

# 2020 Fund Changes

# **Frequently Asked Questions (FAQ)**

# September 2020

For Advisor & Investor Use

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## Fund Merger

### 1. What funds are included in the merger and when is it taking place?

Manulife Investment Management will merge the following funds on or about the close of business on **October 23, 2020**, subject to securityholder and regulatory approvals.

Terminating Fund	Continuing Fund
Manulife Floating Rate Income Fund	Manulife U.S. Unconstrained Bond Fund

### 2. Why are we proposing this merger?

The proposed merger aims to make Manulife easier to do business with and simplify the mutual fund platform. The objective is to have a streamlined platform of actively managed mutual funds which are differentiated, compelling and managed by strong investment teams with a high probability of delivering on their objective for securityholders.

### 3. Will I bear any of the cost of the merger?

Neither the Terminating Fund nor the Continuing Fund will bear any of the costs and expenses associated with the merger. Such costs will be borne by Manulife Investment Management. These costs may include legal and accounting fees, proxy solicitation, printing and mailing costs, regulatory fees, and back-office system related costs.

### 4. What can you tell me about the tax implications of this merger?

The proposed merger of Manulife Floating Rate Income Fund into Manulife U.S. Unconstrained Bond Fund is a taxable trust-to-trust merger. This will result in dispositions for tax purposes for securityholders of the Terminating Fund.

Securityholders holding securities of the Terminating Fund in non-registered accounts will be subject to a taxable disposition resulting generally in either a capital gain or a capital loss.

Generally, these securityholders must include one-half of the capital gain in income and may deduct one-half of the capital loss against taxable capital gains from other sources subject to and in accordance with detailed rules in the Tax Act. There are no tax consequences to securityholders in registered plans.

We encourage securityholders to consult with their advisor or a tax professional to understand the implications for their individual account.

**5. What can you tell me about the potential for distributions in the Terminating Fund or Continuing Fund as a result of this proposed merger, and when will we know if a distribution will be paid?**

The Terminating Fund has no capital gains distribution but needs to distribute all its remaining taxable income (if any) to existing securityholders to avoid the fund being liable to tax. For fairness reasons, the Continuing Fund may make a special distribution of income and/or capital gains before the merger takes place.

The objective of a special distribution is to ensure that the taxable Terminating Fund securityholders are not disadvantaged when they become securityholders of the Continuing Fund. Therefore, the intent of a special distribution is to fairly distribute any significant taxable income and/or capital gains pertaining to the period of time prior to the merger to the Continuing Fund's securityholders, and not to the Terminating Fund securityholders. **If this were to occur, the year-end distributions made by the Continuing Fund will be reduced by the amount of the special distribution.**

**6. Will performance of the Continuing Fund be reset as a result of the merger?**

No, performance of the Continuing Fund will not be reset.

**7. Will I receive a tax slip as a result of the merger?**

It will depend on the type of account you hold. Please see the table below:

<b>Tax Slips for Merger</b>	<b>Explanation</b>	<b>Registered Accounts</b>	<b>Non-Registered Accounts</b>
T3 / NR4 / RL16 (Quebec Residents Only)	Distribution from the Terminating Fund as a result of the merger	No	Yes
T5008 / RL18 (Quebec Residents Only)	As a result of the merger, securityholders will have their securities of the Terminating Fund exchanged for securities of the Continuing Fund	No	Yes*

\*Fair Market Value ("FMV") becomes the new ACB

## Communication and Vote

### 1. How and when will advisors and securityholders be notified of this merger?

Manulife Investment Management issued and filed a press release on July 28, 2020 announcing the fund merger. Advisors are being sent a mailed package containing a list of their affected clients and a copy of the securityholder letter on or about September 2, 2020. We are also sending affected securityholders a mailed package on September 8, 2020 which includes a cover letter notifying them of the proposed merger as well as a form of proxy and Management Information Circular. Additionally, the Management Information Circular (MIC) is available electronically via our vote landing page at [www.manulifeim.ca/unitholdervote](http://www.manulifeim.ca/unitholdervote)

### 2. What will be included in the voting package securityholders will receive by mail?

The Management Information Circular along with a Form of Proxy, Fund Facts documents for the Continuing Fund and Notice of Special Meeting are being mailed to each affected securityholder of record as of August 21, 2020. This package is intended to help securityholders with their decision regarding the fund merger.

### 3. Which fund(s) in the merger will require a securityholder vote?

Only the Terminating Fund requires a securityholder vote because the merger will be done as a taxable merger.

### 4. When is the vote taking place?

The vote is scheduled to take place on October 1, 2020. Securityholders of record in the Terminating Fund, as of the close of business on August 21, 2020, are being mailed a Management Information Circular, Notice of meeting and form of proxy on or about September 8, 2020. This package provides additional information about the proposed merger, along with details of the virtual securityholder meeting and how to vote.

### 5. How can I vote?

Securityholders in the terminating fund have the following options available for voting, the first being the most straightforward:

- i. *By Internet* at [www.proxyvote.com](http://www.proxyvote.com). 16-digit Control numbers are required and located across from the name of the Fund on the form of proxy. Internet voting will be open during the special meeting scheduled for October 1, 2020 if you haven't previously cast your vote.
- ii. *By mail* using the provided proxy voting form. We require signed copies of any proxy sent by mail to be received before 10:00am ET on September 30, 2020, for the vote to count.
- iii. *By fax* at (905) 507-7793 or (514) 281-8911 and ensure that all pages of the proxy are returned or *by telephone* at 1-800-474-7493 (English) or 1-800-474-7501 (French). Note that voting by fax or by telephone must take place no later than 10:00am on September 30, 2020 and cannot be done on the day of the Meeting.

