

**Manulife Advanced Fund SPC (“Company”)**  
P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands

This document is important and requires your immediate attention. If in doubt, you should seek independent legal, financial or other professional advice. The Directors of the Company accept full responsibility for the accuracy of the information contained in this Notice and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement misleading.

Words and phrases used in this Notice shall, unless otherwise provided, have the same meanings as ascribed to them in the prospectus of the Company dated December 2012, as amended or supplemented from time to time (altogether the “Prospectus”).

**Notice to Shareholders**

1 December 2015

Dear Shareholders,

**Re: (a) Updates in relation to Renminbi Bond Segregated Portfolio (“Bond Fund”); (b) China A Segregated Portfolio (“China A Fund”); (c) Change of Custodian and Paying Agent of the Company and the Sub-Administrator; and (d) Miscellaneous Updates**

We wish to advise you of the following updates to the Bond Fund and additional information in relation to the China A Fund and miscellaneous administrative updates.

Unless otherwise specified, the below updates shall take effect from 1 January 2016 (the “Effective Date”).

**(a) Bond Fund**

**- Updates to Investment Objective and Strategies of Bond Fund**

The investment objective and strategies of the Bond Fund will be updated to provide flexibility for the Bond Fund to (a) invest in convertible bonds; and (b) use financial derivative instruments such as futures and forwards for hedging purpose. The Prospectus will be amended to reflect these changes as marked-up below:

Current Investment Objectives and Strategies	Updated Investment Objectives and Strategies
<p>The objective of the Bond Fund is to provide capital appreciation and income generation by investing primarily in RMB-denominated debt instruments issued and listed in Mainland China or traded in the Mainland China interbank bond market, subject to applicable QFII regulations.</p>	<p>The objective of the Bond Fund is to provide capital appreciation and income generation by investing primarily in RMB- denominated debt instruments issued and listed in Mainland China or traded in the Mainland China interbank bond market <u>in accordance with,</u> <del>subject to</del> applicable QFII regulations.</p>
<p>The Bond Fund will invest primarily (i.e. not less than 70% of its net assets) in RMB-denominated debt instruments that are listed or transferred on either the Shanghai Stock Exchange or the Shenzhen Stock Exchange, or interbank bonds, and which are issued by the Mainland China Government as well as corporations in Mainland China (“<b>Mainland China RMB Debt Instruments</b>”).</p>	<p>The Bond Fund will invest primarily (i.e. not less than 70% of its net assets) in RMB-denominated debt instruments, <u>including convertible bonds</u> that are listed or transferred on either the Shanghai Stock Exchange or the Shenzhen Stock Exchange, or interbank bonds, and which are issued by the Mainland China Government as well as corporations in Mainland China (“<b>Mainland China RMB Debt Instruments</b>”).</p>
<p>The Bond Fund may invest up to 30% of its net assets in debt instruments which are not Mainland China 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.</p>	<p>The Bond Fund may invest up to 30% of its net assets in debt instruments which are not Mainland China 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.</p>
<p>At least 85% of the bond holdings in the Bond Fund</p>	

must consist of bonds issued by Mainland China Government, or by international or Mainland China corporations and such issue shall 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. Issuer rating may be applied in case issue specific rating is not available.

Investment in the Mainland interbank bond markets is subject to applicable QFII regulations.

The Bond Fund may also invest up to 15% of net assets in debt instruments which may not be of investment grade or are not rated. Issuer rating may be applied in case issue specific rating is not available. The Bond Fund may not invest more than 10% of its net assets in urban investment bonds (城投債), and not more than 10% of its net assets in asset backed securities (including asset backed commercial papers).

The selection of the issuers of the debt instruments begins with a thorough understanding of the issuer's financial position and, in the case of corporate debt instruments, the issuer's operations, competitive position, and the depth of its management. The investment team assesses the credit quality and the structure of the issuer's security and the price/yield relationship of the security on a historical basis relative to other securities in the sector of comparable quality. An internal risk rating (approved by Manulife's Asian Credit Committee) is conducted and assigned to each credit purchased.

In times of extreme market volatility or during severe adverse market conditions, the Investment Manager may temporarily hold a substantial portion of the Bond Fund's assets in cash or cash equivalents, or invest in short-term money market instruments to preserve the value of the assets in the investment portfolio of the Bond Fund.

