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PROSPECTUS

Initial Public Offering

April 26, 2013



**Manulife Floating Rate Senior Loan Fund**

**Maximum: \$250,000,000  
(25,000,000 Units)**

Manulife Floating Rate Senior Loan Fund (the “Fund”) is a closed-end investment fund governed by the laws of the Province of Ontario that proposes to offer (the “Offering”) Class A Units at a price of \$10.00 per Class A Unit and Class U Units at a price of US\$10.00 per Class U Unit (the Class A Units and Class U Units are collectively referred to as the “Units”). The Class U Units are designed for investors who want to make their investment in U.S. dollars and will not be listed on a stock exchange, but are convertible into Class A Units on a weekly basis. See “Attributes of the Securities — Conversion of Class U Units”.

The Fund’s investment objectives are:

- (i) to provide holders of Units (“Unitholders”) with monthly distributions;
- (ii) to preserve capital; and
- (iii) to provide the opportunity for increased income if short-term interest rates rise.

The Fund has been created to invest in an actively managed portfolio (the “Portfolio”) comprised primarily of investments in senior floating rate loans and, to a lesser extent, short duration debt securities. See “Investment Objectives”.

Manulife Asset Management Limited (the “Manager” or “MAML”) will act as trustee, manager and investment manager of the Fund. The Manager is an indirect wholly-owned subsidiary of Manulife Financial Corporation (“Manulife”). The Manager has retained Manulife Asset Management (US) LLC (the “Advisor” or “MAM”) to act as sub-advisor and actively manage the Portfolio of the Fund. See “Investment Strategies”.

The Manager and the Advisor are part of the global asset management division of Manulife which provides comprehensive asset management solutions for institutional investors and investment funds in key markets around the world. See “Organization and Management Details of the Fund”.

**Price: \$10.00 per Class A Unit and US\$10.00 per Class U Unit**  
**Minimum Purchase: 100 Class A Units or Class U Units**

	Price to the Public <sup>(1)</sup>	Agents’ Fee	Net Proceeds to the Fund <sup>(2)</sup>
Per Class A Unit . . . . .	\$10.00	\$0.525	\$9.475
Per Class U Unit . . . . .	US\$10.00	US\$0.525	US\$9.475
Total Minimum Offering <sup>(3)</sup> . . . . .	\$20,000,000	\$1,050,000	\$18,950,000
Total Maximum Offering <sup>(4)</sup> . . . . .	\$250,000,000	\$13,125,000	\$236,875,000

- Notes:
- (1) The price of the Units was established by negotiation between the Manager on behalf of the Fund and the Agents (as defined herein).
  - (2) Before deducting the expenses of the Offering (estimated at \$800,000) which, subject to a maximum of 1.5% of the gross proceeds of the Offering, will, together with the Agents’ fees, be paid out of the proceeds of the Offering.

(continued on next page)

*(continued from cover)*

- (3) There will be no closing unless a minimum of 2,000,000 Class A Units are sold. If subscriptions for a minimum of 2,000,000 Class A Units have not been received within 90 days following the date of issuance of a receipt for this prospectus, the Offering may not continue unless an amendment to this prospectus has been filed and a receipt therefor has been issued.
- (4) The Fund has granted to the Agents an option (the “**Over-Allotment Option**”), exercisable, in whole or in part, and from time to time for a period of 30 days following the closing of the Offering, to purchase an aggregate of up to 15% of the aggregate number of Class A Units issued at the closing of the Offering at a price of \$10.00 per Class A Unit (the “**Option Units**”). If the Over-Allotment Option is exercised in full, the total price to the public under the maximum offering will be \$287,500,000, the Agents’ fees will be \$15,093,750 and the total net proceeds to the Fund (before deducting expenses of the Offering) will be \$272,406,250. This prospectus also qualifies both the grant of the Over-Allotment Option and the issuance of Option Units upon the exercise of such option. A purchaser who acquires Option Units forming part of the over-allotment position acquires such Option Units under this prospectus, regardless of whether the over-allotment position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See “Plan of Distribution”.

**There is no guarantee that an investment in the Fund will earn any positive return in the short or long term nor is there any guarantee that the Fund’s investment objectives will be achieved. An investment in the Fund is appropriate only for investors who have the capacity to absorb investment losses. Prospective investors should read carefully the risk factors described in this prospectus. See “Risk Factors” for a discussion of certain factors that should be considered by prospective investors in Units including with respect to the Fund’s use of leverage. There is currently no market through which the Units may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity and the extent of issuer regulation. See “Attributes of the Securities — Description of the Securities Distributed”.**

**The TSX has conditionally approved the listing of the Class A Units. The listing is subject to the Fund fulfilling all the requirements of the TSX on or before July 23, 2013. The Class A Units will be listed on the TSX under the symbol MFR.UN.**

RBC Dominion Securities Inc., CIBC World Markets Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., Manulife Securities Incorporated, National Bank Financial Inc., TD Securities Inc., Canaccord Genuity Corp., GMP Securities L.P., Macquarie Private Wealth Inc., Raymond James Ltd., Desjardins Securities Inc. and Mackie Research Capital Corporation (collectively, the “**Agents**”) have agreed to conditionally offer the Units on a best efforts basis, subject to prior sale, if, as and when issued by the Fund and accepted by the Agents in accordance with the conditions contained in the Agency Agreement (as defined herein), and subject to the approval of certain legal matters on behalf of the Fund and the Manager by Borden Ladner Gervais LLP and on behalf of the Agents by Fasken Martineau DuMoulin LLP. The Agents may over-allot and effect transactions to cover their over-allotted position. Closing is expected to occur on or about May 17, 2013, or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after a receipt for the final prospectus is issued (the “**Closing Date**”). See “Plan of Distribution”.

Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the Fund reserves the right to close the subscription books at any time without notice. Registrations of interests in and transfers of Units will be made only through the book-entry only system administered by CDS Clearing and Depository Services Inc. A purchaser of Units will receive a customer confirmation from the registered dealer from or through which the Units are purchased and will not have the right to receive physical certificates evidencing their ownership in the Units.

**In connection with the Offering, the Fund may be considered a “connected issuer” of Manulife Securities Incorporated (“Manulife Securities”) by virtue of the fact that the Manager and Manulife Securities are affiliates. Manulife Securities is entitled to receive certain fees from the Fund including a portion of the Agents’ fees and the Service Fee (as defined herein). In addition, on or following the Closing Date, the Fund may enter into a loan facility with one or more lenders which may be affiliates of one or more Agents. Accordingly, the Fund may be considered to be a “connected issuer” of such Agents. See “Plan of Distribution” and “Fees and Expenses”.**

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## GLOSSARY OF TERMS

In this prospectus, the following terms shall have the meanings set forth below, unless otherwise indicated.

“**Advisor**” means Manulife Asset Management (US) LLC, in its capacity as sub-advisor under the Investment Management Agreement, and if applicable, its successor.

“**affiliate**” has the meaning ascribed thereto in the *Business Corporations Act* (Ontario).

“**Agency Agreement**” means the agency agreement dated as of April 26, 2013 among the Fund, the Manager, the Advisor and the Agents.

“**Agents**” means RBC Dominion Securities Inc., CIBC World Markets Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., Manulife Securities Incorporated, National Bank Financial Inc., TD Securities Inc., Canaccord Genuity Corp., GMP Securities L.P., Macquarie Private Wealth Inc., Raymond James Ltd., Desjardins Securities Inc. and Mackie Research Capital Corporation.

“**Annual Redemption**” has the meaning ascribed thereto under “Redemptions – Annual Redemptions”.

“**Annual Redemption Date**” means the second last Business Day of November in each year, commencing in 2014.

“**Annual Redemption Price**” has the meaning ascribed thereto under “Redemptions – Annual Redemptions”.

“**Business Day**” means any day on which the TSX is open for trading.

“**Canadian GAAP**” means Canadian generally accepted accounting principles, as such principles may be amended, varied or replaced by International Financial Reporting Standards (IFRS) then in effect and generally accepted in Canada.

“**Capital Gains Refund**” has the meaning ascribed thereto under “Income Tax Considerations – Taxation of the Fund”.

“**CDS**” means CDS Clearing and Depository Services Inc. and includes any successor thereto or any other depository subsequently appointed by the Fund as the depository in respect of the Units.

“**CDS Participant**” means a broker, dealer, bank or other financial institution or other person for whom, from time to time, CDS effects books entries for Units deposited with CDS.

“**Class A Meeting**” means a meeting of holders of Class A Units called in accordance with the Declaration of Trust.

“**Class A Units**” means the class of units of the Fund designated as the “Class A Units”.

“**Class U Meeting**” means a meeting of holders of Class U Units called in accordance with the Declaration of Trust.

“**Class U Units**” means the class of units of the Fund designated as the “Class U Units”.

“**Closing**” means the closing of the Offering on the Closing Date.

“**Closing Date**” means the date of Closing, which is expected to be on or about May 17, 2013 or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after a receipt for the final prospectus is issued.

“**Closing Market Price**” means, on a particular date: (i) an amount equal to the closing price of the Class A Units on the principal exchange or market on which the Class A Units are quoted for trading if there was a trade on such date and the exchange or market provides a closing price; or (ii) an amount equal to the weighted average of the highest and lowest prices of the Class A Units if there was trading on such date on the principal exchange or market on which Class A Units are quoted for trading and the exchange or market provides only the highest and lowest trading prices of the Class A Units traded on such date; or (iii) the weighted average of the last bid and last asking prices if there was no trading on the date.

“**Conversion Date**” means the first Business Day of each week.

“**CRA**” means the Canada Revenue Agency.

“**Custodian**” means RBC Investor Services Trust (formerly RBC Dexia Investor Services Trust), in its capacity as custodian under the Custodian Agreement, as the context may require.

“**Custodian Agreement**” means the Master Custodian Services Agreement dated July 23, 2007 between the Manager and the Custodian to be amended on or before the Closing Date to provide for the appointment of the Custodian as custodian and valuation agent of the Fund.

“**Declaration of Trust**” means the declaration of trust of the Fund dated as of April 26, 2013, establishing the Fund under the laws of the Province of Ontario, as it may be amended from time to time.

“**Distribution Payment Date**” means a Business Day designated by the Manager that will be no later than the 15th day of the month following the relevant Distribution Record Date.

“**Distribution Record Date**” means the last Business Day of each month.

“**Extraordinary Resolution**” means a resolution passed by the affirmative vote of 66⅔% of the votes cast, either in person or by proxy, at a meeting of Unitholders or class thereof called and held for such purpose.

“**FATCA**” has the meaning ascribed thereto under “Risk Factors – Taxation of the Fund”.

“**First Lien Loans**” means Senior Floating Rate Loans that receive a primary lien on the assets of an issuer as security for repayment of such loan and provided that the determination by the Manager and the Advisor, acting reasonably, that a security is a “First Lien Loan” shall be conclusive for all purposes herein.

“**Fund**” means Manulife Floating Rate Senior Loan Fund.

“**HST**” means Harmonized Sales Tax.

“**Independent Review Committee**” or “**IRC**” means the independent review committee of the Fund established by the Manager in accordance with NI 81-107.

“**Indicative Portfolio**” means the Senior Floating Rate Loans and short duration debt securities that would have comprised the Portfolio if it had been formed and fully invested on March 15, 2013.

“**Investment Management Agreement**” means the investment management agreement to be dated on or before the Closing Date between the Fund, the Manager and the Advisor, as it may be amended from time to time.

“**Management Fee**” means the management fee payable to the Manager as more fully described under “Fees and Expenses – Management Fee”.

“**Manager**” means Manulife Asset Management Limited, in its capacity as manager and investment manager of the Fund, and if applicable, its successor.

“**Manulife**” means Manulife Financial Corporation.

“**MFRI Fund**” means the Manulife Floating Rate Income Fund, an open-end mutual fund established under the laws of Ontario.

“**Monthly Redemption**” has the meaning ascribed thereto under “Redemptions – Monthly Redemptions”.

“**Monthly Redemption Date**” means the second last Business Day of each month, except for the Annual Redemption Date.

“**Monthly Redemption Price**” has the meaning ascribed thereto under “Redemptions – Monthly Redemptions”.

“**NAV**” or “**Net Asset Value**” on a particular date will be equal to (i) the aggregate fair value of the assets of the Fund, less (ii) the aggregate fair value of the liabilities of the Fund.

“**NAV per Class A Unit**” means, in respect of the Class A Units, the NAV of the Fund allocated to the Class A Units, divided by the number of Class A Units outstanding at the time the calculation is made.

“**NAV per Class U Unit**” means, in respect of the Class U Units, the NAV of the Fund allocated to the Class U Units, divided by the number of Class U Units outstanding at the time the calculation is made.

“**NAV per Unit**” means, in respect of a class of Units, the NAV of the Fund allocated to the Units of such class, divided by the number of Units of such class outstanding at the time the calculation is made.

“**NI 81-102**” means National Instrument 81-102 – *Mutual Funds* of the Canadian Securities Administrators, as may be amended from time to time.

“**NI 81-106**” means National Instrument 81-106 – *Investment Fund Continuous Disclosure* of the Canadian Securities Administrators, as may be amended from time to time.

“**NI 81-107**” means National Instrument 81-107 – *Independent Review Committee for Investment Funds* of the Canadian Securities Administrators, as may be amended from time to time.

“**Offering**” means, collectively, the offering of Class A Units at a price of \$10.00 per Class A Unit, the offering of Class U Units at a price of US\$10.00 per Class U Unit and the offering of Option Units under the Over-Allotment Option at a price of \$10.00 per Option Unit, all pursuant to this prospectus.

“**Option Units**” means Class A Units issued by the Fund in connection with the exercise of the Over-Allotment Option.

“**Ordinary Resolution**” means a resolution passed by the affirmative vote of at least a majority of the votes cast, either in person or by proxy, at a meeting of Unitholders or a class thereof called and held for such purpose.

“**Over-Allotment Option**” means the option granted by the Fund to the Agents, exercisable in whole or in part for a period of 30 days following the Closing Date, to purchase an aggregate of up to 15% of the aggregate number of Class A Units issued at the closing of the Offering at a price of \$10.00 per Class A Unit.

“**Permitted Mergers**” has the meaning ascribed thereto under “Unitholder Matters – Matters Requiring Unitholder Approval”.

“**Portfolio**” means an actively managed portfolio of assets held by the Fund from time to time.

“**Proxy Voting Policy**” means the proxy voting policy established by the Manager.

“**Redemption Notice**” has the meaning ascribed thereto under “Redemptions – Exercise of Redemption Right”.

“**Redemption Payment Date**” means the date designated by the Manager that is on or before the 15<sup>th</sup> Business Day in the following month after the Monthly Redemption Date or Annual Redemption Date, as applicable.

“**Registrar and Transfer Agent**” means the registrar and transfer agent of the Fund, Canadian Stock Transfer Company Inc.

“**Second Lien Loans**” means Senior Floating Rate Loans that receive a secondary lien on the residual assets of an issuer as security for repayment of such loan, provided that assets of such issuer are sufficient to satisfy the issuer’s obligations to its first lien secured lenders and that the determination by the Manager and the Advisor, acting reasonably, that a security is a “Second Lien Loan” shall be conclusive for all purposes herein.

“**Senior Floating Rate Loans**” means senior loans (with a first and/or second lien) made to corporations and other entities that carry a floating interest rate, provided that the determination by the Manager and the Advisor, acting reasonably, that a security is a “Senior Floating Rate Loan” shall be conclusive for all purposes herein.

“**S&P**” means Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., or its successors.

“**Service Fee**” means a fee paid by the Manager to registered dealers as more fully described under “Fees and Expenses – Service Fee”.

“**SIFT Rules**” means the rules in the Tax Act which apply to a SIFT Trust and its unitholders.

“**SIFT Trust**” means a specified investment flow-through trust for the purposes of the Tax Act.

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder, as may be amended from time to time.

“**Tax Proposals**” means all specified proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof.



“**Termination Date**” has the meaning ascribed thereto under “Termination of the Fund”.

“**Total Assets**” means the aggregate value of the assets of the Fund determined in accordance with the terms of the Declaration of Trust.

“**Trustee**” means Manulife Asset Management Limited, in its capacity as trustee of the Fund, and if applicable, its successor.

“**TSX**” means the Toronto Stock Exchange.

“**United States**” or “**U.S.**” means the United States of America, its territories and possessions, any state thereof, and the District of Columbia.

“**Unitholders**” means the holders of Units.

“**Units**” means the Class A Units and/or the Class U Units, as applicable.

“**US\$**” means U.S. dollars.

“**U.S. Securities Act**” means the U.S. *Securities Act of 1933*, as amended.

“**Valuation Day**” has the meaning ascribed thereto under “Calculation of Net Asset Value – Reporting of Net Asset Value”.

“**Valuation Time**” has the meaning ascribed thereto under “Calculation of Net Asset Value – Reporting of Net Asset Value”.

“**\$**” means Canadian dollars unless otherwise indicated.



## PROSPECTUS SUMMARY

*The following is a summary of the principal features of this distribution (the “Offering”) and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Certain capitalized terms used, but not defined in this summary, are defined in the “Glossary of Terms”. Unless otherwise indicated, all references to dollar amounts in this prospectus are to Canadian dollars.*

<b>Issuer:</b>	Manulife Floating Rate Senior Loan Fund (the “Fund”) is a closed-end investment fund established under the laws of the Province of Ontario pursuant to a declaration of trust dated as of April 26, 2013 (the “Declaration of Trust”). The trustee, manager and investment manager of the Fund is Manulife Asset Management Limited (in such capacity, the “Manager” or “MAML”).
<b>Offering:</b>	The Fund is offering Class A Units, at a price of \$10.00 per Class A Unit, and Class U Units, at a price of US\$10.00 per Class U Unit. The Class U Units are designed for investors who want to make their investment in U.S. dollars and will not be listed on a stock exchange. Class U Units may be converted into Class A Units on a weekly basis. See “Attributes of the Securities” and “Plan of Distribution”.
<b>Price:</b>	\$10.00 per Class A Unit US\$10.00 per Class U Unit
<b>Maximum Issue:</b>	Maximum of \$250,000,000 (25,000,000 Units)
<b>Minimum Issue</b>	Minimum of \$20,000,000 of Class A Units (2,000,000 Class A Units)
<b>Minimum Purchase:</b>	\$1,000 (100 Class A Units) US\$1,000 (100 Class U Units)
<b>Investment Objectives:</b>	<p>The Fund’s investment objectives are:</p> <ul style="list-style-type: none"><li>(i) to provide holders of Units (the “Unitholders”) with monthly distributions;</li><li>(ii) to preserve capital; and</li><li>(iii) to provide the opportunity for increased income if short-term interest rates rise.</li></ul> <p>The Fund has been created to invest in an actively managed portfolio (the “Portfolio”) comprised primarily of investments in Senior Floating Rate Loans and, to a lesser extent, short duration debt securities.</p> <p>See “Investment Objectives”.</p>
<b>Investment Strategies:</b>	<p>The Portfolio will be actively managed by Manulife Asset Management (US) LLC, sub-advisor to the Fund (the “Advisor” or “MAM”), and will seek to deliver attractive risk-adjusted total returns by using a value approach to identify undervalued companies with an attractive long-term outlook. As at December 31, 2012, MAM and its affiliates had total assets under management of approximately \$238 billion, including over \$95 billion in fixed income mandates.</p> <p>The Advisor will seek to invest in a broadly diversified portfolio composed primarily of Senior Floating Rate Loans that are expected to generate increased cash flow in the event that short-term interest rates rise above applicable LIBOR floors (which set a minimum LIBOR rate for such loans). Up to 20% of Total Assets may be invested in short duration debt securities, including short duration high yield bonds.</p> <p>The investment strategy for the Fund focuses on maximizing total portfolio return through a combination of current yield and price changes. The Advisor seeks to deliver attractive risk-adjusted returns by using its fundamental value investment process that is designed to deliver a portfolio with long-term return potential. Individual investment</p>

decisions for the Portfolio are based on the following:

- 1) **Bottom-up research:** The Advisor's team utilizes deep, fundamental credit research to evaluate each issuer's financial position, operations, legal and structural risks, value proposition, and depth of management. MAM's analysts rate each company based on its financial condition, the feasibility of its strategic plan and the quality of management. With respect to each security, MAM looks at credit quality, yield, structure and total return.
- 2) **Value-oriented philosophy:** The Advisor's portfolio managers employ a contrarian approach to create an independent view of a particular issue. The process identifies companies with catalysts for unlocking value and allows the managers to select the most attractive investments that may be out of favour with the current market, but exhibit good long-term fundamentals.
- 3) **Risk framework with focus on downside protection:** At the time of purchase, sensitivity analysis is performed and liquidity is evaluated, not just at the issue level, but also at the firm level. Each company in the Portfolio is monitored for material changes on an ongoing basis.

