Dynamic®

Understanding Mutual Fund Fees

Dynamic Education Series

Understanding Mutual Fund Fees

Mutual funds remain one of the most accessible and popular investment options. They offer built-in diversification across stocks, bonds and other securities with the benefit of professional management.

While mutual funds simplify investing, it's important to understand the fees involved and how they affect your returns. This document outlines the key costs associated with mutual funds today and how upcoming changes will make those costs more visible.

Coming in 2027: Total Cost Reporting (TCR)

Starting in 2027, investors will receive a new version of the Annual Report on Costs and Compensation (ARCC) covering the 2026 calendar year. It will detail fund fees in both percentage and dollar terms – making it easier to see what you're paying and the value of professional advice.

Management Expense Ratio (MER)

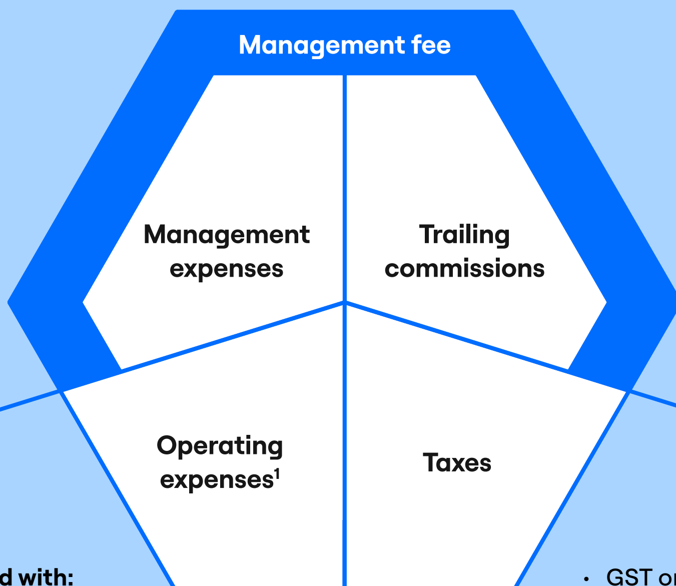
The MER is an annual fee that is charged by a mutual fund to cover the costs of managing and operating the fund.

MER = Management fee (includes trailing commissions) **+ Operating expenses + Tax**

MER Components

Fund pays for:

- Investment research
- Portfolio management
- Marketing
- Advisor financing cost for DSC/low-loads



Fund compensates the dealer for ongoing services, including:

- Advice provided to investor
- Expenses associated with:
  - Compliance
  - Advisor's licensing fees
  - Suitability reviews
  - Client statement production
  - Insurance

Fund covers costs associated with:

- Bookkeeping and admin fees
- Trustee and custodial fees
- Registrar and transfer agency fees
- Regulatory and reporting expenses
- Accounting, audit, and legal fees
- Independent review committee

- GST or HST where applicable

[1] Some mutual fund companies, including Dynamic, have replaced the majority of their operating expenses with a fixed administration fee on many of their mutual funds. The result is increased predictability and transparency to investors.

A mutual fund's unit price, or net asset value per unit (NAVPU), is shown net of the MER. In other words, the fees have already been accounted for when the NAVPU is recorded on your statement.

Under TCR, the MER is part of the broader Fund Expense Ratio (FER), which includes all embedded fund-level costs. These will be disclosed in dollar terms on your annual statement making it easier to understand the true cost of investing.

- **Trading Expense Ratio (TER)** is the cost of buying and selling assets within the fund.
- **Fund Expense Ratio (FER)** is a new term that combines MER and TER, showing total embedded product costs.

MER (%) + TER (%) = FER (%)

Did you know?

Management fee rates typically depend on:

The type of mutual fund – lower for fixed income, higher for equity

The portfolio management strategy – lower for passive, higher for active

The fund's distribution costs (trailing commission payable to the dealer)

Sales Commissions

Sales commissions are paid to dealerships, who share part of the commission with their advisors. These fees can be paid directly to the dealer by the investor, or by the fund company depending on the purchase option selected.

Some purchase options also include redemption fees, which apply if you redeem your investment before a specified time.

Below are three common forms of commission structures: Front-end (FE), Low-load (LL), and Deferred Sales Charge (DSC).

