

A Comparison of US and Canadian Mutual Fund Fees

Information Summarized from the
Canadian Securities Administrators
Discussion Paper and Request for
Comment 81-407

Mutual Fund Fees

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Background for Canadian Mutual Funds

- Mutual funds are a cornerstone investment for many Canadian investors.
- At the end of 2011, the total amount invested in mutual funds was C\$762 billion
- Those assets accounted for 73.8% of all Canadian investment assets

- There are primarily two kinds of fees or expenses mutual fund investors incur
 - Sales charges (front-end or deferred)
 - Ongoing fund fees known as the management expense ratio or MER
- A number of published research studies conclude that Canadian mutual fund fees are among the highest in the world.
- 91% of funds were purchased through an advisor

Canadian Mutual Fund Industry

- There are 103 mutual funds in Canada
 - 43% of those are from the 7 chartered banks
 - 4.6% of them are through life insurers
 - 49.4% are independent mutual funds
 - 3% are managed by unions and associations
- Most funds are sold on a commission basis, about 69%

Distribution Channels

- Direct Branch – 11%
- Branch Advice – 17%
- Online/Discount Broker – 4%
- Direct to Public – 3%
- Financial Advisors – 44%
- Full-service Brokers – 20%
- Private Investment Counselors – 1%

Fund Charges

- Front-end Sales Charges
 - Up to 5%
- Deferred Sales Charges
 - Typically start at 6% and decline over 5-7 years
- Low-load Sales Charges (also deferred)
 - Typically start at 2-3% and decline over 2-3 years
- No-load Sales Charges
 - Account for about 31% of mutual fund sales

On-going Fund Fees (MERs)

- These fees cover
 - Operations
 - Portfolio advisory services
 - Sales and distribution
 - Taxes such as GST
 - Commissions
- These fees come out of fund assets and therefore reduce investor returns

Typical Management Fees

Type	Median	Asset-Weighted Average
Money Market	1.00	0.89
Fixed Income	1.50	1.38
Balanced	1.95	1.82
Equity	2.00	1.91

Comparison of US vs. Canada

Description	Canada	United States
Total Mutual Fund Assets	762,000,000	12,814,200,000
Number of Fund Providers	103	713
Share of funds held by top 10% of providers	75%	53%
Number of Mutual Funds	2,667	7,637
Average Fund Size	242,000,000	1,580,000,000
Asset-weighted Ave. MER	1.93%	0.79%