



**CLASS A UNITS AND CLASS U UNITS OF
MANULIFE U.S. REGIONAL BANK TRUST**

ANNUAL INFORMATION FORM

For the year ended December 31, 2017

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MANULIFE U.S. REGIONAL BANK TRUST

THE FUND

Manulife U.S. Regional Bank Trust (the “**Fund**”) is a closed-end investment fund established under the laws of the Province of Ontario pursuant to a declaration of trust dated June 25, 2014, as amended and restated on September 22, 2014 to bring the declaration of trust into conformity with the requirements applicable to non-redeemable investment funds in National Instrument 81-102 - *Investment Funds* (“**NI 81-102**”) (the “**Declaration of Trust**”). Manulife Asset Management Limited is the trustee, manager and investment manager of the Fund (the “**Manager**”, “**Trustee**” or “**MAML**”). The Manager was amalgamated under the laws of Canada on July 1, 2015. The registered office of MAML and the Fund is located at 200 Bloor Street East, North Tower, Toronto, Ontario M4W 1E5. The Manager provides administrative services to the Fund.

MAML has retained the services of Manulife Asset Management (US) LLC (“**MAM US**”) to act as the investment sub-advisor (the “**Sub-Advisor**”) for the Fund pursuant to an investment management agreement dated July 23, 2014, as supplemented, amended and/or amended and restated from time to time (the “**Investment Management Agreement**”).

The Fund completed its initial public offering (the “**Offering**”) on July 23, 2014 with the issuance of 9,170,000 class A units (the “**Class A Units**”) at a price of \$10.00 per Class A Unit and 1,629,895 class U units (the “**Class U Units**”) at a price of US \$10.00 per Class U Unit (the Class A Units and Class U Units are collectively referred to as the “**Units**”). On August 1, 2014, an additional 530,000 Class A Units were issued for gross proceeds of \$5.3 million under the Offering pursuant to the exercise of the agent’s over-allotment option. With the exercise of the over-allotment option, total gross proceeds raised by the Fund were approximately \$113.3 million.

The Class A Units of the Fund commenced trading on the Toronto Stock Exchange (“**TSX**”) on July 23, 2014 under the symbol “**MBK.UN**”. The Class U Units are not listed on a stock exchange.

The Fund complies with the requirements of NI 81-102 that are applicable to it, subject to any exemptions therefrom applicable to the Fund.

INVESTMENT OBJECTIVES

The investment objectives of the Fund (the “**Investment Objectives**”) are:

- (a) to maximize total return through capital appreciation and distributions; and
- (b) to provide holders of Units (the “**Unitholders**”) with monthly distributions.

The Fund has been created to invest in an actively managed portfolio (the “**Portfolio**”) comprised primarily of securities of U.S. regional banks and lending companies, including commercial banks and industrial banks, savings and loan associations, and bank and financial holding companies (“**Regional Banks**”).

INVESTMENT STRATEGY AND RESTRICTIONS

Investment Strategy

The Sub-Advisor seeks to achieve the Fund’s Investment Objectives by using a fundamental research-based approach to identify undervalued Regional Banks and other companies in the financial services sector. In managing the Portfolio, the Sub-Advisor focuses primarily on individual stock selection. The Sub-Advisor’s investment process includes macro evaluation, financial screening and company evaluation and analysis. The Sub-Advisor looks for companies with low current, absolute or relative price-to-earnings ratios or price-to-book ratios, high-quality franchises, an improving fundamental outlook and management teams that operate in a shareholder-aware manner, among other factors.

The Regional Banks in which the Fund seeks to invest generally provide full-service banking and have primarily U.S. domestic assets. Regional Banks are generally deposit taking institutions with a significant presence in one or more geographical regions. Regional Banks vary in size and services offered, and may operate across multiple countries or states. Operations are often focused on conventional banking products and services including significant business activity in retail banking and/or lending to small and medium-sized businesses.

The Sub-Advisor seeks to invest in Regional Banks that it believes are trading at discounted levels that do not reflect their potential long-term value. The Sub-Advisor invests, directly or indirectly, principally in common and preferred securities, and to a lesser extent, in debt securities, of Regional Banks. The Portfolio may, from time to time, be concentrated in geographic regions of the U.S. where the Sub-Advisor believes consolidation activity is high.

The Sub-Advisor may also invest, directly or indirectly, in securities of other issuers involved in the financial services sector, including investment banks and their holding companies, consumer and industrial finance companies, diversified financial services companies, securities brokerage and investment advisory companies, custodian and wealth management companies, insurance companies, leasing companies, business development companies, securities exchanges, financial networks, information and processing companies, real estate-related firms and other specialty financial related companies, including issuers domiciled in other developed countries (including holdings of common shares through depositary receipts).

The investment strategy for the Fund focuses on maximizing total portfolio return through a combination of current dividend yield and price appreciation. The Sub-Advisor's investment process consists of four key components as follows:

1) **Idea Generation:** The Sub-Advisor's team begin the investment process by taking a top-down approach, assessing current macro trends, both at a global and an industry level. Key macro factors include the overall levels of interest rates and the shape of the yield curve, and various national, regional and local economic data such as unemployment rate, income growth, and economic growth. In addition, the Sub-Advisor's team employs quantitative screening to distill their investable universe into a subset that meets the team's value investing criteria. Certain criteria that are expected to be reviewed while screening for potential Portfolio constituents include, but are not limited to, low current, absolute or relative price-to-earnings (P/E) or price-to-book ratios, high-quality franchises, an improving fundamental outlook and management teams that operate in a shareholder-aware manner, among other factors.

2) **Fundamental Research Framework:** The Sub-Advisor employs a rigorous fundamental investment process designed to deliver a portfolio with compelling long-term return potential. The Sub-Advisor's team employs its analysis based on the CAMELS framework, an industry specific process used by U.S. bank regulators to assess financial institutions. This investment process involves applying an analysis based on the framework established by U.S. bank regulators to assess financial institutions, which analysis includes a review of the following: Capital, Asset Quality, Management, Earnings, Liquidity and Sensitivity to Interest Rates.

3) **Portfolio Construction and Monitoring:** The Sub-Advisor seeks to mitigate downside risks by focusing on companies with sound business strategies that are trading at a compelling valuation. Individual securities are selected based on the Sub-Advisor's assessment of their relative value. The Sub-Advisor normally takes a long-term view when purchasing securities in the Portfolio and generally avoids investing based on short-term price movements. The Sub-Advisor actively monitors the Portfolio's holdings on an ongoing basis using the above approach. In addition to an extensive review of the financial statements and public disclosure for each potential Portfolio constituent, the Sub-Advisor seeks to gather first-hand information about companies by interviewing management and potentially conducting on-site company visits.

4) **Risk Management:** The Sub-Advisor seeks to mitigate downside risks by focusing on companies with a strong franchise and compelling valuation. Fundamental research, discussions with company management and due diligence for investments is a continuous part of the process to ensure upside potential remains a valid thesis.

Leverage

The Fund may borrow through a loan facility against its assets in an amount up to 20% of the aggregate value of the assets of the Fund (the “**Total Assets**”) at the time of borrowing. Accordingly, the maximum amount of leverage that the Fund could employ at the time of borrowing is 1.25:1. If at any time leverage exceeds 25% of Total Assets of the Fund, the Sub-Advisor will, as soon as practicable thereafter, cause the leverage to be reduced to below 20% of Total Assets. Accordingly, the maximum amount of leverage to which the Fund could be exposed at any time is 1.33:1.

On July 23, 2014, the Fund entered into a senior secured revolving credit facility (the “**Credit Facility**”) with a major Canadian chartered bank which allows the Fund to borrow up to US \$30 million. Effective July 19, 2017, the amount was reduced from US \$30 million to US \$25 million. As at December 31, 2017, US\$14 million was outstanding under the Credit Facility.

Securities Lending

Subject to the conditions and limits set out in the requirements of NI 81-102, the Fund may utilize securities lending agreements. The use of securities lending and repurchase agreements shall be in line with the best interests of the Fund. In such a transaction the Fund may temporarily transfer its securities to a borrower, with agreement by the borrower to return equivalent securities to the Fund.

Foreign Currency Hedging

The Portfolio is exposed to foreign currencies and, in particular, the U.S. dollar. The Sub-Advisor uses foreign currency forward contracts and/or futures contracts in order to hedge substantially all of the value of the Portfolio attributable to the Class A Units denominated in non-Canadian currencies back to the Canadian dollar. The value of the Portfolio attributable to the Class U Units will not be hedged.

Investment Restrictions

The Fund is considered to be a non-redeemable investment fund under securities legislation in the provinces and territories of Canada. The Fund is subject to the various policies and regulations that apply to investment funds, including NI 81-102, which are designed in part to ensure that the investments of the Fund are diversified and relatively liquid and to ensure the proper administration of the Fund.

In addition to the investment restrictions set out in NI 81-102 applicable to the Fund, the investment activities of the Fund are conducted in accordance with, among other things, the following investment restrictions (the “**Investment Restrictions**”) as provided in the Declaration of Trust, which provide that the Fund will not:

- (i) invest less than 70% of the Total Assets in securities of Regional Banks;
- (ii) invest more than 10% of the Total Assets in securities of any one issuer;
- (iii) invest more than 40% of the Total Assets in debt securities;
- (iv) invest more than 10% of the Total Assets in securities which the Manager believes could not be liquidated within 30 days at an amount which at least approximates the amount that the Portfolio is valued for purposes of calculating NAV;
- (v) invest in securities of issuers domiciled in countries represented in the MSCI Emerging Markets Index;
- (vi) borrow money, including pursuant to a loan facility if, immediately following the borrowings, the aggregate amount borrowed would exceed 20% of the Total Assets, provided that if at any time leverage exceeds 25% of the Total Assets, the Sub-Advisor will, as soon as practicable thereafter, cause the leverage to be reduced to below 20% of the Total Assets;
- (vii) purchase the securities of an issuer for the purpose of exercising control over management of that issuer;

- (viii) engage in derivative transactions, other than derivative transactions to hedge foreign exchange risk;
- (ix) invest in asset-backed commercial paper or collateralized debt obligations directly or indirectly by selling credit protection under credit default swaps which identify any asset-backed commercial paper or collateralized debt obligations as reference obligations;
- (x) guarantee the securities or obligations of any person other than the Manager, and then only in respect of the activities of the Fund;
- (xi) purchase securities from, sell securities to, or otherwise contract for the acquisition or disposition of securities with the Manager, the Sub-Advisor or any of their affiliates, any officer, director or shareholder of the Manager, the Sub-Advisor, any person, trust, firm or corporation managed by the Manager or the Sub-Advisor or any of their affiliates or any firm or corporation in which any officer, director or shareholder of the Manager or the Sub-Advisor may have a material interest (which, for these purposes, includes beneficial ownership of more than 10% of the voting securities of such entity) unless any such transactions are conducted in accordance with any applicable regulatory requirements;
- (xii) engage in lending activities, conduct non-investment related activities, make loans or extend credit, or hold itself as able to make loans or extend credit;
- (xiii) invest in or hold (A) securities of or an interest in any non-resident entity, an interest in or a right or option to acquire such property, or an interest in a partnership which holds any such property if the Fund (or the partnership) would be required to include any significant amounts in income pursuant to section 94.1 of the *Income Tax Act* (Canada) (together with the regulations thereunder, the “**Tax Act**”), (B) an interest in a trust (or a partnership which holds such an interest) which would require the Fund (or the partnership) to include amounts in income in connection with such interest pursuant to the rules in section 94.2 of the Tax Act, or (C) any interest in a non-resident trust (or a partnership which holds such an interest) other than an “exempt foreign trust” for the purposes of section 94 of the Tax Act;
- (xiv) invest in any security that is a “tax-shelter investment” within the meaning of section 143.2 of the Tax Act;
- (xv) invest in any security of an issuer that would be a “foreign affiliate” of the Fund for purposes of the Tax Act;
- (xvi) invest in or hold any property that would be a “non-portfolio property” as defined in subsection 122.1(1) of the Tax Act, such that the Fund would be a SIFT Trust;
- (xvii) acquire or continue to hold any property that would be “taxable Canadian property” within the meaning of the Tax Act (if the definition of such term were read without reference to paragraph (b) thereof) (or any amendments to that definition);
- (xviii) engage in securities lending (or enter into a repurchase agreement) that does not constitute a “securities lending arrangement” for purposes of the Tax Act;
- (xix) hold stock in any real estate investment trusts (“**REIT**”) unless the Fund only holds stock of such REIT that is regularly traded on an established securities market and the Fund does not hold more than 5% of any such class of stock; and
- (xx) make or hold any investment or undertake any activity that would result in the Fund failing to qualify as a “mutual fund trust” for purposes of the Tax Act.

If a percentage restriction on investment or use of assets set forth above as an investment restriction is adhered to at the time of the transaction, later changes to the market value of the investment or Total Assets will not be considered a violation of the Investment Restrictions (except for the restrictions in paragraphs (vii), (xi), (xvi) and (xvii) above which must be complied with at all times and which may necessitate the selling of investments from time to time). If the Fund receives from an issuer subscription rights to purchase securities of that issuer, and if the Fund exercises those subscription rights at a time when the Fund’s holdings of securities of that issuer would otherwise exceed the limits set forth above, the exercise of those rights will not constitute a violation of the Investment Restrictions if, prior to the

receipt of securities of that issuer on exercise of these rights, the Fund has sold at least as many securities of the same class and value as would result in the restriction being complied with. The Fund may hold cash or cash equivalents from time to time.

Any change to the Investment Objectives or Investment Restrictions must be approved by Unitholders pursuant to a resolution passed by at least 66 $\frac{2}{3}$ % of the votes cast at a meeting of Unitholders called for such purpose (an “**Extraordinary Resolution**”), unless such changes are necessary to ensure compliance with all applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time.

Variations from Investment Objectives, Strategy, Practices & Restrictions

The Manager has received exemptive relief to allow the Fund to engage in certain otherwise prohibited trades with investment funds managed by MAML or its affiliates. In order to rely on the exemptive relief, conditions will need to be met, including, but not limited to, obtaining the approval of the Fund's independent review committee in accordance with criteria set out in National Instrument 81-107 - *Independent Review Committee for Investment Funds* (“**NI 81-107**”).

DESCRIPTION OF SECURITIES DISTRIBUTED

The beneficial interests in the net assets and net income of the Fund are divided into units of two classes, Class A Units and Class U Units. The Fund is authorized to issue an unlimited number of Units of each class. The Class A Units are designed for investors who want to make their investment in Canadian dollars and the Class U Units are designed for investors who want to make their investment in U.S. dollars. The Class U Units are not listed on a stock exchange but are convertible into Class A Units, which are listed on the TSX, on a weekly basis.

Except as described under “*Other Material Information – Non-Resident Unitholders*” and except for the currency in which distributions and redemption proceeds are paid (subject to the intention that the same number of Canadian dollars be distributed on the Class A Units as U.S. dollars distributed on the Class U Units in respect of *pro rata* distributions on all Units), all Units have equal rights and privileges. Each Unit of a class entitles the holder thereof to one vote at all meetings of Unitholders and to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains (other than distributions to a redeeming Unitholder of capital gains realized to facilitate the redemption), and distributions upon the termination of the Fund. Units are issued only as fully paid and Unitholders will not, as such, be liable to contribute any additional amount in respect thereof. Units will only be issued through the book-entry only system administered by Clearing and Depository Services Inc. (“**CDS**”).

The Declaration of Trust provides that the Fund may not issue additional Units (or securities convertible exchangeable or exercisable for Units) except: (i) at a price that yields net proceeds to the Fund of not less than 100% of the net asset value per Unit (“**NAV per Unit**”) calculated as of the close of business on the business day immediately prior to the pricing of such issuance provided that, if the NAV per Unit to be used for such purposes includes an amount equal to a distribution that has been declared but that will not be received by purchasers pursuant to such issuance, the NAV per Unit used for purposes of determining the purchase price for such issuance will be reduced by an amount equal to the distribution so declared; (ii) by way of Unit distributions; (iii) with the approval of Unitholders, or as otherwise permitted under the Declaration of Trust. Immediately after a *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will automatically be consolidated such that each Unitholder will hold, after the consolidation, the same number of Units as the Unitholder held before the non-cash distribution, except in the case of a non-resident Unitholder to the extent tax was required to be withheld in respect of the distribution. Subject to the foregoing, the Fund may also allot and issue Units or other securities at such time or times and in such manner as the Manager in its sole discretion shall determine.

