Manulife Asset Management

The Liquidity Risk Management at Manulife Asset Management (Hong Kong) Limited

Manulife Asset Management (Hong Kong) Limited ("**MAMHK**") has implemented a liquidity risk management policy to identify, assess, monitor and manage liquidity risk in the funds and the portfolios under management. Such policy, combined with the liquidity management tools available, seeks to achieve fair treatment of investors and safeguard the interests of investors against the redemption behavior of other investors and to mitigate against systemic risk.

Liquidity risk occurs when there is difficulty to sell assets (including sale of underlying assets by a fund) or where a particular investment cannot be easily unwound, due to factors such as insufficient market depth, increased price volatility, market disruption, industry and government regulations or restrictions, or overall position size and complexity of assets or a fund. It is possible that the value of investments may be negatively impacted where there is an inability to sell the investment. Also the inability to sell assets of a fund may have negative impact on the value of the fund, the ability of the fund to meet its investment objectives, the ability of investors to redeem in a timely fashion, and to investors who remain invested in the fund.

Liquidity Risk Management Policy and Framework

Pursuant to the Liquidity Risk Management Policy, an overarching framework for liquidity risk management that is independent from the day-to-day portfolio investment function has been set up to monitor the implementation of liquidity risk management policies and procedures. Relevant functions of MAMHK are tasked to provide routine monitoring on liquidity risk management, which in turn is reviewed by an independent Risk Management team in accordance with the applicable liquidity risk management policy and procedures. To the extent any liquidity risk event or issue (including large redemptions and structurally stressed market conditions) is identified, such will be further escalated to the MAMHK Risk Management Committee for necessary assessment, review and action including employment of the above-mentioned liquidity risk management tools.

In accordance with the liquidity risk management policy which MAMHK has implemented, MAMHK conducts ongoing liquidity risk monitoring and stress testing to assess the liquidity profile of the relevant portfolios, funds' assets and liabilities and the adequacy of available liquidity risk management tools. Fund investments are classified under different liquidity buckets taking into account both individual security liquidity characteristics and general asset class market depth constraints. With respect to each fund, MAMHK will consider the liquidity of investments, market liquidity and cost to transact under various market conditions, as well as the ability to meet redemptions and respond to outsized flows.

Tools to Manage Liquidity Risk

Under the Liquidity Risk Management Policy, tools available to manage liquidity risk in funds include the following:

- **Deferred Redemptions/Gate**
  Where redemption requests on any one dealing day exceeds 10% of the total number of units/shares in issue, redemption requests in excess of 10% may be deferred to the next dealing day.

- **Suspension of Determination of NAV**
  In certain exceptional circumstances as specified in the relevant prospectus, determination of the NAV (Net Asset Value) of any fund or class may be suspended, and payment of redemption monies to investors who have redeemed may be delayed.

- **Suspension of Redemption**
  In certain exceptional circumstances as specified in the relevant prospectus, redemption of holdings in a fund or class may be suspended.

- **Temporary borrowing**
  Each fund may enter into borrowing arrangements including, for the purpose of meeting redemption requests, provided that the aggregate borrowing amount shall not exceed the specified limit as outlined in the relevant prospectus.

Please refer to the relevant prospectus for details.

In addition, MAMHK may employ various tailored liquidity risk management tools to meet specific requirements of individual funds or investment strategies. Investors should note that while such tools are intended to reduce the impact of liquidity risk, they may not be able to fully eliminate liquidity risk.

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