See "Investment Strategies".

**Distributions:**

The Fund's initial distribution target is expected to be \$0.05625 per Class A Unit per month (or \$0.675 per annum) or US\$0.05625 per Class U Unit per month (or US\$0.675 per annum), representing an initial yield on the original Unit issue price of 6.75% per annum. The return to Unitholders and the Fund will be dependent on the return on the Portfolio.

The Fund intends to make monthly distributions to Unitholders of record on the last Business Day of each month (each, a "**Distribution Record Date**"). Distributions will be paid on a Business Day designated by the Manager that will be no later than the 15<sup>th</sup> day of the following month (each, a "**Distribution Payment Date**"). The Fund will not have a fixed monthly distribution amount but will at least annually determine and announce an expected distribution amount for the following 12 months. The initial cash distribution is anticipated to be payable on or before July 15, 2013 to Unitholders of record on June 30, 2013.

See "Distribution Policy" and "Risk Factors".

**Leverage:**

The Fund may borrow through a loan facility with a major Canadian chartered bank against assets of the Fund in an amount up to 40% of the Total Assets. Accordingly, the maximum amount of leverage that the Fund could employ is 1.67:1. Initially, the Fund is expected to employ leverage of approximately 35% of Total Assets. It is expected that the interest rate applicable to the leverage provided to the Fund will be typical of credit facilities provided to closed-end funds.

See "Investment Strategies – Leverage".

**Foreign Currency Hedging:**

The Portfolio will be invested primarily in assets denominated in U.S. dollars. From time to time, 0% to 100% of the value of the Portfolio attributable to the Class A Units' non-Canadian currency exposure may be hedged back to the Canadian dollar by the Advisor. The Advisor initially intends to hedge 80% of the value of the Portfolio attributable to the Class A Units. The value of the Portfolio attributable to the Class U Units will not be hedged. The Fund may use derivative instruments to actively manage currency exposure in respect of the value of the Portfolio applicable to the Class A Units. The currency exposure attributable to the value of the Class A Units will be actively managed by Daniel S. Janis, III, who has over 20 years of foreign exchange, derivatives, and global economics experience. No assurance can be given that the

Portfolio will be hedged from any particular risk from time to time.

See “Investment Strategies – Foreign Currency Hedging”.

**Redemptions:**

Units may be redeemed annually (“**Annual Redemption**”) on the second last Business Day of November commencing in 2014 (the “**Annual Redemption Date**”), subject to the Manager’s right to suspend redemptions in certain circumstances. In order to effect an Annual Redemption, the Units must be surrendered for redemption by no later than 5:00 p.m. (Toronto time) on the last Business Day of October. Unitholders participating in an Annual Redemption will receive payment for their redeemed Units on or before the 15th Business Day in December equal to the NAV per Class A Unit or the NAV per Class U Unit, as applicable, on the Annual Redemption Date less any nominal costs and expenses incurred by the Fund in order to fund such redemption, including commissions, wire transfer fees and such other costs charged to the Fund by third parties, if any.

Units are also redeemable on a monthly basis.

See “Redemptions”.

**Conversion of Class U Units:**

A holder of Class U Units may convert such Class U Units into Class A Units on a weekly basis and it is expected that liquidity for the Class U Units will be obtained primarily by means of conversion into Class A Units and the sale of such Class A Units. Class U Units may be converted in any week on the first Business Day of such week (the “**Conversion Date**”) by delivering a notice and surrendering such Class U Units no later than 3:00 p.m. (Toronto time) at least five Business Days prior to the applicable Conversion Date. Based in part on the CRA’s administrative position, a conversion of Class U Units into whole Class A Units will likely constitute a disposition of such Class U Units for the purposes of the Tax Act.

For each Class U Unit so converted, a holder will receive that number of Class A Units equal to the NAV per Class U Unit as at the close of trading on the Business Day immediately preceding the Conversion Date divided by the Net Asset Value per Class A Unit as at the close of trading on the Business Day immediately preceding the Conversion Date. No fraction of a Class A Unit will be issued upon any conversion of Class U Units. Any remaining fraction of a Class U Unit will be redeemed for cash payment at the NAV per Class U Unit as of the close of trading on the Business Day immediately preceding the Conversion Date. The redemption of any fraction of a Class U Unit will likely result in a capital gain (or capital loss) to the redeeming Unitholder.

See “Attributes of the Securities – Conversion of Class U Units” and “Income Tax Considerations”.

**Termination:**

The Fund does not have a fixed termination date. The Fund may be terminated at any time upon not less than 90 days’ written notice by the Manager; provided, however, that the Manager may, in its discretion, on 60 days’ notice to Unitholders, terminate the Fund if, in the opinion of the Manager, it would be in the best interests of the Fund and the Unitholders to terminate the Fund. Upon termination, the net assets of the Fund will be distributed to Unitholders on a pro rata basis. See “Unitholder Matters” and “Termination of the Fund”.

**Use of Proceeds:**

The Fund will use the net proceeds of the Offering (including any net proceeds from the exercise of the Over-Allotment Option) to invest in the Portfolio in accordance with the investment objectives and investment restrictions of the Fund.

The net proceeds from the sale of Units (prior to the exercise of the Over-Allotment Option) will be as follows:

	Minimum Offering <sup>(1)</sup>	Maximum Offering <sup>(1)(2)</sup>
Gross Proceeds to the Fund	\$20,000,000	\$250,000,000
Agents' fees	\$1,050,000	\$13,125,000
Expenses of issue <sup>(3)</sup>	\$300,000	\$800,000
Net Proceeds to the Fund	\$18,650,000	\$236,075,000

Notes:

- (1) There will be no Closing unless a minimum of 2,000,000 Class A Units are sold. The maximum Offering assumes 25,000,000 Units are sold. If subscriptions for a minimum of 2,000,000 Class A Units have not been received within 90 days following the date of issuance of a receipt for this prospectus, the Offering may not continue unless an amendment to this prospectus has been filed and a receipt therefor has been issued.
- (2) The Fund has granted the Agents an option (the “**Over-Allotment Option**”), exercisable for a period of 30 days following the Closing, to purchase additional Class A Units in an amount up to 15% of the aggregate number of Class A Units issued at the Closing on the same terms as set forth above. If the Over-Allotment Option is exercised in full, under the maximum Offering, the price to the public, the Agents' fee and the net proceeds to the Fund before deducting the expenses of the Offering will be \$287,500,000, \$15,093,750 and \$272,406,250, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Option Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Option Units forming part of the over-allotment position acquires such Option Units under this prospectus, regardless of whether the over-allotment position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See “Plan of Distribution”.
- (3) Subject to a maximum of 1.5% of the gross proceeds of the Offering.

**Risk Factors:**

An investment in Units will be subject to certain risk factors, including:

1. there can be no assurance that the Fund will be able to achieve its investment objectives;
2. loss of investment;
3. no guaranteed return;
4. risks relating to fluctuations in the value of Portfolio securities and the performance of the Portfolio;
5. credit risk and risks relating to Senior Floating Rate Loans and short duration debt securities;
6. reinvestment risk;
7. concentration risk;
8. risks related to investments in foreign securities;
9. risks related to leverage;
10. risks related to market disruptions;
11. risks related to global financial developments;
12. reliance on the Manager, the Advisor and key employees of each;
13. risk related to significant redemptions;
14. risks related to the use of derivative instruments;
15. sensitivity to interest rate changes;
16. the possibility that the Fund will be unable to acquire or dispose of illiquid securities;
17. risks associated with foreign currency exposure;
18. risks regarding the possibility that the Class A Units may trade at less than the NAV per Class A Unit;
19. the Fund is not subject to regulation as a mutual fund;
20. potential conflicts of interest;
21. changes in legislation;

22. taxation of the Fund;
23. no ownership interest;
24. enforcement of rights;
25. the Fund's lack of operating history and the current absence of a public trading market for the Units;
26. the fact that the Fund is not a trust company and the Units are not insured deposits;
27. the fact that Units are neither fixed-income nor equity securities of a company, and Unitholders will not have certain rights typically associated with investments in such securities;
28. the fact that the Class U Units will not be listed on any stock exchange; and
29. potential liability of Unitholders.

See "Risk Factors".

**Income Tax Considerations:**

A Unitholder who is resident in Canada will generally be required to include in computing income for a taxation year that part of the net income of the Fund, including net taxable capital gains, if any, that is paid or becomes payable to the Unitholder by the Fund in the year (whether in cash or in Units). To the extent that amounts payable to a Unitholder are designated by the Fund as taxable dividends from taxable Canadian corporations, foreign source income, and the taxable portion of net realized capital gains, those amounts will generally retain their character and be treated as such in the hands of the Unitholder.

Distributions by the Fund to a Unitholder in excess of the Unitholder's share of the Fund's net income and net realized capital gains will generally not result in an income inclusion, but will reduce the adjusted cost base of the Unitholder's Units. To the extent that the adjusted cost base of a Unit held as capital property would otherwise be less than zero, the Unitholder will be deemed to have realized a capital gain equal to such negative amount. A Unitholder who disposes of Units held as capital property (on a redemption or otherwise) will realize a capital gain (or capital loss) to the extent that the proceeds of disposition exceed (or are less than) the aggregate adjusted cost base of the Units disposed of and any reasonable costs of disposition. A conversion of Class U Units into Class A Units by a Unitholder will likely constitute a disposition of the Class U Units for the Unitholder.

**Each investor should satisfy himself or herself as to the federal and provincial tax consequences of an investment in Units by obtaining advice from his or her tax advisor.** See "Income Tax Considerations".

**Eligibility for Investment:**

In the opinion of Borden Ladner Gervais LLP, counsel to the Fund, and Fasken Martineau DuMoulin LLP, counsel to the Agents, provided that the Fund qualifies and continues at all times to qualify as a "mutual fund trust" within the meaning of the Tax Act, the Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts. See "Income Tax Considerations – Status of the Fund".

Notwithstanding the foregoing, if the Units are "prohibited investments" for the purposes of a registered retirement savings plan ("RRSP"), registered retirement income fund ("RRIF") or a tax-free savings account ("TFSA"), the annuitant or holder of the RRSP, RRIF or TFSA will be subject to a penalty tax as set out in the Tax Act. A "prohibited investment" includes a unit of a trust (i) which does not deal at arm's length with the annuitant or holder, (ii) which does not deal at arm's length with a corporation, partnership or trust in which the annuitant or holder has a significant interest, or (iii) in which the annuitant or holder has a significant interest. In general terms, "significant interest" means the ownership of 10% or more of the value of a trust's or partnership's

outstanding units or interests, or the ownership of 10% or more of the issued shares of any class of a corporation, by the annuitant or holder, either alone or together with persons with whom the annuitant or holder does not deal at arm's length. Proposed amendments to the Tax Act released on December 21, 2012 (the "**December 2012 Proposals**") propose to delete the condition in (ii) above. In addition, pursuant to the December 2012 Proposals, the Units will generally not be a prohibited investment if the Units are "excluded properties" as defined in the December 2012 Proposals for the particular RRSP, RRIF or TFSA. Annuitants or holders should consult their own tax advisors with respect to whether Units would be prohibited investments, including with respect to whether the Units would be excluded property as defined in the December 2012 Proposals. See "Income Tax Considerations – Taxation of Registered Plans".

#### ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND

Management of the Fund	Name and Principal Municipality at which Services are Provided	Services Provided to the Fund
Trustee, Manager and investment manager of the Fund	Manulife Asset Management Limited Toronto, Ontario	Provides investment management services, manages the overall business and operations of, and provides or arranges for all administration services required by the Fund.
Sub-advisor of the Fund	Manulife Asset Management (US) LLC Boston, Massachusetts	Provides investment management services to the Fund.
Custodian and Valuation Agent of the Fund	RBC Investor Services Trust Toronto, Ontario	Provides custody and valuation services to the Fund.
Auditor of the Fund	PricewaterhouseCoopers LLP Toronto, Ontario	Provides audit services to the Fund.
Registrar and Transfer Agent of the Fund	Canadian Stock Transfer Company Inc. Toronto, Ontario	Maintains the securities register and the register of transfers of securities of the Fund.

#### AGENTS

RBC Dominion Securities Inc., CIBC World Markets Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., Manulife Securities Incorporated, National Bank Financial Inc., TD Securities Inc., Canaccord Genuity Corp., GMP Securities L.P., Macquarie Private Wealth Inc., Raymond James Ltd., Desjardins Securities Inc. and Mackie Research Capital Corporation (collectively, the "**Agents**") will act as agents for the Offering.

The Fund has granted to the Agents an option (the "**Over-Allotment Option**"), exercisable, in whole or in part, and from time to time for a period of 30 days following the closing of the Offering, to purchase an aggregate of up to 15% of the aggregate number of Class A Units issued at the closing of the Offering at a price of \$10.00 per Class A Unit (the "**Option Units**").

Agents' Position	Maximum Size	Exercise Period	Exercise Price
Over-Allotment Option	3,750,000 Option Units	Within 30 days of the closing of the Offering	\$10.00 per Option Unit



## SUMMARY OF FEES AND EXPENSES

The following table contains a summary of the fees and expenses payable, or incurred indirectly, by the Fund. The fees and expenses payable or incurred indirectly by the Fund will reduce the value of your investment in the Fund. For further particulars, see “Fees and Expenses”.

<u>Type of Fee</u>	<u>Amount and Description</u>
Fees Payable to the Agents:	\$0.525 per Class A Unit and US\$0.525 per Class U Unit.
Expenses of Issue:	The expenses of the Offering are estimated to be \$800,000, subject to a maximum of 1.5% of the gross proceeds of the Offering, and, together with the Agents’ fee, will be paid by the Fund.
Management Fee:	The Manager will receive an annual management fee (the “ <b>Management Fee</b> ”) from the Fund equal to 1.10% of the NAV accrued daily and paid monthly in arrears, plus an amount equal to the Service Fee (as hereinafter defined). The total Management Fee including the Service Fee paid to the Manager by the Fund, will be equal to 1.50% of the NAV. The Management Fee payable by the Fund is subject to applicable taxes, including HST.
Service Fee:	The Manager will pay to registered dealers a service fee (the “ <b>Service Fee</b> ”), in connection with purchased Units that are serviced by such registered dealers, equal to 0.40% annually of the NAV per Unit for each Unit held by clients of registered dealers (calculated and paid at the end of each calendar quarter commencing on September 30, 2013), plus applicable taxes, if any. The Service Fee paid in respect of the period from the Closing Date to the payment of the first Service Fee following Closing will be pro-rated accordingly. The Manager may, from time to time, pay the Service Fee more frequently than quarterly, in which case the Service Fee will be pro-rated for the period to which it relates.
Operating Expenses of the Fund:	The Fund will pay for all ordinary expenses, including applicable taxes, incurred in connection with its operation and administration. It is expected that these expenses will include, without limitation: mailing and printing expenses for periodic reports to Unitholders and other Unitholder communications including marketing and advertising expenses; fees payable to the registrar and transfer agent; any reasonable out-of-pocket expenses incurred by the Manager or its agents in connection with their on-going obligations to the Fund; fees payable to the auditors and legal advisors of the Fund; fees payable to the Custodian for acting as custodian of the assets of the Fund; banking fees; fees and expenses of the Independent Review Committee; regulatory filing, stock exchange and licensing fees; and any expenditures incurred upon the termination of the Fund. The aggregate amount of these fees and expenses and any applicable taxes is estimated to be \$200,000 per annum (exclusive of interest with respect to any borrowing).



## INFORMATION REGARDING PUBLIC INFORMATION

*Certain information contained in this prospectus relating to senior floating rate loans, short duration debt securities, high yield securities, issuers of such securities, exchange rates and interest rates is taken from and based solely upon information published by public sources. None of the Manager, the Advisor, the Fund or the Agents has independently verified the accuracy or completeness of any such information or assumes any responsibility for the completeness or accuracy of such information.*

## FORWARD LOOKING STATEMENTS

*Certain statements included in this prospectus constitute forward looking statements. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as “expects”, “anticipates”, “plans”, “believes”, “estimates”, “intends”, “targets”, “projects”, “forecasts” or negative versions thereof and other similar expressions, or future or conditional verbs such as “may”, “will”, “should”, “would” and “could”, and similar expressions to the extent they relate to the Fund, the Manager, the Trustee and/or the Advisor. The forward looking statements are not historical facts but reflect the current expectations regarding future results or events including results of the Fund. These forward looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including but not limited to, the matters discussed under “Risk Factors” and in other sections of this prospectus.*

*These and other factors should be considered carefully and readers should not place undue reliance on the Fund’s forward-looking statements. The Fund does not undertake to update any forward-looking statement that is contained in this prospectus otherwise than as required by applicable laws.*

## THE FUND

### Overview of the Legal Structure of the Fund

Manulife Floating Rate Senior Loan Fund is a closed-end investment fund established under the laws of the Province of Ontario pursuant to a declaration of trust dated April 26, 2013. Manulife Asset Management Limited is the trustee, manager and investment manager of the Fund. The beneficial interest in the net assets and net income of the Fund is divided into units of two classes, Class A Units and Class U Units. The Fund is authorized to issue an unlimited number of Units of each class. The Class A Units are designed for investors who want to make their investment in Canadian dollars and the Class U Units are designed for investors who want to make their investment in U.S. dollars. The principal office of the Fund is located at 200 Bloor Street East, North Tower, 3rd Floor, Toronto, Ontario, M4W 1E5.

The Fund is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. Consequently, the Fund is not subject to the various policies and regulations that apply to mutual funds under such legislation.

### INVESTMENT OBJECTIVES

The Fund's investment objectives are:

- (i) to provide Unitholders with monthly distributions;
- (ii) to preserve capital; and
- (iii) to provide the opportunity for increased income if short-term interest rates rise.

The Fund has been created to invest in an actively managed Portfolio comprised primarily of investments in Senior Floating Rate Loans and, to a lesser extent, short duration debt securities.

### INVESTMENT STRATEGIES

The Portfolio will be actively managed by the Advisor and will seek to deliver attractive risk-adjusted total returns by using a value approach to identify undervalued companies with an attractive long-term outlook. As at December 31, 2012, the Advisor and its affiliates had total assets under management of approximately \$238 billion, including over \$95 billion in fixed income mandates.

The Advisor will seek to invest in a broadly diversified portfolio composed primarily of Senior Floating Rate Loans that are expected to generate increased cash flow in the event that short-term interest rates rise above applicable LIBOR floors (which set a minimum LIBOR rate for such loans). Up to 20% of Total Assets may be invested in short duration debt securities, including short duration high yield bonds.

