Manulife Bank

Investment Loan Illustration

For use with Manulife Bank non-registered
borrow-to-invest programs

Loans provided by Manulife Bank of Canada

Borrowing to invest may be appropriate only for investors with higher risk tolerance. You should be fully aware of the risks and benefits associated with investment loans since losses as well as gains may be magnified. Preferred candidates are those willing to invest for the long term and not averse to increased risk. The value of your investment will vary and is not guaranteed however you must meet your loan and income tax obligations and repay the loan in full. Please ensure you read the terms of your loan agreement and the investment details for important information. Manulife Bank of Canada solely acts in the capacity of lender and loan administrator and does not provide investment advice of any nature to individuals or advisors. The dealer and advisor are responsible for determining the appropriateness of investments for their clients and informing them of the risks associated with borrowing to invest.

Prepared for: HOLDCO
Presented by: *Gennaro Natale*
Manulife Bank

Date: November 10, 2021

ASSUMPTIONS

Loan amount	$1,000,000.00	Investment return	8.00%
Leverage ratio	3:1	Taxable portion of return	2.00%
Initial client deposit	$333,333.34	Tax rate on investment income	54.00%
Total investment	$1,333,333.38	Loan interest rate	3.20%
Loan payment option	Interest only	Loan interest tax deductibility	100.00%
Term of Loan	10 years	Marginal tax rate	54.00%

RESULTS

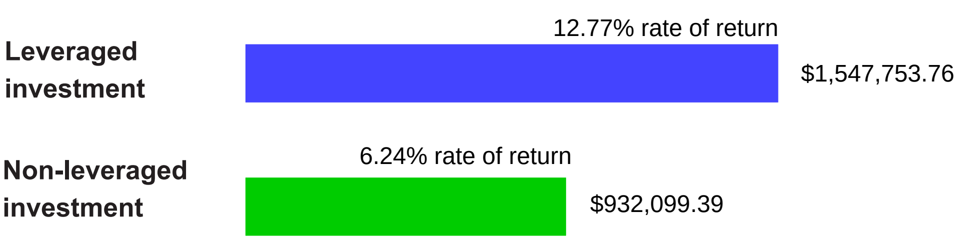
	Leverage Strategy	Non-Leverage Strategy
Cost of investing		
Initial client deposit	$333,333.34	$333,333.34
Total cash contributions during the investment period	N/A	$236,625.92
Repayment of loan	$1,000,000.00	N/A
Income tax paid on fund income during the investment period	$16,688.53	$5,318.35
Total after tax loan interest paid during the investment period	$225,255.74	N/A
Total cost of investing	**$575,277.61**	**$575,277.61**
Investment Results		
Investment value at the end of the investment period	$2,878,566.77	$1,062,398.93
Less Capital-gain tax on sale of investment	$330,813.02	$130,299.54
Client equity at end of the investment period	$1,547,753.76	$932,099.39
Total net gain on investment	$972,476.15	$356,821.79
Internal after-tax rate of return [1]	**12.77%**	**6.24%**

For illustration purposes only. Important notes about this illustration are on page 4 and 5.

[1] Internal rate of return is based on annual 'Cash outflow (after tax)' and investment balance received at end of investment period.

Leveraged vs. Non-Leveraged Investment

After 10 years, net leveraged client equity exceeds non-leveraged client equity by $615,654.37



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SENSITIVITY ANALYSIS

The table below shows the total net gain on investment and internal after-tax rate of return for a leverage strategy at different levels of rate of return for the investment, and at different interest rates for the loan. The results reflecting the rate of return and interest rate used in this illustration are highlighted in bold text.

	Average annual investment rate of return					
	6.00%		8.00%		10.00%	
Average loan interest rate over the 10-year term	**Total net gain on investment**	**Internal rate of return (after tax)**	**Total net gain on investment**	**Internal rate of return (after tax)**	**Total net gain on investment**	**Internal rate of return (after tax)**
1.20%	$708,864.39	11.35%	$1,064,476.15	14.61%	$1,484,567.81	17.63%
3.20%	$616,864.39	9.40%	$972,476.15	12.77%	$1,392,567.81	15.87%
5.20%	$524,864.39	7.62%	$880,476.15	11.06%	$1,300,567.81	14.24%

The assumptions provided above have been used to prepare this table; only loan interest rate and annual rate of return of the investment vary as shown. The illustration is based on combined loan and client portions of the leveraged investment. This table is not intended to illustrate all possible gain and loss scenarios that may occur.

BREAK-EVEN ANALYSIS

Lower Break-Even Return: 1.86%

Given the other assumptions made in this illustration:

If your annualized investment return is equal to 1.86%, your net investment gain will be zero.
If your annualized investment return is less than 1.86%, you will lose money with this strategy.
If your annualized investment return is greater than 1.86%, you will earn money with this strategy.