Conversion of Class U Units

A holder of Class U Units may convert such Units into Class A Units on a weekly basis and it is expected that liquidity for the Class U Units will be obtained primarily by means of conversion into Class A Units and the sale of such Class A Units on the facilities of the TSX. Class U Units may be converted in any week on the first business day of such week (the “**Conversion Date**”) by delivering a notice and surrendering such Class U Units no later than 3:00 p.m. (Toronto time) at least five business days prior to the applicable Conversion Date. For each Class U Unit so converted, a Unitholder will receive that number of Class A Units equal to the NAV per Class U Unit (expressed in Canadian dollars based on the Conversion Exchange Rate (as defined below)) calculated as at the close of trading on the business day immediately preceding the Conversion Date divided by the NAV per Class A Unit calculated as at the close of trading on the business day immediately preceding the Conversion Date. No fraction of a Class A Unit will be issued upon any conversion of Class U Units and any fractional amounts will be rounded down to the nearest whole number of Class A Units. “**Conversion Exchange Rate**” on a particular date means the translation of amounts in a foreign currency to Canadian currency on any given trading day will be based on a rate of exchange as quoted by a recognized source to be determined at the Manager’s discretion.

A conversion of Class U Units into Class A Units will likely constitute a disposition of the Class U Units for the purposes of the Tax Act. See “Income Tax Considerations – Taxation of Unitholders”.

Distribution Policy

The Fund does not have a fixed monthly distribution amount. In accordance with the Fund’s investment objective to provide Unitholders with monthly distributions, the Fund annually determines and announces an expected distribution amount for the following 12 months based upon prevailing market conditions. On January 25, 2018, the Fund announced that the anticipated monthly distribution target for the following 12 months will be \$0.0416 per Class A Unit per month (or \$0.4992 per annum) and US\$0.0416 per Class U Unit per month (or US\$0.4992 per annum). The Fund currently makes monthly distributions to Unitholders of record on the last business day of each month (each, a “**Distribution Record Date**”). Distributions are paid on the business day designated by the Manager that will be no later than the 15th day of the following month (each, a “**Distribution Payment Date**”).

The distribution amount is funded from the interest, dividends, distributions and other income received from, and capital gains realized on, the Portfolio. If the return generated by the Portfolio is less than the amount necessary to fund the target distribution amount and expenses of the Fund and distributions are nevertheless paid, this will result in a portion of the capital of the Fund being returned to Unitholders and, accordingly, the NAV per Unit would be reduced. Amounts distributed on the Units that represent returns of capital are generally non-taxable to a Unitholder but reduce the Unitholder’s adjusted cost base of the Units for tax purposes. See “Canadian Federal Income Tax Considerations”.

If in respect of any taxation year, after the monthly distributions, there would remain in the Fund additional net income or net realized capital gains, the Fund will, after December 15 but on or before December 31 of the calendar year in which such taxation year ends, be required to pay or make payable such net income and net realized capital gains as one or more year-end special distributions to Unitholders as is necessary to ensure that the Fund will not be liable for income tax on such amounts under Part I of the Tax Act (after taking into account all available deductions, credits and refunds). Such special distributions may be paid in the form of Units and/or cash. Any special distributions payable in Units will increase the aggregate adjusted cost base of a Unitholder’s Units. Immediately following payment of such a special distribution in Units, the number of Units outstanding will be automatically consolidated such that each Unitholder will hold, after the consolidation, the same number of Units as the Unitholder held before the non-cash distribution, except in the case of a non-resident Unitholder to the extent tax is required to be withheld in respect of the distribution. See “Canadian Federal Income Tax Considerations”.

The amount of the monthly distributions may fluctuate from month to month and there can be no assurance that the Fund will make any distributions in any particular month or months or that the target distribution amount will be satisfied each month. If the projected distributable cash flow over time is not sufficient to fund the monthly distributions, the Manager, in consultation with the Sub-Advisor, would expect to reduce the target distribution amount.

The Trustee or if applicable, the Registrar and Transfer Agent shall provide Unitholders with such annual information respecting the Fund's income, net taxable capital gains and returns of capital and distributions to Unitholders as is required, and within the time prescribed, under the Tax Act.

Distribution Reinvestment Plan

The Fund has adopted a Distribution Reinvestment Plan (the "**Reinvestment Plan**") which permits eligible holders of Class A Units ("**Class A Unitholders**") to reinvest their monthly cash distributions in additional Class A Units of the Fund in accordance with the Reinvestment Plan.

In accordance with the Reinvestment Plan, Class A Units shall be purchased either directly from the Fund or in the open market through the TSX. Applicable brokerage fees and commissions incurred in connection with the purchases of Class A Units made in the market pursuant to the Reinvestment Plan will be paid by and from the account of Unitholders participating in the Reinvestment Plan. If the Class A Units are thinly traded, purchases in the market under the Reinvestment Plan may significantly affect the market price. Depending on market conditions, direct reinvestment of cash distributions by Unitholders in the market may be more, or less, advantageous than the reinvestment arrangements under the Reinvestment Plan.

Unitholders who are not residents of Canada for purposes of the Tax Act or partnerships that are not "Canadian partnerships" for purposes of the Tax Act will not be able to participate in the Reinvestment Plan and Unitholders who cease to be residents of Canada or cease to be partnerships that are Canadian partnerships will be required to terminate such Unitholders' participation in the Reinvestment Plan.

Market Purchases

On September 15, 2017, the Fund commenced a normal course issuer bid through the facilities of the TSX. Pursuant to the normal course issuer bid, the Fund proposed to purchase, from time to time, if it is considered advisable, up to 623,337 Class A Units representing 10% of the Fund's issued and outstanding Class A Units of the Fund as of the close of business on September 4, 2017. The Fund will not purchase in any given 30-day period, in the aggregate, more than 124,667 Class A Units, being 2% of the issued and outstanding Class A Units as at September 4, 2017. The normal course issuer bid will expire on September 14, 2018.

On September 12, 2016, the Fund had commenced a normal course issuer bid to purchase up to 999,584 Class A Units through the facilities of the TSX. The Fund did not repurchase any Class A Units under the normal course issuer bid. The normal course issuer bid expired on September 11, 2017.

Meetings of Unitholders

A meeting of Unitholders may be convened by the Trustee or the Manager at any time and must be convened if requisitioned by Unitholders holding not less than 10% of the Units then outstanding (whether Class A Units and/or Class U Units) by a written requisition specifying the purpose of the meeting. Notice of all meetings of Unitholders shall be given by the Manager to each Unitholder of the applicable class of Units at least 21 days and not more than 50 days before the meeting. The Manager may convene a meeting of Class A Unitholders (a "**Class A Meeting**") or a meeting of holders of Class U Units (a "**Class U Meeting**") if the nature of the business to be transacted at that meeting is only relevant to Unitholders of the applicable class. The quorum at any meeting of all Unitholders is two Unitholders (whether Class A Unitholders or holders of Class U Units) present in person or represented by proxy except for the purpose of any meeting called to consider item (c) below under "Matters Requiring Unitholder Approval" in which case the quorum shall be two Unitholders (whether Class A Unitholders or holders of Class U Units) holding not less than 10% of the outstanding Units. The quorum for a Class A Meeting is two or more holders of Class A Units present in person or represented by proxy holding not less than 10% of the

Class A Units then outstanding. The quorum for a Class U Meeting is two or more holders of Class U Units present in person or represented by proxy holding not less than 10% of the Class U Units then outstanding. If a quorum is not present at a meeting when called, the meeting, if called on the requisition of Unitholders, will be terminated and otherwise will be adjourned for not less than 10 days and at the adjourned meeting the Unitholders then present in person or represented by proxy will form the necessary quorum. At any meeting of Unitholders, each Unitholder will be entitled to one vote for each Unit registered in the Unitholder's name.

The Fund does not hold annual meetings of Unitholders.

Matters Requiring Unitholder Approval

In addition to the matters requiring Unitholder approval under NI 81-102, any matter to be considered at a meeting of Unitholders, other than certain matters requiring approval by Extraordinary Resolution as set out below, require the approval of Unitholders by ordinary resolution. Pursuant to the Declaration of Trust, the following matters require approval by Extraordinary Resolution:

- (a) a change in the Investment Objectives or Investment Restrictions, unless such change is necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (b) any change in the basis of calculating fees or other expenses that are charged to the Fund which could result in an increase in charges to the Fund other than a fee or expense charged by a person or company that is at arm's length to the Fund;
- (c) except as described in the Fund's prospectus under "Organization and Management Details of the Fund – The Manager", a change of the Manager, other than a change resulting in an affiliate of such person assuming such position;
- (d) a reorganization (other than a Permitted Merger (as defined herein)) with, or transfer of assets to, a mutual fund trust, if
 - (i) the Fund ceases to continue after the reorganization or transfer of assets; and
 - (ii) the transaction results in the Unitholders becoming unitholders in a mutual fund trust;
- (e) a reorganization (other than a Permitted Merger) with, or acquisition of assets of, a mutual fund trust, if
 - (i) the Fund continues after the reorganization or acquisition of assets;
 - (ii) the transaction results in the unitholders of the mutual fund trust becoming Unitholders of the Fund; and
 - (iii) the transaction would be a material change to the Fund;
- (f) a termination of the Fund, other than as described under "*Termination of the Fund*";
- (g) an amendment, modification or variation in the provisions or rights attaching to the Units;
- (h) the issuance of additional Units, (including upon the exercise, conversion or exchange of any convertible or exchangeable securities of the Fund), other than: (i) for net proceeds to the Fund not less than 100% of the NAV per Unit calculated immediately prior to the pricing of such issuance provided that, if the NAV per Unit to be used for such purposes includes an amount equal to a distribution that has been declared but that will not be received by purchasers pursuant to such issuance, the NAV per Unit used for purposes of determining the purchase price for such issuance will be reduced by an amount equal to the distribution so declared; (ii) by way of Unit distributions;

- (i) a reduction in the frequency of calculating the NAV per Unit; and
- (j) any amendment to the above provisions except as permitted by the Declaration of Trust.

In addition, the Manager may, without obtaining Unitholder approval, merge, combine or consolidate the Fund (a “**Permitted Merger**”) with another fund or funds, provided that:

- (a) the fund(s) with which the Fund is merged must be managed by the Manager or an affiliate of the Manager;
- (b) Unitholders are permitted to redeem their Units at a redemption price equal to 100% of the NAV per Unit, less any costs of funding the redemption, including commissions prior to the effective date of the merger, unless the other fund is a mutual fund;
- (c) the funds being merged have similar investment objectives as set forth in their respective declarations of trust, as determined in good faith by the Manager in its sole discretion;
- (d) the Manager must have determined in good faith that there will be no increase in the management expense ratio borne by the Unitholders as a result of the merger;
- (e) the merger of the funds is completed on the basis of an exchange ratio determined with reference to the NAV per Unit of each fund; and
- (f) the merger of the funds must be capable of being accomplished on a tax-deferred rollover basis for Unitholders of the Fund.

If the Manager determines that a Permitted Merger is appropriate and desirable, the Manager can effect the Permitted Merger, including any required changes to the Declaration of Trust, without seeking Unitholder approval for the Permitted Merger or such amendments. If a decision is made to effect a Permitted Merger, the Manager will issue a press release at least 30 business days prior to the proposed effective date thereof disclosing details of the proposed merger. While the funds to be merged will have similar investment objectives, the funds may have different investment strategies, guidelines and restrictions and, accordingly, the units of the merged funds may be subject to different risk factors.

Amendments to the Declaration of Trust

The Trustee may, without the approval of or notice to Unitholders, amend the Declaration of Trust for certain limited purposes specified therein, in order to:

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law or regulation applicable to or affecting the Fund;
- (b) make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (c) bring the Declaration of Trust into conformity with applicable laws, including the rules and policies of Canadian securities regulators or with current practice within the securities or investment fund industries, provided that any such amendment does not adversely affect the rights of Unitholders;
- (d) maintain, or permit the Manager to take such steps as may be desirable or necessary to maintain, the status of the Fund as a “mutual fund trust” and a “unit trust” for the purposes of the Tax Act or to respond to amendments to the Tax Act or to the interpretation thereof;
- (e) change the name of the Fund;
- (f) provide added protection to Unitholders;

- (g) divide the capital of the Fund into one or more series of Units and to establish the attributes of each series, provided that the rights of existing Unitholders are not changed in an adverse manner; or
- (h) make any changes to effect a Permitted Merger.

Except for changes to the Declaration of Trust which require the approval of Unitholders or changes described above which do not require approval of or prior notice to Unitholders, the Declaration of Trust may be amended from time to time by the Trustee or at the request of the Manager (if the Trustee is not the Manager) upon not less than 30 days' prior written notice to Unitholders.

CALCULATION OF NET ASSET VALUE

The net asset value ("**NAV**") on a particular date is equal to the aggregate fair value of the property and assets of the Fund on such date less the aggregate fair value of the liabilities of the Fund, expressed in Canadian dollars at the applicable exchange rate on such date (or U.S. dollars in the case of Class U Units). The NAV per Unit for each class is calculated by adding up the assets of the Fund attributable to that class, subtracting the liabilities attributable to that class, and dividing the difference by the total number of Units of that class outstanding.

The NAV per Unit of a class is calculated in Canadian dollars (or U.S. dollars in the case of the Class U Units) in accordance with the rules and policies of the Canadian securities regulatory authorities or in accordance with any exemption therefrom that the Fund may obtain.

Valuation Policies and Procedures of the Fund

Unless otherwise required by law, the determination of NAV at any time will take into account the following:

- (a) cash on hand or on deposit, bills, demand notes, accounts receivable, prepaid expenses, cash dividends received or receivable and interest accrued and not yet received, shall be deemed to be the face value thereof unless the Manager has determined that any such deposit, bill, demand note, account receivable, prepaid expense, cash dividend received or receivable or interest is not worth the full face value, in which event the value thereof shall be deemed to be such value as the Manager determines to be reasonable;
- (b) term deposits, commercial paper, banker's acceptances, treasury bills and short-term debt obligations will be valued at market value (the market value for short-term investments is determined by taking the bid quotation obtained from a recognized investment dealer) bonds, debentures, notes, and other obligations shall be valued by taking the average of the most recently available bid and asked quotations at the Valuation Time (as defined herein) on the Valuation Day (as defined herein);
- (c) any security which is listed or dealt in upon a stock exchange shall be valued at its current market value;
- (d) any security which is not listed or dealt in upon a stock exchange shall be valued at the most recently available sale price on the Valuation Day, or if such sale price is unavailable, the average of the bid and asked quotations immediately prior to the Valuation Time on the Valuation Day shall be used;
- (e) restricted securities shall be valued at the lesser of:
 - (i) the value thereof based on reported quotations in common use; and
 - (ii) that percentage of the market value of securities of the same class, the trading of which is not restricted or limited by reason of any representation, undertaking or agreement or by law, equal to the percentage that the Fund's acquisition cost was of the market value of such securities at the time of acquisition, as applicable, provided that a gradual taking

into account of the actual value of the securities may be made where the date on which the restrictions will be lifted is known;

- (f) purchased or written clearing corporation options, options on futures, over-the-counter options, debt-like securities and listed warrants shall be valued at the current market value thereof;
- (g) where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received by the Fund shall be reflected as a deferred credit which shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from revaluation shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the NAV. The securities, if any, which are the subject of a written clearing corporation option or over-the-counter option shall be valued at their current market value;
- (h) the value of a futures contract, forward contract or other derivatives, such as swap contracts or options on financial futures, shall be the gain or loss with respect thereto that would be realized if, at the Valuation Time, the position in the futures contract, or the forward contract, as the case may be, were to be closed out in accordance with its terms, unless "daily limits" are in effect, in which case fair value shall be based on the current market value of the underlying interest;
- (i) margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin;
- (j) the translation of amounts in a foreign currency to Canadian currency on any given trading day will be based on a rate of exchange as quoted by a recognized source to be determined at the Manager's discretion;
- (k) if any Valuation Day is not a business day in any jurisdiction which is relevant for the purposes of valuing investments of the Fund, the prices or quotations as of the preceding business day in such jurisdiction shall be used for the purposes of such valuation;
- (l) any security purchased, the purchase price of which has not been paid, shall be included for valuation purposes as a security held, and the purchase price, including brokers' commissions and other expenses, shall be treated as a liability of the Fund;
- (m) any security sold but not delivered, pending receipt of the proceeds, shall be excluded for valuation purposes as a security held, and the selling price, net of brokers' commissions and other expenses, shall be treated as an asset of the Fund; and
- (n) if any investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Manager to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Manager shall make such valuation as it considers fair and reasonable.

Unless otherwise indicated, for the purposes hereof, "current market value" means the most recently available sale price applicable to the relevant security on the principal exchange on which it is traded immediately preceding the Valuation Time on the Valuation Day, provided that, if no sale has taken place on a Valuation Day, the average of the bid and asked quotations immediately prior to the Valuation Time on the Valuation Day shall be used.