The investment strategy for the Fund focuses on maximizing total portfolio return through a combination of current yield and price changes. The Advisor seeks to deliver attractive risk-adjusted returns by using its fundamental value investment process that is designed to deliver a portfolio with long-term return potential. Individual investment decisions for the Portfolio are based on the following:

- 1) **Bottom-up research:** The Advisor's team utilizes deep, fundamental credit research to evaluate each issuer's financial position, operations, legal and structural risks, value proposition, and depth of management. MAM's analysts rate each company based on its financial condition, the feasibility of its strategic plan and the quality of management. With respect to each security, MAM looks at credit quality, yield, structure and total return.
- 2) **Value-oriented philosophy:** The Advisor's portfolio managers employ a contrarian approach to create an independent view of a particular issue. The process identifies companies with catalysts for unlocking value and allows the managers to select the most attractive investments that may be out of favour with the current market, but exhibit good long-term fundamentals.

- 3) **Risk framework with focus on downside protection:** At the time of purchase, sensitivity analysis is performed and liquidity is evaluated, not just at the issue level, but also at the firm level. Each company in the Portfolio is monitored for material changes on an ongoing basis.

### Portfolio Management Team

The Portfolio will be managed by John Addeo and Dennis McCafferty, who will be supported by a team of more than 20 investment professionals, including credit specialists, traders and quantitative research experts. The team will also be supported at the strategic and currency management level by Senior Portfolio Manager Daniel S. Janis, III. Mr. Janis received a 2011 Lipper Fund Award and received a 2010 Canadian Investment Fund Award, both in the Global Fixed Income Fund category. The following chart demonstrates the depth and experience of the members on the credit team of the Advisor.

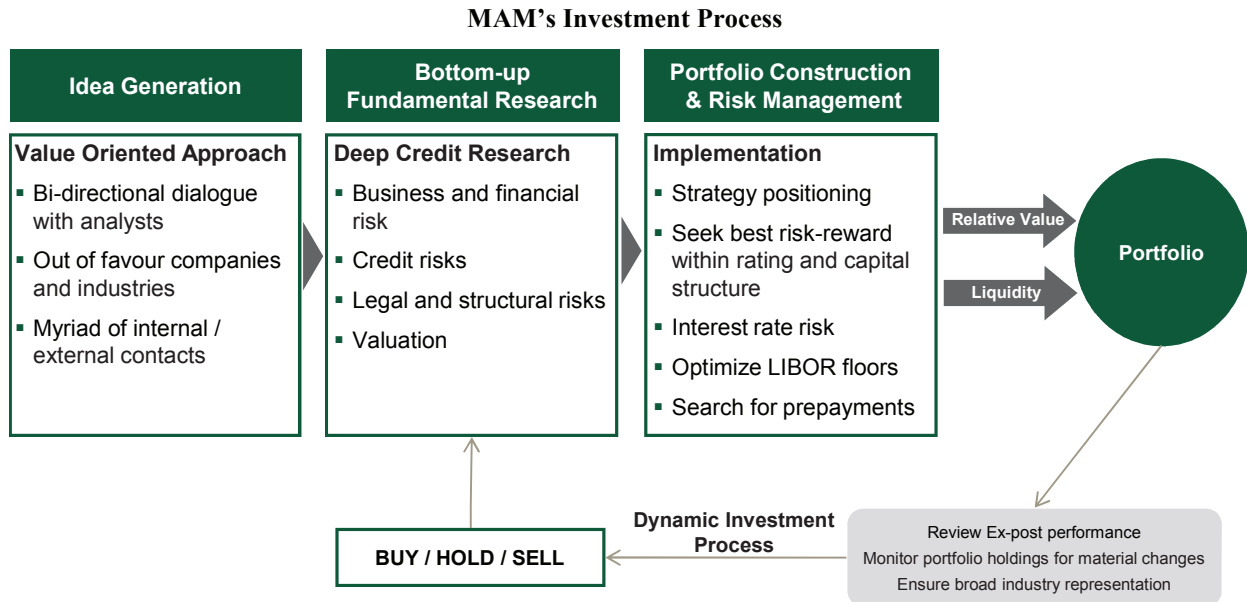
### Manulife Asset Management Credit Team

<b>Dan Janis, Senior Managing Director</b> Senior Portfolio Manager		<b>Tom Goggins, Managing Director</b> Senior Portfolio Manager	
<b>Credit Team</b>			
<b>John F. Addeo, CFA</b> Portfolio Manager 27 Years Experience	<b>Dennis F. McCafferty, CFA</b> Portfolio Manager 17 Years Experience	<b>Joseph E. Rizzo</b> Portfolio Manager & Trader 18 Years Experience	
<b>North American Credit Research</b>		<b>Traders</b>	<b>Quantitative Research</b>
<b>Robert F. Rock, CFA, CMA</b> Head of Credit Research & Strategy 28 Years Experience		<b>Frederic D. Callahan</b> 37 Years Experience	<b>David Rickards, CFA</b> 16 Years Experience
<b>David A. Bees</b> 10 Years Experience	<b>Brent Bottamini</b> 13 Years Experience	<b>Jennifer Bowers, CFA</b> 19 Years Experience	<b>Daniel Cook</b> 3 Years Experience
<b>Crystal Lin, CFA, CPA</b> 10 Years Experience	<b>Donald M. Tucker, CFA</b> 15 Years Experience	<b>Christopher Chapman, CFA</b> 13 Years Experience	
<b>Alexander Patrick, CFA</b> 17 Years Experience	<b>Johnny Sze</b> 4 Years Experience	<b>Christopher Coccoluto</b> 4 Years Experience	
<b>Caryn E. Rothman, CFA</b> 14 Years Experience	<b>Darcy Morris</b> 8 Years Experience	<b>Michael Lorizio</b> 13 Years Experience	
		<b>Evita M. Stoltzmann</b> 9 Years Experience	
<b>Canada</b>			
Grant Dawson, CFA Roshan Thiru Jonathan Crescenzi			
<b>Additional Resources</b>			
<b>Global Multi-Sector Portfolio Managers</b> Average Experience: 27 Years		<b>Core Plus Portfolio Managers</b> Average Experience: 22 Years	
<b>Equity Teams</b> Average Experience: 21 Years			

### The Investment Process

The Advisor focuses on companies that have a sustainable business model, a compelling value proposition and/or strong cash flows. MAM's analysts rate each company based on its financial condition, the feasibility of its strategic plan, and the quality of its management. MAM believes that security selection is the most important aspect of the Portfolio in order to seek to maximize returns and minimize risk.

The following diagram sets out the investment process of the Advisor:



### *Idea Generation*

Daily meetings are held with the portfolio managers, credit research analysts and traders. The meetings provide the opportunity for the broader team members to discuss, among other things, the following areas:

- Specific issuers/securities that may be appropriate for inclusion in a variety of mandates due to their relative value in the current market or which need to be revisited and reconsidered as ongoing holdings; and
- Review prior day's and overnight markets' events, recent earnings updates, new issuance calendar and market liquidity.

### *Bottom-up Fundamental Research*

Experienced credit research analysts recommend an industry based on its relative value to other industries, consider the various risks based on research and make buy/sell recommendations on individual securities and intra-capital structure opportunities.

Analysts identify potential investments through a process using an intensive, bottom-up corporate credit research and rate each company based on its financial condition, the feasibility of its strategic plan, and the quality of management. A second level analysis involves a review of the specific security or loan for credit quality, liquidity, yield and structure (including term, covenant package, etc.).

### *Portfolio Construction & Risk Management*

The team will focus on assets with income-generating attributes with total return potential and will seek the best risk-reward profile within a defined rating and capital structure.

After the investment decisions have been made based on their relative value and liquidity merits, the Advisor monitors the individual holdings, cash flow profile, asset valuations, liquidity and refinancing risk on a regular basis.

The majority of the research for MAM's investment strategies is internally-generated. Securities are only selected once the issuer's financial position, operations, competitive position and the depth of management have been analyzed. Once purchased, analysts conduct ongoing credit reviews and company visits to identify any potential change in the risk/return factors of the holding. MAM's investment analysts are organized by industry/sector, covering the entire credit-quality spectrum. Industry-specific research is aimed at identifying industries undergoing structural or competitive changes that will enhance profits and cash flow. Analysts

recommend investment ideas after numerous valuation metrics, including financial statement ratio analysis, and qualitative issues have been assessed.

### The MFRI Fund

In managing the Portfolio, MAM will employ substantially the same investment strategy as it employs in managing the Manulife Floating Rate Income Fund (the “**MFRI Fund**”), an open-end mutual fund formed under the laws of the Province of Ontario. The manager and investment manager of the MFRI Fund is MAML and the portfolio manager is MAM. As at December 31, 2012, the MFRI Fund had total assets of approximately \$200 million. The MFRI Fund’s investment objective is to generate income while reducing interest rate risk by investing in an actively managed diversified portfolio consisting primarily of investments in floating rate loans as well as other foreign and domestic debt securities.

The following table sets out the 1-year, 2-year and since inception trailing returns of the MFRI Fund (Advisor Series and Series X) compared against the Credit Suisse Leveraged Loan Index.

**Trailing Returns of the MFRI Fund and Credit Suisse Leveraged Loan Index  
(Reported as at December 31, 2012)**

	1-Year	2-Year	Since Inception <sup>(5)</sup>
MFRI Fund <sup>(1)(3)</sup>	9.82%	4.40%	5.53%
MFRI Fund <sup>(2)(3)</sup>	11.69%	6.10%	7.25%
Credit Suisse Leveraged Loan Index <sup>(4)</sup>	9.43%	5.56%	6.85%

Source: MAML and Credit Suisse Leveraged Loan Index as at December 31, 2012.

(1) Performance shown is of the MFRI Fund - Advisor Series which are net of fees and operating expenses, and expressed in Canadian dollars and fully hedged against fluctuations in the U.S. dollar. Past performance is not indicative of future results. Returns of the Fund may be different than those of the MFRI Fund due to a number of factors that include a difference in investment strategies, fee structures, operating expenses and leverage.

(2) Performance shown is the MFRI Fund - Series X which are gross of fees and net of operating expenses, and expressed in Canadian dollars and fully hedged against fluctuations in the U.S. dollar. Past performance is not indicative of future results. Returns of the Fund may be different than those of the MFRI Fund due to a number of factors that include a difference in investment strategies, fee structures, operating expenses and leverage.

(3) The Fund will differ from the MFRI Fund in certain respects, including that the investment policy of the MFRI Fund provides that it may invest between 60% and 100% of its assets in senior floating rate loans and other U.S. dollar denominated debt securities; up to 40% of its assets in investment grade Canadian-domiciled debt securities; and up to 25% of its assets in foreign (meaning non-Canadian and non-U.S.) debt securities from both developed and emerging market countries issued in local or other currencies. The MFRI Fund may also invest in asset-backed and mortgage-backed securities of various credit qualities and does not use leverage for investment purposes.

(4) The Credit Suisse Leveraged Loan Index is in U.S. dollars and tracks the investable market of the U.S. dollar denominated leveraged loan market. It consists of issues rated “5B” or lower, meaning that the highest rated issues included in this index are Moody’s/S&P ratings of Baa1/BB+ or Ba1/BBB+. All loans are funded term loans with a term of at least one year and are made by issuers domiciled in developed countries.

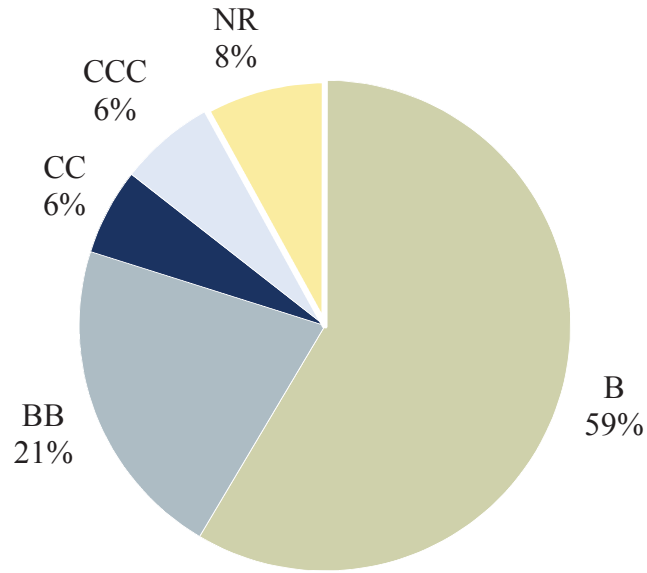
(5) Inception Date: August, 2010.

### Indicative Portfolio

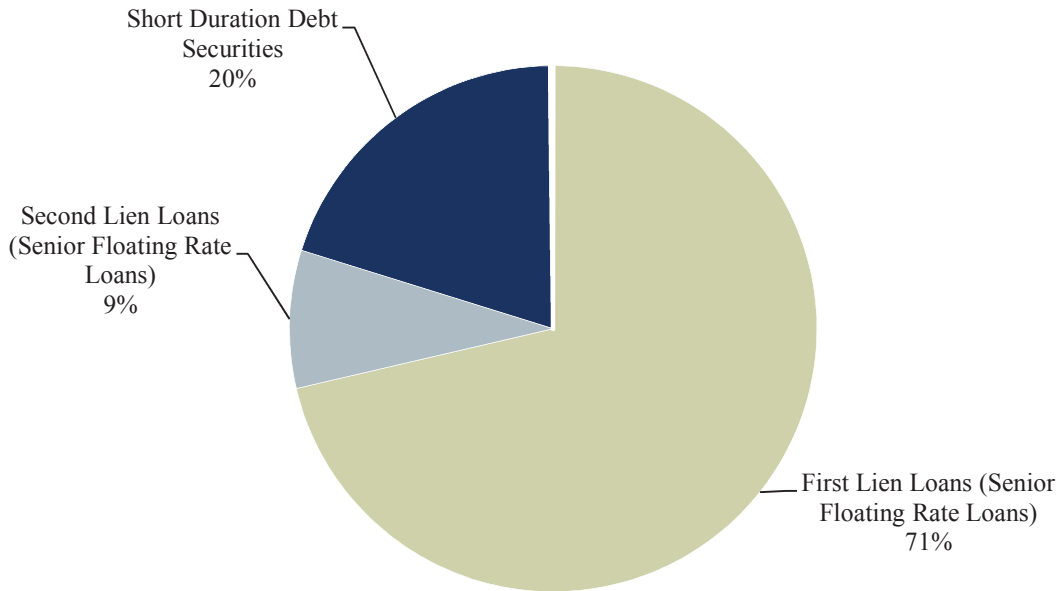
The indicative portfolio is illustrative of the investments that would have comprised the Portfolio had it existed on March 15, 2013 (the “**Indicative Portfolio**”).

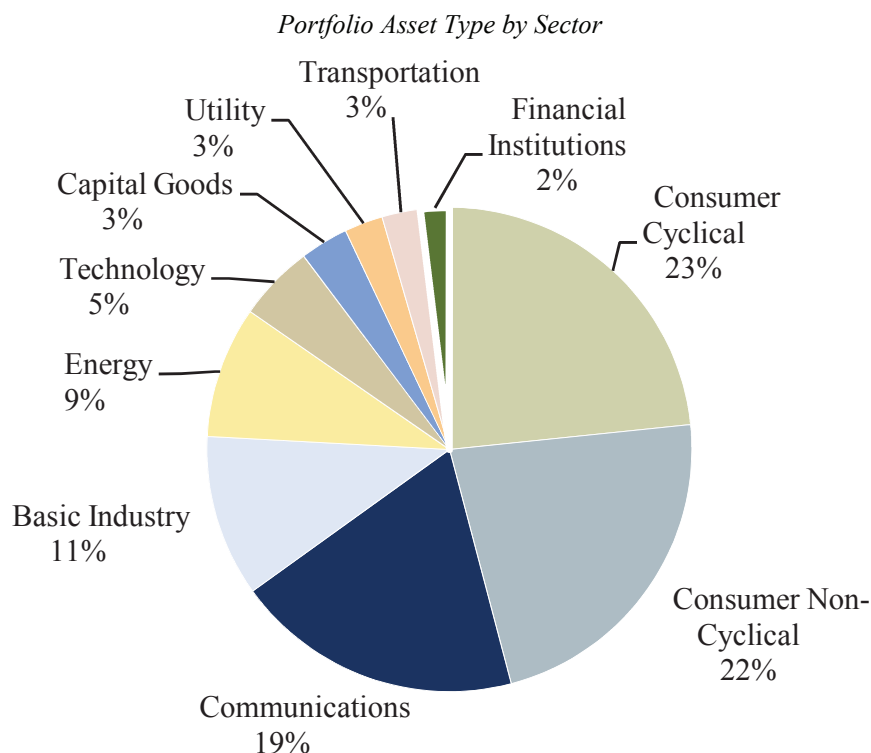
The following charts set out the Indicative Portfolio’s credit quality (by S&P rating) distribution, asset type allocation and asset type by sector.

*Portfolio Ratings Distribution*



*Portfolio Asset Type Allocation*





*Indicative Portfolio Summary*

The following table shows the characteristics of the Indicative Portfolio as of March 15, 2013.

Characteristics	Indicative Portfolio
Average Credit Quality	B+/B
Average Maturity (years)	4.87
Average Yield to Maturity	6.50% <sup>1</sup>
Option Adjusted Duration (years)	0.74

<sup>1</sup>As of March 27, 2013.

The information contained in the above table is historical and is not intended to be, nor should it be construed to be, an indication as to the future performance of the investments comprising the Portfolio. The Advisor will actively manage the Portfolio to seek to meet the Fund’s investment objectives and therefore the composition of the Portfolio will vary from time to time based on the Advisor’s assessment of market conditions.

**Leverage**

The Fund may borrow through a loan facility with a major Canadian chartered bank against assets of the Fund in an amount up to 40% of the Total Assets. Accordingly, the maximum amount of leverage that the Fund could employ is 1.67:1. Initially, the Fund is expected to employ leverage of approximately 35% of Total Assets. It is expected that the interest rate applicable to the leverage provided to the Fund will be typical of credit facilities provided to closed-end funds.

**Foreign Currency Hedging**

The Portfolio will be invested primarily in assets denominated in U.S. dollars. From time to time, 0% to 100% of the value of the Portfolio attributable to the Class A Units’ non-Canadian currency exposure may be hedged back to the Canadian dollar by the Advisor. The Advisor initially intends to hedge 80% of the value of the Portfolio attributable to the Class A Units. The value of the Portfolio attributable to the Class U Units will not be hedged. The Fund may use derivative instruments to actively manage currency exposure in respect of the value of



the Portfolio applicable to the Class A Units. The currency exposure attributable to the value of the Class A Units will be actively managed by Daniel S. Janis, III, who has over 20 years of foreign exchange, derivatives, and global economics experience. No assurance can be given that the Portfolio will be hedged from any particular risk from time to time.

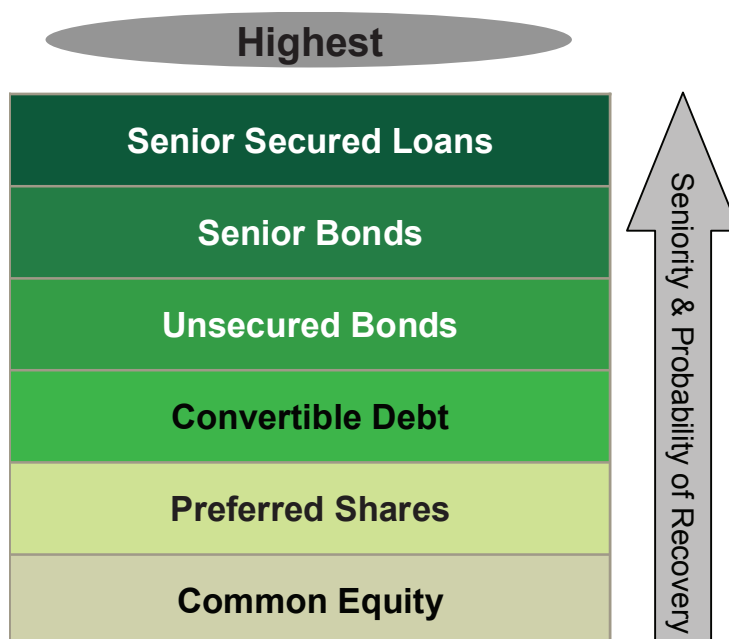
## OVERVIEW OF THE SECTORS THE FUND INVESTS IN

### Description of Senior Floating Rate Loans

Senior loans are debt obligations arranged by banks and other financial entities on behalf of corporations, partnerships and other business issuers. The proceeds from these loans are used for a number of reasons including for general corporate purposes, refinancing, capital expenditures and leveraged buyouts or mergers and acquisitions.

