

INSIDE SEGREGATED FUND **MERs**

Understanding the management
expense ratio

The **Management Expense Ratio** (MER) captures the cost of investing in a segregated or “seg” fund, which is part of an insurance contract. From investment management to reporting how your investments are performing, it’s important to know where your money goes – and what you can expect in return.

What is an MER?

An MER is the total of fees and expenses an investor pays for the management of the money in a segregated fund contract. It’s the total of a fund’s management fee, operating expenses, insurance fee and taxes during the calendar year.

How does an MER work?

We calculate the MER for each class of a fund, based on the assets invested in that class of the fund. The MER is a percentage of the total value of the investment. You don’t pay the MER directly; instead, the MER is deducted from the fund and decreases the total amount of your annual return.

For example, if an investor holds a \$10,000 investment in a fund and has to pay annual costs of \$280, the MER is 2.80%.



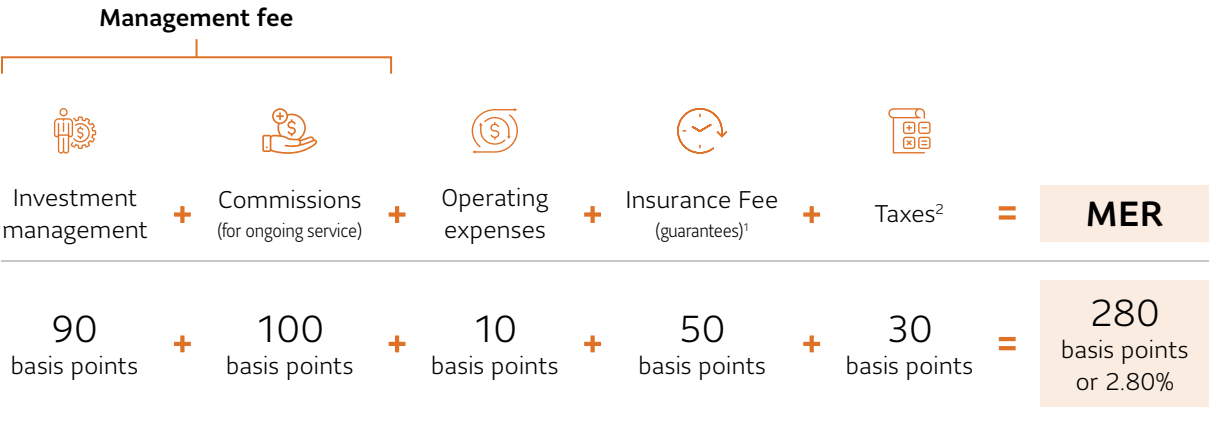
= 2.80% for every \$10,000 invested

Breakdown of an MER

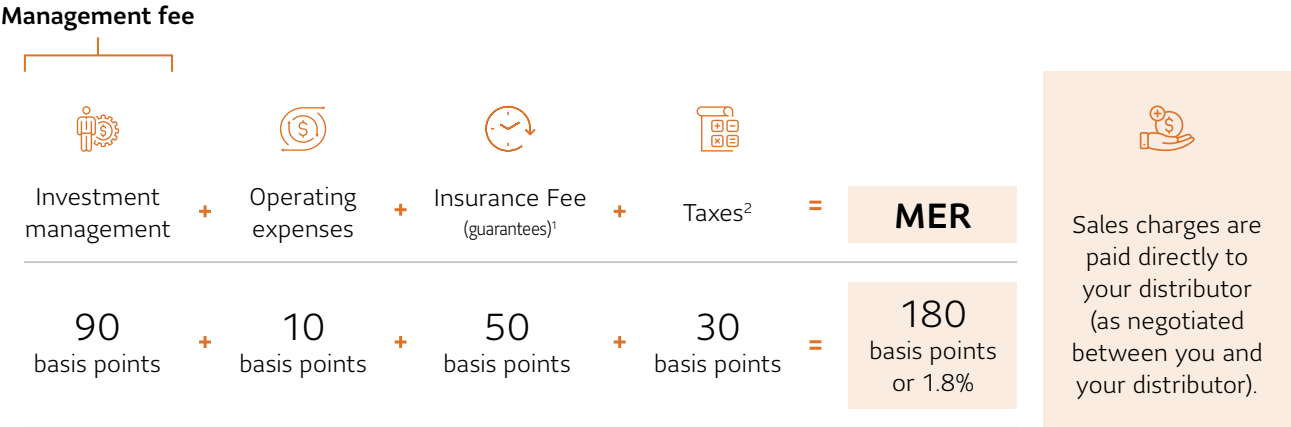
Several components make up an MER. They may be different across different classes of the same fund. We'll look at an A class and a F class MER to show you some examples. A class includes front-end load, deferred sales charge and low-load sales charge options. F class is a fee-based sales charge option where commissions are negotiated directly with your distributor.

