



Comparing the taxation of mutual funds, exchange traded funds and segregated fund contracts

DIVIDENDS	DISTRIBUTION	DISTRIBUTION	ALLOCATION
MUTUAL FUND CORPORATION Manulife Corporate Classes	MUTUAL FUND TRUSTS Manulife Funds	EXCHANGE TRADED FUNDS Manulife ETFs	SEGREGATED FUND CONTRACTS Manulife Segregated Funds
<p>Interest and foreign income in excess of expenses are taxed within the mutual fund corporation (the "Corporation"). Any after-tax earnings are generally retained in the Corporation. Canadian dividend income and capital gains will normally be flowed through to shareholders as ordinary and capital gains dividends, respectively. The Corporation does not distribute capital losses.</p>	<p>Funds must distribute both taxable income and realized capital gains. Funds do not distribute capital losses.</p>	<p>Funds must distribute both taxable income and realized capital gains. Funds do not distribute capital losses.</p>	<p>Funds are deemed to have allocated taxable income and realized capital gains or losses. Segregated fund contracts do not make distributions.</p>
<p>Capital losses realized by a class are netted against capital gains realized by other classes in the Corporation. Any net capital loss is then carried forward to offset capital gains in future years. Any net capital gains are reduced by an approximate amount of capital gains realized on redeemed shares before they get distributed to the remaining shareholders of the Corporation.</p>	<p>Capital losses are netted against capital gains in the fund. Any net capital loss is then carried forward to offset gains in future years. Any net capital gains are reduced by an approximate amount of capital gains realized on redeemed units before they get distributed to the remaining unitholders.</p>	<p>Capital losses are netted against capital gains in the fund. Any net capital loss is then carried forward to offset gains in future years. Any net capital gains are reduced by an approximate amount of capital gains realized on redeemed units before they get distributed to the remaining unitholders.</p>	<p>Capital gains and/or losses realized by the fund are first allocated to investors who redeemed units. Remaining capital gains or losses are allocated to remaining policyholders.</p>
<p>Investors may choose to receive dividends in cash or reinvest them by buying additional shares. The tax consequences are the same.</p>	<p>Investors may choose to receive distributions in cash or reinvest them by buying additional units. The tax consequences are the same.</p>	<p>Investors receive income (i.e. interest, dividends and foreign income) as cash distributions. Capital gains are automatically used to purchase additional units. These are immediately consolidated with the investor's other units.</p>	<p>Allocations cannot be paid in cash like distributions. A request for a partial withdrawal must be made.</p>
<p>The share value will decrease by the amount distributed per share.</p>	<p>The unit value will decrease by the amount distributed per unit.</p>	<p>The unit value will decrease by the amount of cash distributed per unit.</p>	<p>No additional units are purchased and there is no change in the unit value because of the allocation.</p>
<p>An investor does not receive any dividends if the shares are sold before the distribution date.</p>	<p>An investor does not receive any distributions if the units are sold before the distribution date, except for a money market fund and dollar-cost averaging fund which are determined daily.</p>	<p>An investor does not receive any distributions if the units are sold before the ex-dividend date.</p>	<p>Investors will receive capital gains and/or losses for units redeemed in the year and allocations for units held on an allocation date¹. For a money market fund and dollar-cost averaging fund, allocations are determined daily.</p>

REDEMPTIONS

MUTUAL FUND CORPORATION Manulife Corporate Classes	MUTUAL FUND TRUSTS Manulife Funds	EXCHANGE TRADED FUNDS Manulife ETFs	SEGREGATED FUND CONTRACTS Manulife Segregated Funds
Investors sell the shares to realize capital gains or losses.	Investors sell the units to realize capital gains or losses.	Investors sell the units to realize capital gains or losses.	Investors redeem from the contract to realize capital gains or losses.
Capital gains or losses realized on the disposition of shares are not shown on the T5 ² .	Capital gains or losses realized on disposition are not shown on the T3 ³ .	Capital gains or losses realized on disposition are not shown on the T3 ³ .	Capital gains or losses realized on disposition are shown on the T3. Box 37 of a T3 shows the realized capital losses ⁴ .
Investors must calculate the gain or loss and report it on their tax return.	Investors must calculate the gain or loss and report it on their tax return.	Investors must calculate the gain or loss and report it on their tax return.	Acquisition fees (front-end loads and back-end loads) are deemed to be capital losses and are also reported in Box 37 of the T3.
The number of shares sold and proceeds from the sale are reported on Form T5008 and on the client statement. While these forms show a "cost", that amount may not accurately represent the ACB of the shares and the investor must calculate and report the resulting capital gain or loss.	The number of units sold and proceeds from the sale are reported on Form T5008 and on the client statement. While these forms show a "cost", that amount may not accurately represent the ACB of the units and the investor must calculate and report the resulting capital gain or loss.	The number of units sold and proceeds from the sale are reported on Form T5008 and on the client statement. While these forms show a "cost", that amount may not accurately represent the ACB of the units and the investor must calculate and report the resulting capital gain or loss.	Note that segregated fund dispositions are not reported on a T5008 – they are already incorporated in the T3 slip. Investors should not report gains and losses based on their client statement as this double-counts these transactions.

¹ Allocations for Manulife segregated funds are generally determined annually as at December 31 except for Manulife PensionBuilder where allocations are determined quarterly on March 31, June 30, September 30, and December 31, each year.

² A T5 is used to report dividends distributed by the Corporation.

³ A T3 is used to report distributions.

⁴ A T3 is used to report allocations.

MUTUAL FUND TRUST/CORPORATION			EXCHANGE TRADED FUND (CAPITAL GAINS)			SEGREGATED FUND CONTRACT		
Day	Unit/Share Value	No. of Units/Shares	Day	Unit Value	No. of Units	Day	Unit	No. of Units
1	\$11	10	1	\$11	10	1	\$11	10

$$\text{Market Value} = \text{No. of Units/Shares} \times \text{Unit/Share Value} \quad 10 \times \$11 = \$110$$

AFTER A \$1 DISTRIBUTION/DIVIDEND			AFTER A \$1 CAPITAL GAIN DISTRIBUTION			AFTER A \$1 ALLOCATION		
2	\$10		2	\$11		2	\$11	
2	Reinvested distribution/dividend buys 1 unit/share (\$10/10)		2	Market Value = \$110 (10 x \$11) after immediate consolidation of units ⁵		2	Market Value = \$110 (10 x \$11)	
2	Market Value = \$110 (11 x \$10)							

⁵ Capital gains distributions initially reduce the NAV and are used to purchase more units like in the mutual fund trust/corporation example. However, an immediate consolidation of units results in the investor having the same number of units and NAV as prior to the capital gains distribution. As a result, the ACB will increase by the amount of the capital gains distribution. For more information on ETF Taxation see *Exchange Traded Fund Taxation – Déjà Vu All Over Again (MK33539)*.

In all instances

- The investor's T3 or T5 reports \$10 in distributions, allocations or dividends (\$1 x 10)
- The investor's market value = \$110



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