They are called “senior” loans because they are generally secured by a borrower’s assets, pursuant to a priority or “senior” lien and, have priority in receiving payments when a borrower is servicing its debts. They are also referred to as “floating rate loans” because the interest paid on such loans changes as certain market interest rates change. Senior loans generally have a first or second lien on the borrower’s assets. Both First Lien Loans and Second Lien Loans are senior in the capital structure and secured by the borrower’s assets, this distinguishes Senior Floating Rate Loans from other securities. Second Lien Loans are subordinated in payment only to First Lien Loans. The collateral packages pledged by the borrower can include working capital assets (such as accounts receivable and inventory), tangible fixed assets (such as real property, buildings and equipment), intangible assets (such as trademarks and patent rights) and security interests in shares of stock of the borrower’s subsidiaries and affiliates.

The following chart illustrates that senior loans rank at the top of a typical borrower’s capital structure and are senior to other types of debt, such as senior bonds and convertible debt, as well as the borrower’s equity.



If a company becomes distressed and enters into bankruptcy, senior lenders are entitled to be repaid before payments are made to bondholders, preferred shareholders or holders of a company’s equity. Although there can be no guarantee that the amount of collateral will be sufficient to cover a borrower’s loan in full, historically defaulted senior loans have shown to have significantly higher recovery rates on defaulted loans relative to defaulted high yield bonds.

Senior loans are typically structured to pay a variable rate of interest that includes a stated spread (which reflects issuer risk) over a widely accepted base rate such as the London Interbank Offered Rate (“LIBOR”). This rate typically resets every 30 to 90 days to re-align with the prevailing LIBOR rate.

LIBOR floors are a feature of senior loans that guarantee a minimum level of yield to investors irrespective of the prevailing LIBOR. The floors are typically between 0.75% and 2.0%. If LIBOR exceeds the floor, then such loans pay the prevailing LIBOR as well as the credit spread. The Advisor’s recent experience is that LIBOR floors have become a common feature of new loan issues. Senior loans also generally feature protective covenant packages in favour of the lender(s) which ultimately make them more secure.

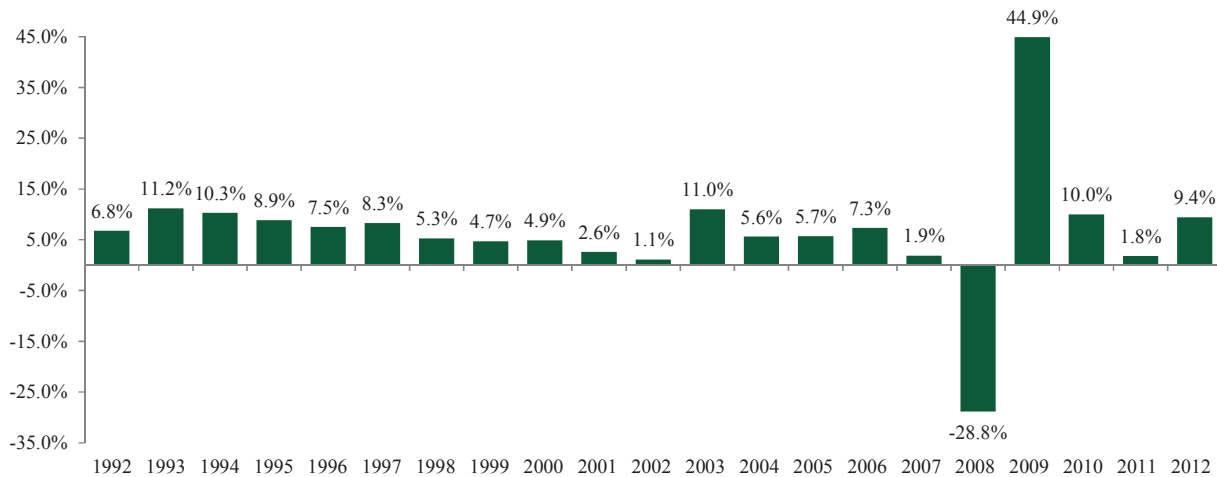
**The Senior Loan Market**

Over the last 20 years, the senior loan market has developed into a large and active market. The Credit Suisse Leveraged Loan Index is designed to mirror the investable universe of the U.S. denominated senior loan market. As at September 30, 2012, the U.S. senior loan market, as measured by the Credit Suisse Leveraged Loan Index, comprised approximately US\$1.3 trillion, making it larger than the US\$1.2 trillion high-yield bond market. MAM believes that senior loans are and will remain for the foreseeable future an attractive asset class for investment.

*Attractive Historical Returns*

Senior loans have historically provided steady returns through multiple credit and interest rate cycles. As shown below, the Credit Suisse Leveraged Loan Index has shown positive returns every year since its inception in 1992, with the exception of 2008. In 2009, the previous year’s negative return was more than offset by a record 44.9% return. The high was followed by a 10% return in 2010 as well as positive returns in both 2011 and 2012.

**Senior Loan Total Returns  
1992 to 2012**

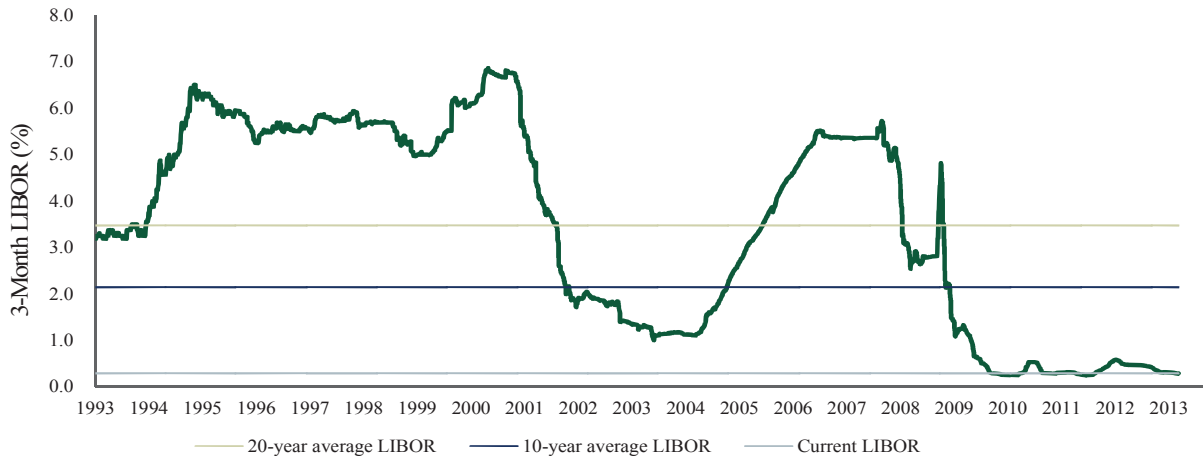


Source: Credit Suisse Leveraged Loan Index as at December 31, 2012.

*Current Low Interest Rate Levels*

The long-term (20-year) average of 3-Month LIBOR is 3.48% and the 10-year average is 2.15%. At the end of February 2013, LIBOR was approximately 0.28%. The following chart shows 3-month LIBOR since 1993.

**3-Month LIBOR (%)  
1993 to 2013**



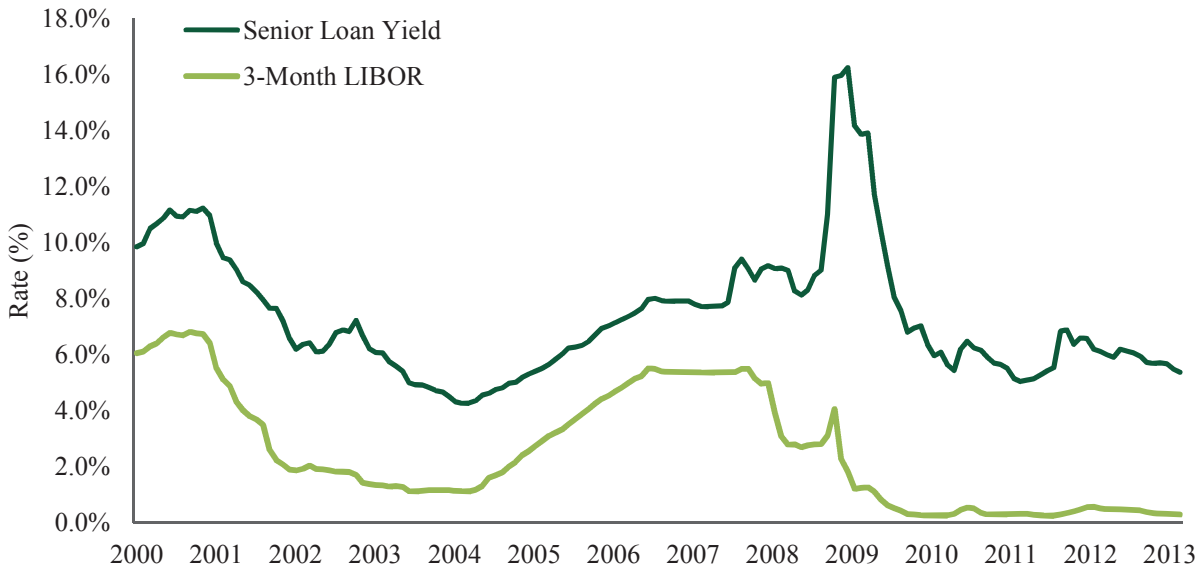
Source: Bloomberg, as of March 2013.

As seen above, interest rates are currently at historical lows. The Advisor believes that rates will eventually rise. Rising interest rates tend to negatively impact the prices of many fixed income investments, including treasuries and investment grade corporate bonds. However, as described below, Senior Floating Rate Loans tend to benefit from a rising interest rate environment. This characteristic provides a natural hedge against rising short-term interest rates and reduces the Portfolio's overall interest rate risk.

*Senior Loan Yields Relative to LIBOR*

The following chart shows the yield of senior loans and 3-month LIBOR since 2000. The Manager currently believes that senior loans are attractive due to the fact that spreads between senior loan yields and LIBOR are above the long term average. The average spread since 2000 has been approximately 480 basis points and the current spread is 508 basis points. As demonstrated in the chart below, pre-2008 spreads were relatively close to LIBOR. The 8 year average spread during the period from 2000 to 2007 was approximately 360 basis points; significantly lower than current levels.

**Senior Loan Yield Relative to LIBOR  
2000 to 2013**



Source: Credit Suisse, Bloomberg, as of March 2013.

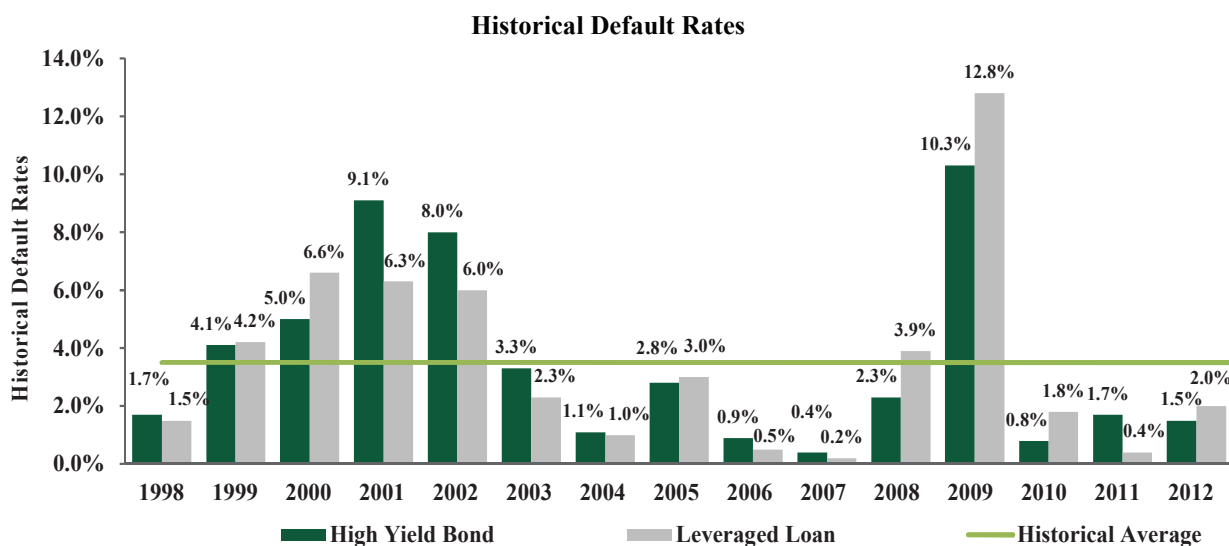
Note: "Senior Loan Yield" is calculated by adding the Credit Suisse Leveraged Loan Discount Margin (4-year life) and 3-month LIBOR.

### Senior Loans Versus Fixed Rate Bonds When Interest Rates Rise

Senior loans make interest payments based upon a rate that is comprised of a base rate, typically LIBOR, plus a stated credit spread. Issuers may choose one or more LIBOR rates, traditionally 30-day, 60-day or 90-day LIBOR, and may apply different rates to individual portions of their senior loan. The average interest rate reset period is between 30 to 90 days and as a result have very short interest rate duration. As interest rates rise above applicable LIBOR floors, issuers' loan payments increase, which result in higher current income for the Portfolio. A decline in interest rates would have the opposite effect. The existence of LIBOR floors prevents the interest rate from declining below the level at which the floor is set. In addition, rising interest rates have historically had minimal negative impact on the market value of senior loans since the floating rate feature offsets interest rate risk. In contrast, fixed rate bond prices, when interest rates rise, tend to decrease since their interest payments do not change.

### Lower Credit Risk

The Advisor believes that the on-going recovery of the U.S. economy from the 2008 global financial crisis combined with corporate deleveraging have caused the fundamental credit risk for corporations in the U.S. to improve. With the exception of the credit crisis, default rates have been below the long term average for the last 10 years. In addition, the Advisor expects that default rates will remain low in the near future. The following chart shows the default rates for senior loans and high yield bonds since 1998.



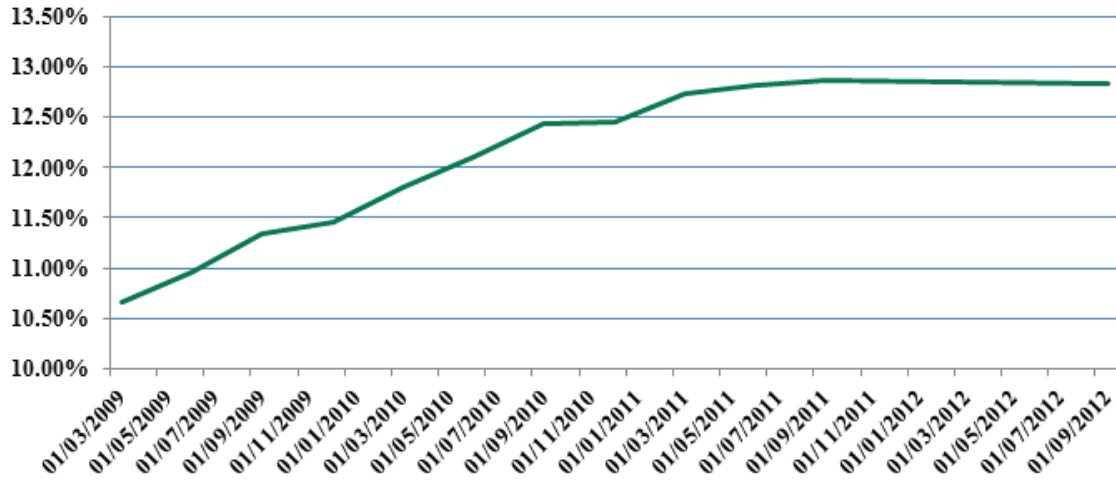
Source: JP Morgan, February 2013.

As described above, Senior Floating Rate Loans have a first or second lien on a borrower's assets. Although default rates are expected to remain low, in the event a company becomes distressed or defaults, Senior Floating Rate Loans are first in line to be repaid, providing an added layer of stability and credit protection for the Portfolio.

### Strong Issuer Fundamentals

Due to the deleveraging and cost cutting measures that have taken place as a result of the 2008 financial crisis, banks have made considerable progress in repairing their balance sheets and reinforcing their capital. In the last five years, banks have increased their core Tier 1 capital, including common stock and disclosed reserves, which provides protection against future losses. The chart below shows the improvement in the Tier 1 capital ratio for U.S. deposit-takers (commercial banks, savings banks, and credit unions) since the financial crisis.

### Regulatory Tier 1 Capital to Risk-Weighted Assets of U.S. Deposit-Takers



Source: Financial Soundness Indicators, International Monetary Fund, September 2012.

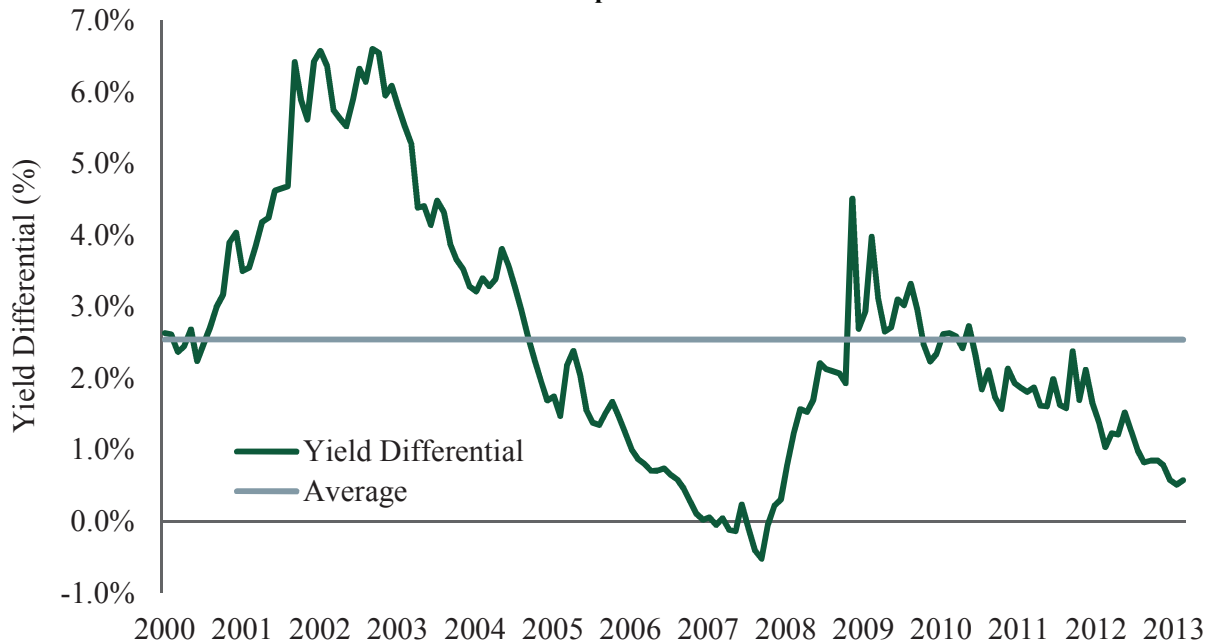
Heightened levels of Tier 1 capital on bank balance sheets demonstrate that they have considerably strengthened their capital and liquidity positions. It also shows that government bailouts and resulting periodic stress tests have contributed to the improvement in the quality of the loans and other assets on banks' balance sheets.

