

May 13, 2022

**This document is important and requires your immediate attention.** This notice refers to the MPF Scheme Brochure for the Manulife Global Select (MPF) Scheme (the “**Scheme**”) and is intended to provide a summary of the changes made to the MPF Scheme Brochure for reference. You should refer to the MPF Scheme Brochure for full details of the Scheme. Capitalised terms used in this notice, and which are not defined in this notice, have the same meanings as those defined in the MPF Scheme Brochure. If you are in doubt about the contents of this document, you should seek independent professional advice. Manulife Provident Funds Trust Company Limited (the “**Trustee**”) accepts responsibility for the accuracy of the information contained in this document as at the date of publication.

## **Notice to participating employers and scheme members of the Manulife Global Select (MPF) Scheme**

With a view to simplifying and streamlining the fund structure of the Scheme and enhancing consistency and uniformity of investment monitoring measures to be carried out by a newly appointed single investment manager at the constituent fund level, we will implement the following changes (the “**Changes**”). This part summarises the Changes to the Scheme and the impacts which are elaborated in the main body of this notice.

### **Changes**

The following Changes will be made to the Scheme with:

Effective from October 13, 2022: (the “**First Effective Date**”)

- (a) **Manulife MPF Conservative Fund (“Conservative Fund”) APIF Structure Change:** The Conservative Fund, instead of investing in an approved pooled investment fund (“**APIF**”) at the existing first level APIF (i.e. the Manulife Conservative Unit Trust Fund), will invest in a new APIF established under the existing second level umbrella unit trust managed by Manulife Investment Management (Hong Kong) Limited (“**MIMHK**”). See section 2 below for details.
- (b) **Investment Manager Appointment:** Appoint MIMHK as the investment manager for the Conservative Fund.
- (c) **Management Fee Re-Alignment:** Correspondingly, the management fees of the Conservative Fund will be re-aligned, while the total management fees of the Conservative Fund will remain unchanged with no impact on the Members. See section 5 below for details.

Effective from October 20, 2022: (the “**Second Effective Date**”)

- (d) **De-layering:** De-layer and simplify the investment structure of all constituent funds (except for the Manulife MPF Interest Fund and the Manulife MPF Stable Fund (collectively the “**Guaranteed Funds**”) and the Conservative Fund <sup>(1)</sup>) of the Scheme (collectively, the “**Delayed CFs**” and individually, a “**Delayed CF**”), such that each Delayed CF will invest directly into the second level APIF(s) and/or, where applicable, index-tracking collective investment scheme(s) (“**ITCIS**”).

*Note<sup>(1)</sup>: The fund structure of the Guaranteed Funds will remain the same and will not be affected by the De-layering. The Conservative Fund currently operates on a two-layer structure and will continue to do so notwithstanding the implementation of the Changes in (a) above.*

- (e) **Investment Manager Appointment:** Appoint MIMHK as the investment manager for all the Delayed CFs and the Guaranteed Funds such that MIMHK will become the investment manager for all constituent funds of the Scheme.
- (f) **Management Fee Re-alignment:** Correspondingly, the management fees of the Delayed CFs and the Guaranteed Funds will be re-aligned, while the total management fees of these constituent funds will remain unchanged with no impact on the Members. See section 5 below for details.

### **Impacts**

- (g) The Trustee reckons that the Changes will not have any adverse impact on the Scheme or interests of the Members. The Changes would not result in material changes to the investment objectives and policies of the above-mentioned affected constituent funds. The Trustee also confirms that interests of the Members will be adequately protected and will not be prejudiced by the Changes. Manulife Group will bear all costs associated with the Changes, with no such costs being borne by participating employers and Members.

### **Actions required of Members**

- (h) No action is required of the Members to effect the Changes.
- (i) Although the Trustee believes that the Changes will pose no adverse impact on the Members, participating employers and Members (other than employee members) may transfer out of the Scheme to another registered scheme at any time, and an employee member may transfer his accrued benefits deriving from the employee's mandatory contributions under the employee choice arrangement once in every calendar year.
- (j) If no action is taken by participating employers and Members before the respective Effective Dates, their accrued benefits, future contributions and transferred-in monies will continue to be invested in the above-mentioned affected constituent funds.

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If you have any queries in relation to the Changes, Members can call our Customer Service Hotline on 2108 1388 and participating employers can call 2108 1234.

## **1. Introduction**

With a view to simplifying and streamlining the fund structure of the Scheme and enhancing the consistency and uniformity of investment monitoring measures to be carried out by a newly appointed single investment manager at the constituent fund level, we will implement the following changes (the “**Changes**”), namely, (a) the Conservative Fund APIF Structure Change; (b) the De-layering; (c) the Investment Manager Appointment; and (d) Management Fee Re-alignment, as more particularly described below.

## **2. Conservative Fund APIF Structure Change**

- 2.1. With effect from the First Effective Date, the underlying fund structure of the Conservative Fund will be changed such that the Conservative Fund will, instead of investing in the existing first level APIF, invest in a new APIF established under the existing second level umbrella unit trust managed by MIMHK. The investment objective and policy of the new APIF will be the same as that of the existing first level APIF. Diagram (a) in the **Appendix** to this notice illustrates how the underlying fund structure of the Conservative Fund will be changed.

