



Cover Story

Investor's new favorite
Enjoy the treat of dividend
and eye on Asia

Portfolio Manager Interview

Mr. Endre Pedersen

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Manulife Asset Management (Asia)

Treasure Asia



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Important:

- Manulife Global Fund is an umbrella fund comprising a number of funds investing primarily in equity and bond securities, each of which has a different investment objective and risk profile.
- Manulife Global Fund — Asia Total Return Fund (the "Fund") is an investment fund which has no guaranteed dividend payment and no guarantee of the repayment of principal.
- The Fund invests in debt securities and therefore is subject to credit risk and interest rate risk.
- The Fund has exposure to the relevant currency risk. Therefore, the Fund's price movement may go down or up sharply over a short time span.
- The Fund may invest in emerging markets which are exposed to higher risks of economic, political and regulatory changes.
- The Fund is subject to a performance fee as described in the Prospectus. Shareholders redeeming shares may still be subject to the performance fee charge in respect to the shares, even though there is a loss in investment principal.
- Investors may suffer substantial loss of their investments in the Fund.
- Investors should not only base on this material alone to make investment decisions and should further read the prospectus (including potential risks involved) for details.

Investor's new favorite Enjoy the treat of dividend and eye on Asia

In view of the growing potential of Asian bond market, Manulife Asset Management (HK) Limited launched a brand new Asian bond fund — Manulife Global Fund — Asia Total Return Fund (Share Class AA). Focusing on Asia, the Fund aims to maximise potential return through the edge of interest rates, credits and currencies channels in the region. What's more? Investors can also enjoy the treat of monthly dividend pay-out[^].

Asian Bond — A two-bladed sword

Hong Kong, being the global financial hub, over 30% adult population were stock investors*. While having different investment objectives, people in Hong Kong generally prefers to invest in stock market and thinks the return is more attractive. Hence, despite the relatively high risk in stock, the local investors still restlessly enjoy investing in this more volatile market. On the contrary, bond is perceived as just a tool to provide steady income yet may not be able to offer good return. If this sounds like your preference, you may under-estimate the investment potential of bond.

The annualised return of Asian bond over the past decade was 8.76%, which is slightly lower than 10.36% of Asian equity. Yet its volatility was only one-fourth that of equities, reflecting the lower risks of Asian bond. If an investor invests in both Asian bond and by 50% each (50/50 Bond Equity Blend), his return is slightly reduced by less than 10% as with Asian equity but volatility can be greatly reduced by nearly 40%. It gives you a glimpse on Asian bond plays a dual role in your investment.

Source: Bloomberg and Manulife Asset Management (Asia); Manulife Asset Management (Asia) is a division of Manulife Asset Management (Hong Kong) Limited, annualised return and volatility using monthly figures.

¹ 50% HSBC Asian US Dollar Bond Index and 50% HSBC Asia Local Bond Index.

² MSCI Asia Ex Japan Index.

Return Period: December 2000 to January 2011.

Asia Bond and Equity return and volatility analysis over the past decade		
	Annualised Return	Volatility
Asia Bond Index ¹	8.76%	5.85%
Asia Equity Index ²	10.36%	23.60%
50/50 Bond Equity Blend	9.56%	14.73%
US Aggregate Bond	5.85%	3.80%
Dow Jones Industrial Average (DJIA)	0.98%	15.65%

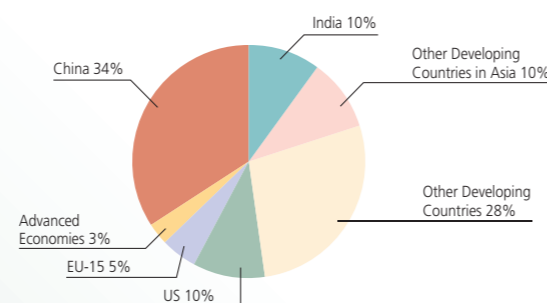
6 driving forces for Asian Bond market

1. Key engine of global economic growth

According to International Monetary Fund (IMF), Asian countries are anticipated to contribute to 54% of the global economy growth in the next six years, with China and India the two largest sources of momentum.

Source: IMF, The Conference Board, July 2010

World GDP growth contribution during 2011-2016



* Source: Hong Kong Exchanges and Clearing Ltd., Retail Investor Survey December 2009; retail investor refer to an individual who is a stock investor and/or a derivatives investor.

