Manulife Asset Management

須要投資者具有衍生工具認識的基金

目前宏利環球基金 – 策略收益基金僅供被分類爲對衍生工具有一般認識的客戶認購。

如欲認購或轉換至上述基金，但從未被宏利分類爲對衍生工具有一般認識的客戶，煩請填妥及簽署隨附的「衍生工具知識評估表格」連同「增加認購表格」或「轉換股份申請表格」交回。

如果您已經是宏利投資基金的股東帳戶持有人，您可登入宏利客戶網站，於網上完成「衍生工具知識評估表格」。

衍生工具知識評估是爲符合證劵及期貨事務監察委員會持牌人或註冊人操守準則第 5.1A 節所載的投資者分類的監管要求，以讓我們了解您是否對衍生工具的性質及風險有基本知識。

客戶一經被分類爲對衍生工具有一般認識之後，我們無須再就該客戶進行有關評估。敬請細閱隨附之「認識衍生工具：常見問題」，以進一步了解衍生工具在投資基金的應用。

如有任何疑問，請聯絡客戶服務熱線 2108 1110 或您的宏利投資基金中介人。

Fund(s) that Require Investors to Have Derivatives Knowledge

Please be informed that at present Manulife Global Fund – Strategic Income Fund is available only to clients classified as having general derivatives knowledge.

Clients who intend to subscribe or switch to the above fund but have never been characterized by Manulife as having general derivative knowledge are invited to complete and sign the attached "Derivative Knowledge Assessment Form" and return it together with the "Subsequent Subscription Form" or "Switching Request Form" to us.

If you are an existing shareholder of Manulife Investment Fund(s), you can login Manulife's Customer Website to complete the "Derivative Knowledge Assessment Form" online.

The derivative knowledge assessment enables us to understand whether you have general knowledge of the nature and risks of derivatives under the regulatory requirement of investor characterization pursuant to paragraph 5.1A of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.

Once a client has been characterized as having knowledge of derivatives, we do not need to conduct such assessment on the client again. Please read the attached Derivative Knowledge Frequently Asked Questions for more information on the use of derivatives in investment funds.

If you have any questions, please feel free to contact our Customer Services Hotline at 2108 1110 or your Manulife Investment Funds Intermediary.

Manulife Asset Management

DERIVATIVE KNOWLEDGE FAQ

The investment products we offer to you are managed by experienced professionals. Some of our investment products may use or gain exposure to derivatives for hedging (or efficient portfolio management) purposes and some do so for achieving enhanced returns consistent with their investment objectives and considered appropriate by their respective managers. To facilitate your appreciation of our investment products, we provide below answers to frequently asked questions about the use of derivatives in an investment fund.

Q1: What is a derivative and what are the uses of a derivative?

A derivative is any financial instrument that derives its value from an underlying asset. The underlying asset could be equity, bond, currency, interest rate, index or commodity. It is traded on either a regulated market, i.e. an exchange, or over the counter ("OTC"). OTC is a decentralized marketplace of trading between individual counterparties with no standardized products and regulated settlement procedures.

A derivative can be used for hedging, asset switching / mix and income enhancement such as arbitrage and speculation. A derivative may create leverage effect to an investment portfolio which can incur significant magnified loss in an adverse market condition but may receive a higher return in a favorable market movement.

Q2: What are the common types of derivatives?

Common types of derivatives are Futures, Forwards, Options and Swaps.

A Future is an agreement to buy or sell a standardized asset or index of a specified quantity and quality on a specified date at a specified price, Futures contracts are traded on exchanges with regard to commodities such as gold and financial assets or indices. The only variable left to be determined for a futures contract is the market price.

A Forward contract is an agreement to buy or sell a financial asset for an agreed price at a future date or to pay an amount based on the future value of a financial asset. A future contract is similar to a forward contract except that a future contract is traded on an exchange whereas a forward contract is traded OTC.

An Option contract can be traded on an exchange or OTC. It offers the buyer the right, but not the obligation, to buy (call) or sell (put) a predefined amount of the underlying asset at a predetermined price (the strike price) during a certain period of time or on a specific date (exercise date). Call stock options give the option to buy at certain price, so the buyer would want the stock to go up. Put stock options give the option to sell at a certain price, so the buyer would want the stock to go down. Options are generally exercised only when it is profitable for the buyers to do so.

A Swap is an agreement between two parties to exchange (i.e. swap) their income streams or financial obligations derived from a portfolio of assets or liabilities. Swaps are highly customizable and traded over-the-counter.

Q3: Why an investment fund uses derivatives?

An authorized investment fund may use derivatives for the purpose of hedging (or efficient portfolio management). Hedging is an investment strategy attempting to offset exposure to price changes or fluctuations in some opposite position with the goal of minimizing one's unwanted exposure. It is more cost effective with the use of derivatives, such as options and futures contracts, for hedging purpose and is employed by fund managers to reduce portfolio risk and volatility or lock in profits.

The specific aims of efficient portfolio management are the reduction of risk, the reduction of cost or the generation of additional capital or income with a risk level which is consistent with the risk profile of the investment fund and the risk diversification rules laid down by the regulator(s) of the investment fund. Some investment funds use access products to enter into a restricted market without any leverage effect.

An investment fund may invest in derivatives for investment purpose pursuant to its investment policy and restrictions stated in its offering documents.

Q4: What are the major risks of derivatives that affect an investment fund?

The amount of initial margin / premium for entering into derivatives is small relative to the value of the underlying assets so that the transactions are leveraged. A small market movement of underlying assets may result in magnified profit or loss, depending on the extent of leverage employed by the investment fund. If the market moves against the derivative position, the investment fund may be required to pay additional margin to maintain the trading position on short notice through unfavorable liquidation.

The fund price will be subject to the risk of very volatile price movement of the derivatives employed. The price movement may be affected by market risk but may not necessarily be consistent with the value of the underlying asset in spot markets. The fund price may also be subject to management risk as the investment strategy and model used by the fund manager does not guarantee successful performance and any unexpected change in market could disrupt the investment fund's performance.

There is no guarantee that a market will exist for some derivatives, which could prevent the investment fund from selling or exiting the derivative prior to the maturity of the contract. This may restrict the investment fund's ability to realize its profits or limit its losses. With the limit of marketability, some derivatives may not at all times accurately reflect or correlate to the value of its underlying assets. This is generally known as liquidity risk.

It is possible that the other party, i.e. the counterparty, of the derivative will fail to perform its obligations under the contract which may result in substantial losses to the investment fund. When entering into a derivative contract, an investment fund may be required to deposit assets with the counterparty. If the counterparty becomes insolvent, the investment fund could loose the deposited assets. To minimize counterparty risk which is also known as default risk, the fund manager monitors the credit rating of the counterparty, sets a credit limit for the counterparty, conducts stress tests on the counterparty's position, and adopts applicable risk mitigation practices.

Q5: How can I know the use of the derivatives and the related risks in an investment fund?

Investors should always refer to the Investment Objectives and Policies, Risk Factors and Restrictions in the investment funds' offering documents.

If you have any question about this FAQ, please contact your Manulife Investment Funds intermediary or our Customer Hotline at 2108 1110.

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