The Conservative Fund APIF Structure Change is to ensure that the Conservative Fund, as with the Delayed CFs (as defined in section 3.1 below), will invest in an APIF under the existing second level umbrella unit trust managed by MIMHK.

- 2.2. The Conservative Fund APIF Structure Change will simplify the investment structure such that MIMHK who currently manages the first level APIFs and the second level APIFs, will ultimately be managing all its APIFs under a single umbrella unit trust.
- 2.3. Following the completion of the Conservative Fund APIF Structure Change, the Conservative Fund will cease to invest in the existing first level APIF.
- 2.4. There will be no change to the Conservative Fund's security lending, repurchase agreements, financial futures contracts and financial option contracts arrangements, in that it will continue not to enter into such arrangements.

### 3. De-layering

- 3.1. The De-layering covers all constituent funds (except for the Manulife MPF Interest Fund and the Manulife MPF Stable Fund (collectively the "**Guaranteed Funds**") and the Conservative Fund) of the Scheme (collectively, the "**Delayed CFs**" and individually, a "**Delayed CF**"). Currently, each Delayed CF is a feeder fund investing in a first level APIF managed by MIMHK. The first level APIF is either a feeder fund which in turn investing solely into a single second level APIF or an ITCIS, or a portfolio management fund which in turn investing into two or more second level APIF(s) and, where applicable, ITCIS(s). The second level APIFs are managed by either MIMHK or third-party investment managers.
- 3.2. We set out the fund structure of the Delayed CFs before and after the Second Effective Date in Diagram (b) in the **Appendix** to this notice. As illustrated, with effect from the Second Effective Date:
  - (a) Group A in Diagram (b) will become portfolio management funds and invest directly into two or more second level APIF(s) and, where applicable, ITCIS(s), instead of investing in them indirectly through the first level APIFs;
  - (b) Group B in Diagram (b) will continue to be feeder funds and invest directly into a single second level APIF, instead of investing in it through the first level APIFs; and
  - (c) The Manulife MPF Hang Seng Index Tracking Fund, which is Group C, will continue to be a feeder fund and invest directly into the corresponding ITCIS.
- 3.3. The investment objectives and policies of the existing second level APIFs will not be affected by the De-layering. Following the completion of the De-layering, the Delayed CFs will cease to invest in the existing first level APIFs.
- 3.4. There will be no change to the security lending and repurchase agreements arrangements in that none of the Delayed CFs may enter into such arrangements. However, after the De-layering, Group A in Diagram (b) in the Appendix may acquire financial futures contracts and financial option contracts at the constituent fund level for hedging purposes, while no such contracts will be acquired at the constituent fund level for Group B and Group C in Diagram (b) in the Appendix. No change relating to the financial futures contracts and financial option contracts arrangements will take place at the underlying APIF or ITCIS level with respect to Group A, Group B and Group C in Diagram (b) in the Appendix.

#### **4. Investment Manager Appointment**

- 4.1. Currently, no investment manager is appointed at the constituent fund level. MIMHK will be appointed as the investment manager for all constituent funds in two phases:
  - (a) the Conservative Fund with effect from the First Effective Date; and
  - (b) the Delayed CFs and the Guaranteed Funds with effect from the Second Effective Date.
- 4.2. As disclosed in the MPF Scheme Brochure, MIMHK, a wholly-owned subsidiary of Manulife Financial Corporation, conducts its global asset management business under the brand name of Manulife Investment Management. Currently, MIMHK is the investment manager of the first level APIFs and some of the second level APIFs of the Scheme as mentioned in paragraph 3.1 above.

#### **5. Management Fee Re-alignment**

- 5.1. In response to the Investment Manager Appointment at the constituent fund level, the Trustee has reviewed the fee breakdown arrangement. Essentially, an investment management fee will be charged at the constituent fund level as a result. Such change will take place on the First Effective Date for the Conservative Fund and the Second Effective Date for all the other constituent funds.
- 5.2. The investment management fee, inclusive of that for the underlying fund level, for all constituent funds (except for the Manulife MPF Hang Seng Index Tracking Fund) will be re-aligned and charged at the constituent fund level only. In particular:
  - (a) the investment management fee to be charged at the constituent fund level for the Manulife MPF Retirement Income Fund and the Manulife MPF Healthcare Fund will be up to 0.60% p.a. of the NAV (i.e. 0.20% p.a. of the NAV more than that currently charged at the underlying fund level of these two constituent funds), while zero investment management fee will be charged at the underlying fund level; correspondingly, as disclosed in the MPF Scheme Brochure, for the purpose of maintaining the current level of the total management fees, the Sponsor will waive part of the sponsor fee for these two constituent funds; and
  - (b) the investment management fee for the Manulife MPF Hang Seng Index Tracking Fund will be re-aligned such that 0.05% p.a. of the NAV will be charged at the constituent fund level, and up to 0.05% p.a. of the NAV will be charged at the underlying fund level;
- 5.3. The re-alignment would help to enable MIMHK with sufficient resources and greater flexibility to fulfil its obligations to act as the investment manager at the constituent fund level.
- 5.4. Rest assured that the total management fees (covering both constituent fund and underlying fund levels) of the constituent funds under the Scheme will remain unchanged with no impact on the Members. Please refer to the Second Addendum to the MPF Scheme Brochure for details of the re-alignment.
- 5.5. With a view to ensuring that the breakdown of the management fees of the constituent funds can be updated on a timely basis to reflect any necessary fee re-alignment, the trust deed of the Scheme will be updated such that no prior notice will be required for changes to the details of the management fees of a constituent fund referred to in section 5 of the MPF Scheme Brochure if such change does not result in an increase in the total management fees of the constituent fund.

