

# MANULIFE

# DYNAMIC FUND

UNAUDITED SEMI-ANNUAL REPORT

FOR THE PERIOD ENDED 31ST DECEMBER 2009

233.55	3.9	7.04	215.66	890.63	255.89
265.46	4.8	7.89	458.67	567.90	567.71
895.63	8.9	7.64	215.66	890.63	255.89
886.45	1.5	5.53	895.63	885.20	253.44
154.89	0.6	5.65	154.89	855.59	855.29
458.67	2.0	1.78	458.67	567.90	567.99
458.67	4.8	7.89	458.67	857.00	567.71
213.54	0.5	5.59	657.44	213.54	253.44
215.64	5.5	9.00	233.55	215.64	258.76





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*Note: The Fixed Income Fund is not authorized in Hong Kong and is not available to Hong Kong Residents.*

# MANAGEMENT AND ADMINISTRATION

## **Directors of the Company**

Robert Allen Cook  
Cindy Forbes  
Michael Edward Huddart  
Wai Hung Kong

## **Investment Manager and Distributor**

Manulife Asset Management  
(Hong Kong) Limited  
Suite 4701, 47th Floor  
Manulife Plaza,  
The Lee Gardens  
33 Hysan Avenue,  
Causeway Bay  
Hong Kong SAR

## **Legal Advisers**

*(as to Hong Kong law)*  
Hwang & Co in association  
with Dechert LLP

27/F Henley Building  
5 Queen's Road Central  
Hong Kong SAR

*(as to Cayman Islands law)*  
Maples and Calder  
53rd Floor The Center  
99 Queen's Road Central  
Hong Kong SAR

## **Custodian and Administrator**

Bank of Bermuda (Cayman)  
Limited  
P.O.Box 513 GT  
HSBC House  
68 West Bay Road  
Grand Cayman KY1-1106  
Cayman Islands  
British West Indies

## **Principal Sub-Custodian, Administrator's Agent and Guarantee Claims Agent**

HSBC Institutional Trust  
Services (Asia) Limited  
39th Floor  
Dorset House, Taikoo Place  
979 King's Road  
Hong Kong SAR

## **Guarantor**

Société Générale  
29 Boulevard Haussmann  
75009 Paris  
France

## **Registered office of the Company**

P.O. Box 309 GT  
Ugland House  
South Church Street  
George Town  
Grand Cayman KY1-1104  
Cayman Islands  
British West Indies

## **Principal Office of the Company**

Bank of Bermuda (Cayman)  
Limited  
P.O.Box 513 GT  
HSBC House  
68 West Bay Road  
Grand Cayman KY1-1106  
Cayman Islands  
British West Indies

## **Auditors**

PricewaterhouseCoopers  
British American Centre  
P.O. Box 258 GT  
Strathvale House  
George Town, Cayman Islands  
British West Indies

# BALANCE SHEET

AS AT 31ST DECEMBER 2009

	Income Plus Capital Guaranteed Fund – Australian Dollar		Fixed Income Fund	
	31-Dec-09 AUD	30-Jun-09 AUD	31-Dec-09 USD	30-Jun-09 USD
<b>Assets</b>				
Current assets				
Financial assets at fair value through profit or loss	5,088,236	4,941,356	-	-
Amount due from investment manager	2,919	1,540	9,931	4,946
Accounts receivables	9	6	9	58
Prepayment of management fee	14,459	49,933	-	-
Prepayment of custodian and administration fees	1,808	6,242	-	-
Cash at banks	28,634	28,522	1,990,899	1,995,635
	<u>5,136,065</u>	<u>5,027,599</u>	<u>2,000,839</u>	<u>2,000,639</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable and accruals	17,410	6,404	507	458
	<u>17,410</u>	<u>6,404</u>	<u>507</u>	<u>458</u>
Net assets attributable to holders of redeemable participating shares (before adjusting redeemable participating shares to fair value)				
	5,118,655	5,021,195	2,000,332	2,000,181
Fair value adjustment for redeemable participating shares	(16,267)	(56,175)	-	-
Net assets attributable to holders of redeemable participating shares	<u>5,102,388</u>	<u>4,965,020</u>	<u>2,000,332</u>	<u>2,000,181</u>

*Note: The Fixed Income Fund is not authorized in Hong Kong and is not available to Hong Kong Residents.*

