

Mutual fund investing: facts about cost

The benefits for you.
The cost to you.



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Mutual funds have helped generations of Canadians achieve their financial goals. The mutual fund is a versatile product for investors like you for saving and investing.

The cost of mutual fund investing

What you pay to the mutual fund company that creates and manages your fund.

Management Expense Ratio – the MER

Each year, a fund company adds up the costs associated with managing and operating a mutual fund. These costs are then reported as an annual percentage of the fund's assets. This is called the Management Expense Ratio (MER).

The returns you earn as an investor are reported after the fund's MER is deducted.

The MER can vary between different types of funds. To learn the MER of a mutual fund, read the Fund Facts or the fund's management report of fund performance (MRFP), or ask your financial advisor.

Four things that make up an MER

1

Management:

A management fee covers the cost of paying the mutual fund company and investment professionals that decide how the fund invests its portfolio. Management costs may also cover compensation to the investment dealer and financial advisor who sell the fund and provide ongoing financial advice and service to investors.

2

Administration:

The fixed-rate annual administration fee covers operating expenses incurred by the fund manager and by the fund itself. Services provided by the fund manager include unitholder processing and client services, fund administration, and legal, tax and financial reporting. Direct fund expenses include custodian safe-keeping fees, audit, prospectus filing fees, mailing and expenses related to the funds' Independent Review Committee.

3

Taxes:

Fund companies pay taxes on the management fee and certain operating costs.

4

Other costs:

These include interest, borrowing costs and any other new governmental fees. These other costs are small and, on average, for Mackenzie, represent less than 0.02% of the MER.



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How advisors are paid for their service

Thousands of advisors distribute Mackenzie funds across Canada. Different types of advisors provide different services. In return, they are compensated through various models. Some are paid a salary, others are paid by commissions and some charge a fee for their services, like lawyers or accountants. More and more advisors are moving to a fee-for-service model.

To accommodate different compensation models, Mackenzie offers different versions of the same mutual funds.

An advisor's compensation is generally included in the MER you pay to a mutual fund company.

Here's an explanation of sales commissions (also known as loads) and service fees (trailers), and what you need to know about each.

What is a load?

A load is a one-time fee. Loads can be front-end (also known as sales charges) or back-end (also known as deferred sales charges).

Front-end load (Sales charges)

If a mutual fund has a front-end load, you pay a fee that is usually taken from your total purchase amount. This fee generally ranges from 0% to 5% of the amount invested. You can negotiate this fee with your financial advisor, and they are often waived.

Back-end load (Deferred Sales Charge or "DSC")

When you purchase a fund with a back-end load, the mutual fund company pays your advisor's firm a fee on your behalf, typically 5% for an equity fund. There is no fee until you withdraw your money. The amount, if any, of this fee paid to the mutual fund company depends on how long you stay invested in the fund.

Since most mutual funds are managed to generate performance over the long term, the back-end arrangement encourages investors to stay invested for a set period of time (usually between five and seven years). If you sell your units before the end of that period, you pay a fee that typically declines each year that you stay invested. If you stay invested for the full schedule, there is no fee when you sell your units.

Front-end: how it works

Let's say you buy \$1,000 worth of mutual fund units with a front-end load and agree on a fee of 2%. Your advisor's firm receives \$20 (the advisor receives a pre-determined proportion of that amount) and \$980 is deposited into the fund.

Back-end: how it works

If you purchase a fund with a back-end load, or DSC, your entire \$1,000 is invested immediately. Your advisor's firm receives a fee from the mutual fund company of about \$50, of which your advisor receives a pre-determined proportion.

Softer landings

Even in down markets when many investments underperform, it's important to remember that mutual fund companies and advisors can help provide a softer landing for your portfolio.

Fixed costs don't change

Advisors and mutual fund companies provide the same services to investors in up markets as they do in down markets. Also, they must meet many fixed-cost obligations that come up monthly.

Your advisor and fund company can give you the encouragement to stay the course through the market cycle. Investing for the long term can help investors avoid hasty decisions that could cause serious damage to portfolios. Your advisor can reinforce the importance of investing early, investing often and staying invested to help you achieve your financial goals.

A range of mutual funds designed to build your wealth

Mutual funds are an efficient and flexible option for investors who want to enjoy the benefits historically enjoyed by long-term market investors.

The wide variety of funds offered today means that your advisor can create a portfolio tailored just for you, whatever your income, investment goals or age.

Mackenzie Investments has an innovative line-up of funds to choose from.

Whether you're looking for domestic or foreign, income or equity, general market or specialty, value or growth, tax-efficient or currency-hedged, we've got it.

After 50 years of long-term performance and product innovation, Mackenzie is a favourite among investors and advisors alike. Our funds are sold through more than 30,000 independent financial advisors across Canada. Over one million Canadians already own Mackenzie mutual funds, and our assets under management have surpassed \$73 billion.

You don't have to build financial independence on your own. Talk to your financial advisor about Mackenzie mutual funds today.

Advisors



Investors



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That's better together

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Find fund and account information online through Mackenzie Investments' secure InvestorAccess. Visit mackenzieinvestments.com for more information.

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