2. Sufficient foreign reserve

Compared with the higher debt ratio of developed countries, Asian countries have huge foreign reserves. The foreign reserves to Gross Domestic Product (GDP) ratios of Asian countries, including China, Korea, Thailand and Singapore, are positive even after the public debt. However, the same ratio of developed countries like England, America and Japan are negative. With their apparently healthier financial position, Asian countries can effectively cushion investment risks in their markets.

Source: Bloomberg, August 2010.

3. Currency appreciation expected to catalyse capital inflow

Asian currencies against the US dollar generally appreciated 3% to 12% in 2010. However, in terms of Purchasing Power Parity, Asian currencies remain undervalued by 30% to 60%, which continues to draw capital inflow to Asia.

Source: HSBC, Bloomberg, CEIC, BIS, IMF.

4. Growth in trading volume and market size reflects better investment value

Asian bond market is the 4th largest bond market in the world. It ranks higher than UK and just right after US, Euro Zone and Japan. Asian bond market has grown by more than 10 times in the past decade and still has room to grow as compared with the US Treasury market.

Source: Asian Development Bank, countries included: China, Hong Kong, Indonesia, Malaysia, Korea, Philippines, Singapore, Thailand, Vietnam; Monthly Statement of US Treasury report; June 2010.

5. Strong growth of offshore RMB bond market

The rapid growth of the offshore RMB bond market and RMB deposits draw the attention of worldwide investors, not only to increase investment opportunities but also to build a strong momentum for RMB bond market development.

6. Low correlation helps diversification

In respect of the low correlation between Asian bond market and other bond/stock market, fluctuation of other bond/stock market imply less effect on Asian bond market. It helps diversify investment.

Bonds are important investment tools in an investment portfolio. All the edge of Asian bond creates an investment prospect with undeniable growth potential. For investors who underestimate the potential of the bond market, why not consider grasping this timely investment opportunity by investing in Asian bonds and to include bonds in your investment portfolio?

Growth potential with monthly dividends[^]

Besides directly invest in bond market, bond fund can be another option of investment. For instance, the Asia Total Return Fund allows investors to enjoy the monthly dividend pay-out[^] and tap into the growth potential in Asia.

Fund Features

Monthly dividend [^]	The Fund intends to pay an interim dividend per month [^]
Diversified sources of return	The Fund aims to maximise total return through interest rates, credits and currencies channels, creating three sources of return: Interest Rates: Asset allocation based on bond maturity, rating outlook and interest rate movement to maximise return. Credits: The Fund flexibly invests in Asian corporate bonds and high-yield bonds, which have a higher yield than general sovereign bonds and investment-grade bonds. The Fund can also make profit when there are credit ratings upgrades. Currencies: The Fund can buy local currency-denominated bonds that bring gains when local currencies appreciate against the US dollar.
Well-balanced return and bond quality	<ul style="list-style-type: none"> • Asia Total Return Fund (Share Class I) reference portfolio maintains an average credit rating of A/A-.** • The weighted average current yield of Asia Total Return Fund (Share Class I) is 5.35%.***

[^] Under normal circumstances, the Asia Total Return Fund (Share Class AA) intends to declare interim dividends at least once every calendar month. The amount of dividends (if any) is not guaranteed.

** Asia Total Return Fund (Share Class I) is not authorised by the Securities and Futures Commission (SFC) in Hong Kong and not available to the public of Hong Kong. The information is only for illustration purpose only and is based on Class I of the Fund which is not an authorised fund in Hong Kong. The strategy of Asia Total Return Fund (Share Class I) may deviate from the information of Class AA of the Fund. The fee structure of Class I is different from Class AA. The rating here is graded according to rating agency Standard and Poor's and the data is updated as of February 28, 2011.

*** As of February 28, 2011, the weighted average current yield of the bonds holding in the existing Asia Total Return Fund (Share Class I) is 5.35% while yield to maturity is 5.02%. The information about the portfolio's holdings, asset allocation, or country diversification is as of February 28, 2011. The information is historical and is not an indication of future portfolio composition, which will vary. The current yield quoted does not represent the dividend yield of the Asia Total Return Fund (Share Class I). A positive dividend yield does not imply a positive return.