## 6. Implementation

- 6.1. No suspension of dealings and valuation of the constituent funds will be required for the Changes.
- 6.2. In addition, Members may continue to submit their requests, such as fund switching instructions, change of investment mandate and transfer-in and/or transfer-out instructions, and any such requests will be processed in the normal business manner.
- 6.3. On the First Effective Date and the Second Effective Date respectively, the Conservative Fund APIF Structure Change and the De-layering will take effect and be implemented in the following manner:

First Effective Date		
Conservative Fund APIF Structure Change	Step 1	The Conservative Fund will redeem all units of its existing first level APIF.
	Step 2	Redemption proceeds from the first level APIF will be used by the Conservative Fund to subscribe for units to a new second level APIF such that the Conservative Fund will be a feeder fund and invest directly into a single second level APIF.
Second Effective Date		
De-layering	Step 1	Each Delayed CF will redeem all units of its respective existing first level APIF.
	Step 2	The respective existing first level APIF will redeem all units in the respective existing second level APIF(s) and, where applicable, ITCIS(s).
	Step 3	Redemption proceeds from the first level APIF will be used by the Delayed CFs to subscribe for units in the respective existing second level APIF(s) and, where applicable, ITCIS(s).

- 6.4. The above actions will be carried out on the First Effective Date and the Second Effective Date respectively. Redemptions with respect to the Conservative Fund APIF Structure Change and the De-layering, as described in the above table, will be performed mainly in specie settlement (with residual redeemed in cash and, where applicable, cash equivalents) in order to mitigate out-of-market risks.
- 6.5. The Trustee confirms that proper arrangements will be in place to ensure there will be a smooth transition for the Conservative Fund and the Delayed CFs, and the Trustee has sufficient resources and capability to effect the Conservative Fund APIF Structure Change and the De-layering such that the Members' interests will be adequately protected.

## 7. Impact on the Scheme and Members

- 7.1. The Conservative Fund APIF Structure Change and the De-layering will simplify and streamline the fund structure of the Conservative Fund and the Delayed CFs, with a view to enhancing investment and operational efficiency in the long run.
- 7.2. The Investment Management Appointment will bring in MIMHK's expertise to the constituent fund level, thus enhancing consistency and uniformity of investment monitoring measures at the constituent fund level.

- 7.3. There will be no bid and offer spread or other transaction costs imposed on the Members to implement the Changes. Members need not bear the costs and expenses incurred in the Changes. Furthermore, the Changes will not give rise to any increase to the total management fees of the affected constituent funds, and the total management fees of the affected constituent funds will remain unchanged.

## **8. Actions required of Members**

- 8.1. No action is required of the Members to effect the Changes. In addition, with the advantages the Changes may deliver (as described in section 7 above), we would hope the Members will stay and benefit from them. That said, if a Member for whatever reason does not want to be affected by the Changes, then please continue to read this section 8.
- 8.2. A Member (other than an employee member) who does not wish to be affected by the Changes may transfer out of the Scheme to another registered scheme.
- 8.3. A Member who is an employee member will not be able to transfer out of the Scheme unless his participating employer elects to do so. Alternatively, such a Member may transfer the accrued benefits derived from the employee's mandatory contributions under the employee choice arrangement once in every calendar year.
- 8.4. For details of how the processes in sections 8.2 and 8.3 above could be effected, please refer to sections 6.8.3 "Transfer out of the Scheme" and 6.8.4 "Employee choice arrangement - transfer accrued benefits to and from the Scheme" of the MPF Scheme Brochure.
- 8.5. There will be no fees or penalty, bid and offer spread, transfer fee or other transaction costs imposed on any transfer out.

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The MPF Scheme Brochure will be amended to reflect the Changes and certain cosmetic changes to clarify administrative procedures regarding withdrawal of certain accrued benefits. Participating employers and Members can download the full set of the MPF Scheme Brochure and Frequently Asked Questions from our website at [www.manulife.com.hk](http://www.manulife.com.hk) or request a copy in writing or verbally. You can write to the Hong Kong Retirement, Manulife (International) Limited, 21/F, Tower A, Manulife Financial Centre, 223-231 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong. Please quote your name, address and member account number (for Members) or sub-scheme number (for participating employers) in the request letter. Alternatively, Members can call our Customer Service Hotline on 2108 1388 and participating employers can call 2108 1234.

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# Appendix