For the purposes of the foregoing valuation policies, quotations may be obtained from any report in common use, or from a reputable broker or other financial institutions, provided always that the Manager shall retain sole discretion to use such information and methods as it deems to be necessary or desirable for valuing the assets of a Fund, including the use of a formula computation.

In addition, the Manager implements fair value pricing to provide a more accurate NAV by making fair value factor adjustments to quoted or published prices of the non-North American securities for significant events occurring between the earlier close of non-North American markets and the time at which NAV is determined. A fair value factor adjustment to U.S. securities is also applied when U.S. markets are closed for local holidays but Canadian markets are open for trading.

If any investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Manager to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Manager shall make such valuation as it considers fair and reasonable under the circumstances and, if there is an industry practice, in a manner consistent with such industry practice for valuing such investment.

Since the inception of the Fund, the Manager has exercised its discretion in determining the fair market value of various securities in certain circumstances, for example, where the securities in question were privately placed, the securities were thinly traded, or the primary exchange on which the security is traded was closed due to a local statutory holiday.

Reporting of Net Asset Value

Pursuant to National Instrument 81-106 – *Investment Fund Continuous Disclosure* (“**NI 81-106**”), investment funds calculate their NAV using fair value (as defined therein) for purposes of securityholder transactions. The Manager considers the policies above to result in fair valuation of the securities held by the Fund in accordance with NI 81-106 and such policies have been approved by the Board of Directors of the Manager.

The NAV and NAV per Unit of a class will be calculated as of 4:00 p.m. (Toronto time) (the “**Valuation Time**”) on every business day (each, a “**Valuation Day**”). Such information will be provided by the Manager to Unitholders on request and at no cost by calling the Manager toll-free at 1-888-333-3240.

The Fund is required to prepare its financial statements in accordance with International Financial Reporting Standards (“**IFRS**”). Calculating the net assets of the Fund in accordance with IFRS allows the Fund to, among other things, use a price between the bid-ask spread, which most represents fair value for the purposes of valuation of a security. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is the most representative of the fair value of the security based on the specific facts and circumstances at hand. In case a reliable or timely value is not available, the fair value will be estimated using certain valuation techniques on such basis and in such manner as may be determined by the Manager.

BOOK-ENTRY ONLY SYSTEM

Class A Units are traded on the TSX under the ticker symbol MBK.UN. Registration of interests in and transfers of the Units may only be made only through the book-entry only system of CDS. Units must be purchased, transferred and surrendered for redemption only through a CDS participant (a “**CDS Participant**”). All rights of an owner of Units must be exercised through, and all payments or other property to which such beneficial owner is entitled will be made or delivered by CDS or the CDS Participant through which the beneficial owner holds such Units. Upon a purchase of Units, the beneficial owner will receive only the customary confirmation. Certificates evidencing Units will not be issued unless a request for a certificate is made to the Fund.

Neither the Fund nor the Manager will have any liability for (i) records maintained by CDS relating to the beneficial interests in the Units or the book-entry only accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS and made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such owner’s interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate to the extent that such owner has not requested a physical certificate from the Fund.

The Fund has the option to terminate registration of the Units through the book-entry only system in which case certificates for Units in fully registered form would be issued to beneficial owners of such Units or to their nominees.

REDEMPTION OF UNITS

There are two methods of redemption of Units: (a) annual redemptions, and (b) monthly redemptions, which are described below.

Annual Redemptions

Units may be redeemed annually (“**Annual Redemption**”) on the second last business day of January (the “**Annual Redemption Date**”), subject to the Manager’s right to suspend redemptions in certain circumstances (as described below). In order to effect an Annual Redemption, the Units must be surrendered for redemption by no later than 5:00 p.m. (Toronto time) on the last business day of December. Unitholders participating in an Annual Redemption will receive payment for their redeemed Units on or before the 15th business day in February equal to the NAV per Class A Unit or the NAV per Class U Unit, as applicable, as at the close of business on the Annual Redemption Date less any nominal costs and expenses incurred by the Fund in order to fund such redemption, including commissions, wire transfer fees and such other costs charged to the Fund by third parties, if any (the “**Annual Redemption Price**”).

Monthly Redemptions

In addition to the Annual Redemption right, Units may be redeemed on the second last business day of each month, other than the Annual Redemption Date (“**Monthly Redemption Date**”), subject to certain conditions (“**Monthly Redemption**”). In order to effect a Monthly Redemption, Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the date which is the last business day of the month preceding the Monthly Redemption Date. A Unitholder who redeems a Unit on a Monthly Redemption Date will also be required to pay a redemption fee to the Manager equal to 3.0% of the Monthly Redemption Price (the “**Redemption Fee**”). Upon receipt by the Fund of the redemption notice in respect of a Monthly Redemption in the manner described below, a Class A Unitholder shall be entitled to receive a price per Class A Unit (the “**Monthly Redemption Price**”) equal to the lesser of:

- (a) 96% of the “market price” of the Class A Units on the principal exchange or market on which the Class A Units are quoted for trading; and
- (b) 100% of the Closing Market Price of a Class A Unit on the applicable Monthly Redemption Date;

less, in each case, the Redemption Fee and any nominal costs and expenses incurred by the Fund in order to fund such redemption, including commissions, wire transfer fees and such other costs charged to the Fund by third parties, if any.

For the purposes of this calculation, “market price” will be an amount equal to the volume weighted average of the trading price of the Class A Units for each of the 10 business days immediately preceding the applicable Monthly Redemption Date; provided that if there is no trading on the applicable exchange or market of Class A Units on any of the 10 business days immediately preceding the applicable Monthly Redemption Date, the “market price” shall be the average of the last bid and last asking prices on the applicable exchange or market of the Class A Units for each of the 10 business days immediately preceding the applicable Monthly Redemption Date.

The Monthly Redemption Price payable by the Fund in respect of any Units surrendered for redemption shall be satisfied by way of a cash payment on the date designated by the Manager that is on or before the 15th Business Day in the following month after the Monthly Redemption Date.

The Class U Units may be surrendered for Monthly Redemption on the same terms as described for Class A Units above, provided that Unitholders surrendering a Class U Unit for monthly redemption will receive in U.S. dollars an amount equal to the U.S. dollar equivalent product of (i) the Monthly Redemption Price; and (ii) a fraction, the numerator of which is the calculated NAV per Class U Unit on the applicable Monthly Redemption Date and the denominator of which is the NAV per Class A Unit on the applicable Monthly Redemption Date, less the Redemption Fee and any nominal costs and expenses incurred by the Fund in order to fund such redemption, including commissions, wire transfer fees and such other costs charged to the Fund by third parties, if any.

It is anticipated by the Manager that the Monthly Redemption will not be the primary mechanism for Unitholders to dispose of their Units.

Allocations of Capital Gains to Redeeming Unitholders

Pursuant to the Declaration of Trust, the Fund may allocate and designate as payable any capital gains realized by the Fund as a result of any disposition of property of the Fund undertaken to permit or facilitate the redemption of Units to a Unitholder whose Units are being redeemed. Any such allocations and designations will reduce the redemption price otherwise payable to such Unitholder, but, for the avoidance of doubt, shall not affect the calculation of the Redemption Fee payable.

Exercise of Redemption Right

A Unitholder who desires to exercise his or her Annual Redemption right or Monthly Redemption right must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto), on behalf of the Unitholder, written notice (the “**Redemption Notice**”) of such Unitholder’s intention to redeem Units by no later than 5:00 p.m. (Toronto time) on the applicable notice date described above. Such surrender will be irrevocable upon the delivery of the Redemption Notice to CDS through a CDS Participant, except with respect to those Units which are not paid for by the Fund on the relevant redemption payment date. A Unitholder who desires to redeem Units should ensure that the CDS Participant is provided with the Redemption Notice of his or her intention to exercise his or her redemption right sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver the Redemption Notice to CDS and so as to permit CDS to deliver notice to the Registrar and Transfer Agent (as defined below), in advance of the required time. Any expense associated with the preparation and delivery of Redemption Notices will be for the account of the Unitholder exercising the redemption right.

Except as provided under “Suspension of Redemptions” below, by causing a CDS Participant to deliver to CDS a notice of the Unitholder’s intention to redeem Units, a Unitholder shall be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of the redemption right and the receipt of payment in connection with the settlement of obligations arising from such exercise. Any Redemption Notice delivered by a CDS Participant regarding a Unitholder’s intent to redeem which CDS determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the redemption right to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a CDS Participant to exercise redemption rights or to give effect to the settlement thereof in accordance with the Unitholder’s instructions will not give rise to any obligations or liability on the part of the Fund to the CDS Participant or to the Unitholder.

Pursuant to the Declaration of Trust, the Fund may allocate and designate as payable any capital gains realized by the Fund as a result of any disposition of property of the Fund undertaken to permit or facilitate the redemption of Units to a Unitholder whose Units are being redeemed. Any such allocations and designations will reduce the redemption price otherwise payable to such Unitholder.

Suspension of Redemptions

The Manager may suspend the redemption of Units or payment of redemption proceeds: (i) during any period when normal trading is suspended on stock exchanges or other markets on which securities owned by the Fund are listed and traded, if these securities represent more than 50% by value or underlying market exposure of the Fund and if these securities are not traded on any other exchange that

represents a reasonably practical alternative for the Fund or (ii) for a period not exceeding 30 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Manager to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the redemption will be effected at a price determined on the first business day following the termination of the suspension. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager shall be conclusive.

RESPONSIBILITY FOR THE FUND OPERATIONS

The Manager

In accordance with the Declaration of Trust, the Manager has been appointed to act as the manager and investment manager of the Fund and has been given the authority to provide investment management services to the Fund, manage the activities and day to day operations of the Fund, including providing and arranging for the provision of marketing and administrative services required by the Fund. The Manager's principal place of business is located at 200 Bloor Street East, North Tower, Toronto, Ontario M4W 1E5. The Manager can be contacted by telephone at 1-888-588-7999, by email at manulifemutualfunds@manulife.com or at the website address of manulifemutualfunds.ca.

The Manager is an indirect wholly-owned subsidiary of The Manufacturers Life Insurance Company ("MLI"), which in turn is a wholly-owned subsidiary of Manulife Financial Corporation ("Manulife"), a TSX-listed holding company.

The Manager is responsible for providing or arranging for required administrative services to the Fund including, without limitation:

- (i) maintaining accounting records for the Fund;
- (ii) authorizing the payment of operating expenses incurred on behalf of the Fund;
- (iii) preparing financial statements, income tax forms and financial and accounting information as required by the Fund;
- (iv) calculating NAV;
- (v) ensuring that Unitholders are provided with financial statements and other reports as are required by applicable law from time to time;
- (vi) monitoring that the Fund is in compliance with regulatory requirements and applicable stock exchange listing requirements;
- (vii) preparing the Fund's reports to Unitholders, the Canadian securities regulatory authorities and any stock exchange on which the Units are listed; and
- (viii) negotiating contractual agreements with third party providers of services, including registrars, transfer agents, auditors and printers.

The Manager may delegate certain of its duties to third parties but such delegation shall not detract from the Manager's liability for carrying out such duties.

The Manager is required to exercise its powers and discharge the duties as manager honestly, in good faith and in the best interests of the Fund, and to exercise the degree of care, diligence and skill of a reasonably prudent person in comparable circumstances. The Manager will not be liable for any default, failure or defect in any of the securities comprising the Portfolio, or any decreases in the NAV if it has satisfied the duties and the standard of care, diligence and skill set forth above.

The Manager will be deemed to have resigned if the Manager (i) becomes bankrupt or insolvent; (ii) ceases to be resident in Canada for the purposes of the Tax Act; (iii) ceases to carry out its functions of managing the Fund in Canada; or (iv) no longer holds the licenses, registrations or other authorizations necessary to carry out its obligations and is unable to obtain them within a reasonable period after their loss. In addition, the Manager may resign as manager of the Fund upon 60 days' written notice to the Unitholders and the Trustee. If the Manager resigns, the Trustee will appoint a successor manager. If the successor manager is not an affiliate of the Manager, or if the Trustee fails to appoint a successor manager, the appointment will be required to be ratified or made, as the case may be, by a meeting of Unitholders.

In the event that the Manager is in material breach or default of the provisions of the Declaration of Trust and, if capable of being cured, any such breach or default has not been cured within 30 days' notice of such breach or default to the Manager, the Trustee shall notify the Unitholders. Upon receipt of such notice, Unitholders may decide at a meeting of Unitholders to direct the Trustee to remove the Manager if such removal is approved by Extraordinary Resolution, carried out in accordance with the Declaration of Trust.

The Manager is entitled to fees for its services as manager under the Declaration of Trust as described under "Fees and Expenses" and will be reimbursed for all reasonable costs and expenses incurred by the Manager on behalf of the Fund. The Manager and each of its directors, officers, employees and agents will be indemnified and saved harmless by the Fund from and against all claims whatsoever (including costs, charges, expenses and liabilities in connection therewith) brought, commenced or prosecuted against it for or in respect of, any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted in or about or in relation to the execution of the duties of its position as manager as herein provided and all other reasonable costs, charges, expenses and liabilities that it sustains or incurs in respect of the affairs of the Fund, other than any such claims, costs, charges, expenses and liabilities resulting from wilful misconduct, bad faith, negligence, disregard of the Manager's standard of care or material breach or default by the Manager of its obligations under the Declaration of Trust.

The management services to be provided by the Manager are not exclusive to the Fund and nothing in the Declaration of Trust prevents the Manager from providing similar management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities.

The name, municipality of residence, office and principal occupation of each of the directors and executive officers of the Manager acting in connection with the Fund are as follows:

<i>Name and Municipality of Residence</i>	<i>Office with MAML</i>	<i>Principal Occupation</i>
J. Roy Firth Toronto, Ontario	Director, Chairman and Audit Committee Member	Retired executive
Bruce Gordon Waterloo, Ontario	Director, Audit Committee Member	Retired executive
Paul Lorentz Waterloo, Ontario	Director, Chief Executive Officer and President	Global Head of Wealth and Asset Management, MLI and Manulife

Name and Municipality of Residence	Office with MAML	Principal Occupation
Roger Renaud Montreal, Quebec	Director	Global Chief Operating Officer and President Canada, Manulife Asset Management
Warren Thomson Toronto, Ontario	Director	Senior Executive Vice President and Chief Investment Officer, MLI and Manulife and Chairman, Manulife Asset Management, Manulife
Bernard Letendre Toronto, Ontario	Director	President and Chief Executive Officer, Manulife Investments, MLI and Head of Wealth and Asset Management, Canada, Manulife
Yanic Chagnon Boucherville, Quebec	Vice President, Investment Products	Vice President, Investment Products, Retail Markets, MLI
Christopher Walker Stirling, Ontario	Chief Compliance Officer	Chief Compliance Officer, MAML
Gorkem Gurgun Toronto, Ontario	Chief Financial Officer	Assistant Vice President, Head of Investment Division Legal Entity Reporting, MLI and Manulife
Lisa Forbes Oakville, Ontario	Vice President	Inforce Business Management and Chief Financial Officer Retail Markets, Canadian Division, MLI
Anick Morin Montreal, Quebec	Associate General Counsel and Assistant Secretary	Assistant Vice President and Lead Counsel, Investments, MLI
Warren Rudick Toronto, Ontario	General Counsel and Secretary	Managing Director and General Counsel, Manulife Asset Management Canada and Europe
Derek Saliba Mississauga, Ontario	Assistant Vice President & Head of Mutual Funds Product	Assistant Vice President and Head of Mutual Funds Product, Manulife Investments, MLI

Except as indicated below, each of the directors and executive officers listed above holds the office noted opposite his or her name or has held a similar office in a predecessor company or an affiliate during the five years preceding the date of this annual information form.

Mr. Paul Lorentz was appointed Chief Executive Officer and President of MAML in October 2017. However, Mr. Lorentz has had various roles at MLI since 1993, including his current role of Director of MAML and President and Chief Executive Officer, Manulife Asset Management and Global Head of Wealth and Asset Management of MLI.

Mr. Warren Rudick joined Manulife in November 2009, and is Managing Director and General Counsel, Manulife Asset Management Canada and Europe. Prior to his current appointment as General Counsel and Secretary of MAML in June 2014, he had been Associate General Counsel and Assistant Secretary since December 2010.

Mr. Christopher Walker was appointed Chief Compliance Officer of MAML in September 2014. However, Mr. Walker has had various roles at MLI since 1989 including his current role of Chief Compliance Officer, MAML.

