Total Cost Reporting (TCR)

Investment costs aren't changing. The way they're reported is.

Understanding Total Cost Reporting

Plain-language takeaway

Starting in early 2027, annual cost reports covering the 2026 calendar year will make certain investment fund costs more visible. These costs aren't new; they've always been part of how funds are priced. TCR just makes them easier to see, in dollars and in percentages.

Example

An all-in cost of about 2% works out to roughly $2,000 a year on a $100,000 portfolio. As with anything you pay to maintain over time, the number matters less on its own than what it's buying you.

What you are paying for

TCR is designed to improve transparency by showing embedded investment fund costs such as management and trading expenses more clearly on investors' annual cost report statements.

Management Expense Ratio (MER) + **Trading Expense Ratio (TER)** = **Fund Expense Ratio (FER)**

Management Expense Ratio (MER)

What it generally covers
Portfolio management, research, administration, operations, applicable taxes, and oversight.

Why it matters
Supports the professional process behind the fund.

Trading Expense Ratio (TER)

What it generally covers
Costs of buying and selling investments inside the fund.

Why it matters
Reflects the cost of implementing the strategy.

Fund Expense Ratio (FER)

What it generally covers
MER + TER.

Why it matters
The combined MER and TER figure investors will see as the Fund Expense Ratio under TCR.

Understanding what these costs cover

- ✓ **Active management.** Research, security selection and risk decisions aimed at navigating changing markets.
- ✓ **Risk management.** A disciplined manager may adjust exposures as risk rise, although no strategy removes the possibility of loss.
- ✓ **Rebalancing.** Portfolios drift over time as markets move; rebalancing brings the mix back toward the original plan.
- ✓ **Diversification.** Markets change, so a portfolio needs ongoing review across asset classes, sectors, geographies and risk sources.
- ✓ **Investment decision support.** Good advice helps investors avoid emotional decisions, especially buying high or selling low.
- ✓ **Screening and stewardship.** ESG (environmental, social, governance) evaluation and screening help identify otherwise unseen risks and opportunities. Engagement and proxy voting may be used to identify and encourage better practices for the long term.

Cost vs. Value

Costs matter, but they aren't the whole story. The better question isn't only "what do I pay?", it's "what value do I receive once costs, risks and applicable taxes are accounted for?"

Today's fee trend

Fund costs have generally moved lower over time, driven by competition, regulation, scale and investor demand. TCR extends that trend toward clearer, more comparable disclosure.

Return context

A 2% cost only makes sense if the portfolio has a reasonable chance of delivering value above lower-risk alternatives, such as GICs or savings accounts, over the appropriate time horizon.

Low cost is good – but "cheapest" is not always best

- **Bad behaviour can be expensive.** Even a low-cost product can disappoint an investor who trades emotionally or abandons the plan at the wrong moment.
- **Fit matters.** A low-cost fund that doesn't match goals, risk tolerance or time horizon can be the wrong fit.
- **Advice has value.** Planning, tax awareness, withdrawal strategy and investor discipline can matter as much as the product itself.

A different kind of comparison

You wouldn't hire a financial advisor, a lawyer or a contractor on price alone – you would weigh expertise, track record and trust. A fund's fee deserves the same treatment: one input into the decision, not the whole decision.

Questions to ask your advisor

- What am I paying, in dollars and in percentages?
- What services, strategy and advice are included?
- How has the portfolio performed after fees, compared with appropriate alternatives?
- How does this investment help manage risk, taxes, income needs and long-term goals?
- Are there lower-cost options available, and what trade-offs would they involve?

For more information, visit www.neiinvestments.com

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