Here's an illustration of a fund within Sun GIF Solutions – Estate Series, with A class and F class:

Estate Series – A Class



Estate Series – F Class



Please note that insurance fees typically range from 0.1% for money market investment options, to 1% for equity options within the Estate Series.

The MER of a segregated fund also includes the MER of any underlying fund and any fees or sales charges associated with that underlying fund. No duplication happens in the fees and sales charges of the funds and underlying funds.

¹Any withdrawals you make reduce these guarantees.
²For illustrative purposes only assuming GST/HST of 13%. Segregated funds calculate a blended GST/HST tax rate that takes into consideration the GST/HST tax rates for all investors based on what province they live in. Taxes apply to each fee component.

Elements of an MER



Investment management (part of overall management fee)

Pays for:

- Expert and professional investment management, with daily monitoring
- Choice from a wide range of investments
- Benefit from expertise of company executives, research reports, market data, competitor information and other important information
- Fund supervision, service support and operational administration
- Cost efficiencies (relatively low initial and monthly purchase amounts)



Commissions (part of overall management fee for ongoing services)

There are different ways to access and pay for ongoing services depending on the class you invest in.

- The company that provides service to your contract receives compensation.
- The distributor pays a portion to its representative – your advisor. The fund pays this ongoing commission for as long as you own the contract.
- To earn a portion of the commission, your advisor may provide any number of services for you. Here are just a few:
 - Help set and review financial goals
 - Help with investment selection
 - Retirement planning
 - Budgeting
 - Insight into the markets
 - Portfolio rebalancing
 - Performance updates



Operating expenses

Each fund pays operating expenses that pay for day-to-day expenses. Services include auditing, accounting and fund valuation, record-keeping, custody, filing and legal matters.



Insurance fees

Segregated fund contracts offered by Sun Life include several guarantee options. Depending on the guarantee coverage, these guarantees have different costs. You pay an insurance fee to Sun Life for providing these benefits such as the maturity guarantee, the death benefit guarantee, and lifetime income guarantee for each guarantee series.



Taxes¹

Each segregated fund is required to pay taxes on the management fee, insurance fee and operating expenses. Segregated funds calculate a blended GST/HST tax rate that takes into consideration the GST/HST tax rates for all investors based on the province they live in.

¹Taxes apply to each fee component.

How does the MER affect my rate of return?

You pay the MER indirectly, since they are automatically deducted from the fund. Your contract statement reports the investment return after fees are deducted.

Performance before fees	—	MER	=	Reported investment performance
7.00%	—	2.80%	=	4.20%

Where can I see the MER?

You can see the MERs in the following locations on sunlifeglobalinvestments.com:

Prices and performance

Fund Facts

About Sun Life Global Investments

Sun Life Global Investments offers Canadians a diverse lineup of mutual funds, portfolio solutions and guaranteed investments, empowering them to pursue their financial goals at every life stage. We bring together the strength of one of Canada's most trusted names in financial services with some of the best asset managers from around the world to deliver a truly global investment platform. For more information, please visit sunlifeglobalinvestments.com or follow us on Twitter @SLGI_Canada.



For more information, speak to your advisor or:

Visit sunlifeglobalinvestments.com | Call **1-844-753-4437** | Email gifs@sunlife.com

Any amount that is allocated to a segregated fund is invested at the risk of the contract owner and may increase or decrease in value.

Sun Life Global Investments is a trade name of SLGI Asset Management Inc., Sun Life Assurance Company of Canada and Sun Life Financial Trust Inc. Sun Life Assurance Company of Canada is the issuer of guaranteed insurance contracts, including Accumulation Annuities (Insurance GICs), Payout Annuities, and Individual Variable Insurance Contracts (Sun Life GIFs).

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