Mr. Roger Renaud was named Global Chief Operating Officer and President Canada, Manulife Asset Management in May 2016. Prior to joining Manulife Asset Management in January 2015, Mr. Renaud was President of Standard Life Investments Inc. in Canada, having held that position since 2005.

Ms. Lisa Forbes was appointed Vice President of MAML in March 2015. However, Ms. Forbes has had various roles at MLI since 2004 including her current role of Vice President and Chief Financial Officer, Retail Markets, Canadian Division.

Mr. Yanic Chagnon was appointed Vice-President, Investments Products, Retail Markets at MLI in April 2015. Prior to joining MLI, Mr. Chagnon worked as Vice-President, Retail Solutions at Standard Life from April 2013 to April 2015. Prior to joining Standard Life, he held the following positions at National Bank of Canada (from January 2009 to April 2013): Vice-President, Engineering Managed Solutions and Managing Director, Investment Solutions.

Ms. Anick Morin was appointed Associate General Counsel and Assistant Secretary of MAML in June 2015. Currently, Ms. Morin is Assistant Vice President and Lead Counsel, Investments, MLI having joined MLI in May 2015. Prior to joining MLI, Ms. Morin worked as Associate General Counsel, Retail at Standard Life Assurance Company of Canada ("Standard Life") from February 2014 to May 2015. Prior to joining Standard Life, she was a partner at Borden Ladner Gervais LLP.

Mr. Gorkem Gurgun was appointed Chief Financial Officer of MAML in December 2015 and Controller of MAML in July 2014. Prior to these appointments, Mr. Gurgun was Managing Director and Controller of Manulife Asset Management Canada, in MLI's Investment Division from October 2013. Prior to joining Manulife, Mr. Gurgun was with State Street Corporation, where he was an Assistant Vice President in the Alternative Investment Solutions Group from May 2011 to October 2013.

Mr. Bernard Letendre was appointed Director of MAML in February 2016 having previously been appointed Senior Vice President of MAML in March 2015. Prior to this appointment, Mr. Letendre was Vice President and Managing Director, Manulife Private Wealth.

Mr. Derek Saliba was appointed an officer of MAML in March 2016. He has held various roles with MAML since 2011 including his current position as Assistant Vice President and Head of Mutual Funds Product.

MLI is a Canadian-based financial services organization with principal operations in Asia, Canada and the United States.

Manulife Asset Management is the global division of Manulife that provides comprehensive asset management solutions for institutional investors and investment funds in key markets around the world.

The Sub-Advisor

MAM US has been appointed as the Sub-Advisor pursuant to the Investment Management Agreement (described below). The Sub-Advisor was organized in the state of Delaware in 1968 and is based in Boston, Massachusetts.

The following individuals employed by MAM US are principally responsible for the day-to-day investment decisions made with respect to the Fund:

<i>Name of Individual</i>	<i>Title</i>	<i>Length of Service with MAM US</i>
Lisa Welch	Senior Portfolio Manager	Since 1998
Susan Curry	Portfolio Manager	Since 1998
Ryan Lentell	Portfolio Manager	Since 2008
Joseph Marguy	Portfolio Manager	Since 1999

Each individual listed above holds the office noted opposite his or her name or has held a similar office in a predecessor company or an affiliate during the five years preceding the date of this annual information form.

The Investment Management Agreement

The Sub-Advisor provides investment management services to the Fund with respect to the Portfolio pursuant to the Investment Management Agreement between the Manager, the Fund and the Sub-Advisor. Decisions regarding the purchase and sale of the Portfolio securities and the execution of transactions for the Portfolio will be made by the Sub-Advisor, in accordance with and subject to the terms of the Investment Management Agreement. Subject to the terms of the Investment Management Agreement, the Sub-Advisor implements the investment strategy for the Fund on an ongoing basis. To the extent applicable, there may be difficulty in enforcing legal rights against the Sub-Advisor because it is not a resident of Canada and all or a substantial portion of its assets and its officers and directors are located outside of Canada.

Under the Investment Management Agreement, the Sub-Advisor covenants to act at all times on a basis which is fair and reasonable to the Fund, to act honestly and in good faith with a view to the best interests of the Fund, and in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances. The Investment Management Agreement provides that the Sub-Advisor will not be liable in any way to the parties indemnified under the Investment Management Agreement for any default, failure or defect in any of the securities comprising the Portfolio, if it satisfied the standard of care, diligence and skill set forth above. The Investment Management Agreement further provides that the Sub-Advisor will not be liable for any decreases in the NAV if it has satisfied the standard of care, diligence and skill set forth above. Pursuant to the Investment Management Agreement, the Sub-Advisor and its officers, directors and employees shall be indemnified, from the assets of the Fund against all losses (other than loss of profits), expenses and liabilities incurred by any of them in connection with any matter relating to their respective duties under the Investment Management Agreement, unless any such indemnified person is finally adjudicated to have committed a material breach or default of its obligations under the Investment Management Agreement or an act or omission involving wilful misconduct, bad faith, negligence or reckless disregard of such person's duties or standard of care under the Investment Management Agreement.

The Sub-Advisor may terminate the Investment Management Agreement, without payment of any penalty, including in the following circumstances: (i) upon 90 days' notice; (ii) in the event that the Manager is in material breach of the Investment Management Agreement and the material breach has not been cured within 20 business days' notice thereof to the Manager; (iii) if there is a material change in the investment objective, strategy and/or restrictions of the Fund to which the Sub-Advisor has not previously agreed; (iv) if there is a dissolution and commencement of winding-up of the Fund; (v) if the Fund becomes bankrupt or insolvent or makes a general assignment for the benefit of its creditors or a receiver is appointed in respect of the Fund or a substantial portion of its assets; or (vi) if the assets of the Fund become subject to seizure or confiscation by any public or governmental organization.

The Manager may terminate the Investment Management Agreement, without payment of any penalty, including in the following circumstances: (i) upon 60 days' notice; (ii) in the event that the Sub-Advisor is in material breach of the Investment Management Agreement and the material breach has not been cured within 20 business days' notice thereof to the Sub-Advisor; (iii) if there is a dissolution and commencement of winding-up of the Sub-Advisor; (iv) if the Sub-Advisor becomes bankrupt or insolvent or makes a general assignment for the benefit of the creditors or a receiver is appointed in respect of the Sub-Advisor or a substantial portion of the assets of the Sub-Advisor; (v) if the assets of the Sub-Advisor become subject to seizure or confiscation by any public or governmental organization; (vi) if the Sub-Advisor has lost any registration, license or other authorization or cannot rely on an exemption therefrom required by the Sub-Advisor for it to perform the services delegated to it thereunder; or (vii) if the Sub-Advisor has breached its standard of care or acted with wilful misconduct, fraud or negligence. The Investment Management Agreement will not be subject to termination under clause (ii) in the preceding paragraph if a material breach by the Sub-Advisor cannot be cured within 20 business days' notice thereof but the Sub-Advisor commences the cure within the 20 business day period and completes the cure within 45 days of such notice.

In the event that the Investment Management Agreement is terminated as provided above, the Manager shall promptly appoint one or more successor investment advisors to carry out the activities of the Sub-Advisor pursuant to the Investment Management Agreement.

Brokerage Arrangements

Neither the Manager nor the Sub-Advisor has a contractual arrangement with any person or company:

- (a) for any exclusive right to purchase or sell the investment portfolio of the Fund, or
- (b) which provides any dealer or trader a material competitive advantage over other dealers or traders when buying or selling for the investment portfolio of the Fund.

The Manager or Sub-Advisor conduct studies of the factors that affect the market price and prospects of various industries, companies and individual securities. In this work, the Manager or Sub-Advisor uses reports and statistics from a wide variety of sources, including brokers and dealers who may execute portfolio transactions for the Fund and for their clients, but investment decisions are based primarily on investigations and critical analyses by their own professional staff.

Dealers for securities transactions entered into by the Manager or Sub-Advisor are selected based on broker-dealer capabilities of each on an ongoing basis. This involves a dealer's financial soundness and demonstrated order execution capabilities, its responsibilities to the trading style and liquidity needs of the Fund and the commission or spread involved. Also a dealer's range of research or brokerage related products or services other than order execution are considered. These include research reports, publications, statistical services, and electronic data which are produced by the dealer, its affiliates or third parties. The Manager or the Sub-Advisor may direct brokerage business to certain dealers for receiving research and order execution products and services to assist with investment or trading decisions.

The Manager or Sub-Advisor may allocate brokerage business to their affiliates. Any trades allocated in this manner will be done at competitive brokerage fee rates. Subject to regulatory approval (where necessary), the Manager or the Sub-Advisor may act as agents for the purchase or sale of securities of the Fund.

Since the inception of the Fund, the brokerage commissions of the Fund may be directed to dealers by the Manager and Sub-Advisor for products and services, other than order execution, including investment decision-making services in the nature of research reports, quotes, news and wire services, statistical and quantitative analysis. Dealers and third parties may provide the same or similar services in the future.

The names of such dealers or third parties that provide goods and services are available upon request by contacting the Manager at 1-888-588-7999 or at manulifemutualfunds@manulife.com.

The Manager conducts extensive trade cost analysis to ensure that the Fund, on whose behalf the Manager directs any brokerage transactions, receives a reasonable benefit considering the use of the research goods and services and order execution goods and services, as applicable, and the amount of brokerage commissions paid. Specifically, the Manager's investment management teams decide which dealers or brokers are allocated brokerage business based on their ability to provide best execution of trades, the competitiveness of the commission costs, and the range of services and quality of research received.

The Manager may use research goods and services and order execution goods and services to benefit the Fund, on whose behalf the Manager directs any brokerage transactions, other than those whose trades generated the brokerage commission. However, the Manager has policies and procedures in place such that over a reasonable period of time, all clients, including the Fund, receive fair and reasonable benefit in return for the commission generated.

The Trustee

The Manager is the Trustee of the Fund pursuant to the Declaration of Trust, and is responsible for managing all of the Fund's activities. The address of the Manager where it principally provides services to the Fund is 200 Bloor Street East, North Tower, Toronto, Ontario M4W 1E5.

The Trustee is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Unitholders, and to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. The Declaration of Trust provides that the Trustee will not be liable in carrying out its duties under the Declaration of Trust except in cases of wilful misconduct, bad faith, negligence or the disregard of its obligations or duties or breach of its standard of care. The Trustee and each of its directors, officers, employees and agents will be indemnified and saved harmless out of the Fund's assets from and against all liabilities, costs, charges and expenses incurred in connection with any claim, action, suit or proceeding that is proposed or commenced or prosecuted against the Trustee or any of its officers, directors, employees or agents in the exercise of its duties under the Declaration of Trust as trustee, except those resulting from such person's wilful misconduct, bad faith, negligence, disregard of such person's obligations or duties or breach of their standard of care in relation to the matter in respect of which indemnification is claimed.

The Trustee may resign upon 60 days' written notice to Unitholders, and the Trustee must be removed if the Trustee ceases to (i) be resident in Canada for purposes of the Tax Act; (ii) carry out its function of managing the Fund in Canada; or (iii) exercise the main powers and discretions of the trustee of the Fund in Canada, and the Trustee may be removed by ordinary resolution at a meeting of Unitholders called for such purpose or by the Manager (if the Manager is not then the Trustee), if the Trustee has committed certain events of bankruptcy or insolvency or is in material breach or default of its obligations under the Declaration of Trust which breach has not been cured within 30 days after notice thereof has been given to the Trustee. Any such resignation or removal shall become effective only upon the appointment of a successor trustee.

If the Trustee resigns or is removed as trustee of the Fund, or the Trustee becomes incapable of acting, or if for any other reason a vacancy occurs in the office of Trustee, a successor trustee may forthwith be appointed by the Manager to fill such vacancy and such appointment need not be approved by Unitholders unless the Trustee has been removed by Unitholders in which case the Manager shall, forthwith after making such appointment, call a meeting of Unitholders for such purpose. If the Manager fails to appoint a successor trustee within 90 days or such appointment is not approved by the Unitholders as aforesaid, the Manager or any Unitholder may apply to a court of competent jurisdiction for the appointment of a successor trustee.

The Trustee will be reimbursed by the Fund for all reasonable costs and expenses incurred by the Trustee on behalf of the Fund.

CUSTODIAN

RBC Investor Services Trust (the “**Custodian**”) has been appointed as the custodian of the Fund. The Custodian acts as custodian of the assets of the Fund pursuant to the custodial services agreement between the Manager and the Custodian dated July 23, 2007, as amended from time to time (the “**Custodial Services Agreement**”). Under the Custodial Services Agreement, the Custodian has the power to appoint sub-custodians. The Custodian is located at 155 Wellington Street West, Toronto, Ontario, M5V 3L3. The principal sub-custodian for securities acquired in any U.S. market is The Bank of New York Mellon, 1 Wall Street, New York, New York, 10286. The Custodian holds, for the account of the Fund, all securities other than non-cash property (other than securities which are held by CDS). All cash property received for the Fund may be held by the Custodian at specified banks or trust companies. Upon certain instructions, the Custodian shall release and deliver securities of the Fund held by the Custodian. In addition, the Custodian will be responsible for providing valuation services to the Fund and will calculate the NAV of the Fund. The Custodial Services Agreement may be terminated by the Manager, on behalf of the Fund, by giving a minimum of 180 days’ prior written notice.

AUDITORS

The auditors of the Fund are Ernst & Young LLP, Chartered Professional Accountants, located at Ernst & Young Tower, 100 Adelaide Street West, Toronto, Ontario M5H 0B3.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Units is AST Trust Company (Canada) (formerly CST Trust Company) (the “**Registrar and Transfer Agent**”). The Registrar and Transfer Agent’s principal office is located at 1 Toronto Street, 12th Floor, Toronto, Ontario, M5C 2V6. The Fund entered into a Transfer Agent, Registrar and Distribution Disbursing Agent Agreement (the “**Transfer Agent Agreement**”) dated July 23, 2014 with the Registrar and Transfer Agent. Under the terms of the Transfer Agent Agreement, the Fund appointed the Registrar and Transfer Agent as its transfer agent, registrar and distribution disbursing agent to keep the register of holders and the register of transfers at its principal office in the City of Toronto.

SECURITIES LENDING AGENT

RBC Investor Services Trust, the custodian of the Fund, has been appointed as the Fund’s securities lending agent pursuant to a Securities Lending Authorization dated July 23, 2007, as amended, between MAML on behalf of the Fund and RBC Investor Services Trust. RBC Investor Services Trust is independent of MAML and its office is located at 155 Wellington Street West, Toronto, Ontario, M5V 3L3. The securities lending agent arranges and administers loans of the Fund’s portfolio securities for a fee, to willing, qualified borrowers who have posted collateral in accordance with NI 81-102.

The Securities Lending Authorization provides the parameters, including transaction limits, under which securities lending is permitted and in accordance with applicable securities legislation. If on any day the market value of the collateral posted by a borrower is less than the percentage of the market value of the relevant borrowed securities required by NI 81-102, at a minimum, the securities lending agent is required to request that the borrower provide additional collateral to the Fund to make up the shortfall.

Under the Securities Lending Authorization, the securities lending agent is required to indemnify the Fund from certain losses flowing from a default by a borrower.

The Securities Lending Authorization can be terminated at any time by MAML on behalf of the Fund or RBC Investor Services Trust with 120 days' prior written notice to the other party.

FUND GOVERNANCE

Fund governance refers to the policies, practices and guidelines of the Fund that relate to:

- business practices;
- sales practices; and
- internal conflicts of interest.

The Manager has adopted appropriate written policies, procedures and guidelines to ensure the proper management of the Fund. These include fiduciary duty guidelines and policies and procedures required by NI 81-107 relating to conflicts of interest, including policies on personal conflicts of interest, prohibited related party transactions, best execution practices, soft dollar arrangements, brokerage arrangements, trade allocation practices, cross trading, record keeping and personal investing. In addition, the Manager has adopted sales, marketing, advertising and accounting policies relating to the Fund. The systems that have been implemented are intended to monitor and manage the business and sales practices, risk and internal conflicts of interest relating to the Fund while ensuring compliance with regulatory and corporate requirements. The reporting systems in place ensure that these policies and guidelines are communicated to the persons responsible for these matters and monitor their effectiveness.

The Independent Review Committee

On behalf of the Fund, MAML has established an independent review committee ("**IRC**") pursuant to the requirements set out in NI 81-107.

The IRC makes recommendations or gives approval, as applicable, relating to actual or perceived conflicts of interest involving the Fund that have been identified and referred to the IRC by the Manager. The IRC is comprised of the following three members:

Robert Warren Law (Chair)
Financial Services Lawyer

Robert S. Robson
Financial Services Specialist

Joanne Vézina
Corporate Director specializing in Financial Services

The members of the IRC are independent and must act in the best interests of the Fund and the Fund's investors.