Mr. Endre Pedersen Treasure Asia

Manulife Asset Management

Endre Pedersen is neither the first foreign fund manager residing in Hong Kong nor the only visionary who notices the huge appreciation potential of Asian currencies. Yet as the Managing Director of Fixed Income, Manulife Asset Management (Asia)*, he has an unexplainable relationship with Asia. Focusing on Asian bonds in his first job, Pedersen later moved to Asia. But what impressed me most is his faith in the future of Asia and firm belief that Putonghua will be more important for his daughter.



Born in Norway, Pedersen studied economics and finance in Scotland as an exchange student. Upon graduation in 1999, he joined the financial industry as a fixed income portfolio manager of a London-based asset management company established in 1865. While many industry practitioners are engaged in stock trading as stock analysts or dealers, it is rare to see one focusing on bonds only. Pedersen said it happened just by coincidence. "The asset management company had two investment teams, equities and bonds, but recruitment advertisement didn't mention which team. I only discussed it with the company when I was offered the job, and finally decided to join the bond investment team. The bond market is closely related to the economy. I apply the top-down strategy I learnt from my economics lessons when analysing the macro-economy."

Since his first job, Pedersen had focused on the Asian bond markets, starting from Australia to Japan, and began fund portfolio management in 2001.

When being asked the reason he moved to Singapore, he broke into a big smile and said, "I haven't told you the whole story... My wife is a Singaporean. When my daughter was born, we wanted to live in a safe place with a good education system and close to our families. Singapore is a good place as people there know how to spend their money." Seeing my weird expression, he added, "Where do you think will be the source of growth in the next 10 to 20 years? Europe? America? Or Asia?"

After moving to Singapore in late 2005, he was still researching on Asian bonds. In 2008, Pedersen joined Manulife Asset Management and came to Hong Kong to oversee multi-currency fixed income instruments in Asia and assist the regional heads in managing the fixed income offices.

As the fund manager of Manulife Global Fund — Asia Total Return Fund, Pedersen received countless enquiries on the proportion of Renminbi in the portfolio when recommending the fund. Will investors overlook the potential of other Asian currencies as they only focus on the appreciation of Renminbi?

In terms of currency investment, Pedersen thought the investment value of Renminbi is undeniable. In fact, China's robust economy benefits other Asian currencies as well as its growing demand for imports give a direct push to the export-oriented economies like South Korea. It explains why Korean Won is appreciating much faster than Renminbi.

