

Prior to making an investment, Manulife Investment Management and Trust Corporation is hereby informing you of the nature of its Unit Investment Trust Funds (UITFs) and the securities they may invest in, and the risks involved in investing therein. As investments generally carry different degrees of risk, it is necessary that before you make any investment, you should have:

1. fully understood the nature of the securities/investment vehicles/UITFs you will be investing in and the extent of your exposure to risks;
2. read this Risk Disclosure Statement completely; and
3. independently determined that investment in said securities/investment vehicles/UITFs is appropriate for you.

There are risks involved in investing in various securities because the value of your investment may fluctuate depending on market circumstances. For UITFs in particular, the value of your investment is based on the Net Asset Value per Unit (NAVPU) of the Fund, which uses a marked-to-market valuation and therefore may fluctuate daily. The Net Asset Value (NAV) is derived from the summation of the market value of the underlying securities of the Fund plus accrued interest income less liabilities and qualified expenses.

**INVESTMENT IN FUNDS DOES NOT PROVIDE GUARANTEED RETURNS EVEN IF THE FUNDS ARE INVESTED IN GOVERNMENT SECURITIES AND HIGH-GRADE PRIME INVESTMENT OUTLETS. YOUR PRINCIPAL AND EARNINGS FROM INVESTMENT IN THE FUNDS CAN BE LOST IN WHOLE OR IN PART WHEN THE NAVPU AT THE TIME OF REDEMPTION IS LOWER THAN THE NAVPU AT THE TIME OF PARTICIPATION. GAINS FROM INVESTMENT IN THE UITFS ARE REALIZED WHEN THE NAVPU AT THE TIME OF REDEMPTION IS HIGHER THAN THE NAVPU AT THE TIME OF PARTICIPATION.**

Your investment in any security through Manulife Investment Management and Trust Corporation's various investment vehicles, segregated portfolios and UITFs exposes you to the various types of risks enumerated and defined hereunder:

**INTEREST RATE RISK.** This is the possibility for an investor to experience losses due to changes in interest rates. The purchase and sale of a debt instrument may result in profit or loss because the value of a debt instrument changes inversely with prevailing interest rates.

The Fund's portfolio, being marked-to-market, is affected by changes in interest rates thereby affecting the value of fixed income investments such as bonds. Interest rate changes may affect the prices of fixed income securities inversely, e.g. as interest rates rise, bond prices fall and when interest rates decline, bond prices rise. As the prices of bonds in a portfolio adjust to a rise in interest rate, the portfolio's market value may decline.

## Risk Disclosure Statement

**MARKET/PRICE RISK.** This is the possibility for an investor to experience losses due to changes in market prices of securities (e.g. bonds and equities). It is the exposure to the uncertain market value of a portfolio due to price fluctuations.

The value of investments fluctuates over a given time period because of general market conditions, economic changes or other events that impact large portions of the market such as political events, natural calamities, etc. Fixed income securities, which are not held until they mature, are subject to this risk. In the case of UITFs, the Fund may gain/lose due to increase/decline in security prices, which may sometimes happen rapidly or unpredictably, hence, the NAVPU may increase to make profit or decrease to incur loss.

**LIQUIDITY RISK.** This is the possibility for an investor to experience losses due to the inability to sell or convert assets into cash immediately or in instances where conversion to cash is possible but at a loss. These may be caused by different reasons such as trading in securities with small or few outstanding issues, absence of buyers, limited buy/sell activity, restricted redemption periods, or underdeveloped capital markets.

Liquidity risk occurs when certain securities in the Fund may be difficult or impossible to sell at a particular time which may prevent the withdrawal/redemption of investments until its assets can be converted to cash. Even government securities which are the most liquid of fixed income securities may be subjected to liquidity risk particularly if a sizeable volume is involved.

**CREDIT RISK/DEFAULT RISK.** This is the possibility for an investor to experience losses due to a borrower's failure to pay principal and/or interest in a timely manner on instruments such as bonds, loans, or other forms of security which the borrower issued. This inability of the borrower to make good on its financial obligations may have resulted from adverse changes in its financial condition, thus, lowering credit quality of the security, and consequently lowering the price (market/price risk) which contributes to the difficulty in selling such security. It also includes risk of a counterparty (a party the Fund Manager trades with) defaulting on a contract to deliver its obligation either in cash or securities.