Higher Break-Even Return: 2.49%

Given the other assumptions made in this illustration:

If your annualized investment return is equal to 2.49%, leverage and non-leverage strategies will produce similar results.
If your annualized investment return is less than 2.49%, you're better off with a non-leverage strategy.
If your annualized investment return is greater than 2.49%, you're better off with a leverage strategy.

IMPORTANT NOTES ABOUT THIS ILLUSTRATION

This is an illustration only. Illustrations are not contracts and are not guaranteed. Fund values will vary and are not guaranteed. The values illustrated will vary (upward or downward) from those shown depending upon actual experience with respect to the assumptions made in preparation of this illustration including the amount and timing of contributions, fund returns, loan interest rates, tax deductibility of loan interest payments, taxable fund income allocations, income tax requirements and any applicable charges with respect to the loan and/or investment fund chosen.

The fund balances and investment gains shown are based upon the assumptions provided. However, actual investment performance is not guaranteed and will vary. Loan interest may also vary depending upon the interest option selected.

This illustration does not include application or other fees that may exist pertaining to either the investment fund or the bank loan. Please consult the fee schedules for the investment fund and bank loan chosen.

An investment fund with deferred sales charges is illustrated. A deferred sales charge may apply should the investment be redeemed within the deferred sales charge time period.

All annual expenses (income tax payable and loan interest payable) must be paid by the investor and not through withdrawals from the fund.

Important information on your investment funds is included in the information folder (segregated funds) or prospectus (mutual funds) available from your financial advisor, which should be read prior to your purchase of these funds.

IMPORTANT NOTES ABOUT LOAN INTEREST AND TAX DEDUCTIBILITY

This illustration assumes that a specific percentage of loan interest is tax deductible. However, actual tax deductibility of loan interest depends on a number of factors. Individual tax situations and tax deductibility will vary. Tax laws are subject to change and therefore, tax treatment of illustrated figures cannot be guaranteed. Results for Quebec residents may differ due to different deductibility rules. Clients should consult their own tax and legal advisors with respect to their particular circumstance.

IT`S IMPORTANT FOR YOU TO UNDERSTAND...

Investment funds and other securities may be purchased using available cash, borrowed money, or a combination of both. If cash is used to pay for the fund purchase in full, the percentage gain or loss will equal the percentage increase or decrease in the value of the investment funds. The purchase of securities using borrowed money magnifies the gain or loss experienced by the investor. This effect is called leveraging.

For example, if $50,000 of investment funds are purchased with client equity, and the investment declines in value to $40,000 over 10 years, after which the investment is sold, the investor will have lost $10,000 with this strategy. However if the same $50,000 investment is purchased with an investment loan at an interest rate of 5.00%, and the value declines to $40,000 over 10 years, after which the investment is sold, the client will be in a worse financial position. To repay the loan the investor must raise an additional $10,000, to supplement the $40,000 raised from the sale of the investment. In addition, the investor will have paid $25,000 in loan interest over the 10 years. In other words, the investor will have lost $35,000 with this investment strategy.

It is important that an investor proposing to borrow for the purchase of investment funds be aware that a purchase with borrowed monies involves greater risk than a purchase using cash resources only. To what extent a purchase using borrowed monies involves undue risk is a determination to be made by each purchaser and will vary depending on the circumstances of the purchaser and the investment funds purchased.

It is also important that the investor be aware of the terms of a loan secured by investment funds. The lender may require that the loan be repaid at any time. If the borrower does not have cash available, the borrower must sell investment funds, possibly at a loss to provide money to reduce the loan.

Money is, of course, also required to pay interest on the loan. Under these circumstances, investors who use borrowed funds to purchase their investments are advised to have adequate financial resources available both to pay interest and also to reduce the loan if the borrowing arrangements require such a payment.

I understand that...

1) Borrowing to buy an investment fund has a higher risk than paying with cash because the interest charges on the borrowed funds must be paid irrespective of how well or how poorly the investment fund performs;

2) I must have sufficient funds to pay the full interest on the loan (before any tax deductions) and income tax payable on the investment income;

3) I may be able to deduct all, some or none of the loan interest charges and cost of insurance, if applicable, depending upon (a) the investment fund chosen, b) the nature and the amount of investment returns realized and (c) applicable tax law;

4) The lender will possess certain rights and powers depending upon the nature of the loan agreement and that I need to understand the terms and conditions associated with all loan documents;

5) Taking out a loan to purchase investment funds will increase my Debt Service Ratio which may impact my ability to borrow money for other purposes.

Applicant name (please print): ______________________________

Applicant acknowledgement: ______________________________ **Date:** ______________

Co-applicant name (please print): ______________________________

(Also initial pages 2, 3 & 4 of illustration)

Co-applicant acknowledgement: ______________________________ **Date:** ______________

Representative acknowledgement: ______________________________ **Date:** ______________

(Also initial pages 2, 3 & 4 of illustration)

(Also initial pages 2, 3 & 4 of illustration)