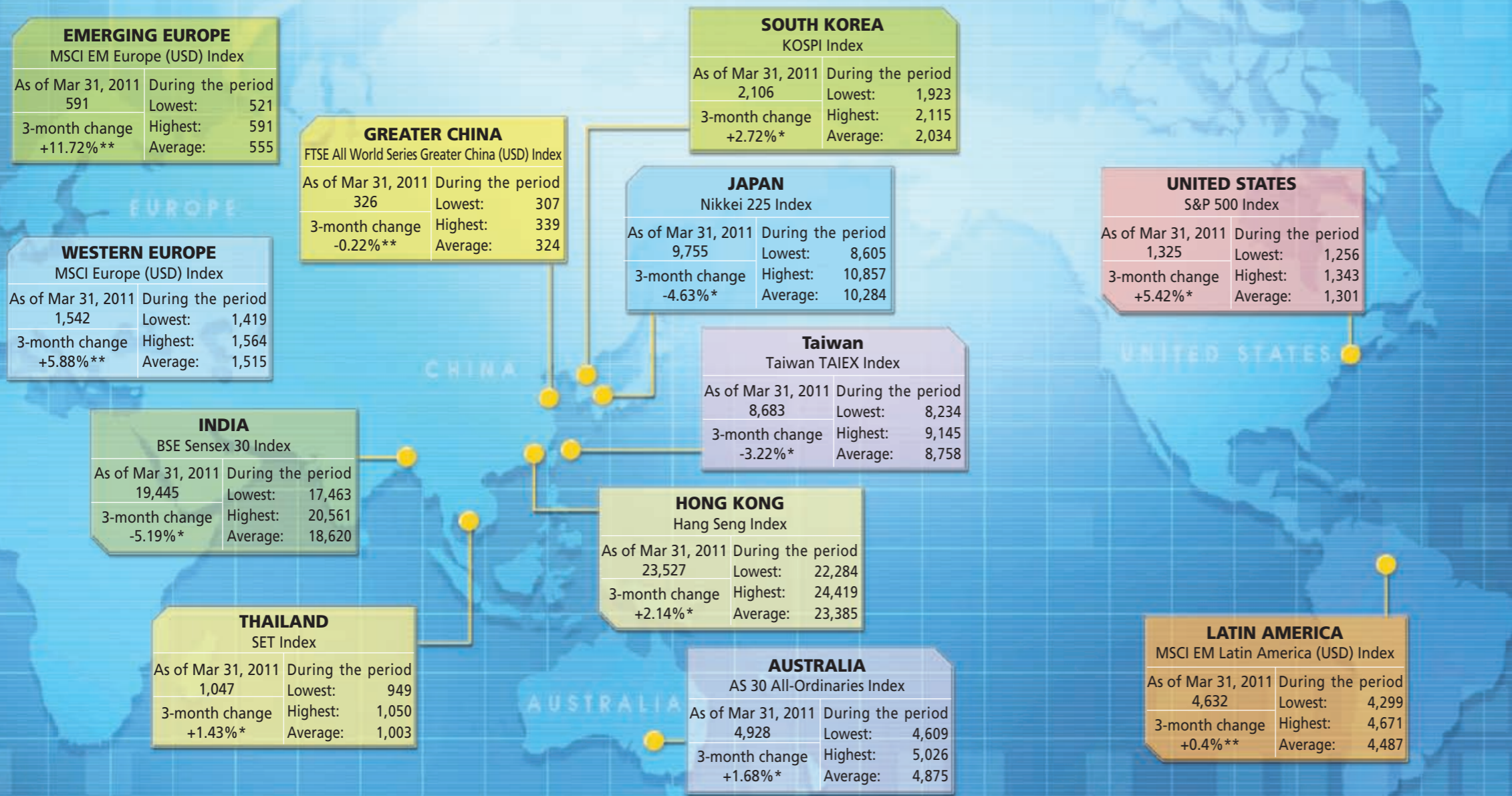
Meanwhile, countries in the region sometimes formulate their monetary policies by "learning from others". For example, worrying that significant rate hikes would hurt domestic economy, Indonesia followed the practice of Singapore and allowed Indonesian Rupiah to appreciate. Two years later, Indonesia has nearly doubled its foreign reserves to \$100 billion US dollars, a level high enough to offset significant fluctuation in exchange rates and cope with the repurchase of government debts.

Pedersen advised investors to consider all sources of return when investing in bonds since currency appreciation is only one of the factors. Bond yield is also another important factor. When making a bond investment decision, countries' regulatory risk should be assessed. Taking Taiwan as an example, the Central Bank has a stringent control over hot money that discourages investors in spite of the appreciation potential of New Taiwan Dollar. The yield of two-year government bonds falls to nearly zero while the yield of 10-year government bonds is only 1.4%. Taking into account the expected appreciation of 4%-5%, the yield is just around 6%, lower than that of Indonesian bonds, but is embedded with a higher liquidity risk. Pedersen stressed that investors should consider the risk adjusted return.

Risk management is crucial. For instance, after the devastating earthquake in Japan, Pedersen and his team had to not only evaluate the risk of holding Japanese bonds in the portfolio, but also keep a watchful eye on the potential sell-off of Asian currencies triggered by concerns for the impact of the event on Asia. Given its large trading volume, the foreign currency market always becomes a battlefield at the occurrence of major events. His team therefore reduced the weighting of Asian currencies in the portfolio until central banks' joint intervention. After all, capital preservation is the first priority after any disaster.



* Manulife Asset Management (Asia) is a division of Manulife Asset Management (Hong Kong) Limited.



Bloomberg, March 31, 2011.
 Index performance for the period of December 31, 2010 to March 31, 2011
 * Price appreciation in local currency and dividend investment excluded.
 ** Price appreciation in US Dollar and dividend investment excluded.

