Policy and procedure with respect to excessive trading*

Members of group retirement plans have access to investment choices not available in the retail market, often at lower costs. They also have great freedom to allocate their contributions among many investment options and to realign their assets as necessary to achieve long-term success.

Typically, a member would realign the assets after reviewing the information on his or her statement of account as well as his or her investor profile or when personal circumstances change.

As part of a due diligence protocol at Manulife, we perform regular audits on the investment funds offered to members under our group retirement plans to ensure that the interests of all members are safeguarded and protected. The objective of the audit is to identify members who are frequently moving assets between investment funds, a practice commonly referred to as "excessive trading". This level of trading violates the purposes for which the plan was set up and can hurt the interest of all members in the following ways:

- the administration costs of running the plan increase
- the back office costs of administering the funds targeted increase
- the liquidity management of the funds targeted is disrupted
- the rates of return of the Manulife segregated funds which "wrap" the underlying funds diverge from the corresponding underlying funds due to the exaggerated volume of cash in transit
- the rates of return of the underlying funds are dampened as the cash component in the funds has to be maintained at a higher level or investments may have to be sold at an inappropriate time. The balance is what becomes available for your heirs.

Frequent trading activity is not in keeping with the long-term investment strategy of the plan and the investment funds, nor is it in keeping with recent developments in the mutual fund and other related industries. To protect the interests of the members, Manulife has instituted policies and procedures to discourage excessive trading:

"If trading by a Member is considered by Manulife, in its sole discretion, to be excessive, Manulife shall give thirty (30) days notice to the Member that his or her trading is excessive and that a transaction penalty will be charged for the third or any subsequent interfund transfer per account processed in a calendar month for or by the Member. Such transaction penalty will be deducted from the Member's account.

The transaction penalty in effect on January 1, 2005 shall be equal to $25.00 or 2% of the amount of the transaction, whichever is greater."

Manulife will send to the identified members a first notice (for information purposes only). Thereafter, members that continue to trade excessively will receive a second notice informing them that the above penalties will apply. Any transaction penalties charged to members will be allocated to the targeted funds.

* Excessive trading, sometimes referred to as "market timing", is a practice in which units of a fund are bought and sold quickly in an attempt to profit from short-term fluctuations. Excessive trading includes any asset rebalancing operations performed by members; i.e.: manual or online asset rebalancing (OLR). It does not apply to Systematic Asset Rebalancing (SAR).

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