The IRC considers and provides recommendations to the Manager on conflicts of interest to which the Manager is subject when managing the Fund and that are referred to the IRC by the Manager. The Manager is required to identify conflicts of interest inherent in its management of the Fund, and to request input from the IRC into how it manages those conflicts of interest, as well as its written policies and procedures in respect of those conflicts of interest.

The IRC provides its recommendations to the Manager with a view to the best interests of the Fund. The IRC reports annually to Unitholders. It also must advise the securities regulatory authorities if it determines that an investment decision was not made in accordance with the foregoing requirements or if any condition of its approval or recommendation has not been satisfied.

The IRC also prepares an annual report that describes its activities as the independent review committee of the Fund. For a free copy of this report, call us at 1-888-588-7999 or ask your dealer. You can also get a copy of this report on our website at manulifemutualfunds.ca or by sending an e-mail to manulifemutualfunds@manulife.com. This report and other information about the Fund are also available at sedar.com.

The Fund normally also pays its proportionate share of the costs and reasonable expenses related to the IRC. Such costs and expenses include compensation payable to each IRC member. Each member of the IRC currently receives \$1,750 plus expenses for each meeting (\$2,250 plus expenses in the case of the Chair) of the IRC that the member attends as well as an annual retainer in the amount of \$20,000 (\$25,000 for the Chair). IRC members are also reimbursed for travel expenses in connection with meeting attendance. Other fees and expenses payable in connection with the IRC include insurance costs, legal fees, and attendance fees for educational seminars. All such fees are allocated among the funds managed by MAML in a manner that is considered by the IRC to be fair and reasonable to such funds. These amounts are allocated equally among the funds and, secondly, *pro rata* among the different series of securities of each fund, on the basis of assets under management. Notwithstanding the foregoing, effective January 1, 2017, MAML agreed to reimburse the fees and expenses payable by the Fund in connection with the IRC. As a result, MAML reimbursed the Fund for IRC fees and expenses incurred in 2017. Such reimbursement may be ceased by MAML in its sole discretion at any time without notice to, or consent of, the Unitholders. In the event the reimbursement ceases, the Fund will bear the proportionate share of the costs and expenses of the IRC, without any reimbursement or waiver, as described herein. The following fees and expenses (excluding insurance expenses and taxes) were paid to the members of the IRC and allocated to the Fund by MAML to cover the period from January 1, 2017 to December 31, 2017: Robert S. Robson - \$221; Joanne Vézina - \$221; and Robert Warren Law – (Chair) \$294.

Use of Derivative Instruments

The Fund may use derivatives only for the purposes of foreign currency hedging in respect of the value of the Portfolio applicable to the Class A Units. The use of derivative instruments involves risks different from and possibly greater than the risks associated with investing directly in securities and other traditional investments. Risks associated with the use of derivatives include: (i) hedging to reduce risk does not guarantee that there will not be a loss or that there will be a gain; (ii) there is no guarantee that a market will exist when the Fund wants to complete the derivative contract, which could prevent the Fund from reducing a loss or making a profit; (iii) the Fund could experience a loss if the other party to the derivative contract is unable to fulfill its obligations; and (iv) if the Fund has an open position in a forward contract with a dealer which goes bankrupt, the Fund could experience a loss and a loss of margin deposits with that dealer.

The Board of Directors has set and adopted written policies and practice guidelines applicable to the Fund to manage the risks associated with the use of derivative instruments. Such policies and practice guidelines require that:

- (a) the use of derivative instruments be consistent with the Investment Objectives and the Fund's policies.
- (b) the operational, monitoring and reporting procedures in place ensure that all derivatives transactions are completely and accurately recorded, in accordance with their approved use, and within the limits and regulatory restrictions prescribed for the Fund by the Board of Directors.

The Manager has oversight over all use of derivative instruments by the Fund or the Sub-Advisor and reports thereon periodically to the Board of Directors.

Securities Lending

The Manager has adopted written policies and practice guidelines to manage the risks associated with investments in securities lending, repurchase and reverse repurchase agreements. Such policies and practice guidelines require that:

- Investments in securities lending, repurchase and reverse repurchase agreements be consistent the Fund's Investment Objectives and policies;
- Authorized persons of the Manager approve the parameters, including transaction limits, under which securities lending and repurchase transactions are to be permitted and that such parameters comply with applicable securities legislation and may from time to time report to the Board of Directors as deemed appropriate;
- The operational, monitoring and reporting procedures in place ensure that all securities lending and repurchase transactions are completely and accurately recorded, in accordance with their approved use, and within the limits and regulatory restrictions prescribed for the Fund;
- The Manager must review at least annually all securities lending and repurchase transactions to ensure that they are being conducted in accordance with applicable securities legislation; and
- The Manager will review at least annually the policies and practice guidelines described above to ensure that the risks associated with securities lending are properly managed.

At present, there are no simulations used to test the portfolios under stress conditions to measure risks. The Fund may not commit more than 50% of their securities (on a net asset value basis) in securities lending or repurchase transactions at any time. Securities lending transactions may be terminated at any time and all repurchase transactions must be completed within 30 days.

The Manager has delegated the Custodian to act as agent for the Fund in administering securities lending transactions. The risks associated with these transactions will be managed by requiring that the agent enter into such transactions for the Fund with reputable counterparties that meet the Manager's quantitative and qualitative criteria regarding market making and creditworthiness, and are in good standing with all applicable regulators.

Proxy Voting Policies and Procedures

The Manager has delegated the right and obligation to vote proxies relating to the securities in the Portfolio to the Sub-Advisor as part of the Sub-Advisor's portfolio management responsibilities. One significant aspect of this duty is ensuring that the securities are voted in a timely manner that serves the best interests of the Fund and its Unitholders.

The Sub-Advisor is expected to take reasonable steps to vote all proxies received. However, the Sub-Advisor may refrain from voting where administrative or other procedures result in the costs of voting outweighing the benefits. The Sub-Advisor may also refrain from voting if in its opinion abstaining or otherwise withholding its vote is in the best interests of the Unitholders.

The Manager has established a proxy voting policy (the "**Proxy Voting Policy**") that has been designed to provide general guidance, in compliance with applicable legislation, for the voting of proxies. Pursuant to the Investment Management Agreement, the Sub-Advisor is required, with certain limited exceptions described below, to comply with the Proxy Voting Policy and applicable legislation. The Manager may retract the Sub-Advisor's voting authority at any time.

The Proxy Voting Policy provides a general indication as to how the Sub-Advisor is expected to vote proxies on each issue. The Sub-Advisor will usually vote proxies in accordance with the Proxy Voting Policy. However, the Sub-Advisor reserves the right to vote on certain issues counter to the Proxy Voting

Policy if, after a review of the matter (which analysis will be documented in writing), the Sub-Advisor believes that the Fund's best interests would be better served by such counter vote.

Issuers' proxies most frequently contain proposals to elect corporate directors, to appoint external auditors and fix their compensation, to amend the capitalization of the company and to adopt or amend management compensation plans. Consistent with our Proxy Voting Policy, unless one of the limited exceptions applies, it is expected that the Sub-Advisor would vote on these matters as follows:

Board of Directors – Vote for management nominees unless the Board of Directors fails to meet minimum corporate governance standards, such as being comprised of a majority of independent directors or there are records of abuse against the interests of minority shareholders.

Appointment of Auditors and Compensation – Vote for the election of auditors and proposals authorizing the Board of Directors to fix the auditors' compensation unless there are concerns about the accounts presented or the audit procedures used or if questions are raised regarding the independence of the auditors.

Changes in Capital Structure – Vote for resolutions that seek to maintain, or convert into, a one vote for one share capital structure and generally vote against resolutions authorizing a multiple class voting structure or the creation or addition of shares with superior voting rights.

Management Compensation – Vote for proposals to compensate executives unless the amounts are excessive relative to other companies in the industry. Vote on equity compensation plans and other proposals relating to management compensation on a case-by-case basis having regard to the best interests of the Unitholders.

Other issues, including those business issues specific to the issuer or those raised by shareholders of the issuer, are addressed on a case-by-case basis with a focus on the best interests of the Unitholders and the potential impact of the vote on Unitholder value.

The Sub-Advisor will provide to the Manager and the Manager will maintain records of all votes cast by the Fund. The Manager will publish these records on an annual basis on its website at manulifemutualfunds.ca. A copy of the Proxy Voting Policy is available on request, at no cost, by calling the Manager toll-free at 1-888-588-7999 or by writing to Manulife Asset Management Limited, 200 Bloor Street East, North Tower, Toronto, Ontario M4W 1E5. The proxy voting record for the most recent period ended June 30 is available free of charge to any Unitholder upon request any time after August 31.

Short-Term Trading

As the Fund's securities are not continuously offered for sale, the Fund has no policies and procedures which relate to the monitoring, detection and deterrence of short-term trades.

CONFLICTS OF INTEREST

The Manager, the Sub-Advisor and their affiliates are engaged in a wide range of investment management, investment advisory and other business activities. The services provided by the Manager under the Declaration of Trust and the Sub-Advisor under the Investment Management Agreement are not exclusive and nothing in such agreements prevents the Manager or any of its respective affiliates from providing similar services to other investment funds and other persons (whether or not their investment objectives, strategies and policies are similar to those of the Fund) or from engaging in other activities. The Sub-Advisor's investment decisions for the Fund will be made independently of those made for other persons and independently of its own investments.

Whenever the Sub-Advisor proposes to make an investment, the investment opportunity will be allocated, on an equitable basis, generally *pro rata* based on available capital, between the Fund and any other fund for which the proposed investment would be within such fund's investment objectives.

Where the Manager or its affiliates otherwise perceive, in the course of its business, that it is or may be in a material conflict of interest position, the matter will be referred to the IRC. The IRC will consider all matters referred to it and provide its recommendations to the Manager as soon as possible.

In addition, a conflict of interest may arise when the Manager (or the Sub-Advisor) votes a proxy solicited by an issuer with whom the Manager and/or the Sub-Advisor have a material business or personal relationship that may affect the vote. To avoid conflicts of interest, the Manager and the Sub-Advisor will adhere to the following procedures:

- All votes will be cast according to the Proxy Voting Policy, in the best interests of the Fund and its Unitholders. If votes are cast otherwise, they will be documented and explained.
- All persons involved in the proxy voting process must disclose any potential conflict of which they are aware. Voting recommendations must be made according to the best interests of the Fund and its Unitholders and without any other considerations.
- When a possible conflict of interest is encountered, MAML's compliance department and the IRC will determine whether a conflict of interest does in fact exist.

MAML will review the Sub-Advisor's policies for addressing conflicts of interest from time to time to ensure that they offer substantially similar protection.

Principal Holders of Units

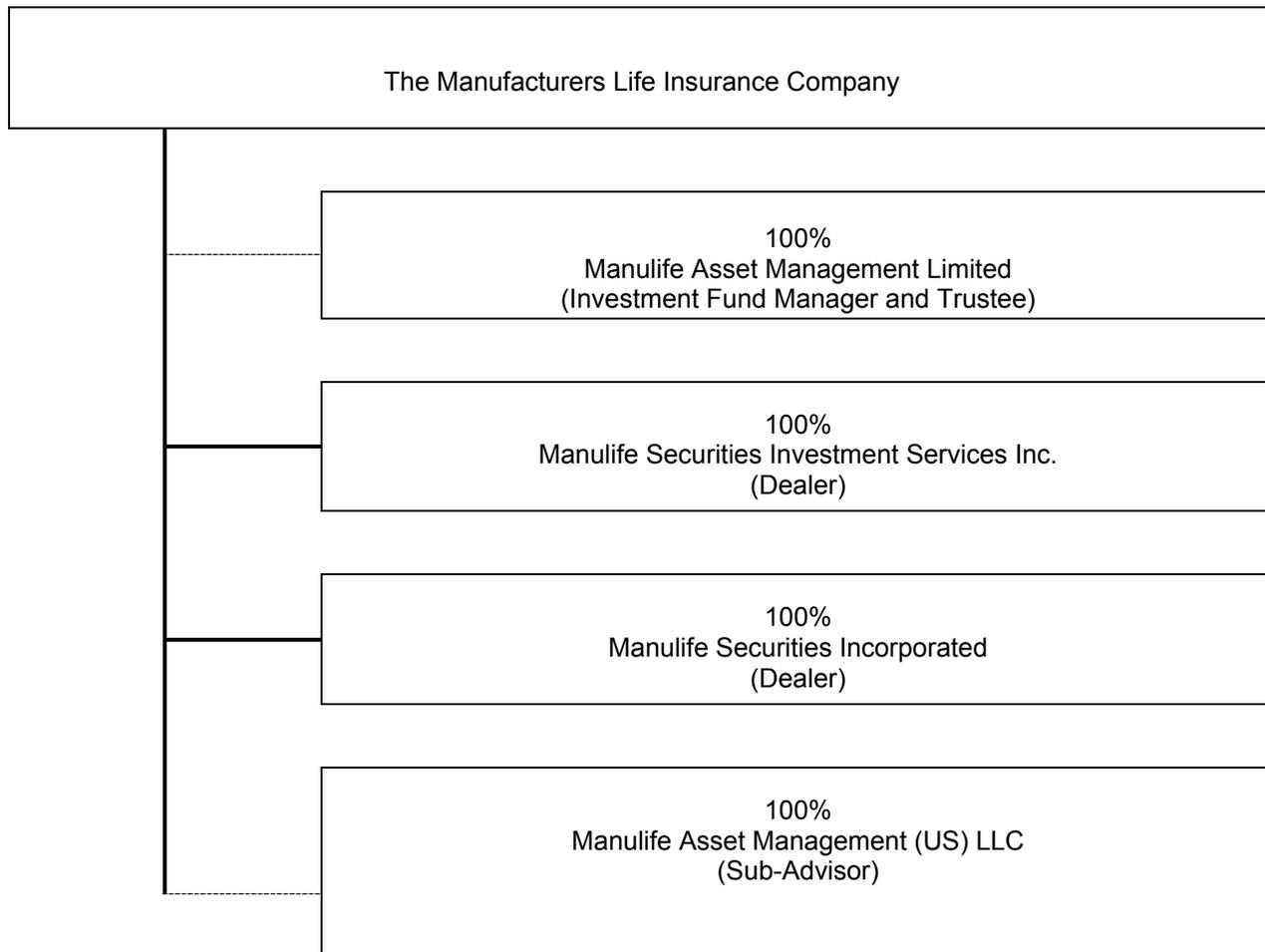
As at March 2, 2018, the Fund, after making reasonable inquiries, is not aware of any person or company, including any director or senior officer of the Manager that owns, directly or indirectly, more than 10% of the Units of the Fund.

As at March 2, 2018, Manulife Asset Management Holdings (Canada) Inc., a wholly-owned subsidiary of MLI, holds beneficially and of record all of the 408,119.896 issued and outstanding voting common shares of MAML.

As at March 2, 2018, the IRC members in aggregate do not beneficially own, directly or indirectly, more than 10% of the Units of the Fund. The IRC members also do not own securities in the Manager or in any person or company that provides services to the Fund or the Manager.

Affiliated Entities

The affiliated entities that provide services to the Fund or the Manager in relation to the Fund are set out in the diagram below.



A dotted line in the chart above represents that the company is an indirect wholly-owned subsidiary of MLI.

You can review the fees, if any, paid to the Manager or company in the diagram above by the Fund in the audited financial statements of the Fund.

The following individuals are directors or executive officers of MAML and also an affiliated entity of the Fund or MAML as described above:

Name	Position with MAML	Position with Affiliate
Paul Lorentz	Director, Chief Executive Officer and President	Head, Global Wealth and Asset Management, MLI and Manulife; Director, Manulife Asset Management (US) LLC
Warren Thomson	Director	Senior Executive Vice President and Chief Investment Officer, MLI and Manulife
Warren Rudick	General Counsel and Secretary	Director and Secretary, Manulife Asset Management Holdings (Canada) Inc.

For the employment histories of Mr. Paul Lorentz and Mr. Warren Rudick, please see “Responsibility for the Fund Operations – The Manager”.

FEES AND EXPENSES

Management Fee

Pursuant to the terms of the Declaration of Trust, the Manager receives an annual management fee (the “**Management Fee**”) from the Fund equal to 1.50% of the NAV of the Fund accrued daily and paid monthly in arrears, plus applicable taxes (including HST). The Sub-Advisor is remunerated by the Manager out of its Management Fee.

