



Why pay more for Manulife-brand Mawer funds?

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Mawer Investment Management Ltd. is a Calgary-based investment manager whose flagship mutual fund has a stellar performance record, low fees and an award-winning manager.

Yet, for most investors who deal through full-service financial advisers, the \$388 million Mawer World Investment Fund managed by the 2007 Morningstar manager of the year, Gerald Cooper-Key, isn't even on the radar screen.

This is despite the fact the no-load fund is more accessible through brokers and dealers than by buying directly through Mawer (pronounced more). For direct investors, the minimum investment is \$25,000, and you must be a resident of B.C., Alberta, Saskatchewan or Ontario.

But if you buy a Mawer fund through a discount broker or a full-service broker or dealer, the minimum investment is a more affordable \$5,000, and they are available to any Canadian resident.

As Mawer explains, financial advisers generally avoid its funds because of the lack of dealer compensation. Mawer pays among the lowest trailer commissions in the fund industry, with a top rate of only 0.2 per cent a year. By comparison, the going rate for adviser-sold funds is typically 0.5 per cent to 1 per cent.

Also, Mawer pays no point-of-sales commissions, since it does not offer a deferred-sales-charge, or DSC, option. Typically, load-fund companies pay dealers a 5 per cent commission on DSC sales. Since the commission is paid out of the management fee, it doesn't show up in client statements.

Advisers don't have to work free to sell Mawer funds. They are permitted to charge front-end loads, back-end loads and switching fees. But these charges are payable directly by clients and are listed in client statements.

Mawer has hooked up with Manulife Financial to give advisers the more generous and less visible compensation structures most of them apparently want. Starting sometime next month, the Manulife mutual funds family will add five new funds managed by Mawer. Offered under the "Manulife Mawer" brand name, they'll join two Manulife funds already managed by Mawer.

One of the existing funds is Manulife World Investment Class, managed by Manulife's Cooper-Key. It's very similar to Mawer World Investment, a four-time winner at the Canadian Investment Awards for international equity fund of the year.

What is different about the two funds is their fees. The Manulife fund's management expense ratio, or MER, of 2.75 per cent is close to double the 1.46 per cent the Mawer fund charges. Expect similar price differences with the new Manulife-sponsored funds.

The upcoming Manulife Mawer funds have been touted in Manulife's news release and in full-page ads in several major newspapers including the *Star*, as an "exclusive"

arrangement. The distinct impression left was that if you deal with a financial adviser and want to buy into Mawer's expertise, you'll have to go through Manulife.

This is not true. Both Mawer and Manulife acknowledge Mawer's no-load class A funds will remain available for sale through full-service advisers. Nor will Manulife monopolize Mawer's skills among load-fund firms. Mawer currently manages international equities for the Counsel Group of funds, and a Canadian small and midcap fund for the Guardian Group.

The exclusivity agreement prevents Mawer from managing any new funds for Manulife's competitors and Mawer has agreed to halt sales of its class F funds for fee-based full-service accounts once the Manulife Mawer funds are launched.

In light of the continued availability of the Mawer funds to clients of advisers, the exclusivity Manulife has negotiated is essentially the exclusive right to offer new high-MER funds managed by Mawer. The question investors should ask themselves is: Why pay more for Mawer?

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