#### *Senior Loans versus High Yield Bond Spreads*

In an average borrower's capital structure, high yield bonds are typically unsecured and subordinate to senior loans. As a result, the yields offered by high yield bonds have generally exceeded yields offered by senior loans. The chart below shows the long-term average yield difference between high yield bonds and senior loans to be approximately 2.50%.

However, as of February 28, 2013, the spread between high yield bonds and senior loans has narrowed to 0.58%. The Advisor believes that current yields on Senior Floating Rate Loans are proving to be an attractive alternative to high yield bonds. This means investors can potentially invest in securities, which rank higher in priority in a borrower's capital structure (senior secured), while accessing a similar spread over LIBOR to high yield bonds.

**Historical Yield Difference Between High Yield Bonds and Senior Loans  
2000-present**



Note: Yield is represented by the difference between the Credit Suisse High Yield Index yield to worst and the Credit Suisse Leveraged Loan Index discount margin (4-year life) plus 3-month LIBOR.

Source: Credit Suisse, January 31, 2000 to February 28, 2013.

*Low Historical Correlation with Other Asset Classes*

Senior loans have the potential to reduce overall portfolio volatility. The correlation coefficients below demonstrate that senior loans have shown a negative correlation to government bonds over a 10-year period. The negative correlation with government bonds supports the Advisor’s view that senior loans are an attractive portfolio diversifier.

***Correlation of Senior Loans with U.S. Treasury Securities from December 31, 2002 to December 31, 2012***

U.S. Treasury Bills	-0.22
U.S. Treasuries 10+ Years	-0.37
U.S. Treasuries 5-7 Years	-0.42

Source: Bloomberg, as at December 31, 2012.

**Short Duration Debt Securities**

The Manager and the Advisor generally refer to short duration debt securities as a subset of the broader fixed rate high yield market characterized by securities which generally possess a stated coupon in excess of rates at which the underlying issuer could currently issue debt. Additionally, these securities tend to have a relatively short duration to maturity, are often callable at a premium to par and typically trade at price in excess of their next call price implying a fairly high degree of certainty that these securities will be refinanced prior to their final maturity. The nature of this structural nuance reduces the sensitivity of the issue to longer term interest rates.

The Advisor believes that its investment process, part of which focuses on credit risk, helps to seek out opportunities in the short duration segment. It also believes that the U.S. economy should continue to support performance for corporate and high yield debt offerings and that default rates, as shown previously, remain near historical lows.

### *Attractive Relative Value*

The Advisor believes that an asset class should be viewed from a relative value perspective rather than in isolation. While yields on below investment grade bonds have come down significantly over the past five years, government bonds have posted a rally and broke through their record-low yields as well. As of December 31, 2012, the 6.72% yield of the high yield market was 9.3 times higher than the yield on U.S. Treasuries of equivalent maturity (0.72%). This level of relative benefit of investing in high yield versus quasi “risk-free” government debt is very favourable (the average multiple since October 1994 is 3.4 times).

### *Low Interest Rate Sensitivity*

High yield bonds have proved to be less sensitive to interest rate fluctuations due to their generally shorter duration, as well as the inverse relationship between spreads and treasury yields. In an uncertain economic environment characterized by widening spreads, treasury yields usually fall, mitigating the overall impact on the level of below-investment grade yields. Conversely, as the economy recovers and investor confidence improves, spreads narrow and treasury yields rise. This favourable dynamic results in generally lower volatility of high yield bonds compared to other investment alternatives.

## **INVESTMENT RESTRICTIONS**

The investment activities of the Fund are to be conducted in accordance with, among other things, the following investment restrictions, such that on and after the initial investment of assets, the Fund will not:

- (i) invest less than 80% of the Total Assets in Senior Floating Rate Loans (including First Lien Loans and Second Lien Loans) of issuers with a head office located in North America;
- (ii) invest more than 25% of the Total Assets in Second Lien Loans;
- (iii) invest more than 10% of the Total Assets in loans or other debt securities of any one borrower or issuer;
- (iv) borrow money, including pursuant to a loan facility if, immediately following the borrowings, the aggregate amount borrowed would exceed 40% of the Total Assets;
- (v) purchase the securities of an issuer for the purpose of exercising control over management of that issuer;
- (vi) engage in derivative transactions, other than derivative transactions to hedge foreign exchange risk;
- (vii) invest in asset-backed commercial paper or collateralized debt obligations directly or indirectly by selling credit protection under credit default swaps which identify any asset-backed commercial paper or collateralized debt obligations as reference obligations;
- (viii) guarantee the securities or obligations of any person other than the Manager, and then only in respect of the activities of the Fund;
- (ix) purchase securities from, sell securities to, or otherwise contract for the acquisition or disposition of securities with the Manager, the Advisor or any of their affiliates, any officer, director or shareholder of the Manager, the Advisor, any person, trust, firm or corporation managed by the Manager or the Advisor or any of their affiliates or any firm or corporation in which any officer, director or shareholder of the Manager or the Advisor may have a material interest (which, for these purposes, includes beneficial ownership of more than 10% of the voting securities of such entity) unless any such transactions are conducted in accordance with any applicable regulatory requirements;
- (x) engage in lending activities, conduct non-investment related activities, make loans or extend credit, or hold itself as able to make loans or extend credit;
- (xi) invest in or hold (A) securities of or an interest in any non-resident entity, an interest in or a right or option to acquire such property, or an interest in a partnership which holds any such property if the Fund (or the partnership) would be required to include any significant amounts in income



pursuant to section 94.1 of the Tax Act, (B) an interest in a trust (or a partnership which holds such an interest) which would require the Fund (or the partnership) to report income in connection with such interest pursuant to the rules in proposed section 94.2 of the Tax Act, or (C) any interest in a non-resident trust (or a partnership which holds such an interest) other than an “exempt foreign trust” for the purposes of proposed section 94 of the Tax Act, each as set forth in the proposed amendments to the Tax Act contained in Bill C-48 which received second reading in House of Commons on March 8, 2013 (or amendments to such proposals, provisions as enacted into law or successor provisions thereto);

- (xii) invest in any security that is a “tax-shelter investment” within the meaning of section 143.2 of the Tax Act;
- (xiii) invest in any security of an issuer that would be a “foreign affiliate” of the Fund for purposes of the Tax Act;
- (xiv) invest in: (A) securities of a “subject entity” (as defined in the Tax Act) that have a total fair market value that exceeds 10% of the “equity value” (as defined in the Tax Act) of such subject entity; or (B) securities of a subject entity that, together with all securities of entities affiliated with the subject entity owned by the Fund, have a total fair market value that is greater than 50% of the equity value of the Fund for purposes of the Tax Act;
- (xv) invest in “Canadian real, immoveable or resource property” as that term is defined in the Tax Act, if, at any time, the total fair market value of such properties is greater than 50% of the equity value of the Fund for purposes of the Tax Act;
- (xvi) invest in any property that is used by the Fund, or a person or partnership with whom the Fund does not deal at arm’s length, in the course of carrying on a business in Canada; and
- (xvii) make or hold any investment or undertake any activity that would result in the Fund failing to qualify as a “mutual fund trust” for purposes of the Tax Act.

If a percentage restriction on investment or use of assets set forth above as an investment restriction is adhered to at the time of the transaction, later changes to the market value of the investment or Total Assets will not be considered a violation of the investment restrictions (except for the restrictions in paragraphs (iv), (xiv) and (xv) above which must be complied with at all times and which may necessitate the selling of investments from time to time). If the Fund receives from an issuer subscription rights to purchase securities of that issuer, and if the Fund exercises those subscription rights at a time when the Fund’s holdings of securities of that issuer would otherwise exceed the limits set forth above, the exercise of those rights will not constitute a violation of the investment restrictions if, prior to the receipt of securities of that issuer on exercise of these rights, the Fund has sold at least as many securities of the same class and value as would result in the restriction being complied with. The Fund may hold cash or cash equivalents from time to time.

Unitholder approval is required to change the investment restrictions and investment objectives of the Fund. See “Unitholder Matters – Matters Requiring Unitholder Approval”.

## **FEES AND EXPENSES**

### **Initial Expenses**

The expenses of the Offering, which are estimated to be \$800,000 (including the costs of printing and preparing this prospectus, legal expenses of the Fund, marketing expenses and legal and other out-of-pocket expenses incurred by the Agents and certain other expenses), subject to a maximum of 1.5% of the gross proceeds of the Offering, will, together with the Agents’ fees, be paid from the gross proceeds of the Offering.

### **Management Fee**

Pursuant to the terms of the Declaration of Trust, the Manager will receive an annual management fee (the “**Management Fee**”) from the Fund equal to 1.10% of the NAV accrued daily and paid monthly in arrears, plus an amount equal to the Service Fee (as hereinafter defined). The total Management Fee including the Service Fee paid to the Manager by the Fund, will be equal to 1.50% of the NAV. The Management Fee payable by the Fund is subject to applicable taxes, including HST.

## **Service Fee**

The Manager will pay to registered dealers a service fee (the “**Service Fee**”), in connection with purchased Units that are serviced by such registered dealers, equal to 0.40% annually of the NAV per Unit for each Unit held by clients of registered dealers (calculated and paid at the end of each calendar quarter commencing on September 30, 2013), plus applicable taxes, if any. The Service Fee paid in respect of the period from the Closing Date to the payment of the first Service Fee following Closing will be pro-rated accordingly. The Manager may, from time to time, pay the Service Fee more frequently than quarterly, in which case the Service Fee will be pro-rated for the period to which it relates.

## **Operating Expenses of the Fund**

The Fund will pay for all ordinary expenses, including applicable taxes, incurred in connection with its operation and administration. It is expected that these expenses will include, without limitation: mailing and printing expenses for periodic reports to Unitholders and other Unitholder communications including marketing and advertising expenses; fees payable to the registrar and transfer agent; any reasonable out-of-pocket expenses incurred by the Manager or its agents in connection with their on-going obligations to the Fund; fees payable to the auditors and legal advisors of the Fund; fees payable to the Custodian for acting as custodian of the assets of the Fund; banking fees; fees and expenses of the Independent Review Committee; regulatory filing, stock exchange and licensing fees; and any expenditures incurred upon the termination of the Fund. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager is entitled to indemnity by the Fund (as described under “Organization and Management Details of the Fund — The Manager”). The aggregate annual amount of these fees and, including applicable taxes, is estimated to be \$200,000 (exclusive of interest with respect to any borrowing). The Fund will also be responsible for any extraordinary expenses which it may incur from time to time.

## **RISK FACTORS**

In addition to the considerations set out elsewhere in this prospectus, certain considerations relating to an investment in Units which prospective investors should consider before purchasing such Units are set out below. Additional risks and uncertainties not currently known to the Manager or the Advisor or that are currently considered immaterial, may also impair the operations of the Fund. If any such risk actually occurs, the undertaking, financial condition, liquidity or results of operations of the Fund and the ability of the Fund to make distributions on the Units could be materially adversely affected.

### **No Assurances of Achieving Investment Objectives**

There is no assurance that the Fund will be able to achieve its investment objectives. Distributions to Unitholders will vary according to, among other things, the amount of interest and principal paid on the securities in the Portfolio. There is no assurance that the Portfolio will earn any return. No assurance can be given as to the amount of distributions in future years. No assurance can be given that the NAV per Unit will appreciate.

If the return on the Portfolio (including net realized capital gains from the sale of securities in the Portfolio) is less than the amount necessary to fund the monthly distributions, the Manager may choose to return a portion of the capital of the Fund to Unitholders to ensure the distribution is paid and, accordingly, the NAV per Unit would be reduced.

### **Loss of Investment**

An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss on their investment and who can withstand the effect of a distribution not being made in any period.

### **No Guaranteed Return**

There is no guarantee that an investment in Units will earn any positive return in the short or long term.

### **Performance of the Portfolio**

The NAV per Unit will vary as the fair value of the securities in the Portfolio varies. The Fund does not have control over the factors that affect the fair value of the securities in the Portfolio, including factors that affect

the markets generally, such as general economic and political conditions and fluctuations in interest rates, and factors unique to each issuer included in the Portfolio.

### **Credit Risk and Risks Relating to Senior Floating Rate Loans and Short Duration Debt Securities**

The investments of the Portfolio in Senior Floating Rate Loans and short duration debt securities will expose the Fund to the credit risk of the underlying issuer, including the risk of default by the issuer on the interest and principal amounts owing on the debt.

Although the Senior Floating Rate Loans in the Portfolio will generally be secured by specific collateral, there can be no assurance the liquidation of such collateral would satisfy an issuer's obligation in the event of issuer default or that such collateral could be readily liquidated under such circumstances. In the event of bankruptcy of an issuer, delays or limitations could be experienced with respect to the ability to realize the benefits of any collateral securing a Senior Floating Rate Loan.

In the event of default on a Second Lien Loan, the first priority lien holder has first claim to the underlying collateral of the loan to the extent such claim is secured. Second Lien Loans are subject to the additional risk that the cash flow of the issuer and property securing the loan or debt, if any, may be insufficient to meet scheduled payments after giving effect to the first lien obligations of the issuer.

Senior Floating Rate Loans and short duration debt securities in the non-investment grade rating categories may be regarded as predominantly speculative with respect to the issuers' continuing ability to meet principal and interest payments. They may be more susceptible to real or perceived adverse economic and competitive industry conditions than higher rated securities. The markets on which lower rated debt securities are traded may be less liquid than the markets for investment rated securities. During periods of thin trading in these markets, this spread between bid and ask prices is likely to increase significantly and the Fund may have difficulty in accurately valuing or selling such securities. The yields and prices of lower rated Senior Floating Rate Loans and short duration debt securities may tend to fluctuate more than those for investment rated securities. In addition, adverse publicity and investor perceptions about non-investment grade securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such securities.

### **Reinvestment Risk**

The Fund's investments may be subject to reinvestment risk. If current spreads are above long-term spreads, there is a risk that borrowers will prepay their debt as spreads fall.

### **Concentration Risk**

The Portfolio will be concentrated in Senior Floating Rate Loans. In addition, the floating interest rate of many of the Senior Floating Rate Loans are tied to LIBOR. As a result, the NAV of the Fund may be more volatile than the net asset value of a more broadly diversified portfolio and securities that are not referenced to LIBOR and may fluctuate substantially over short periods of time. This may have a negative impact on the value of the Units.

### **Foreign Securities**

Prices of the Portfolio investments may go down because of unfavourable foreign government actions or political instability. U.S. issuers will be affected by the general financial, political and economic conditions of the United States. The Fund may be affected favourably or unfavourably by changes in currency rates (including as a result of the devaluation of U.S. dollar currency) and in exchange control regulations and may incur transaction costs in connection with conversions between Canadian and U.S. dollars.

### **Use of Leverage**

It is anticipated that the Fund may obtain leverage in an amount up to 40% of the Total Assets. There can be no assurance that such a strategy will enhance returns and in fact the strategy may reduce returns (both distributions and capital). If the securities in the Portfolio suffer a decrease in value, the leverage component will cause a decrease in the NAV of the Fund in excess of that which would otherwise be experienced if no leverage was employed by the Fund. The distributions that are payable by the Fund depend upon the yield that can be generated by the Portfolio and it is MAM's view that there is currently an opportunity for investors to benefit from leverage, as the current low interest rate environment should provide opportunities for MAM to enhance the yield of the Portfolio.

## **Market Disruptions**

War and occupation, terrorism and related geopolitical risks may in the future lead to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally. Those events could also have an acute effect on individual issuers or related groups of issuers. These risks could also adversely affect securities markets, inflation and other factors relating to the securities that may be held from time to time.

For all securities traded on public exchanges, each exchange typically has the right to suspend or limit trading in all securities that it lists. Such a suspension could render it impossible to liquidate its positions and thereby expose the Fund to losses. In addition, there is no guarantee that non-exchange markets will remain liquid enough to close out positions.

## **Global Financial Developments**

Global financial markets have experienced a sharp increase in volatility in the last several years. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the issuers who borrow from them. While central banks as well as global governments are attempting to restore much needed liquidity to the global economies, no assurance can be given that the combined impact of the significant revaluations and constraints on the availability of credit will not continue to materially and adversely affect economies around the world. No assurance can be given that this stimulus will continue or that if it continues, it will be successful or, that these economies will not be adversely affected by the inflationary pressures resulting from such stimulus or central banks' efforts to slow inflation. Further, market concerns about the economies of certain European Union countries and their ability to continue to borrow may adversely impact U.S. markets. Some of these economies have experienced significantly diminished growth and some are experiencing or have experienced a recession. These market conditions and further volatility or illiquidity in capital markets may also adversely affect the prospects of the Fund and the value of the Portfolio securities. A substantial drop in the markets in which the Fund invests could be expected to have a negative effect on the Fund.

## **Reliance on the Manager, the Advisor and Key Employees of each**

Unitholders will be dependent on the ability of the Manager to effectively manage the Fund in a manner consistent with the investment objectives, strategy and restrictions of the Fund. Performance of the investments in the Portfolio will be dependent on the Advisor. There is no certainty that the individuals who are principally responsible for providing administration and investment management services to the Fund will continue to be employed by the Manager and the Advisor, respectively.

## **Redemptions**

If Unitholders of a substantial number of Units exercise their redemption rights, the number of Units outstanding and the NAV could be significantly reduced. A significant number of redemptions would increase the management expense ratio of the Fund.

## **Use of Derivative Instruments**

The Fund may use derivatives only for the purposes of foreign currency hedging in respect of the value of the Portfolio applicable to the Class A Units. The use of derivative instruments involves risks different from and possibly greater than the risks associated with investing directly in securities and other traditional investments. Risks associated with the use of derivatives include: (i) hedging to reduce risk does not guarantee that there will not be a loss or that there will be a gain; (ii) there is no guarantee that a market will exist when the Fund wants to complete the derivative contract, which could prevent the Fund from reducing a loss or making a profit; (iii) the Fund could experience a loss if the other party to the derivative contract is unable to fulfill its obligations; and (iv) if the Fund has an open position in a forward contract with a dealer which goes bankrupt, the Fund could experience a loss and a loss of margin deposits with that dealer.

## **Sensitivity to Interest Rates**

The market price of the Units may be affected by the level of interest rates prevailing from time to time. Changes in short-term interest rates will directly affect the yield on the floating rate assets owned by the Fund. If

short-term interest rates fall, the yield on such assets will also fall. Also, to the extent that credit spreads experience a general increase, the value of the Fund's existing floating rate assets may decrease, which will cause the NAV to decrease. Conversely, when short-term interest rates rise, the impact of such rising rates on the NAV may be delayed to the extent that there is a delay between such changes in short-term rates and the resetting of the floating rates on the Fund's floating rate assets.

In addition, any decrease in the NAV resulting from a change in interest rates may also negatively affect the market price of the Units. Unitholders will therefore be exposed to the risk that the NAV per Unit or the market price of the Units may be negatively affected by interest rate fluctuations.

### **Liquidity of the Securities in the Portfolio**

Some of the securities in which the Fund intends to invest may be thinly traded. It is possible that the Fund may not be able to sell portions of such positions without facing substantially adverse prices. If the Fund is required to transact in such securities or other assets before their intended investment horizon, the performance of the Fund could suffer.

