fund can be found in its Fund Facts. This document, which should be given to you whenever you're thinking about purchasing a mutual fund, also includes information on a fund's investment mix, risk, past performance and managers.

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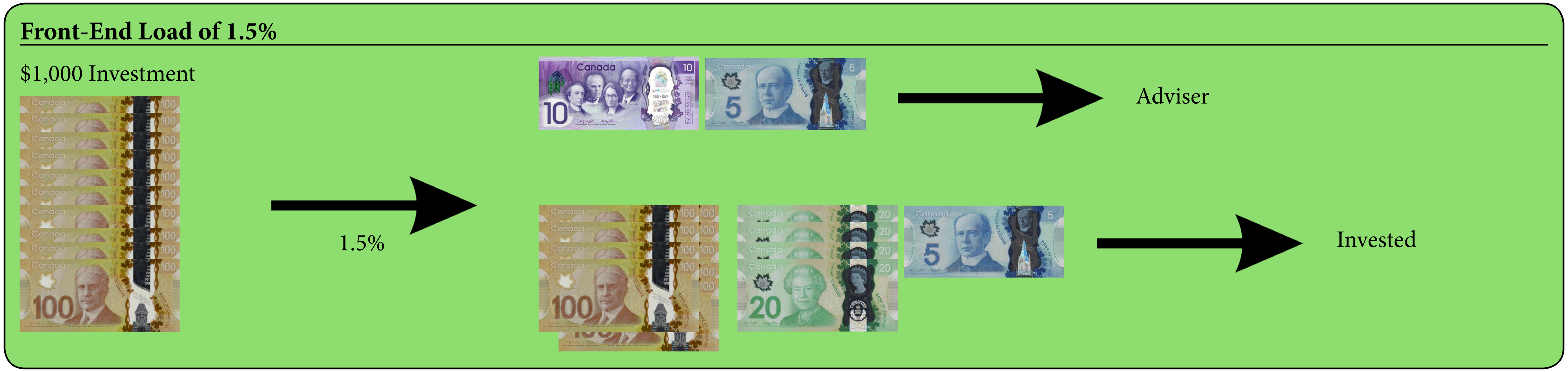
Front-End Load or Sales Charges

A front-end load, also called a sales charge, is a one-time amount charged when you buy a mutual fund and is based on a percentage of the amount invested up front. For example, if you invest $1,000 in a mutual fund and the front end fee is 1.5 percent, your securities adviser's firm would get $15 and the remaining $985 will be invested in the mutual fund.

If a mutual fund does not charge a front-end load, you should ask about the other charges, such as the MER.



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Back-End Load or Deferred Sales Charge

A back-end load, also called a deferred sales charge (DSC), is paid by an investor when they sell their mutual fund securities within a specified number of years from the original investment date, typically five to seven years. The amount of a DSC decreases the longer the mutual fund investment is held. While investors may not pay an upfront cost with a DSC, there may be a cost when the investment is sold.

A DSC is typically 5 percent of the amount invested. For example, if you invest $1,000 in a mutual fund and the DSC is 5 percent the mutual fund company would pay your adviser's firm $50.

You may not have to pay upfront, but to avoid paying the fees, you're locked into the fund for up to seven years which may not be appropriate for your investment objectives. If you redeem early, you will end up paying more for the mutual fund.

Low load or low sales charge (LSC)

A low load fund charges a lower sales charge at the time of purchase, or a lower redemption fee at the time of redeeming the investment. Both typically range around 3 percent. For low load funds, you usually will not have to pay a redemption fee if you hold on to the fund for at least three years.

No load

A no load fund doesn't charge a fee at purchase or sale. This may sound appealing, but a no load fund may not always be a better deal than a load fund. You should also consider the MER, risk and performance of a fund before you decide to invest.

Understanding your statement

Since 2016, your registered securities adviser's firm is required to provide you with an annual charges and compensation report that outlines the amounts you've been charged over the past year. That report may include the following charges:

Account administration fees – Any fees your adviser or firm charges to administer your account.

Account transfer fee – If you transfer your account from one firm or institution to another there may be a fee involved.

Fee based compensation – Fees charged by your adviser based on the value of your portfolio. This is a determined percentage of your portfolio you agree upon to cover the management of your portfolio.

Commissions – This could include commissions for making stock trades or mutual fund commission charges for the purchase of mutual funds that have a sales charge.

DSCs and trailing commissions – These are paid to your adviser/firm by the mutual fund company, but are still listed on your report. DSCs are paid upon your sale of a mutual fund and trailing commissions are paid as long as you continue to hold the mutual fund.

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