Operating Expenses

The Fund pays for all ordinary expenses, including applicable taxes (which includes HST), incurred in connection with its operation and administration. Pursuant to the Declaration of Trust, these expenses include, without limitation: mailing and printing expenses for periodic reports to Unitholders and other Unitholder communications including marketing and advertising expenses; fees payable to the registrar and transfer agent; fees payable to the plan agent under the Fund’s Reinvestment Plan for performing certain financial, record-keeping, Unitholder reporting and general administrative services for acting as plan agent under the Fund’s Reinvestment Plan; any reasonable out-of-pocket expenses incurred by the Manager or its agents in connection with their on-going obligations to the Fund; fees payable to the auditors and legal advisors of the Fund; fees payable to the Custodian for acting as custodian of the assets of the Fund; banking fees and interest with respect to any borrowing; fees and expenses (including insurance coverage) of the IRC; regulatory filing, stock exchange and licensing fees; and any expenditures incurred upon the termination of the Fund and all amounts paid on account of indebtedness. Such expenses will also include (i) any expenses of insurance and costs of all suits or legal proceedings in connection with the Fund or the Fund property or to protect the Unitholders, the Trustee, the Manager, the Sub-Advisor and the directors, officers, employees or agents of the Trustee, the Manager, the Sub-Advisor and any other sub-advisor, and (ii) any expenses of indemnification of the Trustee, the Unitholders, the Manager, the Sub-Advisor, any other sub-advisor or agents, or their respective directors, officers, employees or agents to the extent permitted under the Declaration of Trust. The Fund will also be responsible for any extraordinary expenses which it may incur from time to time. Notwithstanding the foregoing, commencing January 1, 2017, MAML reimbursed the fees and expenses payable by the Fund in connection with the IRC. Such reimbursement may be ceased by MAML in its sole discretion at any time without notice to, or consent of, the Unitholders. In the event the reimbursement ceases, the Fund will bear the proportionate share of the costs and expenses of the IRC, without any reimbursement or waiver, as described under “Fund Governance – The Independent Review Committee”.

Redemption Fee

A Unitholder who redeems a Unit on a Monthly Redemption Date will be required to pay the Manager a Redemption Fee equal to 3.0% of the Monthly Redemption Price. No Redemption Fee is payable by a Unitholder who redeems a Unit on an Annual Redemption Date.

The Redemption Fee will be deducted by the Fund from the amount payable to the redeeming Unitholder and remitted on behalf of the Unitholder to the Manager. However, no Redemption Fee will be payable by Unitholders, nor will any fee be payable by the Fund, upon a termination of the Fund by the Manager.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Units by a Unitholder who is an individual (other than a trust) and who, for the purposes of the Tax Act and at all relevant times, is resident in Canada, deals at arm's length with and is not affiliated with the Fund and holds Units as capital property.

Generally, the Units will be considered to be capital property to a Unitholder provided that the Unitholder does not hold such Units in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Unitholders who might not otherwise be considered to hold Units as capital property may, in certain circumstances, be entitled to have such Units and all other "Canadian securities" as defined in the Tax Act owned or subsequently acquired by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Unitholders should consult their own tax advisors as to whether an election under subsection 39(4) of the Tax Act is available or advisable in their circumstances. This summary does not apply to a Unitholder who has entered or will enter into a "derivative forward agreement" as that term is defined in the Tax Act with respect to the Units.

This summary is based upon the facts set out in this Annual Information Form, the current provisions of the Tax Act, an understanding of the current publicly available administrative policies and assessing practices of the Canada Revenue Agency ("**CRA**") published in writing by it prior to the date hereof and all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (such proposals referred to hereafter as the "**Tax Proposals**"). This summary does not otherwise take into account or anticipate any changes in law or administrative policy or assessing practice, whether by legislative, governmental or judicial action, nor does it take into account other federal or any provincial, territorial or foreign income tax legislation or considerations. This summary assumes that the Tax Proposals will be enacted as currently proposed although there can be no assurance that the Tax Proposals will be enacted in the form publicly announced or at all.

This summary is also based on the assumption that the Fund will at no time be subject to the tax for "SIFT Trusts" for purposes of the Tax Act and that the Fund has complied and will continue to comply with the Investment Restrictions at all relevant times. This summary further assumes that the Fund will not enter into any arrangement (including the acquisition of securities for the Portfolio) where the result is a "dividend rental arrangement" for purposes of the Tax Act.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on an investor's particular circumstances including the province in which the investor resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units, based on their particular circumstances.

Status of the Fund

This summary is based on the assumptions that the Fund will qualify at all times as a “unit trust” and a “mutual fund trust” within the meaning of the Tax Act, and that the Fund has not been and will not reasonably at any time be considered to be established or maintained primarily for the benefit of non-resident persons unless, at that time, substantially all of its property consists of property other than property that would be “taxable Canadian property” within the meaning of the Tax Act (if the definition of such term were read without reference to paragraph (b) of that definition).

To qualify as a mutual fund trust (i) the Fund must be a Canadian resident “unit trust” for purposes of the Tax Act, (ii) the only undertaking of the Fund must be (a) the investing of its funds in property (other than real property or interests in real property or immovables or real rights in immovables), (b) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property) or of any immovable (or real right in immovables) that is capital property of the Fund, or (c) any combination of the activities described in (a) and (b), and (iii) the Fund must comply with certain minimum requirements respecting the ownership and dispersal of Units of a particular class (the “**minimum distribution requirements**”). In this connection, (i) the Manager intends to cause the Fund to qualify as a unit trust throughout the life of the Fund, (ii) the Fund’s undertaking conforms with the restrictions for mutual fund trusts, and (iii) the Manager has no reason to believe that the Fund will not comply with the minimum distribution requirements at all material times. The Manager intends to ensure that the Fund will meet the requirements necessary for it to qualify as a mutual fund trust at all times. The Fund continues to qualify as a mutual fund trust as of March 29, 2018.

If the Fund were not to qualify as a mutual fund trust at all times, the income tax considerations described below would, in some respects, be materially and adversely different. Provided that the Fund qualifies, and continues at all times to qualify, as a “mutual fund trust” within the meaning of the Tax Act, the Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts (each a “**Registered Plan**”).

The Fund has not deviated in the last year from the rules under the Tax Act that apply to the status of the Units as qualified investments under the Tax Act for Registered Plans. See “Taxation of Registered Plans” for the consequences of holding Units in Registered Plans.

Taxation of the Fund

The Fund has elected to have a taxation year that ends on December 15 of each calendar year. The Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including dividends and net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Unitholders in the calendar year in which the taxation year ends. The Fund intends to make distributions to Unitholders as described under “Description of Securities Distributed – Distribution Policy” and to deduct, in computing its income in each taxation year, such amount as will be sufficient to ensure that the Fund will not be liable for income tax under Part I of the Tax Act for each year other than such tax on net realized capital gains that will be recoverable by the Fund in respect of such year by reason of the capital gains refund mechanism. The Fund will be entitled for each taxation year throughout which it is a mutual fund trust for purposes of the Tax Act to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the year (the “**Capital Gains Refund**”). The Capital Gains Refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale or other disposition of Portfolio securities in connection with the redemption of Units.

With respect to indebtedness, the Fund is required to include in its income for each taxation year all interest thereon that accrues (or is deemed to accrue) to it to the end of the year, or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year and excluding any interest that accrued prior to the date of the acquisition of the indebtedness by the Fund. Upon the actual or deemed disposition of indebtedness, the Fund will be required to include in computing its income for the year of disposition all

interest that accrued (or is deemed to accrue) on such indebtedness from the last interest payment date to the date of disposition except to the extent such interest was included in computing the Fund's income for that or another taxation year and such income inclusion will not be included in the proceeds of disposition for purposes of computing any gain or loss on such disposition or deemed disposition.

The Fund is required to include in its income for each taxation year any dividends received (or deemed to be received) by it in such year on a Portfolio security.

Gains or losses realized by the Fund from investments in derivatives will generally be taxed on income account, rather than as capital gains or losses, except where the derivative is used to hedge securities held on capital account and provided there is sufficient linkage. To the extent that the Fund uses derivative securities to hedge against fluctuations in currency, gains or losses of the Fund in respect of such derivative securities will be reported on capital account if the securities in the Portfolio are capital property to the Fund and provided there is sufficient linkage, the Fund will recognize such gains and losses for tax purposes at the time they are realized. Pursuant to recent amendments to the Tax Act, an election to realize gains and losses on "eligible derivatives" (as defined in the Tax Act) of the Fund on a mark-to-market basis may be available. The Manager will consider whether such election, if available, would be advisable for the Fund.

The Tax Act contains rules (the "**DFA Rules**") that target certain financial arrangements (described in the DFA Rules as "derivative forward agreements") that seek to deliver a return based on an "underlying interest" (other than certain excluded underlying interests) for purposes of the DFA Rules. The DFA Rules are broad in scope and could apply to other agreements or transactions (including certain derivatives). If the DFA Rules were to apply in respect of any derivatives to be utilized by the Fund, gains realized in respect of the property underlying such derivatives could be treated as ordinary income rather than capital gains.

Upon the actual or deemed disposition of a security included in the Portfolio, the Fund will realize a capital gain (or capital loss) to the extent the proceeds of disposition net of any amounts included as interest on the disposition of the security and any reasonable costs of disposition exceed (or are less than) the adjusted cost base of such security unless the Fund were considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Fund has acquired the security in a transaction or transactions considered to be an adventure or concern in the nature of trade. The Fund purchases the securities in the Portfolio with the objective of receiving distributions and income from the Portfolio securities over the life of the Fund and takes the position that gains and losses realized on the disposition thereof are capital gains and capital losses.

The Fund may be subject to the suspended loss rules contained in the Tax Act. A loss realized on a disposition of capital property is considered to be a suspended loss when the Fund, or a person affiliated with the Fund, acquires a property (a "**substituted property**") that is the same as or identical to the property disposed of, within 30 days before and 30 days after the disposition and the Fund, or a person affiliated with the Fund, owns the substituted property 30 days after the original disposition. If a loss is suspended, the Fund cannot deduct the loss from the Fund's capital gains until the substituted property is sold and is not reacquired by the Fund, or a person affiliated with the Fund, within 30 days before and after the sale.

The Portfolio includes securities that are not denominated in Canadian dollars. Cost, proceeds of disposition of securities, distributions, interest and all other amounts are determined for the purposes of the Tax Act in Canadian dollars at the appropriate exchange rate determined in accordance with the detailed rules in the Tax Act in that regard. The Fund may realize gains or losses by virtue of the fluctuation in the value of foreign currencies relative to Canadian dollars. The Fund will derive income (including gains) from investments in countries other than Canada and, as a result, may be liable to pay income or profits tax to such countries. To the extent that such foreign tax paid does not exceed 15% of such income and has not been deducted in computing the Fund's income, the Fund may designate a portion of its foreign source income in respect of a Unitholder so that such income and a portion of the foreign tax paid by the Fund may be regarded as foreign source income of, and foreign tax paid by, the Unitholder for the purposes of the foreign tax credit provisions of the Tax Act. To the extent that such foreign tax paid by the Fund exceeds 15% of the amount included in the Fund's income from such investments, such excess may generally be deducted by the Fund in computing its income for the purposes of the Tax Act.

One half of the amount of any capital gain (a "**taxable capital gain**") realized by the Fund in a taxation year on the disposition of securities in the Portfolio that are capital property of the Fund will be included in computing the Fund's income for the year, and one half of the amount of any capital loss (an "**allowable capital loss**") realized by the Fund in a taxation year generally must be deducted against any taxable capital gains realized by the Fund in the year. Any excess of allowable capital losses over taxable capital gains for a taxation year may be deducted against taxable capital gains realized by the Fund in any of the three preceding taxation years or in any subsequent taxation year to the extent and under the circumstances described in the Tax Act.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income including interest expense payable by the Fund on money borrowed to purchase securities in the Portfolio. The Fund may generally deduct the reasonable costs and expenses of the Offering paid by the Fund and not reimbursed at a rate of 20% per year over a five year period, pro-rated where the Fund's taxation year is less than 365 days. Any losses incurred by the Fund may generally be carried forward and back and deducted in computing the taxable income of the Fund in accordance with the detailed rules and limitations in the Tax Act.

Taxation of Unitholders

A Unitholder will generally be required to include in computing income for a taxation year of the Unitholder the amount of the Fund's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder (whether in cash or in Units or reinvested in additional Units pursuant to the Reinvestment Plan) in the taxation year. The Fund has elected to have a December 15 taxation year end and the amounts paid or payable by the Fund to a Unitholder after December 15 and before the end of the calendar year are deemed to have been paid or become payable to the Unitholder on December 15.

Provided that appropriate designations are made by the Fund, such portion of the net realized taxable capital gains of the Fund, the foreign source income of the Fund, and the taxable dividends, if any, received or deemed to be received by the Fund on shares of taxable Canadian corporations as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. Amounts designated as taxable dividends from taxable Canadian corporations will be subject to the gross-up and dividend tax credit rules, including the enhanced gross-up and tax credit applicable to designated eligible dividends. In addition, provided that appropriate designations are made by the Fund in respect of foreign income or gains of the Fund, for the purpose of computing any foreign tax credit available to a Unitholder, and subject to the rules in the Tax Act, the Unitholder will be deemed to have paid as tax to the government of a foreign country the Unitholder's share of the taxes paid or considered to be paid by the Fund to that country.

The non-taxable portion of the Fund's net realized capital gains for a taxation year, the taxable portion of which was designated in respect of a Unitholder for the calendar year in which the Fund's taxation year ends, that is paid or payable to the Unitholder in the calendar year in which the Fund's taxation year ends will not be included in the Unitholder's income for the year. Any other amount in excess of the Unitholder's share of the Fund's net income for a taxation year paid or payable to the Unitholder in the calendar year in which that taxation year ends will not generally be included in the Unitholder's income, but will generally reduce the adjusted cost base of the Unitholder's Units.

Under the Tax Act, the Fund is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions of income for the year to the extent necessary to utilize, in the taxation year, losses from prior years without affecting the ability of the Fund to distribute its income annually. The amount distributed to a Unitholder but not deducted by the Fund will not be included in the Unitholder's income. However, the adjusted cost base of the Unitholder's Units will be reduced by such amount (other than the non-taxable portion of the Fund's net realized capital gains paid or payable for a year the taxable portion of which was designated to a Unitholder for the year). To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed capital gain to zero.

Any losses of the Fund for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, a Unitholder.

On the disposition or deemed disposition of a Unit (whether on a sale, redemption or otherwise), the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition (which excludes any amount of capital gains made payable by the Fund to the Unitholder which represents capital gains realized by the Fund in connection with its disposition of securities in order to fund the redemption) exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition (including redemption fees, if applicable). A conversion of Class U Units into Class A Units by a Unitholder will likely constitute a disposition of the Class U Units for the Unitholder.

For the purpose of determining the adjusted cost base of Units of a particular class to a Unitholder, when Units of that class are acquired, the cost of the newly acquired Units of that class will be averaged with the adjusted cost base of all Units of that class owned by the Unitholder as capital property immediately before that time. The cost of Units acquired as a distribution of income or capital gains will generally be equal to the amount of the distribution. A consolidation of Units following a distribution paid in the form of additional Units will not be regarded as a disposition of Units and will not affect the aggregate adjusted cost base to a Unitholder of Units. See "Description of Securities Distributed - Distribution Policy". Any additional Units acquired by a Unitholder on the reinvestment of distributions will generally have a cost equal to the amount reinvested. If a Unitholder participates in the Reinvestment Plan and the Unitholder acquires a Unit from the Fund at a price that is less than the then fair market value of the Unit, it is the administrative position of the CRA that the Unitholder must include the difference in income and that the cost of the Unit will be correspondingly increased.

Pursuant to the Declaration of Trust, the Fund may allocate and designate as payable any capital gains realized by the Fund as a result of any disposition of property of the Fund undertaken to permit or facilitate the redemption of Units to a Unitholder whose Units are being redeemed. Any such allocations and designations will reduce the redemption price otherwise payable to the Unitholder and, therefore, the Unitholder's proceeds of disposition.

If a Unitholder disposes of Units and the Unitholder, the Unitholder's spouse or another person affiliated with the Unitholder (including a corporation controlled by the Unitholder) has acquired Units within 30 days before or after the Unitholder disposes of the Unitholder's Units (such newly acquired Units being considered "**substituted property**"), the Unitholder's capital loss may be deemed to be a "superficial loss". If so, the Unitholder will not be able to recognize the loss and it would be added to the adjusted cost base to the owner of the Units which are "substituted property".