### **Currency Exposure**

As the Portfolio will be invested primarily in securities traded in U.S. dollars, the NAV, when measured in Canadian dollars, will, to the extent this has not been hedged against, be affected by changes in the value of the U.S. dollar relative to the Canadian dollar. The value of the Portfolio applicable to the Class A Units may not be fully hedged and distributions or dividends received on the Portfolio will not be hedged and accordingly no assurance can be given that the Fund will not be adversely impacted by changes in foreign exchange rates or other factors. The use of hedges, if used, involves special risks, including to the extent the Advisor's assessment of certain market movements is incorrect, the risk that the use of hedges could result in losses greater than if the hedging had not been used. Hedging arrangements may have the effect of limiting or reducing the total returns to the Fund if the Advisor's expectations concerning future events or market conditions prove to be incorrect. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances. The value of the Portfolio applicable to the Class U Units will not be hedged.

### **Trading Price of Class A Units**

Class A Units may trade in the market at a premium or discount to the NAV per Class A Unit and there can be no assurance that the Class A Units will trade at prices that reflect their net asset value.

### **Status of the Fund for Securities Law Purposes**

The Fund is not a "mutual fund" for securities law purposes. As a result, some of the protections provided to investors in mutual funds under such laws will not be available to investors in the Units, and restrictions imposed on mutual funds under Canadian securities laws, including the provisions of NI 81-102, will not apply to the Fund. See "The Fund – Overview of the Legal Structure of the Fund".

### **Potential Conflicts of Interest**

The Manager and the Advisor and their respective directors and officers and affiliates and associates may engage in the promotion, management or investment management of other accounts, funds or trusts which invest primarily in the securities held by the Fund, including the MFRI Fund.

Although officers, directors and professional staff of the Manager and the Advisor will devote as much time to the Fund as is deemed appropriate to perform their duties, they may have conflicts in allocating their time and services among the Fund and the other funds managed by the Manager and the Advisor, as the case may be.

### **Changes in Legislation**

There can be no assurance that certain laws applicable to the Fund, including income tax laws, securities laws, government incentive programs and the treatment of mutual fund trusts under the Tax Act, will not be changed in a manner which adversely affects the Fund or its Unitholders. Any such changes could have a negative effect upon the value of the Portfolio and upon the investment opportunities available to the Portfolio.



## Taxation of the Fund

It is possible that, if certain tax proposals released on October 31, 2003 are enacted in the form currently proposed, the deduction of losses of the Fund in a particular taxation year could be limited. Under these tax proposals, with effect for taxation years commencing after 2004, a taxpayer will have a loss for a taxation year from a particular source that is a business or property only if, in that year, it is reasonable to expect that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, and can reasonably be expected to carry on, the business or has held, and can reasonably be expected to hold, the property. Profit for this purpose will not include capital gains or capital losses. If the deduction of losses of the Fund was limited in a particular year, the taxable income of the Fund would be increased along with the taxable amount of distributions to Unitholders. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the tax proposals of October 31, 2003 would be released for comment. Such alternative proposal has not yet been released.

If the Fund ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading “Income Tax Considerations” would be materially and adversely different in certain respects. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA (as hereinafter defined) respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the Unitholders.

The SIFT Rules will apply to a mutual fund trust that is a SIFT trust. The Fund should not be a SIFT trust for the purposes of these rules because the Fund should not hold any “non-portfolio property” based on its investment restrictions. If the SIFT Rules were to apply to the Fund, there may be an adverse impact on the Fund including the distributions received by the Unitholders.

The Foreign Account Tax Compliance Act (“**FATCA**”) provisions of the U.S. Hiring Incentives to Restore Employment Act generally impose a reporting and 30% withholding tax regime with respect to (a) certain U.S. source income (including interest and dividends) and gross proceeds from the sale or other disposition of property that can produce U.S. source interest or dividends; and (b) certain non-U.S. source payments made by non-U.S. financial institutions acting in the capacity of withholding agents pursuant to procedures established under FATCA. For purposes of the FATCA rules and regulations, the Fund is expected to be treated as a non-U.S. financial institution. As a non-U.S. financial institution, the Fund can choose to enter into an agreement (a “**FATCA Agreement**”) with the U.S. Internal Revenue Service (the “**IRS**”) pursuant to which it agrees to (i) report to the IRS information regarding U.S. taxpayers (“**U.S. Persons**”) directly holding interests in the Fund and certain U.S. Persons that indirectly hold interests in the Fund (other than equity and debt interests that are regularly traded on an established securities market), (ii) comply with other reporting, verification, and due diligence requirements, and (iii) act in the capacity of a withholding agent. Accordingly, if the Fund enters into a FATCA Agreement, the Fund may be required under certain circumstances to withhold U.S. tax on non-U.S. source payments that it makes to Unitholders depending on the content of future guidance by the IRS regarding the taxation of non-U.S. source payments under FATCA. In particular, if the Units are not regularly traded on an established securities market, the Fund may be required to withhold U.S. tax on certain non-U.S. source payments that the Fund makes after December 31, 2016 to Unitholders who fail to provide information requested by the Fund to satisfy the terms of its FATCA Agreement. It is expected, however, that the Class A Units will be regularly traded on an established securities market and, therefore, the Fund will not be required to request such information from any holder of Class A Units. In addition, regardless of whether the Class A Units are regularly traded on an established securities market, and subject to below, the Fund may be required to withhold U.S. tax on certain non-U.S. source payments that it makes after December 31, 2016 to any non-U.S. financial institution (for example, an investor’s Canadian investment dealer holding Units of the Fund on their behalf) if such non-U.S. financial institution has not entered into a FATCA Agreement (and is not otherwise deemed to comply with FATCA). If such non-U.S. financial institution enters into a FATCA Agreement, the non-U.S. financial institution will not be subject to withholding under FATCA but, as a result of entering into a FATCA Agreement, may be required to comply with the withholding obligations described in the foregoing discussion.

Unless the Fund enters into a FATCA Agreement (or is subject to an IGA as discussed further below), the Fund will be subject to a 30% withholding tax on payments of certain U.S. source income (including interest and dividends) that it receives after December 31, 2013 and on gross proceeds that it receives after December 31, 2016 from the sale or other disposition of property that can produce U.S. source interest or dividends. In addition, unless

the Fund enters into a FATCA Agreement (or is subject to an IGA as discussed further below), the Fund may be subject to withholding tax, depending on future guidance provided by the IRS, on certain non-U.S. source payments that it receives after December 31, 2016 from other non-U.S. financial institutions acting in the capacity of withholding agents pursuant to FATCA. It is not expected that the Fund will receive any U.S. source income that would be subject to withholding under FATCA or any gross proceeds from the sale or other disposition of property that can produce U.S. source interest or dividends or any non-U.S. source payments that would be subject to withholding under FATCA.

On July 26, 2012, the U.S. Department of Treasury released Model Intergovernmental Agreements (“IGAs”) for FATCA. The Department of Finance Canada announced in November of 2012 that negotiations were being held between Canada and the United States on a Canada-U.S. IGA. An IGA establishes an alternative and more practical framework for financial institutions for purposes of complying with FATCA and reporting certain account information to their respective tax authorities. Under a Canada-U.S. IGA, the Fund will not have to enter into an individual agreement with the IRS but will have to comply with the terms of the IGA including registration requirements with the IRS and requirements to identify, and report certain information on, accounts held by U.S. Persons owning, directly or indirectly, an interest in the Fund, or report on accounts held by certain other persons or entities. Under the IGA, if the Fund’s investor does not provide information requested for FATCA purposes in a timely manner or refuses to provide such information, the Fund does not have to redeem securities held by, or on account for, the investor, if certain information related to the account is reported to the local tax authority. Finally, the payments made by the Fund to non-participating foreign financial institutions, as defined under the FATCA regulations and IGA, or to the account of an investor, will not be subject to withholding of taxes by the Fund but will have to be reported to the local tax authority under certain situations.

This description is based on guidance issued by the IRS, including recently issued final regulations and the Model Intergovernmental Agreements released by the U.S. Department of Treasury. As the Canada-U.S. IGA is not in final form, it is not possible to determine at this time (i) whether the Fund will be able to comply and (ii) what impact, if any, the IGA will have on its investors. It is possible that the administrative costs of the Fund could increase as a result of complying with FATCA and the Canada-U.S. IGA and future guidance may affect the application of FATCA to the Units of the Fund.

The Fund intends to invest in U.S. debt securities. Many foreign countries preserve their right under domestic tax laws and applicable tax conventions with respect to taxes on income and on capital (“**Tax Treaties**”) to impose tax on interest paid or credited to persons who are not resident in such countries. While the Fund intends to make its investments in such a manner as to mitigate the amount of foreign taxes incurred under U.S. tax laws and subject to any applicable Tax Treaties, investments in U.S. debt securities may subject the Fund to foreign taxes on interest paid or credited to the Fund or any gains realized on the disposition of such securities. Any foreign taxes incurred by the Fund will generally reduce the value of the Fund and the amount available for distributions. To the extent that such foreign tax paid by the Fund exceeds 15% of the amount included in the Fund’s income from such investments, such excess may generally be deducted by the Fund in computing its net income for the purposes of the Tax Act. To the extent that such foreign tax paid does not exceed 15% of such amount and has not been deducted in computing the Fund’s income and the Fund designates its income from a foreign source in respect of a Unitholder of the Fund, the Unitholder will, for the purposes of computing its foreign tax credits, be entitled to treat the Unitholder’s proportionate share of foreign taxes paid by the Fund in respect of such income as foreign taxes paid by the Unitholder. The availability of foreign tax credits to a Unitholder of the Fund is subject to the detailed rules in the Tax Act. Generally, it is expected that interest and capital gains earned and realized by the Fund from U.S. sources will not be subject to U.S. withholding tax.

Certain funds that invest in specific U.S. debt securities may be considered to be engaged in a U.S. trade or business causing such funds to be subject to U.S. income tax. In order to mitigate these tax consequences, the Manager will establish guidelines for investments in such securities.

### **No Ownership Interest**

An investment in Units does not constitute an investment by Unitholders in the assets included in the Portfolio. Unitholders will not own the assets held by the Fund. Unitholders will have no recourse or rights against the assets of the Fund.



## **Enforcement of Rights**

The Manager and the Advisor are both subsidiaries of Manulife. There may be difficulty in enforcing legal rights against the Advisor, or its individual representatives, because it and all or substantially all of its assets are located outside of Canada. The Manager is responsible for any loss that arises out of any failure of the Advisor: (i) to exercise the powers, and discharge the duties, of its office honestly, in good faith and in the best interests of the Fund; or (ii) to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

## **Operating History**

The Fund is a newly organized investment trust with no previous operating history. There is currently no public market for the Units and there can be no assurance that an active public market for the Units will develop or be sustained after completion of the offering.

## **Not a Trust Company**

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under provisions of that Act or any other legislation.

## **Nature of Units**

The Units are neither fixed-income nor equity securities of a company. The Units represent a fractional interest in the net assets of the Fund. Units are dissimilar to debt securities in that there is no principal amount owing Unitholders. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions.

## **No Market for Class U Units**

The Class U Units will not be listed on any stock exchange. It is expected that liquidity for Class U Units will be obtained primarily by means of conversion of Class U Units into Class A Units and the subsequent sale of such Class A Units.

## **Liability of Unitholders**

The Fund is a unit trust and as such its Unitholders do not receive the protection of statutorily mandated limited liability in some provinces and territories as in the case of shareholders of most Canadian corporations. There is no guarantee, therefore, that Unitholders could not be made party to legal action in connection with the Fund. However, the Declaration of Trust provides that no Unitholder, in its capacity as such, will be subject to any liability whatsoever, in tort, contract or otherwise, to any person in connection with the Fund’s property or the obligations or the affairs of the Fund and all such persons are to look solely to the Fund’s property for satisfaction of claims of any nature arising out of or in connection therewith and only the Fund’s property will be subject to levy or execution.

Pursuant to the Declaration of Trust, the Fund will indemnify and hold harmless each Unitholder from any costs, damages, liabilities, expenses, charges and losses suffered by a Unitholder resulting from or arising out of such Unitholder not having limited liability. The Declaration of Trust also provides that the Trustee and the Manager shall use reasonable efforts to cause to be inserted in each material written agreement, undertaking and obligation signed by or on behalf of the Fund a provision to the effect that such agreement, undertaking or obligation will not be binding upon Unitholders personally.

As a result of the foregoing, it is considered that the risk of any personal liability of Unitholders is minimal in view of the nature of its activities. In the event that a Unitholder should be required to satisfy any obligation of the Fund, such Unitholder will be entitled to reimbursement from any available assets of the Fund.

## **DISTRIBUTION POLICY**

In accordance with the Fund’s investment objective to provide Unitholders with monthly cash distributions, the Fund intends to make monthly distributions to Unitholders of record on the last Business Day of each month (each, a “**Distribution Record Date**”). Distributions will be paid on a Business Day designated by the Manager that will be no later than the 15th day of the following month (each, a “**Distribution Payment Date**”). The initial

monthly distributions for the first 12 months are targeted to be \$0.05625 per Class A Unit per month (or \$0.675 per annum) or US\$0.05625 per Class U Unit per month (or US\$0.675 per annum), representing an initial yield on the original Unit issue price of 6.75% per annum. The Fund will not have a fixed monthly distribution amount but will at least annually determine and announce an expected distribution amount for the following 12 months. The initial cash distribution is anticipated to be payable on or before July 15, 2013 to Unitholders of record on June 30, 2013. The Fund may also make such other distributions out of net income, net realized capital gains or capital at such times as the Manager in its discretion may determine.

Amounts distributed on the Units that represent returns of capital are generally non-taxable to a Unitholder but reduce the Unitholder's adjusted cost base of the Units for tax purposes. See "Income Tax Considerations".

If the Fund's net income for tax purposes, including net realized capital gains, for any year exceeds the aggregate amount of the regular monthly distributions made in the year to Unitholders, the Fund will also be required to pay or make payable one or more special distributions (either in cash or Units) in such year to Unitholders as is necessary to ensure that the Fund will not be liable for income tax on such amounts under the Tax Act (after taking into account all available deductions, credits and refunds). If the Fund elects to have a December 15 taxation year end, any special distributions will be paid or made payable after December 15 but on or before December 31 of that year. Immediately after a pro rata distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will automatically be consolidated such that each Unitholder will hold, after the consolidation, the same number of Units as the Unitholder held before the non-cash distribution, except in the case of a non-resident Unitholder to the extent tax was required to be withheld in respect of the distribution. See "Income Tax Considerations".

There can be no assurance given as to the amount of targeted distributions in the future.

## REDEMPTIONS

### Annual Redemptions

Units may be redeemed annually ("**Annual Redemption**") on the second last Business Day of November commencing in 2014 (the "**Annual Redemption Date**"), subject to the Manager's right to suspend redemptions in certain circumstances (as described below). In order to effect an Annual Redemption, the Units must be surrendered for redemption by no later than 5:00 p.m. (Toronto time) on the last Business Day of October. Unitholders participating in an Annual Redemption will receive payment for their redeemed Units on or before the 15th Business Day in December equal to the NAV per Class A Unit or the NAV per Class U Unit, as applicable, on the Annual Redemption Date less any nominal costs and expenses incurred by the Fund in order to fund such redemption, including commissions, wire transfer fees and such other costs charged to the Fund by third parties, if any (the "**Annual Redemption Price**").

### Monthly Redemptions

In addition to the Annual Redemption right, Units may be redeemed on a Monthly Redemption Date, subject to certain conditions ("**Monthly Redemption**"). In order to effect a Monthly Redemption, Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the date which is the last Business Day of the month preceding the Monthly Redemption Date. Upon receipt by the Fund of the redemption notice in respect of a Monthly Redemption in the manner described below, a Class A Unitholder shall be entitled to receive a price per Class A Unit (the "**Monthly Redemption Price**") equal to the lesser of:

- (a) 95% of the "market price" of the Class A Units on the principal exchange or market on which the Class A Units are quoted for trading for the 10 Business Days immediately preceding the applicable Monthly Redemption Date; and
- (b) 100% of the Closing Market Price of a Class A Unit on the applicable Monthly Redemption Date;

less, in each case, any nominal costs and expenses incurred by the Fund in order to fund such redemption, including commissions, wire transfer fees and such other costs charged to the Fund by third parties, if any.

For the purposes of this calculation, "market price" will be an amount equal to the weighted average of the closing price of the Class A Units for each of the 10 Business Days immediately preceding the applicable Monthly Redemption Date; provided that if the applicable exchange or market does not provide a closing price, but only

provides the highest and lowest prices of the Class A Units traded on a particular day, the “market price” shall be an amount equal to the average of the highest and lowest prices for each of the Business Days; and provided further that if there was trading on the applicable exchange or market for fewer than 10 Business Days, the “market price” shall be the average of the following prices established for each of the 10 Business Days: the average of the last bid and last asking prices of the Class A Units for each day there was no trading; the closing price of the Class A Units for each day that there was trading if the exchange or market provides a closing price; and the average of the highest and lowest prices of the Class A Units for each day that there was trading if the market provides only the highest and lowest prices of Class A Units traded on a particular day.

The Monthly Redemption Price payable by the Fund in respect of any Units surrendered for redemption shall be satisfied by way of a cash payment on the Redemption Payment Date, provided that the entitlement of Unitholders to receive cash upon the redemption of their Class A Units may be suspended if: (i) at the time such Class A Units are tendered for redemption, the outstanding Class A Units are not listed for trading on a stock exchange or traded or quoted on another market which provides representative fair market value prices for the Class A Units; or (ii) the normal trading of Class A Units is suspended or halted on any stock exchange on which the Class A Units are listed (or, if not listed on a stock exchange, on any market on which the Class A Units are quoted for trading) on the Monthly Redemption Date or for more than 10 trading days during the 20 day trading period ending immediately before the Monthly Redemption Date.

The Class U Units may be surrendered for Monthly Redemption on the same terms as described above, provided that Unitholders surrendering a Class U Unit for redemption will receive in U.S. dollars an amount equal to the U.S. dollar equivalent product of (i) the Monthly Redemption Price; and (ii) a fraction, the numerator of which is the NAV per Class U Unit on the applicable Monthly Redemption Date and the denominator of which is the NAV per Class A Unit on the applicable Monthly Redemption Date.

It is anticipated by the Manager that the Monthly Redemption will not be the primary mechanism for Unitholders to dispose of their Units.

### **Exercise of Redemption Right**

A Unitholder who desires to exercise his or her Annual Redemption right or Monthly Redemption right must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto), on behalf of the Unitholder, written notice (the “**Redemption Notice**”) of such Unitholder’s intention to redeem Units by no later than 5:00 p.m. (Toronto time) on the applicable notice date described above. Such surrender will be irrevocable upon the delivery of the Redemption Notice to CDS through a CDS Participant, except with respect to those Units which are not paid for by the Fund on the relevant Redemption Payment Date. A Unitholder who desires to redeem Units should ensure that the CDS Participant is provided with the Redemption Notice of his or her intention to exercise his or her redemption right sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver the Redemption Notice to CDS and so as to permit CDS to deliver notice to the Registrar and Transfer Agent, in advance of the required time. Any expense associated with the preparation and delivery of Redemption Notices will be for the account of the Unitholder exercising the redemption right.

Except as provided under “Suspension of Redemptions” below, by causing a CDS Participant to deliver to CDS a notice of the Unitholder’s intention to redeem Units, a Unitholder shall be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of the redemption right and the receipt of payment in connection with the settlement of obligations arising from such exercise. Any Redemption Notice delivered by a CDS Participant regarding a Unitholder’s intent to redeem which CDS determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the redemption right to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a CDS Participant to exercise redemption rights or to give effect to the settlement thereof in accordance with the Unitholder’s instructions will not give rise to any obligations or liability on the part of the Fund to the CDS Participant or to the Unitholder. Pursuant to the Declaration of Trust, the Fund may allocate and designate as payable capital gains realized by the Fund to a Unitholder whose Units are being redeemed. Any such allocations will reduce the redeeming Unitholder’s proceeds of disposition.

