

## PRODUCT KEY FACTS

### **Manulife Advanced Fund SPC - Renminbi Bond Segregated Portfolio (the ‘Fund’)** **(The Fund is denominated in United States Dollars only and not in Renminbi)**

**Investment Manager:**  
**Manulife Asset Management (Hong Kong) Limited**

**September 2010**

- *This statement provides you with key information about the Fund.*
  - *This statement is a part of the Prospectus and must be read in conjunction with the Prospectus of the Fund.*
  - *You should not invest in this product based on this statement alone.*
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- *The Fund uses a United States Dollar (“USD”) QFII quota to invest primarily in debt instruments issued and listed in Mainland China.*
  - *The Fund is required to bear the name of ‘Renminbi Bond Segregated Portfolio’ as this is the name under which the QFII is approved by the State Administration of Foreign Exchange (“SAFE”) of the People’s Republic of China.*
  - *Because the QFII quota is denominated in USD, the Fund has to remit USD into Mainland China and then convert into Renminbi (“RMB”) to invest.*
  - *The Fund therefore is not denominated in RMB. All subscriptions and redemptions are in Hong Kong Dollars (“HKD”) or other Major Currencies<sup>1</sup>. The Fund involves multi currency conversions and therefore is subject to higher costs and multi-currency conversion risk.*

#### **Quick facts**

Investment Manager/ QFII holder:	Manulife Asset Management (Hong Kong) Limited
Custodian and Paying Agent:	Citibank International plc (Luxembourg Branch)
QFII Local Custodian:	Citibank (China) Co., Ltd.
Dealing frequency:	Monthly (dealing day is the last business day of each month, please refer to the Prospectus for details)
Base currency:	USD
Dividend policy:	Currently no intention to distribute

<sup>1</sup> “Major Currencies” being United States Dollars, Pound Sterling, Swiss Francs, Euro, Japanese Yen, Hong Kong Dollars and Canadian Dollars.

Financial year end of the Fund:	30 June
Minimum initial investment:	HKD20,000 (or the equivalent in any other Major Currencies) <sup>2</sup>
Minimum holding:	Same as above
Minimum subsequent investment:	HKD1,000 (or the equivalent in any other Major Currencies)
Minimum redemption amount:	HKD1,000 (or the equivalent in any other Major Currencies) <sup>2</sup>

### **What is this product?**

- The Fund is a segregated portfolio of the Manulife Advanced Fund SPC, which is a mutual fund incorporated as an exempted segregated portfolio company with limited liability in the Cayman Islands.
- The Fund is denominated in USD and not RMB.
- The Fund will primarily invest (i.e. not less than 70% of net assets) directly in RMB-denominated debt instruments issued and listed in Mainland China via a USD-denominated QFII foreign exchange quota under the name of the QFII holder for the account of the Fund.

### **Objective and Investment Strategy**

#### **Objective**

To provide capital appreciation and income generation by investing primarily in RMB-denominated debt instruments issued and listed in Mainland China.

#### **Strategy**

The Fund will invest primarily (i.e. not less than 70% of its net assets) in RMB-denominated debt instruments that are listed on either the Shanghai or the Shenzhen Stock Exchanges and issued by Mainland China Government as well as corporations in Mainland China (“**Mainland China Listed RMB Debt Instruments**”).

The Fund may invest up to 30% of its net assets in debt instruments which are not Mainland China Listed RMB Debt Instruments. These may include: (i) debt instruments issued or listed outside Mainland China; and (ii) money market instruments, deposits, short-term paper and other fixed income instruments.

At least 85% of the bond holdings in the Fund must consist of bonds issued by Mainland China Government or by corporations in Mainland China that carry a rating of at least BBB-/Baa3 assigned by one of the three international rating agencies, Moody’s Investors Service, Standard & Poor’s or Fitch.

At present, only a relatively small number of corporations in Mainland China meet this rating requirement. Consequently, the initial bond portfolio will be heavily weighted toward Mainland China Government bonds.

<sup>2</sup> Directors may accept a lower amount at their discretion.

By investing via a QFII quota, the Fund is currently not allowed to invest in bonds traded on the interbank bond market of Mainland China. However, the Fund may make such investments in the future should applicable regulations permit the Fund to do so. Not less than one month's prior written notice will be given to investors should regulations in Mainland China allow such investment and the Fund decides to do so.

### **What are the key risks?**

Investment involves risks. Please refer to the Prospectus for details including the risk factors.

#### **1. Investment risk**

- The Fund is an investment fund. There is no guarantee of the repayment of principal. The instruments invested by the Fund may fall in value.
- The Fund does not intend to pay any dividend or distribution.

#### **2. Debt instruments risk / credit risk**

- There are restrictions under the QFII quota regarding the universe of bonds/debt instruments in Mainland China that QFII holders may invest in. QFII holders are not allowed to invest in bonds traded on the interbank bond market of Mainland China. They may only invest in bonds listed on an exchange in Mainland China. Trading of listed bonds currently constitutes about 2% of total bond trading in Mainland China.
- The Fund is exposed to the credit/insolvency risk of issuers of debt instruments, fixed income instruments and deposits that the Fund may invest in.
- The debt instruments and deposits that the Fund invests in are typically unsecured debt obligations and are not supported by any collateral. The Fund will be fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.
- An increase in interest rates may adversely impact the value of the debt instruments held by the Fund, causing the Fund to suffer a loss in its investments.
- Credit rating of the issuers of the debt instruments may be downgraded, thus adversely affecting the value and performance of the Fund.
- For debt instruments issued by issuers that are not rated, they assume greater risks because of generally lower creditworthiness and liquidity, and greater fluctuation in value and higher chance of default than investment grade debt instruments.

