

The Client Relationship Model – Phase 2 (CRM2) is a regulatory initiative that is focused on providing you with greater transparency on the mutual fund fees you pay, the services you are charged for and how your investments are performing. Starting in January 2017, you will receive two personalized reports that detail the fees you pay for service as well as any administration charges (Fee Disclosure Report) and the performance of your investments (Annual Performance Report). This FAQ covers questions you may have related to the Fee Disclosure Report.

1. What is in the new report?

The annual Fee Disclosure Report is a summary of investment-related charges you have paid during the calendar year. This includes transaction costs, administration fees, and Trailing Commissions on mutual funds. All charges and Trailing Commissions will be reported in dollars.

The new report will be mailed in January 2017 together with your Personal Portfolio Statement.

2. What's a Trailing Commission?

Trailing Commissions represent the cost of the access and services provided by Scotiabank and advice offered by your Scotiabank Advisor.

- **Access** includes the tools and resources available to help you become financially better off. Such as:
 - o Branch, online, phone and mobile access
 - o Financial planning tools and resources
 - o Salaried Scotiabank employees
- **Service** includes your quarterly account statements, tax slips, Scotiabank Advisors who can answer your questions and address your concerns.
- **Advice** includes the financial planning advice offered by Scotiabank Advisors to help you achieve your goals. It also includes product and strategy recommendations as well as regular reviews of your portfolio.

3. What is an MER?

The Management Expense Ratio (MER) represents the costs of running and servicing a mutual fund. It is made up of three distinct components:

- **Management Fee** – This fee has two parts: the expertise of the fund manager (the company that manages the mutual funds that you own) and the dealer (the firm where your financial advisor is registered).
 - o **Investment Management Fee** – Covers the services provided by the fund manager, including the expertise of specialised investment professionals that make the day-to-day investment decisions for the fund. This includes research and analysis on domestic and/or global securities, ongoing monitoring and asset allocation decisions, where required.
 - o **Trailing Commissions** – Covers the services provided by the dealer. This includes the access, advice and service you receive on your account. Trailing Commissions will be stated in dollar terms on your Annual Fee Disclosure Report starting January 2017.
- **Operating Expenses** – Covers the day-to-day administrative and operational costs of the fund. For most ScotiaFunds this fee is fixed.
- **Taxes** – On the Management Fee and Operating Expenses. Taxes vary by province.

The MER is expressed as a percentage of the fund's average net assets for the year. A mutual fund's price and performance are published after the MER has been deducted.

4. What kind of fees will I pay?

The Trailing Commissions you will pay are based on your specific mutual fund holdings. For example, a \$1,000 investment in a hypothetical mutual fund that has a Trailing Commission of up to 0.8% would pay up to \$8 in Trailing Commissions each year.¹

Each fund or portfolio solution has a corresponding Fund Facts document which details the maximum Trailing Commissions per \$1,000 invested.

¹ For illustrative purposes only. Does not reflect an actual investment in a mutual fund. There are no front-end or deferred charges applicable to ScotiaFunds.

5. Are these fees new?

No, all fees that appear on the annual Fee Disclosure Report already exist. Mutual Fund fees are currently disclosed in the fund's simplified prospectus and Fund Facts documents.

6. Where can I get more information?

For more information on MERs or Trailing Commissions, refer to the relevant Fund Facts document or simplified prospectus for the mutual funds that you own. You can also call the Contact Centre at 1-800-268-9269 for English and 1-800-387-5004 for French. Alternatively, you can speak to a Scotiabank Advisor at your Scotiabank branch.

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Commissions, trailing commissions, management fees and expenses may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed or insured by the Canada Deposit Insurance Corporation or any other government deposit insurer, their values change frequently and past performance may not be repeated.

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