If, at any time, the Fund delivers Portfolio securities to any Unitholder upon a redemption of a Unitholder's Units on the termination of the Fund, the Unitholder's proceeds of disposition of the Units will generally be equal to the aggregate of the fair market value of the distributed property and the amount of any cash received, less any capital gain realized by the Fund on the disposition of such distributed property. The cost of any property distributed by the Fund in specie will generally be equal to the fair market value of such property at the time of the distribution. Such distributed property may or may not be a qualified investment for Registered Plans. If such distributed property is not a qualified investment for Registered Plans, such Registered Plans (and, in the case of certain Registered Plans, the annuitants, beneficiaries or subscribers thereunder or holders thereof) may be subject to adverse tax consequences including, in the case of registered education savings plans, revocation of such Registered Plans.

One-half of any capital gain (a "**taxable capital gain**") realized on the disposition of Units in a taxation year or a taxable capital gain designated in respect of a Unitholder for a taxation year must be included in the Unitholder's income for the year and one-half of any capital loss (an "**allowable capital loss**") realized generally must be deducted from taxable capital gains of the Unitholder for that year. Allowable capital losses for a taxation year in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains in accordance with the provisions of the Tax Act.

All Unitholders, including holders of Class U Units, will be required to compute all amounts, including the adjusted cost base of Units and proceeds of disposition, in Canadian dollars for purposes of the Tax Act at the appropriate exchange rate determined in accordance with the detailed rules in the Tax Act in that regard and may as a result realize foreign exchange gains or losses.

In general terms, net income of the Fund paid or payable to a Unitholder that is designated as taxable dividends from taxable Canadian corporations or as net realized taxable capital gains as well as taxable capital gains realized by the Unitholder on the disposition of Units may increase the Unitholder's liability for alternative minimum tax.

Taxation of Registered Plans

Amounts of income and capital gains included in a Registered Plan's income are generally not taxable under Part I of the Tax Act, provided that the Units are qualified investments for the Registered Plan. See "Status of the Fund". Unitholders should consult their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a Registered Plan.

Notwithstanding the foregoing, if the Units are "prohibited investments" for the purposes of a registered retirement savings plan ("**RRSP**"), registered disability savings plan ("**RDSP**") registered retirement income fund ("**RRIF**"), tax-free savings account ("**TFSA**") or a registered education savings plan ("**RESP**"), the holder, annuitant or subscriber of the RRSP, RDSP, RRIF, TFSA or RESP will be subject to a penalty tax as set out in the Tax Act. A "prohibited investment" includes a unit of a trust (i) which does not deal at arm's length with the holder, annuitant or subscriber, or (ii) in which the holder, annuitant or subscriber has a significant interest. Generally, a holder, annuitant or subscriber, as the case may be, will not have a significant interest in the Fund unless the holder, annuitant or subscriber, as the case may be, owns interests as a beneficiary under the Fund that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the Fund, either alone or together with persons and partnerships with which the holder, annuitant or subscriber, as the case may be, does not deal at arm's length. In addition, pursuant to the Tax Act, the Units will not be a prohibited investment if the Units are "excluded property" as defined in the Tax Act for the particular RRSP, RDSP RRIF, TFSA or RESP.

Holders, annuitants or subscribers should consult their own tax advisors with respect to whether Units would be prohibited investments, including with respect to whether the Units would be excluded property as defined in the Tax Act.

Tax Implications of the Fund's Distribution Policy

The NAV per Unit will, in part, reflect any income and gains of the Fund that have accrued or have been earned or been realized but not been paid or made payable at the time Units were acquired. A Unitholder who acquires Units, including on a distribution in the form of Units, may become taxable on the Unitholder's share of such income and gains of the Fund notwithstanding that such amounts may have been reflected in the price paid by the Unitholder for the Units. Since the Fund intends to make monthly distributions as described under "Description of Securities Distributed - Distribution Policy", the consequences of acquiring Units late in the calendar year will generally depend on the amount of distributions throughout the year and whether a special distribution to Unitholders as described under "Distribution Policy" is necessary to ensure that the Fund will not be liable for non-refundable income tax under Part I of the Tax Act. Further, since the Fund has elected to have a December 15 taxation year end, where a Unitholder acquires Units in a calendar year after December 15 of such year, such Unitholder may become taxable on income earned or capital gains realized in the taxation year ending on December 15 of such calendar year but that had not been made payable before the Units were acquired.

INTERNATIONAL TAX INFORMATION REPORTING

Reporting Under the IGA

Pursuant to the Intergovernmental Agreement for the Enhanced Exchange of Tax Information under the Canada-United States Tax Convention entered into between Canada and the U.S. (the "IGA"), and related Canadian legislation, the Fund and the Manager are required to report certain information with respect to securityholders who are U.S. residents or U.S. citizens (including U.S. citizens who are residents or citizens of Canada), and certain other "U.S. Persons" as defined under the IGA (excluding registered plans such as RRSPs), to the CRA. The CRA will then exchange the information with the U.S. Internal Revenue Service.

Reporting Under the Common Reporting Standard ("CRS")

The CRS is an information standard for the automatic exchange of information between participating countries and requires the CRA to provide information to foreign tax authorities about accounts held in Canada by residents of their jurisdictions. Consequently, Canadian financial institutions are required to identify certain accounts held by non-Canadian residents (who are not U.S. residents) and report certain financial information pertaining to these accounts to the CRA. Legislation to implement the CRS became effective July 1, 2017.

MATERIAL CONTRACTS

The following material contracts have been entered into by the Fund:

- Declaration of Trust.
- Investment Management Agreement.
- Custodial Services Agreement.

Copies of the foregoing agreements may be inspected during business hours at the principal office of the Fund located at 200 Bloor Street East, North Tower, Toronto, Ontario M4W 1E5.

LEGAL PROCEEDINGS

There are no outstanding material legal proceedings to which the Fund or the Manager are a party, nor are there any such proceedings known to be contemplated.

OTHER MATERIAL INFORMATION

Termination of the Fund

The Fund does not have a fixed termination date. The Fund may be terminated at any time upon not less than 90 days' written notice by the Manager (the "**Termination Date**"); provided, however, the Manager may, in its discretion, on not less than 60 days' notice to Unitholders, terminate the Fund if, in the opinion of the Manager, it would be in the best interests of the Fund and the Unitholders to terminate the Fund. The Fund will also issue a press release ten days prior to the Termination Date setting forth the details of the termination including the fact that, upon termination, the net assets of the Fund will be distributed to Unitholders on a *pro rata* basis. Immediately prior to the termination of the Fund, including the Termination Date, the Trustee will, to the extent possible, convert the assets of the Fund to cash and after paying or making adequate provision for all of the Fund's liabilities, distribute the net assets of the Fund to the Unitholders as soon as practicable after the date of termination. Any unliquidated assets may be distributed in specie rather than in cash, subject to compliance with any securities or other laws applicable to such distributions.

No redemption fees will be payable by a Unitholder, nor will any fee be payable by the Fund, upon a termination of the Fund by the Manager as described above. However, if the Fund is terminated pursuant to an Extraordinary Resolution considered at a meeting convened at the request of a Unitholder prior to the first Annual Redemption Date, the Fund will be required to pay the Manager on the Termination Date a fee equal to the aggregate amount of all redemption fees that would be payable to the Manager, calculated as if all outstanding Units were redeemed on the Monthly Redemption Date prior to the month in which the Fund is terminated.

Non-Resident Unitholders

At no time may non-residents of Canada and/or partnerships that are not Canadian partnerships within the meaning of the Tax Act (or any combination thereof) (collectively, "**non-residents**") be the beneficial owners of a majority of the Units (on a number of Units or fair market value basis), and the Trustee shall inform the registrar and transfer agent of the Fund of this restriction. The Trustee may require declarations as to the jurisdictions in which a beneficial owner of Units is resident and, if a partnership, its status as a Canadian partnership. If the Trustee becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Units then outstanding (on a number of Units or fair market value basis) are, or may be, non-residents, or that such a situation is imminent, the Trustee may make a public announcement thereof. If the Trustee determines that more than 40% of the Units (on a number of Units or fair market value basis) are beneficially held by non-residents, or that such a situation is imminent, the Trustee may send a notice to such non-resident Unitholders, chosen in inverse order to the order of acquisition or in such manner as the Trustee may consider equitable and practicable, requiring them to dispose of their Units or a portion thereof to residents of Canada within a specified period of not less than 30 days. If the Unitholders receiving such notice have not disposed of the specified number of Units or provided the Trustee with satisfactory evidence that they are not non-residents within such period, the Trustee may, on behalf of such Unitholders, redeem or dispose of such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such redemption or disposition, the affected holders shall cease to be beneficial holders of Units and their rights shall be limited to receiving the net proceeds of disposition of such Units.

Notwithstanding the foregoing, the Trustee may determine not to take any of the actions described above if the Trustee has been advised by legal counsel that the failure to take any of such actions would not adversely impact the status of the Fund as a mutual fund trust for purposes of the Tax Act or, alternatively, may take such other action or actions as may be necessary to maintain the status of the Fund as a mutual fund trust for purposes of the Tax Act.

Risk Factors

The following are certain considerations relating to an investment in Units which investors should consider before investing (or continuing to invest) in such Units:

Cybersecurity Risk

Technology is used in virtually all aspects of the Manager's business and operations and those of the Fund and other service providers.

The Manager has a robust and evolving information security program that features policies, processes, technologies and dedicated professionals that protect information, systems and networks. Despite this, there can be no assurances that these measures will be successful in protecting our networks and information assets against attacks.

The Manager and its service providers may not be able to anticipate or to implement effective preventive measures against disruptions or privacy and security breaches, especially as attack techniques change frequently, increase in sophistication, are often not recognizable until launched, and can originate from a wide variety of sources.

The Manager will likely continue to be the target of cyber-attacks that could result in violation of privacy laws or information security regulations, or could materially disrupt network access or business operations. This may result in the disclosure of confidential information, unauthorized access to sensitive information, the destruction or corruption of data and financial loss to the Fund and Unitholders.

No Assurances of Achieving Investment Objectives

There is no assurance that the Fund will be able to achieve the Investment Objectives. Distributions to Unitholders will vary according to, among other things, the amount of distributions paid on the securities in the Portfolio. There is no assurance that the Portfolio will earn any return. No assurance can be given as to the amount of distributions in future years. No assurance can be given that the NAV per Unit will appreciate.

If the return on the Portfolio (including net realized capital gains from the sale of securities in the Portfolio) is less than the amount necessary to fund the monthly distributions, the Manager may choose to return a portion of the capital of the Fund to Unitholders to ensure the distribution is paid and, accordingly, the NAV per Unit would be reduced.

Loss of Investment

An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss on their investment and who can withstand the effect of distributions not being made over any period.

No Guaranteed Return

There is no guarantee that an investment in Units will earn any positive return in the short or long term.

Performance of the Portfolio

The NAV per Unit will vary as the fair value of the securities in the Portfolio varies. The Fund does not have control over the factors that affect the fair value of the securities in the Portfolio, including factors that affect the markets generally, such as general economic and political conditions and fluctuations in interest rates, and factors unique to each issuer included in the Portfolio.

Concentration Risk

The Portfolio is concentrated in securities of Regional Banks, and may also include securities of other issuers involved in the financial services sector, including investment banks, thrifts, consumer and industrial finance companies, diversified financial services companies, securities brokerage and investment advisory companies, custodian and wealth management companies, insurance companies, leasing companies, business development companies, securities exchanges, financial networks, information and processing, real estate-related firms and other specialty financial related companies. The Sub-Advisor may invest in issuers domiciled in other developed countries. This makes the Fund more susceptible to adverse economic or regulatory occurrences affecting this sector. Concentration of investments in the financial services sector includes the following risks:

- (a) financial services companies may suffer a setback if regulators change the rules under which they operate;
- (b) unstable interest rates can have a disproportionate effect on the financial services sector;
- (c) financial services companies whose securities the Fund may purchase may themselves have concentrated portfolios, such as a high level of loans to real estate developers, which makes them vulnerable to economic conditions that affect that sector;
- (d) financial services companies have been affected by increased competition, which could adversely affect the profitability or viability of such companies; and
- (e) financial services companies have been significantly and negatively affected by the downturn in the subprime mortgage lending markets and the resulting impact on the world's economies.

In general, financial services companies can be hurt by economic declines, changes in interest rates, regulatory and market impacts. As a result, the NAV of the Fund may be more volatile than the net asset value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time. This may have a negative impact on the value of the Units.

Foreign Securities

Prices of the Portfolio investments may go down because of unfavourable foreign government actions or political instability. U.S. issuers will be affected by the general financial, political and economic conditions of the United States. The Fund may be affected favourably or unfavourably by changes in currency rates (including as a result of the devaluation of U.S. dollar currency) and in exchange control regulations and may incur transaction costs in connection with conversions between Canadian and U.S. dollars.

Use of Leverage

The Fund may obtain leverage in an amount of up to 20% of the Total Assets. There can be no assurance that such a strategy will enhance returns and in fact the strategy may reduce returns (both distributions and capital). If the securities in the Portfolio suffer a decrease in value, the leverage component will cause a decrease in the NAV of the Fund in excess of that which would otherwise be experienced if no leverage was employed by the Fund. The distributions that are payable by the Fund depend upon the yield that can be generated by the Portfolio. Leverage creates risks that may adversely affect the return for Unitholders, including:

- (a) the likelihood of greater volatility of NAV and market price of Units;
- (b) fluctuations in the interest rate paid for the use of the Credit Facility;
- (c) increased operating costs, which may reduce the Fund's total return;
- (d) the potential for a decline in the value of an investment acquired through leverage, while the Fund's obligations under such leverage remains fixed; and
- (e) the Fund is more likely to have to sell securities in a volatile market in order to meet asset coverage or other debt compliance requirements.

In addition to the risks created by the Fund's use of leverage, the Fund is subject to the risk that it would be unable to timely, or at all, obtain replacement financing if the Credit Facility is terminated. Were this to happen, the Fund would be required to de-leverage, selling securities at a potentially inopportune time and incurring tax consequences. Further, the Fund's ability to generate returns from the use of leverage would be adversely affected.

Equity Risk

Equity securities, such as common shares, give the holders thereof part ownership in an issuer. The value of an equity security changes with the fortunes of the issuer that issued it. General market conditions and the health of the economy as a whole can also affect equity prices. Equity related securities that provide indirect exposure to the equity securities of an issuer can also be affected by equity risk. Present economic conditions may adversely affect global companies and the pricing of their securities. Further continued volatility or illiquidity could impair materially the profitability of these issuers.

Dividends on common shares are not fixed but are declared at the discretion of an issuer's board of directors. There is no guarantee that an issuer of common shares held by the Fund will declare dividends in the future or that if declared they will remain at current levels or increase over time.

Fixed Income Risk

Fixed income securities are subject to risks resulting from changes in interest rates and from credit risk. When interest rates fall, bond prices rise because existing bonds pay higher rates than newly issued ones, and are therefore worth more. When interest rates rise, bond prices fall, and so will the unit value of funds that hold them. The income earned by funds and the income paid by funds to Unitholders are also affected by changes in interest rates. Credit risk is the possibility that an issuer of a bond or other fixed income investment may not be able to pay interest or to repay the principal at maturity. The risk of this occurring is greater with some issuers than with others. For example, the risk of default is generally low for government and high quality corporate securities. Where the risk is considered greater, the interest rate paid by the issuer is generally higher than for an issuer where the risk is considered to be lower.

Risks of Investing in Preferred Securities

There is a chance that the issuer of any of the preferred shares included in the Portfolio will have its ability to pay dividends deteriorate or will default (fail to make scheduled dividend payments on the preferred shares or scheduled interest payments on other obligations of the issuer not included in the Portfolio), which would negatively affect the value of any such security.

Unlike interest payments on debt securities, dividend payments on preferred shares typically must be declared by the issuer's board of directors. An issuer's board of directors is generally not under any obligation to pay dividends (even if such dividends have accrued), and may suspend payment of dividends on preferred shares at any time. In the event that an issuer of preferred shares experiences economic difficulties, the issuer's preferred shares may lose substantial value due to the reduced likelihood that the issuer's board of directors will declare a dividend and the fact that the preferred shares may be subordinated to other securities of the issuer. In addition, the ability of a board of directors of a preferred share issuer to declare dividends (even if such dividends have accrued) may be constrained by restrictions imposed by such issuer's lenders.

Because many preferred shares allow holders to convert preferred shares into common shares of the issuer, their market price can be sensitive to changes in the value of the issuer's common shares. To the extent that the Portfolio includes convertible preferred shares, declining common share values may also cause the value of the Portfolio's investments to decline.

A preferred share may include a call or redemption provision that permits the issuer of such security to "call" or repurchase its securities. The existence of such provisions will, if exercised, require such a security to be removed from the Portfolio and replaced. These actions may have implicit costs to the Fund.