Purchase option	Who pays sales commission		Commission/sales charge	Redemption schedule	Example
	At time of purchase	At time of redemption			
Front-end (FE)	Investor pays commission to dealer	No redemption fee charged	Commission is negotiable between you and your financial advisor, between 0 and 5%.	The fund company does not charge any redemption fees.	If you invest $10,000 and the front load commission you negotiated with your advisor is 2% ($200), $9,800 will go into the investment and $200 will go to your dealer.
Low-load (LL)	The fund company pays the sales commission on behalf of the investor	Investor (may) pay a redemption fee	Depending on time of redemption, the sales charge is usually 0-3%.	The investor is placed on an automatic redemption schedule – usually 2 or 3 years of decreasing redemption fees. If the funds are redeemed before the low-load schedule is up, there will be an early redemption fee, paid by the investor, depending on what year of the schedule the redemption happens in. If the funds are redeemed after the low-load schedule is up, there are no fees for redeeming.	You invest $10,000. The fund company automatically pays a 2% commission (for example) to your dealer and you are placed on a decreasing 3-year redemption schedule. If you decide to redeem in year 2, which carries a 1.5% low-load fee for that year, you will be charged $150.
Low-load 2 (LL2)	The fund company pays the sales commission on behalf of the investor	Investor (may) pay a redemption fee	Depending on time of redemption, the sales charge is usually 0-2%.	The investor is placed on an automatic 2-year redemption schedule. If the fund is redeemed before the LL2 schedule is up, there will be an early redemption fee paid by the investor. If the fund is redeemed after the schedule is up, there is no fee for redeeming.	You invest $10,000. The fund company automatically pays a 1% commission (for example) to your dealer and you are placed on a constant 2-year redemption schedule. If you decide to redeem in year 1, you will be charged the 2% LL2 fee of $200.
Deferred Sales Charge (DSC)	The fund company pays the sales commission on behalf of the investor	Investor (may) pay a redemption fee	Depending on time of redemption, the sales charge is usually 0-6%.	The investor is placed on an automatic redemption schedule – usually 6 or 7 years of decreasing redemption fees. If the funds are redeemed before the DSC schedule is up, there will be an early redemption fee, paid by the investor, depending on what year of the schedule the redemption happens in. If the funds are redeemed after the DSC schedule is up, there are no fees for redeeming.	If you invest $10,000. The fund company automatically pays a 5% commission (for example) to your dealer and you are placed on a decreasing 5-year redemption fee schedule. If you decide to redeem it in year 3, which for example carries a 4% DSC fee for that year, you will be charged $400.

Other fees and charges

In addition to the MER and sales fees, investors may also pay other fees related to performance, trading and transferring.

Performance fee: If the fund's performance exceeds a pre-set threshold or benchmark over a certain period of time, performance fees may be payable to the mutual fund manager for some funds in recognition for strong performance.

Short-term trading fee: Short-term trading fees are designed to discourage short-term trading into and out of a mutual fund in an attempt to make a quick profit by "timing" the market, as mutual funds are designed to be long-term investments. Mutual fund companies may charge a penalty fee (often up to 2% of the value of the trade) if mutual fund units are sold within a certain period, generally 30 to 90 days (depending on the fund type).

The following fees could be charged to you by your advisor's dealership:

Switch fee: Advisors or dealers may charge a small administration fee when you switch between funds.

Annual RRSP, RRIF or RESP trustee fee: This covers the cost of administering these plans.

Account set-up fee: Some dealers may levy a one-time charge for new clients.

Processing fees: You may incur a fee if you close an RRSP account, wire money to your bank account or perform other transactions.

Fees charged by the mutual fund manager are disclosed in the mutual fund's Fund Facts as well as in the fund's prospectus, which you receive at the time of purchase. Fees charged by your dealer should be explained in the Relationship Disclosure Information package your advisor provides to you at account opening.

Note: TCR applies only to fund-level costs. Fees charged by your advisor's dealership such as switch fees or account set-up fees will continue to be disclosed separately in your Relationship Disclosure Information. For more information about TCR and CRM3, visit **dynamic.ca**.

The bottom line

Fees are an important part of any investment decision – but not the only factor. With the introduction of Total Cost Reporting, you'll have a clearer view of what you're paying, helping you make more informed choices.

Your Advisor can help you understand the full picture – from fund quality and manager expertise to how fees relate to long-term outcomes. Ultimately, the goal is to help you invest with confidence, stay focused on your financial future and make decisions supported by tailored advice.

Contact your financial advisor about mutual fund fees in your portfolio.

dynamic.ca

Customer Relations Centre
Toll free: 1-800-268-8186
Tel: 514-908-3212
Email: service@dynamic.ca

12DWD088_DYN_MF_Fees_Inv_EN_V1_4

Dynamic®