## Suspension of Redemptions

The Manager may suspend the redemption of Units or payment of redemption proceeds: (i) during any period when normal trading is suspended on stock exchanges or other markets on which securities owned by the Fund are listed and traded, if these securities represent more than 50% by value or underlying market exposure of the Fund and if these securities are not traded on any other exchange that represents a reasonably practical alternative for the Fund or (ii) for a period not exceeding 30 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Manager to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the redemption will be effected at a price determined on the first Business Day following the termination of the suspension. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager shall be conclusive.

## INCOME TAX CONSIDERATIONS

In the opinion of Borden Ladner Gervais LLP, counsel to the Fund, and Fasken Martineau DuMoulin LLP, counsel to the Agents, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Units by a Unitholder who acquires Units pursuant to this prospectus. This summary only applies to a Unitholder who is an individual (other than a trust) and who, for the purposes of the Tax Act and at all relevant times, is resident in Canada, deals at arm's length with and is not affiliated with the Fund and holds Units as capital property. Generally, the Units will be considered to be capital property to a purchaser provided that the purchaser does not hold such Units in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Unitholders who might not otherwise be considered to hold Units as capital property may, in certain circumstances, be entitled to have such Units and all other "Canadian securities" as defined in the Tax Act owned or subsequently acquired by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is based on the facts set out in this prospectus, the current provisions of the Tax Act, counsel's understanding of the current administrative policies and assessing practices of the CRA published in writing by it prior to the date hereof and all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (such proposals referred to hereafter as the "Tax Proposals") and relies upon advice from the Manager and the Agents as to certain factual matters. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account other federal or any provincial, territorial or foreign income tax legislation or considerations. There can be no assurance that the Tax Proposals will be enacted in the form publicly announced or at all.

This summary is also based on the assumption that the Fund will at no time be subject to the tax for "SIFT Trusts" for purposes of the Tax Act.

**This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on an investor's particular circumstances including the province in which the investor resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units, based on their particular circumstances.**

## Status of the Fund

This summary is based on the assumptions that the Fund will qualify at all times as a “unit trust” and a “mutual fund trust” within the meaning of the Tax Act, that the Fund will validly elect under the Tax Act to be a mutual fund trust from the date it was established, and that the Fund will not reasonably at any time be considered to be established or maintained primarily for the benefit of non-resident persons unless, at that time, substantially all of its property consists of property other than “taxable Canadian property” within the meaning of the Tax Act (if the definition of such term were read without reference to paragraph (b) of that definition).

To qualify as a mutual fund trust (i) the Fund must be a Canadian resident “unit trust” for purposes of the Tax Act, (ii) the only undertaking of the Fund must be (a) the investing of its funds in property (other than real property or interests in real property or immovables or real rights in immovables), (b) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property) or of any immovable (or real right in immovables) that is capital property of the Fund, or (c) any combination of the activities described in (a) and (b), and (iii) the Fund must comply with certain minimum requirements respecting the ownership and dispersal of Units (the “**minimum distribution requirements**”). In this connection, (i) the Manager has advised counsel that it intends to cause the Fund to qualify as a unit trust throughout the life of the Fund, (ii) the Fund’s undertaking conforms with the restrictions for mutual fund trusts, and (iii) the Manager has advised counsel that it has no reason to believe that, following the closing of the Offering, the Fund will not comply with the minimum distribution requirements at all material times. The Manager has advised counsel that it intends to ensure that the Fund will meet the requirements necessary for it to qualify as a mutual fund trust no later than the closing of the Offering and at all times thereafter and to file the necessary election so that the Fund will qualify as a mutual fund trust throughout its first taxation year.

If the Fund were not to qualify as a mutual fund trust at all times, the income tax considerations described below would, in some respects, be materially and adversely different.

Provided that the Fund qualifies, and continues at all times to qualify, as a “mutual fund trust” within the meaning of the Tax Act, the Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts (each a “**plan trust**”). See “Income Tax Considerations – Taxation of Registered Plans” for the consequences of holding Units in plan trusts.

## Taxation of the Fund

The Manager has advised counsel that the Fund may elect to have a taxation year that ends on December 15 of each calendar year. The Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including dividends and net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Unitholders in the calendar year in which the taxation year ends. The Manager has advised counsel that the Fund intends to make distributions to Unitholders and to deduct, in computing its income in each taxation year, such amount as will be sufficient to ensure that the Fund will not be liable for income tax under Part I of the Tax Act for each year other than such tax on net realized capital gains that will be recoverable by the Fund in respect of such year by reason of the capital gains refund mechanism.

The Fund will be entitled for each taxation year throughout which it is a mutual fund trust for purposes of the Tax Act to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the year (the “**Capital Gains Refund**”).

The Fund will be required to include in its income for each taxation year all interest that accrues (or is deemed to accrue) to it to the end of the year, or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year and excluding any interest that accrued prior to the date of the acquisition of the indebtedness by the Fund. Upon the actual or deemed disposition of indebtedness, the Fund will be required to include in computing its income for the year of disposition all interest that accrued (or is deemed to accrue) on such indebtedness from the last interest payment date to the date of disposition except to the extent such interest was included in computing the Fund’s income for that or another taxation year and such income inclusion will reduce the proceeds of disposition for purposes of computing any gain or loss on such disposition or deemed disposition.



Gains realized by the Fund from investments in derivatives will generally be taxed on income account, rather than as capital gains, except where the derivative is used to hedge securities held on capital account. The Manager has informed counsel that, to the extent that the Fund uses derivative securities to hedge against fluctuations in currency, gains or losses of the Fund in respect of such derivative securities will be reported on income account (except in the event that such derivative securities are sufficiently linked to assets of the Fund held as capital property) and the Fund will recognize such gains and losses for tax purposes at the time they are realized.

Upon the actual or deemed disposition of a security included in the Portfolio, the Fund will realize a capital gain (or capital loss) to the extent the proceeds of disposition net of any amounts included as interest on the disposition of the security and any reasonable costs of disposition exceed (or are less than) the adjusted cost base of such security unless the Fund were considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Fund has acquired the security in a transaction or transactions considered to be an adventure or concern in the nature of trade. The Manager has advised counsel that the Fund will purchase the securities in the Portfolio with the objective of earning distributions and income from the Portfolio securities over the life of the Fund and will take the position that gains and losses realized on the disposition thereof are capital gains and capital losses.

The Portfolio will include securities that are not denominated in Canadian dollars. Cost, proceeds of disposition of securities, distributions, interest and all other amounts will be determined for the purposes of the Tax Act in Canadian dollars at the exchange rate prevailing at the time of the transaction. The Fund may realize gains or losses by virtue of the fluctuation in the value of foreign currencies relative to Canadian dollars. The Fund will derive income (including gains) from investments in countries other than Canada and, as a result, may be liable to pay income or profits tax to such countries. To the extent that such foreign tax paid does not exceed 15% of such income and has not been deducted in computing the Fund's income, the Fund may designate a portion of its foreign source income in respect of a Unitholder so that such income and a portion of the foreign tax paid by the Fund may be regarded as foreign source income of, and foreign tax paid by, the Unitholder for the purposes of the foreign tax credit provisions of the Tax Act. To the extent that such foreign tax paid by the Fund exceeds 15% of the amount included in the Fund's income from such investments, such excess may generally be deducted by the Fund in computing its income for the purposes of the Tax Act.

One half of the amount of any capital gain (a "**taxable capital gain**") realized by the Fund on the disposition of securities in the Portfolio must be included in computing the Fund's income for the year, and one half of the amount of any capital loss (an "**allowable capital loss**") realized by the Fund in a taxation year may be deducted against any taxable capital gains realized by the Fund in the year. Any excess of allowable capital losses over taxable capital gains for a taxation year may be deducted against taxable capital gains realized by the Fund in any of the three preceding taxation years or in any subsequent taxation year to the extent and under the circumstances described in the Tax Act.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income including interest expense. Interest paid on money borrowed to fund redemptions will not be deductible. The Fund may generally deduct the costs and expenses of the Offering paid by the Fund and not reimbursed at a rate of 20% per year, pro-rated where the Fund's taxation year is less than 365 days. Any losses incurred by the Fund may not be allocated to Unitholders but may generally be carried forward and back and deducted in computing the taxable income of the Fund in accordance with the detailed rules and limitations in the Tax Act.

### **Taxation of Unitholders**

A Unitholder will generally be required to include in computing income for a taxation year the amount of the Fund's net income for the taxation year computed in Canadian dollars, including net realized taxable capital gains, paid or payable to the Unitholder (whether in cash or in Units) in the taxation year. If the Fund elects to have a December 15 taxation year end, amounts paid or payable by the Fund to a Unitholder after December 15 and before the end of the calendar year are deemed to have been paid or become payable to the Unitholder on December 15.

Provided that appropriate designations are made by the Fund, such portion of the net realized taxable capital gains of the Fund and the taxable dividends, if any, received or deemed to be received by the Fund on shares of taxable Canadian corporations as is paid or payable to a Unitholder will effectively retain its character and be

treated as such in the hands of the Unitholder for purposes of the Tax Act. In addition, provided that appropriate designations are made by the Fund in respect of foreign income or gains of the Fund, for the purpose of computing any foreign tax credit available to a Unitholder, and subject to the rules in the Tax Act, the Unitholder will be deemed to have paid as tax to the government of a foreign country the Unitholder's share of the taxes paid or considered to be paid by the Fund to that country.

The non-taxable portion of the Fund's net realized capital gains for a taxation year paid or payable the taxable portion of which was designated to a Unitholder in a taxation year (or, if the Fund elects to have a December 15 taxation year end, in the calendar year in which that taxation year ends) will not be included in the Unitholder's income for the year. Any other amount in excess of the Unitholder's share of the Fund's net income for a taxation year paid or payable to the Unitholder in the calendar year in which that taxation year ends will not generally be included in the Unitholder's income, but will generally reduce the adjusted cost base of the Unitholder's Units.

Under the Tax Act, the Fund is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions for the year. This will enable the Fund to utilize, in a taxation year, losses from prior years without affecting the ability of the Fund to distribute its income annually. The amount distributed to a Unitholder but not deducted by the Fund will not be included in the Unitholder's income. However, the adjusted cost base of the Unitholder's Units will be reduced by such amount (other than the non-taxable portion of the Fund's net realized capital gains paid or payable the taxable portion of which was designated to a Unitholder in a year). To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed capital gain to zero.

Any losses of the Fund for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, a Unitholder.

On the disposition or deemed disposition of a Unit (whether on a sale, redemption or otherwise), the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition (other than any amount of capital gains made payable by the Fund to the Unitholders or the redemptions exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. A conversion of Class U Units into Class A Units by a Unitholder will likely constitute a disposition of the Class U Units for the Unitholder.

For the purpose of determining the adjusted cost base of Units to a Unitholder, when Units are acquired, the cost of the newly acquired Units will be averaged with the adjusted cost base of all Units owned by the Unitholder as capital property immediately before that time. The cost of Units acquired as a distribution of income or capital gains will generally be equal to the amount of the distribution. A consolidation of Units following a distribution paid in the form of additional Units will not be regarded as a disposition of Units and will not affect the aggregate adjusted cost base to a Unitholder of Units.

One-half of any capital gain (a "**taxable capital gain**") realized on the disposition of Units will be included in the Unitholder's income and one-half of any capital loss (an "**allowable capital loss**") realized may be deducted from taxable capital gains of the Unitholder for that year. Allowable capital losses for a taxation year in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains in accordance with the provisions of the Tax Act. All Unitholders, including holders of Class U Units, will be required to compute all amounts, including the adjusted cost base of Units and proceeds of disposition, in Canadian dollars for purposes of the Tax Act and may as a result realize foreign exchange gains or losses.

In general terms, net income of the Fund paid or payable to a Unitholder that is designated as taxable dividends from taxable Canadian corporations or as net realized taxable capital gains as well as taxable capital gains realized by the Unitholders on the disposition of Units may increase the Unitholder's liability for alternative minimum tax.

### **Taxation of Registered Plans**

Amounts of income and capital gains included in a plan trust's income are generally not taxable under Part I of the Tax Act, provided that the Units are qualified investments for the plan trust. See "Income Tax

Considerations – Status of the Fund”. Unitholders should consult their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a plan trust.

Notwithstanding the foregoing, if the Units are “prohibited investments” for the purposes of a registered retirement savings plan (“RRSP”), registered retirement income fund (“RRIF”) or a tax-free savings account (“TFSA”), the annuitant or holder of the RRSP, RRIF or TFSA will be subject to a penalty tax as set out in the Tax Act. A “prohibited investment” includes a unit of a trust (i) which does not deal at arm’s length with the annuitant or holder, (ii) which does not deal at arm’s length with a corporation, partnership or trust in which the annuitant or holder has a significant interest, or (iii) in which the annuitant or holder has a significant interest. In general terms, “significant interest” means the ownership of 10% or more of the value of a trust’s or partnership’s outstanding units or interests, or the ownership of 10% or more of the issued shares of any class of a corporation, by the annuitant or holder, either alone or together with persons with whom the annuitant or holder does not deal at arm’s length. Proposed amendments to the Tax Act released on December 21, 2012 (the “December 2012 Proposals”) propose to delete the condition in (ii) above. In addition, pursuant to the December 2012 Proposals, the Units will generally not be a prohibited investment if the Units are “excluded properties” as defined in the December 2012 Proposals for the particular RRSP, RRIF or TFSA. Annuitants or holders should consult their own tax advisors with respect to whether Units would be prohibited investments, including with respect to whether the Units would be excluded property as defined in the December 2012 Proposals.

### **Tax Implications of the Fund’s Distribution Policy**

The NAV per Unit will, in part, reflect any income and gains of the Fund that have been earned or been realized but not made payable at the time Units were acquired. A Unitholder who acquires Units, including on a distribution in the form of Units, may become taxable on the Unitholder’s share of such income and capital gains of the Fund notwithstanding that such amounts may have been reflected in the price paid by the Unitholder for the Units. Since the Fund intends to make monthly distributions as described under “Distribution Policy”, the consequences of acquiring Units late in the calendar year will generally depend on the amount of distributions throughout the year and whether a special distribution to Unitholders as described under “Distribution Policy” is necessary to ensure that the Fund will not be liable for non-refundable income tax on such amounts under the Tax Act. Further, if the Fund elects to have a December 15 taxation year end, where a Unitholder acquires Units in a calendar year after December 15 of such year, such Unitholder may become taxable on income earned or capital gains realized in the taxation year ending on December 15 of such calendar year but that had not been made payable before the Units were acquired.

## **ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND**

### **The Manager**

The Manager, an indirect wholly-owned subsidiary of Manulife, has taken the initiative in founding and organizing the Fund and is a promoter of the Fund within the meaning of applicable securities legislation.

#### *Duties and Services to be Provided by the Manager*

The Manager has been appointed to act as the manager and investment manager of the Fund and has been given the authority to provide investment management services to the Fund, manage the activities and day to day operations of the Fund, including providing and arranging for the provision of marketing and administrative services required by the Fund. The Manager may delegate certain of its duties to third parties but such delegation shall not detract from the Manager’s liability for carrying out such duties. The Manager’s duties include: maintaining accounting records for the Fund; authorizing the payment of operating expenses incurred on behalf of the Fund; preparing financial statements, income tax forms and financial and accounting information as required by the Fund; calculating the NAV; ensuring that Unitholders are provided with financial statements and other reports as are required by applicable law from time to time; monitoring the Fund’s compliance with regulatory requirements and any applicable stock exchange listing requirements; preparing the Fund’s reports to Unitholders, the Canadian securities regulatory authorities and any stock exchange on which the Units are listed; and negotiating contractual agreements with third party providers of services, including auditors and printers.

The Manager is required to exercise its powers and discharge its duties as manager honestly, in good faith and in the best interests of the Fund and to exercise the degree of care, diligence and skill of a reasonably prudent person in comparable circumstances. The Manager will not be liable for any default, failure or defect in any of the



securities comprising the Portfolio, or any decreases in the NAV if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Manager will incur liability in cases of wilful misconduct, bad faith, negligence, disregard of the Manager’s standard of care or by any material breach or default by it of its obligations.

The Manager will continue as manager until the termination of the Fund unless the Manager resigns or is removed as described below. The Manager may resign if the Fund is in breach or default of the provisions of its Declaration of Trust and, if capable of being cured, any such breach or default has not been cured within 30 days’ notice of such breach or default to the Fund. The Manager is deemed to have resigned if the Manager (i) becomes bankrupt or insolvent; (ii) ceases to be resident in Canada for the purposes of the Tax Act; (iii) ceases to carry out its functions of managing the Fund in Canada; or (iv) no longer holds the licenses, registrations or other authorizations necessary to carry out its obligations and is unable to obtain them within a reasonable period after their loss. In addition, the Manager may resign as manager of the Fund upon 60 days’ written notice to the Unitholders. If the Manager resigns, it will appoint a successor manager. If the successor manager is not an affiliate of the Manager, or if the Manager fails to appoint a successor manager, the appointment will be required to be ratified or made, as the case may be, by a meeting of Unitholders, as described under the heading “Unitholder Matters”.

In the event that the Manager is in material breach or default of the provisions of the Declaration of Trust and, if capable of being cured, any such breach or default has not been cured within 30 days’ notice of such breach or default to the Manager, the Trustee shall give notice thereof to Unitholders and Unitholders, upon approval by way of Extraordinary Resolution, may direct the Trustee to remove the Manager and appoint a successor manager.

The Manager is entitled to fees for its services as manager under the Declaration of Trust as described under “Fees and Expenses” and will be reimbursed for all reasonable costs and expenses incurred by the Manager on behalf of the Fund. In addition, the Manager and each of its directors, officers, employees and agents will be indemnified by the Fund for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced, or other claim that is made against, the Manager, or any of its officers, directors, employees or agents, in the exercise of its duties as manager, except those resulting from the Manager’s wilful misconduct, bad faith, negligence, disregard of the Manager’s standard of care or material breach or default by the Manager of its obligations.

The management services to be provided by the Manager are not exclusive to the Fund and nothing in the Declaration of Trust prevents the Manager from providing similar management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities.

*Directors and Executive Officers of MAML*

The name and municipality of residence of each of the directors and executive officers of the Manager, acting in connection with the Fund, and their principal occupation are as follows:

<b>Name and Municipality of Residence</b>	<b>Office with MAML</b>	<b>Principal Occupation</b>
Jacqueline Allard Toronto, Ontario	Director	Senior Vice President, Head of Operations & Chief Information Officer, Manulife Financial – Investment Division
Richard B. Coles Toronto, Ontario	Director	Retired executive
Barry H. Evans Needham, Massachusetts	Director	President, Manulife Asset Management - North America, and Manulife Asset Management’s Global Chief Investment Officer, Asset Allocation
J. Roy Firth Toronto, Ontario	Director and Chairman	Retired Executive
Bruce Gordon Waterloo, Ontario	Director	Retired executive

<b>Name and Municipality of Residence</b>	<b>Office with MAML</b>	<b>Principal Occupation</b>
Paul Lorentz Waterloo, Ontario	Director	Executive Vice President, Insurance & Investment Solutions, Retail, Manulife
Paul Rooney Kitchener, Ontario	Director	Senior Executive Vice President and Chief Operating Officer, The Manufacturers Life Insurance Company and Manulife Financial
Warren Thomson Toronto, Ontario	Director, President, Chief Executive Officer and Ultimate Designated Person	Senior Executive Vice President and Chief Investment Officer, The Manufacturers Life Insurance Company and Manulife
James den Ouden Kitchener, Ontario	Chief Financial Officer	Assistant Vice President, Finance, Manulife and Chief Financial Officer, MAML
Martin Guest Toronto, Ontario	Chief Compliance Officer, General Counsel and Secretary	Vice President and Chief Counsel, Retail, Banking and Advisory Services, Manulife
Sheila Hart Carlisle, Ontario	Vice President	Vice President and Chief Financial Officer, Insurance & Investment Solutions, Retail, Manulife
Joanna Lohrenz Kitchener, Ontario	Vice President	Vice President Operations, Insurance & Investment Solutions, Retail, Manulife
Jennifer Mercanti Oakville, Ontario	Associate General Counsel and Assistant Secretary	Assistant Vice President and Chief Counsel, Manulife Investments, Manulife

Except as indicated below, each of the directors and executive officers listed above holds the office noted opposite his or her name and has held a similar office in the predecessor company or an affiliate during the five years preceding the date of this prospectus.