Country/Region	Indices	2011 Q1 market return*	2010 Q4 Real GDP growth (Year on Year)	February 2011 CPI (Year on Year)	Central Bank interest rate (as of March 31, 2011)
The United States	S&P 500 Index	+5.42%	3.1%	2.10%	0.25%
Germany	DAX Index	+1.84%	4%	2.10%^	1.25%#
England	FTSE 100 Index	+0.15%	1.5%	4.40%	3.00%
France	CAC 40 Index	+4.85%	1.5%	1.70%	1.25%#
China	CSI 300 Index	+3.04%	9.8%	5.40%^	6.31%#
Hong Kong	Hang Seng Index	+2.14%	6.2%	3.70%	0.50%
Taiwan	Taiwan TAIEX Index	-3.22%	6.92%	1.41%^	1.75%
India	BSE Sensex 30 Index	-5.19%	8.2%	8.31%	5.75%
Japan	Nikkei 225 Index	-4.63%	-1.3%	0.00%	0.10%
Korea	KOSPI Index	+2.72%	4.7%	4.70%^	3.00%
Thailand	SET Index	+1.43%	3.8%	3.14%^	2.50%
Russia	Russian RTS Index (USD)	+15.47%	4.5%	9.50%^	8.00%
Turkey	ISE National 100 Index	-2.38%	9.2%	3.99%^	6.25%
Brazil	Brazil Bovespa Index	-1.04%	5%	6.01%	11.75%

Bloomberg, April 15, 2011.
 * Index performance for the period of December 31, 2010 to March 31, 2011, price appreciation in local currency and dividend investment excluded.
 ^ March 2011 data.
 # Central Bank raised rates in April, as of April 15, 2011.

India

- Negative news continued to drag down the India stock market which starts correcting since last November. Stock market rebounded from mid to late March, but in the first quarter the Indian market underperformed other major Asian stock markets.
- The political turmoil in the Middle East and Japan's devastating earthquake drove the Reserve Bank of India raised the inflation forecast for 2011 from 7% to 8%. RBI raised rate again in March by 25 basis points. According to Amundi Asset Management, market expects RBI will raise rates by another 75 basis points from now until early 2012.
- Amundi Asset Management senior fund manager Aashish Wakankar remains cautious about the short term market outlook, as high oil price will intensify inflation in India. Importing 80% of crude oil, India's inflation will be raised by 1% for every 10 USD/barrel increase of oil price.
- Aashish Wakankar gives "Census 2011" result a vote of confidence as India's demographic advantage getting qualitatively better. With strong domestic consumption and investment demand, he believes long term "India Growth Story" intact.

Pacific Asia (Japan, China and Taiwan)

- Asian markets plunged broadly in the wake of the devastating 311 earthquake in Japan. TOPIX lost 21% in two trading days, and electricity and insurance stocks were hit heavily. The Japanese government estimated that the earthquake and tsunami caused economic losses up to 25 trillion Yen, or 6% of Japan's GDP. Market expects Q2 GDP will shrink by 1.1%.
- Inflation remained high in China in January and February, hovering at 5% and rose to 5.4% in March. The government continued to tighten the monetary policy by raising the required reserve ratio three times and interest rate twice.
- The China stock markets polarised over the quarter. Shanghai outperformed Shenzhen with the Shanghai Stock Exchange Composite Index grew over 3.5% while the Shenzhen Stock Exchange Component Index slipped slightly. The Shenzhen Mid-and-Small Caps Index and Shenzhen ChiNext Price Index went down by over 5% and 10% respectively.
- The Taiwan market weakened and dropped over 3% in the first quarter with a benign inflation environment. The Central Bank maintained the estimated annual inflation of 2%, but in February raised interest rate by 0.125% raising the benchmark rate to 1.75%.

Europe and U.S.

- U.S. equity market performed well in the first quarter, as S&P 500 index gained more than 5%, though at slower pace than the previous quarter. Job market improves as unemployment rate dropped from 9.4% by the end of 2010 to 8.8% by end of March 2011.
- Two Federal Reserve officials noted in late March the need to tighten monetary policy earlier to avoid triggering inflation. Market speculated an earlier-than-expected rate hike timetable. The Fed maintained its target federal fund rate at zero to 0.25% during the first two meetings in the first quarter. The next meeting is scheduled on April 27.
- In Europe, Jean-Claude Trichet, President of European Central Bank pronounced in early March that ECB may raise rate in April. While the European debt crisis reemerged and sovereign bond yields of countries like Ireland and Portugal soared to record high, euro still climbed over the 1.42 level against the Dollar. On April 7, ECB raised rate by 25 basis points, the first such move by putting an end to the ultra-low interest rate environment. Europe equity market rose by around 5% in the first quarter.