At any time that the Portfolio is reinvested as a result of a redemption or call provision in the terms of a preferred share, the distributions available to Unitholders may be affected as, among other things, the securities included in the Portfolio upon any such reinvestment may not provide the same rate of return as the preferred shares replaced. In addition, if the call or redemption price of a preferred share is less than the volume weighted average trading price traded upon its inclusion in the Portfolio, and that preferred share is redeemed, the NAV of the Fund will be negatively impacted

Non-Investment Grade Securities Risk

The Fund may make investments in securities that are not investment grade. Securities in the lower rating categories are subject to greater risk of loss, as to timely repayment of principal and timely

payment of dividends, interest or distributions than higher-rated securities. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. The yields and prices of lower-rated securities may tend to fluctuate more than those for higher-rated securities.

Banking Risk

Commercial banks (including “money centre” regional and community banks), savings and loan associations and holding companies of the foregoing are especially subject to adverse effects of volatile interest rates, concentrations of loans in particular industries (such as real estate or energy) and significant competition. The profitability of these businesses is to a significant degree dependent upon the availability and cost of capital funds. Economic conditions in the real estate market may have a particularly strong effect on certain banks and savings associations. Commercial banks and savings associations are subject to extensive federal and, in many instances, state regulation. Neither such extensive regulation nor the federal insurance of deposits ensures the solvency or profitability of companies in this industry, and there is no assurance against losses in securities issued by such companies.

State/Region Risk

To the extent that the Fund invests heavily in Regional Banks from any given state or region, its performance could be disproportionately affected by factors particular to that state or region. These may include economic or policy changes, erosion of the tax base, and state legislative changes (especially those regarding budgeting and taxes) and other matters that affect local economies.

Market Disruptions

War and occupation, terrorism and related geopolitical risks may in the future lead to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally. Those events could also have an acute effect on individual issuers or related groups of issuers. These risks could also adversely affect securities markets, inflation and other factors relating to the securities that may be held from time to time.

For all securities traded on public exchanges, each exchange typically has the right to suspend or limit trading in all securities that it lists. Such a suspension could render it impossible to liquidate its positions and thereby expose the Fund to losses. In addition, there is no guarantee that non-exchange markets will remain liquid enough to close out positions.

Global Financial Developments

Global financial markets have experienced a sharp increase in volatility in the last several years. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the issuers who borrow from them. While central banks as well as global governments have worked to restore much needed liquidity to the global economies, no assurance can be given that the combined impact of the significant revaluations and constraints on the availability of credit will not continue to materially and adversely affect economies around the world. No assurance can be given that this stimulus will continue or that, if it continues, it will be successful or these economies will not be adversely affected by the inflationary pressures resulting from such stimulus or central banks' efforts to slow inflation. Further, continued market concerns about the European sovereign debt crisis, developments in the Middle East and the Ukraine, matters related to the U.S. government debt limits and the inflationary effects of quantitative easing may adversely impact global equity markets. Some of these economies have experienced significantly diminished growth and some are experiencing or have experienced a recession. These market conditions and further volatility or illiquidity in capital markets may also adversely affect the prospects of the Fund and the value of the Portfolio Securities. A substantial drop in the markets in which the Fund invests could be expected to have a negative effect on the Fund.

Foreign Market Exposure Risk

The Fund's investments may, at any time, include securities of issuers established in jurisdictions outside Canada and the United States. Although most of such issuers will be subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to Canadian and U.S. companies, some issuers may not be subject to such standards and, as a result, there may be less publicly available information about such issuers than a Canadian or U.S. company. Volume and liquidity in some foreign markets may be less than in Canada and the United States and, at times, volatility of price may be greater than in Canada or the United States. As a result, the price of such securities may be affected by conditions in the market of the jurisdiction in which the issuer is located or its securities are traded. Investments in foreign markets carry the potential exposure to the risk of political upheaval, acts of terrorism and war, all of which could have an adverse impact on the value of such securities.

Reliance on the Manager, the Sub-Advisor and Key Employees of each

Unitholders will be dependent on the ability of the Manager to effectively manage the Fund in a manner consistent with the Investment Objectives, Investment Restrictions and investment strategy of the Fund. Performance of the investments in the Portfolio will be dependent on the Sub-Advisor. There is no certainty that the individuals who are principally responsible for providing administration and investment management services to the Fund will continue to be employed by the Manager and the Sub-Advisor, respectively.

Redemptions Risk

If Unitholders of a substantial number of Units exercise their redemption rights, the number of Units outstanding and the NAV could be significantly reduced. If a significant number of Units are redeemed, the trading liquidity of the Units could be significantly reduced. In addition, the expenses of the Fund would be spread among fewer Units resulting in a potentially lower distribution per Unit.

Use of Derivative Instruments

The following is a list of certain derivatives and other strategic transactions which the fund intends to utilize and the main risks associated with each of them:

- (a) ***Foreign currency forward contracts.*** Counterparty risk, liquidity risk (i.e., the inability to enter into closing transactions), and risk of disproportionate loss are the principal risks of engaging in transactions involving foreign currency forward contracts.
- (b) ***Foreign currency futures contracts.*** Counterparty risk, liquidity risk (i.e., the inability to enter into closing transactions), and risk of disproportionate loss are the principal risks of engaging in transactions involving futures contracts.

The Fund may use derivatives only for the purposes of foreign currency hedging in respect of the value of the Portfolio applicable to the Class A Units. The use of derivative instruments involves risks different from and possibly greater than the risks associated with investing directly in securities and other traditional investments. Risks associated with the use of derivatives include: (i) hedging to reduce risk does not guarantee that there will not be a loss or that there will be a gain; (ii) there is no guarantee that a market will exist when the Fund wants to complete the derivative contract, which could prevent the Fund from reducing a loss or making a profit; (iii) the Fund could experience a loss if the other party to the derivative contract is unable to fulfill its obligations; and (iv) if the Fund has an open position in a forward contract with a dealer which goes bankrupt, the Fund could experience a loss and a loss of margin deposits with that dealer.

Securities Lending Risk

The Fund may engage in securities lending. Although it will receive collateral for the loans and such collateral will be marked-to-market, the Fund will be exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and the collateral be insufficient to reconstitute the portfolio of loaned securities.

Sensitivity to Interest Rates

The market price of the Units may be affected by the level of interest rates prevailing from time to time. Any decrease in the NAV resulting from a change in interest rates may also negatively affect the market price of the Units. Unitholders will therefore be exposed to the risk that the NAV per Unit or the market price of the Units may be negatively affected by interest rate fluctuations.

Liquidity of the Securities in the Portfolio

Some of the securities in which the Fund intends to invest may be thinly traded or not traded at all. It is possible that the Fund may not be able to sell portions of such positions without facing substantially adverse prices. If the Fund is required to transact in such securities or other assets before their intended investment horizon, the performance of the Fund could suffer.

Currency Exposure

As the Portfolio is exposed to foreign currencies and, in particular, the U.S. dollar, the NAV of the Fund, when measured in Canadian dollars, will, to the extent this has not been hedged against, be affected by changes in the value of the U.S. dollar relative to the Canadian dollar. The Sub-Advisor seeks to substantially hedge the value of the Portfolio attributable to the Class A Units denominated in non-Canadian currencies back to the Canadian dollar. If used, hedging involves certain risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the Sub-Advisor's assessment of certain market movements is incorrect, the risk that the use of hedges could result in losses greater than if hedging had not been used. Hedging arrangements may have the effect of limiting or reducing the total returns to the Fund if the Sub-Advisor's expectations concerning future events or market conditions prove to be incorrect. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances. The value of the Portfolio applicable to the Class U Units will not be hedged.

Trading Price of Class A Units

Class A Units may trade in the market at a premium or discount to the NAV per Class A Unit and there can be no assurance that the Class A Units will trade at prices that reflect their NAV. In addition, Class A Units may trade at a discount to the NAV per Class A Unit less the current Redemption Fee having regard for the affect that this fee will have on the proceeds realized by a Unitholder in connection with a monthly redemption of Units.

Status of the Fund for Securities Law Purposes

The Fund is not a "mutual fund" for securities law purposes. As a result, some of the protections provided to investors in mutual funds under such laws may not be available to investors in the Units, and restrictions imposed on mutual funds under Canadian securities laws may not apply to the Fund.

Potential Conflicts of Interest

The Manager and the Sub-Advisor and their respective directors and officers and affiliates and associates may engage in the promotion, management or investment management of other accounts, funds or trusts which invest primarily in the securities held by the Fund.

Although officers, directors and professional staff of the Manager and the Sub-Advisor will devote as much time to the Fund as is deemed appropriate to perform their duties, they may have conflicts in allocating their time and services among the Fund and the other funds managed by the Manager and the Sub-Advisor, as the case may be.

Changes in Legislation

There can be no assurance that certain laws applicable to the Fund, including income tax laws, securities laws, government incentive programs and the treatment of mutual fund trusts under the Tax Act, will not be changed in a manner which adversely affects the Fund or its Unitholders. Any such changes could have a negative effect upon the value of the Portfolio and upon the investment opportunities available to the Portfolio.

Tax Risk

If the Fund fails to or ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading “Canadian Federal Income Tax Considerations” would be materially and adversely different in certain respects. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the Fund or the Unitholders.

The tax treatment of gains and losses realized by the Fund will depend on whether such gains or losses are treated as being on income or capital account, as described in this paragraph. In determining its income for tax purposes, the Fund treats gains or losses realized on the disposition of Portfolio securities held by it as capital gains and losses. The Fund takes the position that gains or losses in respect of foreign currency hedges entered into in respect of amounts invested in the Portfolio will constitute capital gains and capital losses to the Fund if the Portfolio securities are capital property to the Fund and there is sufficient linkage. Designations with respect to the Fund’s income and capital gains will be made and reported to Unitholders on the foregoing basis. The CRA’s practice is not to grant advance income tax rulings on the characterization of items as capital gains or income and no advance income tax ruling has been requested or obtained. If these foregoing dispositions or transactions of the Fund are determined not to be on capital account (whether because of the DFA Rules discussed below or otherwise), the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders could increase. Any such redetermination by the CRA may result in the Fund being liable for unremitted withholding taxes on prior distributions made to Unitholders who were not resident in Canada for purposes of the Tax Act at the time of the distribution. Such potential liability may reduce the NAV and NAV per Unit.

The DFA Rules target certain financial arrangements (described in the DFA Rules as “derivative forward agreements”) that seek to deliver a return based on an “underlying interest” (other than certain excluded underlying interests) for purposes of the DFA Rules. The DFA Rules are broad in scope and could apply to other agreements or transactions (including certain derivatives). If the DFA Rules were to apply in respect of any derivatives to be utilized by the Fund, gains realized in respect of the property underlying such derivatives could be treated as ordinary income rather than capital gains.

The SIFT Rules will apply to a mutual fund trust that is a “SIFT trust” for the purposes of the Tax Act. The Fund should not be a SIFT trust for the purposes of these rules because the Fund should not hold any “non-portfolio property”, as defined in the SIFT Rules, based on the Investment Restrictions, as described under the heading “Investment Strategy and Restrictions - Investment Restrictions”. If the SIFT Rules were to apply to the Fund, they may have an adverse impact on the Fund including on distributions received by Unitholders.

The Fund intends to invest in foreign securities. Many foreign countries preserve their right under domestic tax laws and applicable tax conventions with respect to taxes on income and on capital (“**Tax Treaties**”) to impose tax on dividends and interest paid or credited to persons who are not resident in such countries. While the Fund intends to make its investments in such a manner as to mitigate the amount of foreign taxes incurred under foreign tax laws and subject to any applicable Tax Treaties, investments in selected foreign securities may subject the Fund to foreign taxes on dividends and interest paid or credited to the Fund or any gains realized on the disposition of such securities. Any foreign taxes incurred by the Fund will generally reduce the value of the Fund and the amount available for distribution to Unitholders. To the extent that such foreign tax paid by the Fund exceeds 15% of the amount included in the Fund’s income from such investments, such excess may generally be deducted by the Fund in computing its net income for the purposes of the Tax Act. To the extent that such foreign tax paid does not exceed 15% of such amount and has not been deducted in computing the Fund’s income and the Fund designates its income from a foreign source in respect of a Unitholder of the Fund, the Unitholder will, for the purposes of computing its foreign tax credits, be entitled to treat the Unitholder’s proportionate share of foreign taxes paid by the Fund in respect of such income as foreign taxes paid by the Unitholder. The availability of foreign tax credits to a Unitholder of the Fund is subject to the detailed rules in the Tax Act. Unitholders should consult their own tax advisors with respect to the availability of foreign tax credits in their particular circumstances.

U.S. REITs are subject to special U.S. federal tax requirements. Unlike corporations, U.S. REITs do not have to pay income taxes if they meet certain requirements set forth in the U.S. Internal Revenue Code of 1986, as amended. To qualify, a U.S. REIT must generally, among other requirements, distribute at least 90% of its taxable income excluding net capital gains to its shareholders and receive at least 75% of its gross income from rents, mortgage interest and other specified real estate source income. A U.S. REIT's failure to comply with these requirements may subject it to U.S. federal income taxation. This may adversely impact upon the U.S. REIT's performance and, in turn, the Fund.

No Ownership Interest

An investment in Units does not constitute an investment by Unitholders in the assets included in the Portfolio. Unitholders will not own the assets held by the Fund. Unitholders will have no recourse or rights against the assets of the Fund.

Enforcement of Rights and Residency of Sub-Advisor

The Manager and the Sub-Advisor are both subsidiaries of Manulife. There may be difficulty in enforcing legal rights against the Sub-Advisor, or its individual representatives, because it and all or substantially all of its assets are located outside of Canada. The Manager is responsible for any loss that arises out of any failure of the Sub-Advisor: (i) to exercise the powers, and discharge the duties, of its office honestly, in good faith and in the best interests of the Fund; or (ii) to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

Not a Trust Company

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under provisions of that Act or any other legislation.

Nature of Units

The Units are neither fixed-income nor equity securities of a company. The Units represent a fractional interest in the net assets of the Fund. Units are dissimilar to debt securities in that there is no principal amount owing to Unitholders. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions.

No Market for Class U Units

The Class U Units will not be listed on any stock exchange. It is expected that liquidity for the Class U Units will be obtained primarily by means of conversion of Class U Units into Class A Units and the subsequent sale of such Class A Units on the facilities of the TSX.

Liability of Unitholders

The Fund is a unit trust and as such its Unitholders do not receive the protection of statutorily mandated limited liability in some provinces and territories as in the case of shareholders of most Canadian corporations. There is no guarantee, therefore, that Unitholders could not be made party to legal action in connection with the Fund. However, the Declaration of Trust provides that no Unitholder, in its capacity as such, will be subject to any liability whatsoever, in tort, contract or otherwise, to any person in connection with the Fund's property or the obligations or the affairs of the Fund and all such persons are to look solely to the Fund's property for satisfaction of claims of any nature arising out of or in connection therewith and only the Fund's property will be subject to levy or execution.

Pursuant to the Declaration of Trust, the Fund will indemnify and hold harmless each Unitholder from any costs, damages, liabilities, expenses, charges and losses suffered by a Unitholder resulting from or arising out of such Unitholder not having limited liability. The Declaration of Trust also provides that the Trustee and the Manager shall use reasonable efforts to cause to be inserted in each material written agreement, undertaking and obligation signed by or on behalf of the Fund a provision to the effect that such agreement, undertaking or obligation will not be binding upon Unitholders personally.

As a result of the foregoing, it is considered that the risk of any personal liability of Unitholders is minimal in view of the nature of its activities. In the event that a Unitholder should be required to satisfy any obligation of the Fund, such Unitholder will be entitled to reimbursement from any available assets of the Fund.

MANULIFE U.S. REGIONAL BANK TRUST

Additional information about the Fund is available in the Fund's most recently filed annual and interim management reports of fund performance and financial statements. You can get a copy of these documents, at no cost, by calling toll-free 1-888-333-3240, e-mailing us at manulifemutualfunds@manulife.com, or from your financial advisor. The annual and interim management reports of fund performance and financial statements are also available on the Manager's internet site at manulifemutualfunds.ca. These documents and other information about the Fund, such as information circulars and material contracts, are also available on the Internet site of SEDAR (the System for Electronic Document Analysis and Retrieval) at sedar.com.

Manulife Asset Management Limited
200 Bloor Street East, North Tower, Toronto, Ontario M4W 1E5
Client Services: 1-888-333-3240 • Fax: 1-866-581-8427
manulifemutualfunds.ca • manulifemutualfunds@manulife.com