### **3. Redemption fee**

- There will be a redemption charge of 5.3% of the redemption proceeds if investors redeem during the Lock-up Period<sup>3</sup>.
- You should not invest in the Fund if you may have short-term cashflow needs which require redeeming the Fund within the Lock-up Period<sup>3</sup>.

### **4. Mainland China / single country risk**

- Investing in Mainland China markets involves certain risks and special considerations not typically associated with investment in more developed economies or markets, such as greater political, tax economic, foreign exchange, liquidity and regulatory risk.

### **5. RMB currency risk**

- RMB is not freely convertible and is subject to exchange controls and restrictions.
- There is no guarantee that RMB will not depreciate.

### **6. Multi-currency conversion risk**

- Subscriptions and redemptions in Hong Kong are normally paid in HKD or USD and will not be conducted in RMB. The Fund will convert subscription proceeds to USD and then to RMB in order to invest. To meet redemption requests, the Fund will convert the RMB sale proceeds to USD and then to HKD. The Fund may incur higher costs as a result of the multiple conversions between RMB, USD and HKD upon:
  - the conversion of HKD subscription monies to USD, followed by the conversion of USD into RMB for the Fund to acquire RMB-denominated instruments; and
  - the conversion of RMB sale proceeds from the selling of RMB-denominated instruments to USD, followed by the conversion of USD into HKD, to meet redemption requests.

### **7. Risks associated with QFII regime**

- The Fund is subject to restrictions and requirements applicable to QFII investment, including repatriation limits.
- If the net amount to be repatriated by the QFII holder for the account of the Fund on any occasion exceeds the equivalent of USD50 million, prior approval from the SAFE is required. In this case, payment of the redemption proceeds may be delayed and paid to investors within seven (7) business days after completion of the repatriation process.

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<sup>3</sup> Unless the Investment Manager gives you further notice of earlier expiry of the Lock-up Period, the Lock-up Period will expire on 28 February 2011. Redemption requests received on or prior to 28 February 2011 will be subject to a 5.3% redemption charge.

- The uncertainty and change of the laws and regulations in Mainland China may adversely impact the Fund. The QFII policy and rules are also subject to change with potential retrospective effect.

#### **8. Liquidity risk**

- There may not be a liquid or active market for the trading of RMB-denominated bonds in the Shanghai Stock Exchange or the Shenzhen Stock Exchange. Therefore, the Fund may be subject to the risk of not being able to sell its bonds on the exchange in a timely basis, or will have to sell at a deep-discount to their face values. The Fund's value and liquidity will be adversely affected.

#### **9. Mainland China tax risk**

- The Investment Manager will make a 10% provision for the account of the Fund in respect of any potential capital gains tax, which may not totally meet final Mainland China tax liabilities. If there is a shortfall in the tax provision amount, the net asset value ("NAV") of the Fund may be affected as the Fund will have to bear the additional tax liabilities.

#### **Is there any guarantee?**

The Fund does not have any guarantees. You may not get back the full amount of money you invest.

#### **What are the fees and charges?**

##### **Charges which may be payable by you**

Please note that only Class AA Participating Shares will be offered to the public in Hong Kong. You may have to pay the following fees when dealing in the Class AA Participating Shares of the Fund.

<b>Fee</b>	<b>What you pay</b>
<b>Initial charge</b>	Up to 5% of the NAV
<b>Redemption charge</b>	<i>5.3% of redemption proceeds within the Lock-up Period<sup>3</sup> (unless otherwise specified by the directors at their discretion)</i>  Reduced to 0.3%* after the Lock-up Period
<b>Switching charge</b>	No switching is allowed

##### **Ongoing fees payable by the Fund**

The following expenses will be paid out of the Fund. They affect you because they reduce the return you get on your investments.

<sup>3</sup> Unless the Investment Manager gives you further notice of earlier expiry of the Lock-up Period, the Lock-up Period will expire on 28 February 2011. Redemption requests received on or prior to 28 February 2011 will be subject to a 5.3% redemption charge.

**Annual rate (as a % p.a. of the NAV)**

<b>Management fee</b>	1.25%*
<b>Custodian and Paying Agent fee</b>	Up to 0.50% (excluding transaction fees)
<b>Administrator, Registrar and Transfer Agent fee</b>	Annual fee of USD5,000

**Other fees**

You may have to pay other fees when dealing in the Class AA Participating Shares of the Fund.

\* You should note that such fees and charges may be increased, up to a specified permitted maximum, by giving affected shareholders at least one month's prior notice. For details please refer to Section 6.6 and Section 7 of the Prospectus.

**Additional information**

- The QFII quota of the Fund is USD60 million. The quota amount will be shared in aggregate in respect of all share classes of the Fund (including those not available to the Hong Kong public). The directors may close subscriptions to all share classes of the Fund before the end of its initial offer period (being 29 October 2010) without prior notice if all subscription monies received reached USD60 million.
- The Fund offers only monthly dealing on the last business day of each month. Please refer to the Prospectus for details.
- Only Class AA Participating Shares will be available for public offering in Hong Kong.
- You generally buy and redeem Class AA Participating Shares at the Fund's next-determined NAV after Manulife Asset Management (Hong Kong) Limited receives your request (in good order) before 4:00 p.m. (Hong Kong time) five (5) business days prior to each dealing day. Orders placed through distributors may be subject to different procedures from those described above. Investors should consult their distributors before placing any orders.
- The NAV is calculated and published monthly in the South China Morning Post and Hong Kong Economic Journal.

**Important**

If you are in doubt, you should seek professional advice.

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.