**The Investment Manager will seek to achieve the investment objectives of the Bond Fund, but investors should understand that all investments carry risks. The value of Participating Shares of the Bond Fund and the income from them, if any, may fall as well as rise during the life of the Bond Fund and investors may not get back the amount originally invested. Investors are also reminded that, in certain circumstances (described under Section 6.10 of Part I of the Prospectus, headed "Suspension of Dealing"), dealing in the Participating Shares may be temporarily suspended.**

At least 85% of the bond holdings in the Bond Fund must consist of bonds issued by Mainland China Government, or by international or Mainland China corporations and such issue shall 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. Issuer rating may be applied in case issue specific rating is not available.

~~Investment in the Mainland interbank bond markets is subject to applicable QFII regulations.~~

The Bond Fund may also invest up to 15% of net assets in debt instruments which may not be of investment grade or are not rated. Issuer rating may be applied in case issue specific rating is not available. The Bond Fund may not invest more than 10% of its net assets in urban investment bonds (城投債), and not more than 10% of its net assets in asset backed securities (including asset backed commercial papers).

The selection of the issuers of the debt instruments begins with a thorough understanding of the issuer's financial position and, in the case of corporate debt instruments, the issuer's operations, competitive position, and the depth of its management. The investment team assesses the credit quality and the structure of the issuer's security and the price/yield relationship of the security on a historical basis relative to other securities in the sector of comparable quality. An internal risk rating (approved by Manulife's Asian Credit Committee) is conducted and assigned to each credit purchased.

In times of extreme market volatility or during severe adverse market conditions, the Investment Manager may temporarily hold a substantial portion of the Bond Fund's assets in cash or cash equivalents, or invest in short-term money market instruments to preserve the value of the assets in the investment portfolio of the Bond Fund.

The Bond Fund may use financial derivative instruments, such as futures and forwards for hedging purposes. Until and unless otherwise permitted under applicable PRC regulations, any hedging performed by the Bond Fund is expected to take place primarily in Hong Kong.

**The Investment Manager will seek to achieve the investment objectives of the Bond Fund, but investors should understand that all investments carry risks. The value of Participating Shares of the Bond Fund and the income from them, if any, may fall as well as rise during the life of the Bond Fund and investors may not get back the amount originally invested. Investors are also reminded that, in certain circumstances (described under Section 6.10 of Part I of the Prospectus, headed "Suspension of Dealing"), dealing in the Participating Shares may be temporarily suspended.**

The risk disclosure in the Prospectus will be enhanced by inserting “Risk of Investing in Convertible Bonds”. Investors should note that convertible bonds are a hybrid between debt and equity, permitting holders to exchange the bond for a predetermined number of shares at a given price and a specified future date. Convertible bonds are subject to risks which typically apply to bonds and equity securities. On one hand, convertible bonds are subject to interest rate risk and credit risk. The value of convertible bonds tends to decline as interest rates increase and increase as interest rates decline. If the credit quality of the convertible bonds deteriorates or the issuer of the convertible bonds defaults, the performance of the Segregated Portfolio will be adversely affected. On the other hand, the prices of convertible bonds will be affected by the changes in the price of the underlying equity securities which in turn, may have an unfavourable impact on the Net Asset Value of the Segregated Portfolio.

The above-mentioned updates to the investment objective and strategies of Bond Fund (a) will not result in any material change or increase in the overall risk profile of Bond Fund; and (b) will not materially prejudice the rights or interests of investors of Bond Fund.

**- Update to dealing procedures and settlement cycle of Bond Fund**

Currently, the Bond Fund accepts subscription and redemption requests on a monthly basis, with the Dealing Day<sup>Bond Fund</sup> being the last Business Day<sup>Bond Fund</sup> of each month. This arrangement will be in place up to and including 31 December 2015, after which the Dealing Day<sup>Bond Fund</sup> will change to each Business Day<sup>Bond Fund</sup>.

After 31 December 2015, any valid dealing requests for subscription or redemption must be received by the General Adviser and Distributor on or before 4:00 p.m. (Hong Kong time) on the new Dealing Day<sup>Bond Fund</sup>. Accordingly any dealing requests received by the General Adviser and Distributor after 4:00 p.m. (Hong Kong time) on a relevant Dealing Day<sup>Bond Fund</sup> will be processed on the next Dealing Day<sup>Bond Fund</sup>.

