MACKENZIE
Investments

Understanding mutual fund fees

Mutual funds have long been a popular investment choice, supporting generations of Canadians in reaching their financial goals.

When investing in a mutual fund, there are costs involved. These costs include the embedded expenses of managing the fund, as well as compensation paid to the advisors and dealer firms for advice and service.

Starting in 2027, Canadian investors holding mutual funds and/or exchange traded funds will see an enhanced Annual Report on Charges and Other Compensation. This report will provide a detailed breakdown of all fees paid for the 2026 calendar year, presented in both dollar and percentage terms. While these costs have always existed, the enhanced reporting will provide greater transparency into the cost associated with investing.

Fund Expense Ratio explained

The largest component of the mutual fund costs is the embedded fund expense, which covers the ongoing costs of managing and operating the fund. These expenses are deducted directly from the fund's net asset value (NAV) and are not charged separately to investor accounts.

Embedded fund costs are expressed as the **Fund Expense Ratio (FER)**, which is comprised of:

- Management Expense Ratio (MER), and
- Trading Expense Ratio (TER)

FER = MER + TER

Understanding MER and TER

Management Expense Ratio (MER) includes:

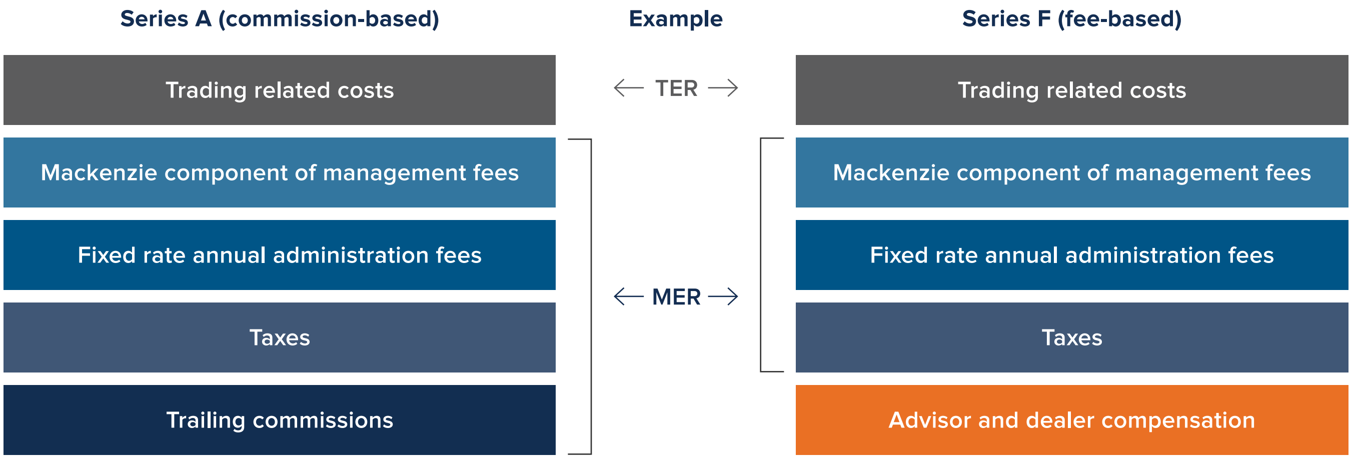
- Investment management fees paid to the fund manager.
- Fixed-rate annual administration fees covering services such as recordkeeping, fund administration, audit, prospectus filing fees, unitholder processing and client services, legal, tax, and financial reporting.
- Certain operating expenses incurred directly by the fund (such as interest, borrowing costs and any new governmental fees).
- Applicable taxes on management fees and operating costs.

For commission-based fund series, the MER may also include trailing commissions paid to advisors and dealer firms. For fee-based series, advisor compensation is paid separately and is not included in the fund's MER.

Trading Expense Ratio (TER) reflects:

- Transaction-related expenses the portfolio management team incurs when buying and selling a fund, ETF or a stock that covers brokerage commissions and trading costs.
- Actively managed funds, particularly equity-based funds, typically have higher TERs due to increased trading activity.

The following chart illustrates the break-down of the investment costs depending on the fund type.



For illustration purposes only. Note: Trailing commissions apply only to certain fund series.

Value of advice

Investment costs reflect the ongoing work of professional fund managers and the valuable guidance offered by financial advisors. Navigating financial decisions can feel overwhelming, and expert advice helps investors stay focused and make informed choices over time. Asset management companies provide more than just access to investments—they deliver research, monitoring, and active management to keep portfolios aligned with your goals. Think of it as paying a trusted mechanic to maintain your car: while you could do it yourself, relying on an expert saves time, reduces risk, and provides peace of mind.

Value provided by financial advisors

Investment discipline – keeping money and emotions separate.

Experience – guiding clients through different life stages, business cycles and market environments.

Investment suitability – through appropriate risk and return alignment.

Time efficiency – for individuals balancing careers and family responsibilities.

Tax efficiency – through appropriate savings vehicles and tax-efficient investment solutions.

Access to a broader network of financial professionals, including tax and estate specialists.

Value provided by Mackenzie Investments

Investment management expertise delivered by experienced professionals using disciplined investment approaches.

Access to a broad range of domestic and global investment opportunities.

Flexibility through relatively low initial and ongoing investment minimums.

Liquidity that allows investors to redeem holdings at current market value, subject to applicable fees.

Technology that supports timely and accurate investment reporting.

Investment and financial planning tools available at mackenzieinvestments.com.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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