## **6. What if I choose not to vote?**

Securityholders in the Terminating Fund have the right to vote on issues that affect the outcome of the funds they own. Although we invite you to cast your vote, it is ultimately your choice whether or not to act on the information you receive.

## **7. I have not received or have misplaced the Form of Proxy and want to vote.**

If you do not have a proxy, you have two options:

- i. Email [vote@manulife.com](mailto:vote@manulife.com) with your name, account number and email address, and Manulife will facilitate sending a control number to you (a control number is required to vote online.)
- ii. Alternatively, you may use the following email address to make the request directly: [proxyrequest.ca@broadridge.com](mailto:proxyrequest.ca@broadridge.com). Please include your name(s) as it appears on your account, your account number and email address in the request. A control number will then be emailed to you along with instructions on how to vote electronically on [www.proxyvote.com](http://www.proxyvote.com).

Physical Forms of Proxy will not be reproduced or mailed.

## **8. What if I do not vote in favour of the proposed merger?**

The merger will only proceed if we have received regulatory and securityholders approval. If securityholders do not vote in favour of the proposed merger, we can let the Terminating Fund remain open as is, cap the Fund to new purchases, or terminate the Fund.

## Mechanics and Operations

### 1. What are my options other than the Continuing Fund?

As a securityholder of the Terminating Fund, you have the option of switching to another Manulife mutual fund or redeeming your securities. We encourage you to reach out to your advisor to discuss the option that best meets your individual needs.

### 2. Do I have to wait until the Effective Date of the merger before making changes to my investments?

No. As a securityholder in our funds, you may alter your portfolio at any time. You may submit instructions to switch from the Terminating Fund to other Manulife mutual fund(s), as applicable, prior the Effective Date of the merger (see question 4 for appropriate timelines for submitting instructions). You will also be able to switch out of the Continuing Fund to other Manulife mutual fund(s) at any time after the Effective Date of the merger should that new investment no longer suit your needs.

### 3. What is the last day I may place a trade in the Terminating Fund?

The Terminating Fund will be capped to purchases and redemptions as of 4:00pm ET on October 21, 2020, for wire orders over Fundserv, and as 4:00pm ET on October 23, 2020, for direct redemptions, purchases, switches and transfers out orders to allow for the merger to be processed. In addition, the Terminating Fund will be capped to switches and transfers out over Fundserv as of 4:00pm ET on October 22, 2020.

### 4. Will I be reimbursed for any standard deferred sales charge option (DSC) fees or low load sales charge option (LL) fees if I choose to redeem or switch out from the Terminating Fund prior to the Effective Date?

No. As a securityholder of the Terminating Fund, you have the option of switching to another Manulife mutual fund or redeeming securities. If securities were purchased under the DSC or LL option and switched to another DSC or LL option fund, securities will continue under the same DSC or LL schedule, and consequently no fees or sales charges will be incurred as a result of the transaction. However, switching from a DSC/LL to a Front End sales charge option fund or redeeming from a DSC/LL fund may cause a DSC/LL fee to be charged.

### 5. If I do not take any action by the Effective Date of the merger and Manulife Investment Management transfers the proceeds of my account automatically, will I still be reimbursed for any associated sales charges?

If you do not take any action by the Effective Date of the merger, we will switch your securities in the appropriate series/load of the Continuing Fund with no sales charges applied.

**6. Will there be any change to the fees of the Funds?**

Subject to the approval of the Proposed Merger, and its subsequent implementation, Terminating Fund securityholders will adopt the management fee and fixed administration fee of the Continuing Fund post-merger. Subject to the merger being implemented, securityholders of the Terminating Fund will be subject to the management fee for the following Continuing Fund Series which will result in the following reductions:

- Advisor Series will receive a fee reduction from 1.38% to 1.25%
- Series T will receive a fee reduction from 1.35% to 1.25%
- Series F and Series FT will receive a fee reduction from 0.71% to 0.70%
- Series D will receive a fee reduction from 0.89% to 0.88%
- The default Management Fee for Series I will be lowered from 0.75% to 0.72% on the date of the merger to match the default Management Fee of the Terminating Fund.

**7. Will the merger transactions be recorded somewhere on my statement or will I receive confirmation once it has taken place?**

Yes. The merger transactions will be reported to you by trade confirmation once the merger has been completed, as well as on your 2020 year-end account statement, if applicable.

**8. Do the Terminating Fund and Continuing Fund have the same risk rating?**

Yes, both the Terminating Fund and Continuing Fund have the same risk rating of Low to Medium which will remain unchanged at the time of the merger.

**9. I am a securityholder of the “Terminating Fund” and I don’t understand all of these details. What should I do?**

You should speak to your advisor about your specific investment needs. For further assistance, you may also contact our Client Services center at 1-888-588-7999 between 8am and 8pm (Toronto time), Monday to Friday for English, or at 1-877-426-9991 between 8am and 5:30pm (Toronto time), Monday to Friday for French.

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