THE COSTS OF INVESTING

A breakdown of the direct and indirect costs that impact returns

Pre-fee return

This is a hypothetical, average annual return for a balanced portfolio of equity and fixed income funds or ETFs.

It's the return before any fees and costs are deducted.

6%

[SUBTRACT]

Advice & service fees

These fees may include: administration fees, sales commissions, transaction fees and advisory fees (which may be in the form of trailing commissions).

Many investors will see these fees for the first time when they receive their first annual "Summary of Costs" report in 2017.

0% to 1.5%

Most direct-to-client fund companies (e.g. Steadyhand, Mawer) do not charge these fees.

[SUBTRACT]

Product fees

These are the annual operating costs and management fees paid to the managers of mutual funds and ETFs for selecting and managing the stocks and bonds in the funds.

*These fees are **not shown** on the new "Summary of Costs" reports.*

0.2% to 2.0%

[SUBTRACT]

Behaviour impact*

This represents the impact of short-term focused advice and emotionally driven decisions that may cause investors to veer from their plan.

Research from DALBAR (a US financial research firm) indicates that investors underperform the funds they invest in by 3%+ per year over the long haul because of their behaviour.

0% to 3%+

Investors' behaviour can have a huge impact on returns over time!

[EQUALS]

Total return

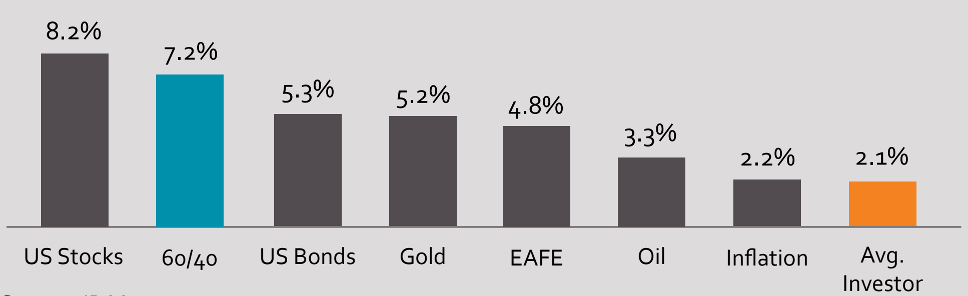
This is the return after all fees and costs have been factored in.

A great reminder that investors need to watch their costs closely, and just as importantly, make sure they stick to their plan!

5.8% to 0%

Note: For simplicity purposes, our breakdown excludes the impact on returns of taxes payable on capital gains, interest and dividend income.

Behaviour: The real wild card*



Source: JP Morgan, DALBAR.

This chart is telling. It shows the **20-year annualized returns** (in US dollars) for a number of asset classes for the period ending Dec. 31, 2015. While stocks returned over 8% and bonds over 5%, the average investor (represented by DALBAR'S average asset allocation investor return) earned just over 2%. Fees played a role in this, but the much greater factor was behaviour - investors' tendency to react adversely to short-term news and generally trade too much. A gap this big can lead to lost returns of hundreds of thousands of dollars for the average investor.

PREPARED BY

Steadyhand