Russia and Commodities

- International oil prices rose significantly by 14% over the quarter and NYMEX crude oil closed at over 106 USD per barrel. Benefiting the rising oil price, the Russian market gained over 15% and outperformed other emerging markets during the period. The prices of many oil and natural gas companies surged by 17% to 32%.
- Bank VTB sold 10% of the state-owned shares in February for 95 billion RUB (approximately USD\$3.37 billion) for the Russian government. Charlemagne Capital (UK) Limited believes high oil price would increase government revenue and expected a healthy fiscal surplus this year, enabling the government to increase expenditure.
- Russia topped all BRIC nations in inflation. The Central Bank announced a rate hike by 0.25% for the first time since November 2008.
- Silver price surged 22% in the quarter with May silver futures closed at a 31-year high of USD\$37.88 per ounce. Spot gold price settled at USD\$1,432.3 per ounce, up 0.81%.

Source: Bloomberg, Amundi Hong Kong Limited, Charlemagne Capital (UK) Ltd, Value Partners Limited, Hong Kong Economic Times, Hong Kong Economic Journal, Hong Kong Commercial Daily, Wenweipo, Sing Tao Daily, Takungpao, Oriental Daily News and Xinhua News Agency.

Investment Tips

A closer look at bond funds

Why invest in bond?

Many investors turn to bond to add an element of stability to their portfolios and to help protect their savings from downside risk. Others choose bonds since they typically pay regular income and won't decrease in value if held to maturity. Some investors purchase bonds in the hope of achieving a combination of stability, regular income and potential capital gains.

What is a bond?

Bonds are essentially loans that can be issued by many sources, but the most common are governments and corporations. When you purchase bonds, you are lending your money to the entity from which you bought the bonds. In return, you receive a fixed rate of interest over a set period of time.

What are the different types of bond fund?

Choosing the right bond fund will likely depend on your financial situation and your investment objectives. There are a number of bond options worth considering. If your priorities are to generate income and capital preservation, you may want to consider looking for mutual funds that invest in bonds that are issued by the government. If you are looking to generate higher levels of income and willing to take on a bit more risk, you may consider investing in a high-quality corporate bond fund. If you are willing to take on even higher levels of risk, you may want to look at mutual funds that invest in high-yield bonds and/or emerging market bonds. If you are concerned that interest rates will rise in the near future, mutual funds that invest in real return bonds or floating rate loans will be a choice for you.

To learn more information about bond fund, please visit our newly revamped webcast on Manulife's website: www.manulife.com.hk.

Source: Solutions for Financial Planning, Manulife Investment, Winter Edition 2010/2011



Investment News

Bond Funds of Manulife Global Fund — Customer Incentive Programme

Savour the joy of an extra shot

Manulife Global Fund offers a comprehensive choice of 25 open-ended funds of diverse risk appetites, of which the bond funds are characterised by various investment strategies and opportunities, such as capturing the Asian bond market potential and enjoying monthly dividends* with the newly available Manulife Global Fund — Asia Total Return Fund.

From now to July 15, 2011, for every HK\$50,000 subscription in any single or combination of Share Class AA bond fund(s) on the Manulife Global Fund platform, you will be entitled to a HK\$128 bonus unit allotment. **It is limited and offered on a first come, first served basis. Don't miss this chance!**



Examples

Total subscription amount (per subscription application)	HK\$50,000	HK\$210,000	HK\$500,000
Bonus allotment	HK\$128	HK\$512	HK\$1,280

Terms and Conditions apply, kindly refer to the customer incentive programme flyer. For further information, please call your Manulife Investment Funds Intermediaries or our Customer Service Hotline on **2108 1110**.

* Under normal circumstances, the Asia Total Return Fund (Share Class AA) intends to declare interim dividends at least once every calendar month. The amount of dividends (if any) is not guaranteed.

Investments in the emerging markets may be subject to special risks and the risks could be substantially higher than the risks normally associated with the world's more established stock markets. Investment involves risks. Past performance information presented is not indicative of future performance. Please refer to the prospectus for further details including the risk factors, charges and features of the product. Investor has his/her own personal investment objectives, investment products may not be suitable for everyone. Investors should not invest on the investment product solely based on this material. This material has not been reviewed by the Securities and Futures Commission (SFC).

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