This is the risk of losing value in the Fund in the event the borrower defaults on his obligation or in the case of counterparty, when it fails to deliver on the agreed trade. This decline in the value of the Fund/Portfolio happens because the default /failure would make the price of the security go down and may make the security difficult to sell. As these happen, the NAVPU of a Fund may decline.

**REINVESTMENT RISK.** This is the risk associated with the possibility of having lower returns or earnings when maturing funds or the interest earnings of funds are reinvested.

UITF investors who redeem and realize their gains run the risk of reinvesting their funds in an alternative investment outlet with lower yields. Similarly, Manulife Investment Management and Trust Corporation is faced with the risk of not being able to find good or better alternative investment outlets as some of the securities in the Fund matures.

**OFFSETTING/HEDGING RISK.** This is the possibility for an investor to experience losses brought about by the inherent risks which the underlying investment is exposed to despite the use of a hedging instrument.

Hedging is the act of reducing the exposure of the underlying investment from its risks. In order for hedging to be effective, the prices of the hedging instruments and the underlying investment should normally move in opposite directions.

There is no guarantee, however, that the effectiveness of a hedging instrument shall remain throughout the term of the underlying investment. Should the hedging instrument become ineffective, liquidating this based on market prices may result to losses.

In case of a foreign currency-denominated security or a peso-denominated fund that is allowed to invest in securities denominated in currencies other than its base currency, the segregated portfolio and the fund are also exposed to the following risks:

**FOREIGN EXCHANGE RISK.** This is the possibility for an investor to experience losses due to fluctuations in foreign exchange rates. The exchange rates depend upon a variety of global and local factors, e.g. interest rates, economic performance, and political developments.

It is the risk of a security to currency fluctuations when the value of investments in securities denominated in currencies other than the base currency of the security depreciates. Conversely, it is the risk of the security to lose value when the base currency of the security appreciates. The NAVPU of a peso-denominated UITF invested in foreign currency-denominated securities may decrease to incur loss when the peso appreciates.

**COUNTRY RISK.** This is the possibility for an investor to experience losses arising from investments in securities issued by/in foreign countries due to the political, economic and social structures of such countries. There are risks in foreign investments due to the possible internal and external conflicts, currency devaluations, foreign ownership limitations and tax increases of the foreign country involved which are difficult to predict but must be taken into account in making such investments.

Likewise, brokerage commissions and other fees may be higher in foreign securities. Government supervision and regulation of foreign stock exchanges, currency markets, trading systems and brokers may be less than those in the Philippines. The procedures and rules governing foreign transactions and custody of securities may also involve delays in payment, delivery or recovery of investments.

**OTHER RISKS.** Your Fund may be further exposed to the risk of any actual or potential conflicts of interest in the handling of in-house or related party transactions by Manulife Investment Management and Trust Corporation. These transactions may include purchase of own-institution or affiliate obligations; purchase of assets from or sales to own institution, directors, officers, subsidiaries, affiliates or other related interests/parties; or purchases or sales between fiduciary/managed accounts.

**I HAVE COMPLETELY READ AND FULLY UNDERSTOOD THIS RISK DISCLOSURE STATEMENT AND THE SAME WAS CLEARLY EXPLAINED TO ME BY A MANULIFE INVESTMENT MANAGEMENT AND TRUST CORPORATION SALES PERSONNEL/WEALTH SPECIALIST BEFORE I AFFIXED MY SIGNATURE HEREIN. I HEREBY VOLUNTARILY AND WILLINGLY AGREE TO COMPLY WITH ANY AND ALL LAWS, REGULATIONS, THE PLAN RULES/PROSPECTUS, WRITTEN TRUST/OTHER FIDUCIARY/INVESTMENT MANAGEMENT AGREEMENT, TERMS AND CONDITIONS GOVERNING MY INVESTMENT.**

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Investor's Signature over Printed Name (Account Owner)

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Date signed (dd/mm/yyyy)

## For Manulife Use Only

I acknowledge that I have (1) advised the client to read this Risk Disclosure Statement; (2) encouraged the client to ask questions on matters contained in this Risk Disclosure Statement, and (3) fully explained the same to the client.

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Sales Personnel/Wealth Specialist's Signature over Printed Name

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Distributor Code

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Date signed (dd/mm/yyyy)

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