# INVESTMENT PORTFOLIO

## – INCOME PLUS CAPITAL GUARANTEED FUND

### – AUSTRALIAN DOLLAR

AS AT 31ST DECEMBER 2009

	Nominal value/ Holdings	Fair value AUD	% of net assets
<b>Structured note (99.72%)</b>			
Société Générale Acceptance FRN 16/03/2010	5,086,710	<u>5,088,236</u>	<u>99.72%</u>
Total structured note		<u>5,088,236</u>	<u>99.72%</u>
Other net assets		<u>14,152</u>	<u>0.28%</u>
Net assets at 31st December 2009		<u>5,102,388</u>	<u>100%</u>
<b>Total investment, at amortised cost</b>		<u>5,075,329</u>	

# STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO – INCOME PLUS CAPITAL GUARANTEED FUND – AUSTRALIAN DOLLAR

FOR THE PERIOD ENDED 31ST DECEMBER 2009

	Nominal value/ Holdings 1-Jul-09	Additions	Deductions	Nominal value/ Holdings 31-Dec-09
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## Structured note

Société Générale Acceptance FRN 16/03/2010	5,146,710	–	60,000	5,086,710
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# PERFORMANCE TABLE

## **IPG Fund**

### **Net asset values**

	Total net asset value AUD	Net asset value per share AUD
As at 31st December 2009	<u>5,102,388</u>	<u>9.7651</u>

### **Performance record**

	Highest redemption price per share AUD	Lowest redemption price per share AUD
For the six-month ended 31st December 2009	<u>9.7249</u>	<u>9.4312</u>

# REPORT OF THE INVESTMENT MANAGER

## – IPG FUND

### Investment Objective

Income Plus Capital Guaranteed Fund (Australian Dollar) aims to provide investors the Guaranteed Distributions of 3 per cent and 8 per cent of the capital invested at the end of the first and second years respectively and the opportunity to participate, through the receipt of Potential Distributions, if any, for the third to fifth years in the potential performance of a basket of four emerging markets debt/high yield corporate bond funds. A 100 per cent capital guarantee will also be provided at maturity.

### Performance from 16th March 2005 (inception) to 31st December 2009

	Change in %
IPG Fund	(2.35%)

### Portfolio Review and Outlook

For the six-month period ended 31st December 2009, the performance of the four underlying funds varied. The details are as follows:

PIMCO Fund – Emerging Markets Bond Fund	+12.61%
Schroder International Selection Fund	
– Emerging Markets Debt Fund	+8.33%
Morgan Stanley SICAV Emerging Markets Debt Fund	+13.72%
Pioneer Fund – US High Yield Corporate Bond	+25.23%

### Portfolio Review and Outlook

For the reporting period, emerging market debts performed well, as confidence in a global economic recovery continues to grow. The market rebound continues to be driven by investors' risk appetite and the unwinding of the flight to safety trade in 2008. In addition, ultra accommodating monetary policy decisions have helped restore some stability in the markets globally.

# REPORT OF THE INVESTMENT MANAGER

## – IPG FUND

The rebound began to slow in October 2009, as the large credit supply and growing year end concerns have turned investors somewhat defensive. A number of investors seem to be scaling back on bullish positions in order to protect year-to-date gains from last-minute market moves. Investor anxiety was up as Dubai's decision to call for a stand still on the debt of its largest state-owned entity, Dubai World, and its property subsidiary, Nakheel, triggered a short sell-off. Spreads widened abruptly after the announcement, but, quickly rebounded as investors realized the event, while quite shocking and severe, would by no means have a lasting impact anywhere near that of the Lehman Brothers bankruptcy.

On high-yield bonds, the Merrill Lynch U.S. High Yield Master II Index continued its impressive rebound in the fourth quarter, gaining 6.04 per cent. That capped a remarkable year in which the index gained 57.51 per cent. It was also a remarkable performance relative to Treasury bonds on record, as high-yield bonds benefitted from signs of improvement in the economy and continued in strong cash flows. Indeed, the new issues market remained red hot in the fourth quarter, with most of the deals heavily oversubscribed by investors finding it difficult to obtain a meaningful position.

The general view towards the high-yield market is positive. Economic improvement means better corporate earnings and healthier balance sheets – two significant positives for credit-sensitive issuers. And in terms of technical factors, demand for high-yield bonds seems likely to remain strong due to the market's comparatively high relative and absolute yields (the yield on the index was approximately 9 per cent as at 31st December 2009). Notwithstanding the positive trends, the market consensus is that it is highly unlikely the market can continue to rack up gains at the same rate as in 2009. The risks to this outlook would be slower-than-expected growth or an unforeseen political or financial shock to the system.

Due to the constraint of investment options, the rebound seen last year did not add significant value to the Fund close to the Fund's maturity. However, as the Fund is structured with a principal guarantee feature, the price of the Fund returned back to its initial offer price and was basically immune from the market volatility that took shape from late 2008 through to early 2009.

