

## Understand the Cost of Mutual Funds

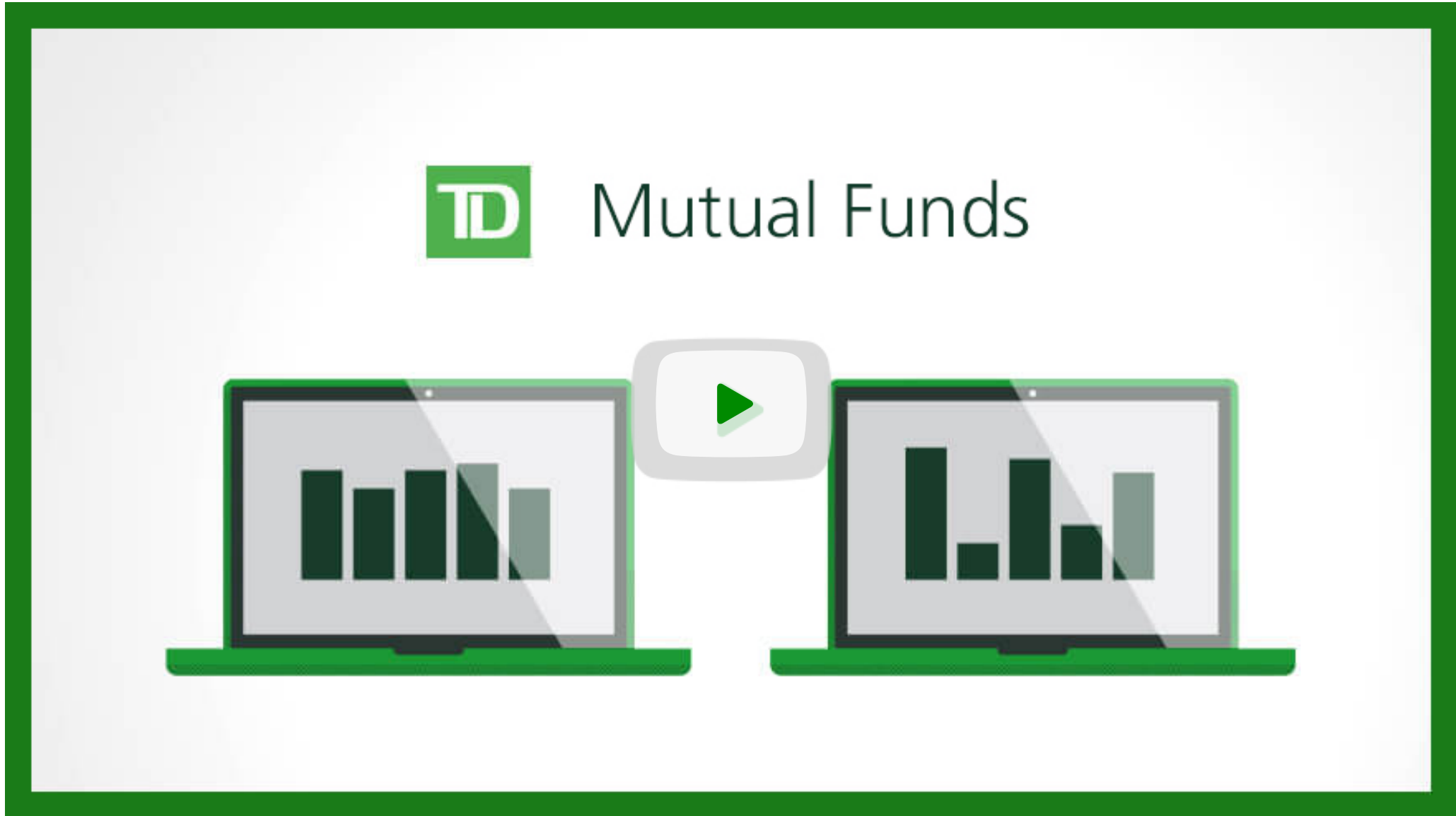
One of the biggest benefits to **investing in mutual funds** is the team of professionals that are there to manage the portfolio. Fund managers follow market opportunities, looking for ways to maximize returns while mitigating risk so they can make the best investment decisions on behalf of their investors.

The cost for this expertise is reflected in the Management Expense Ratio (MER). MERs vary depending on the fund, but they are not charged to investors directly. Instead, they are embedded, and charged directly to the fund based on the fund's assets. MERs reduce the fund's return.



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### The value behind the MER

Most of the fees you pay are used to cover the cost of managing the fund. Included in the cost are the management fees, operating costs and taxes.

- Management Fees:**  
These include portfolio management fees and trailing commissions. Portfolio management, paid to the investment management firm, includes research, investment and professional management. Trailing commissions, paid to the fund dealer servicing your account, include ongoing advice, customer care and compliance.
- Operating Costs:**  
These cover the mutual fund's accounting, audit costs and record keeping.
- Taxes:**  
GST and QST or HST.

### What are trailing commissions and how do they work?

Trailing commissions are paid by the investment fund manager (for TD Mutual Funds, this is TD Asset Management Inc.) to the mutual fund dealer (TD Investment Services Inc.). These commissions cover the costs of servicing your account and the advice provided by Mutual Funds Representatives in TD Canada Trust branches and through the call centre.

### Are there any sales charges or trading fees?

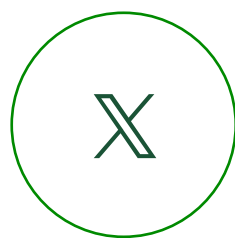
In addition to management fees, some - but not all - mutual funds charge sales commissions, or “loads.” Funds that don’t have these charges are called “no-load” funds.

Mutual funds that do charge them fall into two categories. You may need to pay a front-end load (charged when you purchase the fund) or a back-end load (charged when you redeem, or sell back, the fund to the company you bought it from).

When you purchase TD Mutual Funds through a Mutual Funds Representative at TD Canada Trust<sup>1</sup>, there are no loads - 100% of your investment goes to work for you right away. However, because mutual funds are typically used for long-term investing, you may be charged a short-term trading fee if you switch or redeem a fund within 7 days of purchasing it.

<sup>1</sup>Mutual Funds Representatives with TD Investment Services Inc. distribute mutual funds at TD Canada Trust.

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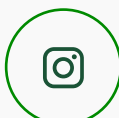
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