In light of the abovementioned changes to the dealing frequency, shareholders should also note the below updates to the settlement cycle:

- Payment for subscriptions must be settled on a cleared funds basis within three (3) Business Days<sup>Bond Fund</sup> after the relevant Dealing Day<sup>Bond Fund</sup> (in respect of subscriptions made in HK Dollars) and within five (5) Business Days<sup>Bond Fund</sup> after the relevant Dealing Day<sup>Bond Fund</sup> (in respect of subscriptions made in US Dollars).
- Payment of redemption proceeds will normally be paid within 10 Business Days<sup>Bond Fund</sup> after the relevant Dealing Day<sup>Bond Fund</sup>, instead of 7 Business Days<sup>Bond Fund</sup> after the end of the relevant calendar month when the redemption was effected.
- In cases where SAFE’s approval is required for repatriation of funds to satisfy payment of redemption money and potentially rendering the payment of the same within 10 Business Days<sup>Bond Fund</sup> after the relevant Dealing Day<sup>Bond Fund</sup> not practicable, the amount due on redemption will be paid to investors, as soon as practicable, and, in any event, within 10 Business Days<sup>Bond Fund</sup> after completion of the relevant repatriation process.
- For any late payments, the Company may charge interest on any overdue monies on a daily basis until payment is received in full, at such rate as the Company deems appropriate. Regardless of whether interest is charged, the Company has the right to cancel any allotment of Participating Shares, in which case the Company shall be entitled to claim from the investor the amount (if any) by which the original subscription price (taking into account any accrued interest) exceeds the redemption price prevailing on the day of cancellation.
- The Company reserves its right to claim all losses arising directly or indirectly from the failure to receive cleared funds from the investor within the specified period or at all.

**- Additional PRC Broker**

- i. CITIC Securities Co., Ltd. (“**CITIC**”) has been appointed as an additional PRC Broker to facilitate trading of shares on the Shanghai Stock Exchange (“**Shanghai SE**”) and the Shenzhen Stock Exchange (“**Shenzhen SE**”), in relation to the Bond Fund.

- ii. UBS Securities Co. Limited remains as the PRC broker for the Bond Fund on Shanghai SE and the Shenzhen SE.
- iii. China International Capital Corporation Limited remains as the PRC broker for the Bond Fund on Shanghai SE, only.

The appointment of CITIC as an additional PRC Broker in relation to the Bond Fund will not result in (i) any increase in the ongoing fees payable by the Bond Fund or the Shareholders of the Bond Fund, or (ii) any change to the operations of the Bond Fund.

**(b) China A Fund**

**- Additional PRC Brokers**

- i. Guosen Securities Co. Ltd ("**Guosen**") has been appointed as an additional PRC Broker to facilitate trading of shares on the Shanghai Stock Exchange ("**Shanghai SE**") only, in relation to the China A Fund.
- ii. UBS Securities Co. Limited remains as the PRC broker for the China A Fund on Shanghai SE only.
- iii. China Merchant Securities Co. Ltd ( "**China Merchant**") has been appointed as an additional PRC Broker to facilitate trading of shares on the Shenzhen Stock Exchange ("**Shenzhen SE**") only, in relation to the China A Fund.
- iv. CITIC Securities Co., Ltd. remains as the PRC broker for the China A Fund on Shenzhen SE only.

The appointment of Guosen and China Merchant as additional PRC Brokers in relation to the China A Fund will not result in (i) any increase in the ongoing fees payable by the China A Fund or the Shareholders of the China A Fund, or (ii) any change to the operations of the China A Fund.

**(c) Change of Custodian and Paying Agent of the Company and the Sub-Administrator**

The current custodian, paying agent of the Company and the sub-administrator is Citibank International Limited, Luxembourg Branch ("**CIL Luxembourg**"). As part of an internal restructuring to streamline its operations, Citibank International Limited ("**CIL**") will be merged into Citibank Europe plc ("**CEP**") (the "**Merger**") as from the Effective Date.

