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Introduction of Swing Pricing to Manulife Global Funds

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Frequently Asked Questions

1. What is Swing Pricing?

Swing Pricing is a pricing adjustment mechanism specifically designed to protect existing or remaining shareholders in a fund from the dilutive effects of transaction costs of large [net] subscriptions or redemptions. These transactions costs include, but are not limited to, dealing costs, estimated bid/ask spreads and taxes on transactions. Without a pricing adjustment, transactions costs would fall on all existing or remaining shareholders in the fund. Instead, when this mechanism applies, the transaction costs are, as far as practicable, borne by those shareholders who have just subscribed or redeemed, since it is their transactions that cause the costs. Manulife Global Fund (MGF) will use a pricing adjustment mechanism to protect its existing or remaining shareholders in this way. Manulife Investment Management does not benefit from swing pricing

2. How does Swing Pricing mechanism work?

The pricing adjustment mechanism is a system of rates – expressed in % – with three main components (see the example below for an illustration).

i. A threshold rate (Swing Threshold)

Swing Threshold is a pre-determined threshold calculated as a percentage of the sub-fund's Net Asset Value (NAV) or as a fixed amount which is determined and reviewed by the Board or a delegate from time to time.

The total subscriptions minus the total redemptions in the fund is calculated on every valuation day. If there are more subscriptions, the result will be "net subscriptions" and if there are more redemptions, the result will be "net redemptions".

If, on any given valuation day, the net subscriptions/ net redemptions account for a larger percentage of the fund's Net Asset Value (NAV) than the swing threshold rate, it triggers one of the adjustment rates.

ii. A buy adjustment rate (Up Swing Factor)

This is applied when the amount of net subscriptions is bigger than the threshold rate. In this case, the fund's NAV per share is increased by the buy adjustment rate. The effect is the same as asking shareholders to pay an extra fee to subscribe on that day, and then putting this fee back into the fund so the impact to existing shareholders is mitigated.

iii. A sell adjustment rate (Down Swing Factor)

This rate works exactly like the buy adjustment rate, but for situations when the amount of net redemptions is bigger than the threshold rate. When this happens, the fund's NAV per share is reduced by the sell adjustment rate.

An example

- Fund AUM: USD100 million
- Threshold rate: 1% of the AUM
- Subscriptions: USD10 million
- Redemptions: USD 8 million
- Subscriptions – Redemptions: USD2 million (net subscriptions)

In this example, the amount of net subscriptions (USD2 million) is higher than the threshold rate (1% of USD100 million, which is USD1 million). Therefore, the fund's NAV per share will be adjusted up using the buy adjustment rate.

3. Do threshold and adjustment rates ever change? What is the maximum adjustment rate applicable?

The value of the threshold and adjustment for each Sub-Fund will be determined and reviewed by the Board or any duly authorized delegate of the Board from time to time to reflect the estimated costs of trading assets held by the relevant Sub-Fund and prevailing market conditions. The estimation procedure for the value of the Adjustment captures the main factors causing dealing cost (e.g. bid/ask spreads, transaction related taxes or duties, etc.). Such Adjustment may vary from Sub-Fund to Sub-Fund and will not exceed 2.00% of the original NAV per Share (the "Maximum Adjustment"). Under exceptional circumstances, the Directors may, in the interest of Shareholders, decide to temporarily increase the Maximum Adjustment indicated above, subject to prior notification thereof to Shareholders. The value of the adjustment is determined by the Board or any duly authorized delegate of the Board.

4. Will swing pricing adjustment be implemented daily?

No, swing pricing adjustment may not be implemented daily as this will depend on the quantum of net subscriptions and net redemptions received on that Dealing Day. It will only be implemented when net subscriptions and/ or net redemptions reach or exceed Swing Threshold.

5. How will it affect fund performance?

Performance returns calculation is based on the adjusted NAV, i.e. Swing NAV and therefore, Swing Pricing could increase the variability of the returns of the fund.

6. What is the effective date of the implementation of Swing Pricing?

The implementation date is 18th January 2021.

7. When will the Shareholder notice be sent out?

For shareholders in Manulife Global Funds (MGF), the Shareholder notice will be sent out on 16th November 2020.

8. What is the impact to the Shareholder?

Even though there is no material change for the existing or remaining Shareholders it is however recommended that shareholders take note of the risk factors as disclosed in the prospectus and shareholder notice. This arrangement is intended to protect remaining or existing shareholders. The cost of implementation and ongoing maintenance will be charged across all the Sub-Funds of MGF and are immaterial.

9. Will this change take place for all sub-funds of MGF?

Yes, Swing Pricing is applicable to all MGF sub-funds.

10. Will there be a waiver of the redemption or switching charge if a Shareholder redeems shares in the MGF Fund, after being notified of this change?

The shareholder may apply to redeem or switch their holding in Shares of the relevant Sub-Fund to Shares of the same Class or category in any other Sub-Fund(s) free of any switching or redemption charges until 16 December 2020. However, if you decide to switch, please note that Swing Pricing is applicable to all sub-funds of MGF.

Conclusion

The sole objective of a pricing adjustment is to solely protect shareholders of the sub funds, Manulife Investment Management does not benefit from it. Whenever shareholders are impacted by the pricing adjustment when subscribing/ redeeming, they are in fact paying for the transaction costs of dealing so existing or remaining shareholders are not completely disadvantaged as a result of their subscription/redemption.