The Merger will take place by way of a court approved process pursuant to the European Cross Border Merger Directive (2005/56/EC) with ruling and approval granted by the court in the United Kingdom ("UK") on 8 October 2015 and by the court in Ireland on 17 November 2015 following a hearing on the same date and approvals obtained respectively from Citibank Holdings Ireland Limited, being the shareholder of CEP, on 11 September 2015 and from Citi Overseas Holdings Bahamas Limited being the shareholder of CIL, on 16 September 2015.

CEP, a wholly owned subsidiary of Citibank N.A., is a bank licensed pursuant to the Central Bank Act 1971 and regulated by the Central Bank of Ireland.

As from the Effective Date, CEP will carry out its custodian functions and paying agency functions in Luxembourg through Citibank Europe plc, Luxembourg Branch ("**CEP Luxembourg**") which is a newly established branch of CEP. In other words, CEP Luxembourg will act as custodian and paying agent of the Company with effect from the Effective Date.

CEP Luxembourg, which has been approved as a depositary bank by the *Commission de Surveillance du Secteur Financier* ("**CSSF**") in Luxembourg, is also subject to the regulation of the CSSF.

CIL Luxembourg currently also acts as the sub-administrator (performing functions including registration and transfer agency) to the Company. As from the Effective Date, these functions will be carried out by CEP Luxembourg and the current tripartite fund administration service agreement with the Company will be automatically transferred to CEP Luxembourg as at the Effective Date.

Any contracts in place for the Company with CIL Luxembourg (including a global custodial services agreement with respect to each existing Segregated Portfolio of the Company) will be automatically transferred to CEP Luxembourg as at the Effective Date and accordingly will not need to be re-entered into.

Both CIL Luxembourg and CEP Luxembourg are members of the Citibank group of companies and have the same ultimate parent entity. All the functions and operations which are currently in place for the Company and each existing Segregated Portfolio of the Company and performed by CIL Luxembourg will be unaffected by the change. Staff and resourcing at CEP Luxembourg will be as now and there will be no change of address, or contact details as a consequence of the change of custodian. Accordingly, it is expected that the change will not have any impact on the Company or existing investors.

The fees payable by the Company to CEP Luxembourg shall be the same as the fees currently payable to CIL Luxembourg. There will be no change in the fee structure for the Company.

The fees and expenses incurred in connection with this change will not be borne by the Company.

#### **(d) Miscellaneous Updates**

The Prospectus will be updated to reflect the following miscellaneous updates:

Change of address of the Investment Manager, General Adviser and Distributor of the Company – with effect from 1 February 2016, the address of the Investment Manager of each existing Segregated Portfolio of the Company and that of the General Adviser and the Distributor of the Company has changed.

Change of address of the Principal Office of the Company and Administrator, Registrar and Transfer Agent of the Company - the address of the Principal Office of the Company and that of the Administrator, Registrar and Transfer Agent of the Company has changed.

Publication of NAV - In light of recent changes to the relevant Hong Kong regulations applicable to the Company and in order to facilitate access by investors, the Net Asset Value per Share for each Class AA Shares will no longer be published in newspapers and will instead be published daily on the General Adviser and Distributor's website at [www.manulifefunds.com.hk](http://www.manulifefunds.com.hk).

Resignation of Director of the Company - Jill Avis Kathryn Smith has resigned as a director of the Company.

No action is required by you in respect of any of the above. An updated Prospectus and Product Key Facts Statements will be made available in due course in respect of the aforementioned updates.

The abovementioned updates in (a) and (b) are intended to be for the benefit of the relevant Segregated Portfolios by providing investment flexibility, enhancing liquidity, and allowing flexibility and choice of trading execution counterparties. Accordingly the costs of the abovementioned updates in (a) and (b) will be borne by the relevant Segregated Portfolios and are estimated to be approximately HK\$240,000.

#### **Enquiries**

Shareholders requiring further information about the matters set out in this Notice may contact the Sub-Administrator, Citibank International Limited, Luxembourg Branch on telephone number (352) 45 14 14 258 or fax number (352) 45 14 14 332, or the General Adviser and Distributor, Manulife Asset Management (Hong Kong) Limited, on telephone number (852) 2108 1110 or fax number (852) 2810 9510 (relating to Class AA Shares), or telephone number (852) 2510 3055 or fax number (852) 2907 2076 (relating to Class C, Class D, Class I and Class P Shares) at any time during normal local business hours.

**For and on behalf of the Board  
Manulife Advanced Fund SPC**