Mr. Warren Thomson was appointed Chief Executive Officer and Ultimate Designated Person as of April 1, 2013 after Mr. Roy Firth retired as Chief Executive Officer and Ultimate Designated Person as of April 1, 2013.

Ms. Jennifer Mercanti joined Manulife in September 2009 as Associate Counsel and became Assistant Vice President and Chief Counsel in June 2010. Prior to joining Manulife, Ms. Mercanti worked as Associate Counsel at AIC Limited since October 2005.

Mr. James den Ouden has been employed by Manulife since 1995, holding positions of increasing responsibility in both the Canadian and Corporate divisions. Since 2005, Mr. den Ouden has been the Assistant Vice President responsible for Corporate Division expenses, and then Total Company Expenses and Total Company Management Reporting before moving to Canadian Division in 2009 as the Assistant Vice President Accounting Control in Manulife Investments. In late 2010, Mr. den Ouden was appointed the Chief Financial Officer for MAML.

Mr. Martin Guest joined Manulife in May 2011. Between 2008 and that time, he was a partner at Torys LLP, a law firm. Between 1994 and 2008, he was Senior Vice President and Corporate Counsel at Fidelity Investments Canada Limited.

Ms. Jacqueline Allard joined the MAML Board of Directors in December 2011. Currently, Ms. Allard is Senior Vice President, Head of Operations & Chief Information Officer, in Manulife's Investment Division, having been with the company since 2008. Among other duties, this includes responsibility for all investment operations and information technology functions at Manulife Asset Management worldwide. In March 2013, Ms. Allard was appointed a Director of Manulife Asset Management (US) LLC. Prior to March 2013, Ms. Allard was President, Manulife Asset Management Canada, a division of MAML, and Global Chief Operating Officer for Manulife Asset Management. Ms. Allard joined MAML in 2008 from State Street Corporation, where she was Senior Vice President and Regional Head of State Street's Global Technology Services (Americas).

Mr. Barry H. Evans joined the MAML Board of Directors in March 2013. In addition to his role as a Director of MAML, Mr. Evans is currently President, Manulife Asset Management - North America, and Manulife Asset Management's Global Chief Investment Officer, Asset Allocation. Among other duties, Mr. Evans is also Director, Chairman and President of Manulife Asset Management (US) LLC. Prior to March 2013, Mr. Evans was Manulife Asset Management's Global Chief Investment Officer, Fixed Income. He has been with entities now affiliated with Manulife Financial since 1986.

### **The Advisor**

The Advisor, which was organized in the state of Delaware in 1968, is based in Boston, Massachusetts. The Advisor is a sub-advisor to an aggregate of 20 funds managed by the Manager and has, in aggregate, approximately \$133 billion in assets under management.

The Advisor will provide investment management services to the Fund with respect to the Portfolio pursuant to an investment management agreement (the “**Investment Management Agreement**”) to be entered into on or prior to the Closing Date between the Manager, the Fund and the Advisor, provided that the Manager shall not be relieved of its obligations to the Fund in respect of the matters so delegated to the Advisor. Decisions regarding the purchase and sale of the Portfolio securities and the execution of transactions for the Portfolio will be made by the Advisor, in accordance with and subject to the terms of the Investment Management Agreement. Subject to the terms of the Investment Management Agreement, the Advisor will implement the investment strategy for the Fund on an ongoing basis. To the extent applicable, there may be difficulty in enforcing legal rights against the Advisor because it is not a resident of Canada and all or a substantial portion of its assets and its officers and directors are located outside of Canada.

Under the Investment Management Agreement, the Advisor will covenant to act at all times on a basis which is fair and reasonable to the Fund, to act honestly and in good faith with a view to the best interests of the Fund, and in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances. The Investment Management Agreement will provide that the Advisor will not be liable in any way to the parties indemnified under the Investment Management Agreement for any default, failure or defect in any of the securities comprising the Portfolio, if it satisfied the standard of care, diligence and skill set forth above. The Investment Management Agreement will further provide that the Advisor will not be liable for any decreases in the NAV if it has satisfied the standard of care, diligence and skill set forth above. Pursuant to the Investment Management Agreement, the Advisor and its officers, directors and employees shall be indemnified, from the assets of the Fund against all losses (other than loss of profits), expenses and liabilities incurred by any of them in connection with any matter relating to their respective duties under the Investment Management Agreement, unless any such indemnified person is finally adjudicated to have committed a material breach or default of its obligations under the Investment Management Agreement or an act or omission involving wilful misconduct, bad faith, negligence or reckless disregard of such person's duties or standard of care under the Investment Management Agreement.

The Investment Management Agreement will continue in force, unless terminated as described below. The Advisor will be able to terminate the Investment Management Agreement, without payment of any penalty, including in the following circumstances: (i) upon 90 days' notice; (ii) in the event that the Manager is in material breach of the Investment Management Agreement and the material breach has not been cured within 20 Business Days' notice thereof to the Manager; (iii) if there is a material change in the investment objective, strategy and/or restrictions of the Fund to which the Advisor has not previously agreed; (iv) if there is a dissolution and commencement of winding-up of the Fund; (v) if the Fund becomes bankrupt or insolvent or makes a general assignment for the benefit of its creditors or a receiver is appointed in respect of the Fund or a substantial portion of its assets; or (vi) if the assets of the Fund become subject to seizure or confiscation by any public or governmental organization.

The Manager will be able to terminate the Investment Management Agreement, without payment of any penalty, including in the following circumstances: (i) upon 60 days' notice; (ii) in the event that the Advisor is in material breach of the Investment Management Agreement and the material breach has not been cured within 20 Business Days' notice thereof to the Advisor; (iii) if there is a dissolution and commencement of winding-up of the Advisor; (iv) if the Advisor becomes bankrupt or insolvent or makes a general assignment for the benefit of the creditors or a receiver is appointed in respect of the Advisor or a substantial portion of the assets of the Advisor; (v)

if the assets of the Advisor become subject to seizure or confiscation by any public or governmental organization; (vi) if the Advisor has lost any registration, license or other authorization or cannot rely on an exemption therefrom required by the Advisor for it to perform the services delegated to it thereunder; or (vii) if the Advisor has breached its standard of care or acted with wilful misconduct, fraud or negligence.

The Investment Management Agreement will not be subject to termination under clause (ii) in the preceding paragraph if a material breach by the Advisor cannot be cured within 20 Business Days' notice thereof but the Advisor commences the cure within the 20 Business Day period and completes the cure within 45 days of such notice.

In the event that the Investment Management Agreement is terminated as provided above, the Manager shall promptly appoint one or more successor investment advisors to carry out the activities of the Advisor pursuant to the Investment Management Agreement.

The Manager is responsible for payment of the investment management fees of the Advisor out of the Management Fee. See "Fees and Expenses – Operating Expenses of the Fund".

#### *Employees of the Advisor*

The following individuals will be principally responsible for the investment decisions made with respect to the Fund. Prior investment committee approval is not required to effect trades by the Fund.

**Daniel S. Janis, III**, is a senior managing director and senior portfolio manager at MAM. He joined MAM in 1999. Mr. Janis is the lead portfolio manager for the strategic fixed income strategy and the international fixed income strategy in both the U.S. and Canada. His areas of expertise include foreign exchange, derivatives, and global economics. Previously, Mr. Janis was a Vice President and proprietary risk manager for BankBoston. He also had been a Vice President for Morgan Stanley in the foreign exchange department and managed their forward desk from 1991 to 1997. He holds certification from the Association of International Bond Dealers. Mr. Janis received a B.A. in Economics from Harvard University in 1983.

**Thomas C. Goggins** is a managing director and senior portfolio manager at MAM and a member of the international fixed income, global fixed income, and strategic fixed income strategies. He joined MAM in 1995. Previously, Mr. Goggins was director of research at Fontana Capital. He also held portfolio manager and lead analyst roles at SAC Capital, Putnam Investments and Transamerica Investments. Mr. Goggins received a B.B.A. from the University of Wisconsin, and a M.A. in Finance and Accounting from J.L. Kellogg Graduate School of Management at Northwestern University in 1987.

**Dennis F. McCafferty, CFA**, is a managing director and portfolio manager at MAM, working on the company's high yield fixed income and floating rate strategies. He provides research coverage in distressed situations with a focus on the media, building materials, homebuilders, paper, forest products & containers industries. Prior to joining the Advisor, he was a principal and senior analyst at Pardus Capital Management, a New York-based hedge fund. Earlier in his career, Mr. McCafferty served as a senior equity analyst at Griffen-Rose LLC, an investment analyst at W.R. Huff Asset Management, and held various positions at Ford Motor Credit Company. Mr. McCafferty joined MAM in 2008. He received a BS in Finance in 1995 and an MBA in 1999 from the University of Villanova.

**John F. Addeo, CFA** is a managing director and portfolio manager at MAM. He joined MAM in 2012. Mr. Addeo is a value-oriented fundamental investor with over twenty years of experience investing across the entire capital structure and credit spectrum. Prior to joining the Advisor, he was with MFS Investment Management from July 1998 to July 2012, where he held progressive portfolio management roles, most recently as an investment officer for the High Yield Bond Group while playing an integral role in that firm's expansion into global credit. Earlier in his career, Mr. Addeo held high yield analyst roles at Eaton Vance and Keystone Investments, covering a wide variety of industries and gaining broad experience in public and private placement markets, restructurings and liquidations. He is a CFA charterholder, a member of the Boston Security Analysts Society and received his BS in 1984 from Siena College.

**Joseph E. Rizzo**, is a managing director, portfolio manager and head trader, high yield securities, at MAM. He joined MAM in 2006. Mr. Rizzo focuses on high yield, leveraged loan, convertible bond and emerging markets trading for the fixed income team, and is a portfolio manager for the high yield fixed income strategy. Prior to joining the Advisor, he was a bond trader at John Hancock Financial Services. Earlier in his career, he held positions

in high yield sales at Lehman Brothers, and was an investment analyst at John Hancock Advisers. Mr. Rizzo received his BS in Finance in 1993 and MBA in 1999 from Babson College.

### *Conflicts Of Interest*

The Manager, the Advisor and their affiliates are engaged in a wide range of investment management, investment advisory and other business activities. The services provided by the Manager under the Declaration of Trust and the Advisor under the Investment Management Agreement are not exclusive and nothing in such agreements prevents the Manager or any of its respective affiliates from providing similar services to other investment funds and other persons (whether or not their investment objectives, strategies and policies are similar to those of the Fund) or from engaging in other activities. The Advisor's investment decisions for the Fund will be made independently of those made for other persons and independently of its own investments.

Whenever the Advisor proposes to make an investment, the investment opportunity will be allocated, on an equitable basis, generally pro rata based on available capital, between the Fund and any other fund for which the proposed investment would be within such fund's investment objectives.

Where the Manager or its affiliates otherwise perceive, in the course of its business, that it is or may be in a material conflict of interest position, the matter will be referred to the IRC (as defined herein).

The IRC will consider all matters referred to it and provide its recommendations to the Manager as soon as possible. See "Organization and Management Details of the Fund – Independent Review Committee".

### *Brokerage Arrangements*

Trading by the Advisor will be effected in accordance with the Advisor's policy concerning brokerage arrangements which is intended to ensure that the execution value, including price, commission, as well as research, related to each transaction, is the most favourable to the client's interests in all relevant circumstances. The policy is overseen by the Brokerage Practices Committee which meets four times a year to systematically evaluate the quality and cost of brokerage services. Pursuant to the policy, the Advisor communicates with broker/dealers in a competitive bid and offer process where, when appropriate, broker/dealers are placed in direct competition to seek best execution. However, in accordance with this policy, a fund may pay to a broker that provides brokerage and research services to the fund an amount disclosed in excess of the commission which any other broker would have charged for affecting that transaction provided that the Advisor has determined that such price is reasonable and in the best interests of unitholders in light of such services and in accordance with policies governing the fund from time to time.

### **Independent Review Committee**

NI 81-107 requires all publicly offered investment funds, including the Fund, to establish an independent review committee to whom the Manager must refer each conflict of interest matter for review or approval. NI 81-107 also requires the Fund to establish written policies and procedures for dealing with conflict of interest matters, maintaining records in respect of these matters and providing assistance to the independent review committee in carrying out its functions. The independent review committee is required to be comprised of three independent members and will be subject to requirements to conduct regular assessments and provide reports to the Manager and to Unitholders in respect of its functions.

The Manager has established an independent review committee for its mutual funds and other investment funds, including the Fund (the "**Independent Review Committee**" or "**IRC**") in accordance with NI 81-107. The fees and expenses of the IRC are borne and shared by all of the Manager's investment funds for which the IRC acts as the independent review committee on a pro rata basis (based on relative net asset values).

Each member of the IRC is independent of the Manager, the Fund and any other party related to the Manager as the term is defined under NI 81-107. The current members of the IRC, and their principal occupations, are as follows:



<b>Name and Municipality of Residence</b>	<b>Principal Occupation</b>
Robert Warren Law (Chair)	Financial Services Lawyer
Robert S. Robson	Retired Senior Bank Executive
William J.L. Swirsky	Chartered Accountant and retired Vice President of the Canadian Institute of Chartered Accountants

The IRC will prepare a report, at least annually, of its activities for Unitholders. Such reports will be available upon the Unitholder's request at no cost by calling the Manager at 1-888-333-3240, or by request to the Unitholder's dealer. Unitholders can also get a copy of such reports at [manulifemutualfunds.ca](http://manulifemutualfunds.ca) or by sending an e-mail request to [manulifemutualfunds@manulife.com](mailto:manulifemutualfunds@manulife.com).

Each member of the IRC receives \$1,750 plus expenses for each meeting (\$2,250 plus expenses in the case of the Chair) of the IRC as well as an annual retainer of \$20,000 (\$25,000 for the Chair). IRC members are also reimbursed for travel expenses in connection with meeting attendance. Other fees and expenses payable in connection with the IRC include insurance costs, legal fees, and attendance fees for educational seminars.

### **The Trustee**

The Trustee is the trustee of the Fund under the Declaration of Trust, and is responsible for managing all of the Fund's activities. The address of the Trustee where it principally provides services to the Fund is 200 Bloor Street East, North Tower 3rd Floor, Toronto, Ontario, M4W 1E5.

Pursuant to the Declaration of Trust, the Trustee, as trustee, is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Unitholders, and to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. The Declaration of Trust provides that the Trustee will not be liable in carrying out its duties under the Declaration of Trust except in cases of wilful misconduct, bad faith, negligence or the disregard of its obligations or duties or breach of its standard of care. The Trustee and each of its directors, officers, employees and agents will be indemnified by the Fund for all liabilities, costs and expenses incurred in connection with any claim, action, suit or proceeding that is proposed or commenced or prosecuted against the Trustee or any of its officers, directors, employees or agents in the exercise of its duties under the Declaration of Trust as trustee, except those resulting from such person's wilful misconduct, bad faith, negligence, disregard of such person's obligations or duties or breach of their standard of care in relation to the matter in respect of which indemnification is claimed.

Unless the Trustee resigns or is removed as described below, the Trustee will continue as trustee until the termination of the Fund. The Trustee or any successor trustee may resign upon 60 days' written notice to Unitholders, and the Trustee must be removed if the Trustee ceases to (i) be resident in Canada for purposes of the Tax Act; (ii) carry out its function of managing the Fund in Canada; or (iii) exercise the main powers and discretions of the trustee of the Fund in Canada, and the Trustee may be removed by Ordinary Resolution at a meeting of Unitholders called for such purpose or by the Manager (if the Manager is not then the Trustee), if the Trustee has committed certain events of bankruptcy or insolvency or is in material breach or default of its obligations under the Declaration of Trust which breach has not been cured within 30 days after notice thereof has been given to the Trustee. Any such resignation or removal shall become effective only upon the appointment of a successor trustee.

If the Trustee resigns or is removed as trustee of the Fund, or the Trustee becomes incapable of acting, or if for any other reason a vacancy occurs in the office of Trustee, a successor Trustee may forthwith be appointed by the Manager to fill such vacancy and, notwithstanding certain matters requiring Unitholder Approval set out under "Matters Requiring Unitholder Approval", such appointment need not be approved by Unitholders unless the Trustee has been removed by Unitholders in which case the Manager shall, forthwith after making such appointment, call a meeting of Unitholders for such purpose.

If the Manager fails to appoint a successor Trustee within 90 days or such appointment is not approved by the Unitholders as aforesaid, the Manager or any Unitholder may apply to a court of competent jurisdiction for the

appointment of a successor Trustee. The appointment of such successor by such court shall not require the approval of Unitholders.

### **The Custodian and Valuation Agent**

RBC Investor Services Trust (the “**Custodian**”) will be appointed on or before the Closing Date as the custodian and valuation agent of the Fund pursuant to the Custodian Agreement. The Custodian’s principal place of business in respect of the Fund is Toronto, Ontario. In accordance with the terms of the Custodian Agreement, the Custodian will be responsible for the safekeeping of all of the investments and other assets of the Fund delivered to it but not those assets of the Fund not directly controlled or held by the Custodian as the case may be. In the event that any Portfolio assets are acquired that cannot be held in Canada, the Custodian may appoint sub-custodians who are qualified to act as such.

In carrying out its duties, the Custodian is required to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances, or at least the same degree of care which it gives to its own property of a similar nature under its custody, if this is a higher degree of care.

Except to the extent the Custodian has not complied with its standard of care, the Custodian will not be liable for any act or omission in the course of, or connected to, rendering services under the Custodian Agreement or for loss to, or diminution of, the Fund’s property. In no event shall the Custodian be liable for any consequential or special damages. The Fund shall indemnify and save harmless the Custodian, and its directors, officers, and employees from and against all taxes, duties, charges, costs, expenses, actions, claims, including legal fees incurred by such indemnified parties in respect of anything done or omitted to be done under the Custodian Agreement except to the extent incurred as a result of breach of the above standard of care.

The Custodian Agreement provides that a party may terminate the Custodian Agreement immediately in the event that either party becomes insolvent or loses a license or registration necessary to meet its obligations under the Custodian Agreement. The Manager may also terminate the Custodian Agreement on 180 days’ notice.

In addition, the Custodian will be responsible for providing valuation services to the Fund and will calculate the NAV and NAV per Unit. See “Calculation of Net Asset Value”.

The Custodian will receive fees for custodial and valuation services provided to the Fund, as described in the Custodian Agreement.

### **Auditor**

The auditor of the Fund is PricewaterhouseCoopers LLP located in Toronto, Ontario.

### **Transfer Agent and Registrar**

Canadian Stock Transfer Company Inc., at its principal offices in Toronto, will be appointed the registrar, transfer agent and distribution agent for the Units pursuant to a registrar, transfer agency and distribution agency agreement to be entered into as of the Closing Date.

### **Promoter**

The Manager is a promoter of the Fund within the meaning of the securities legislation of certain provinces and territories of Canada by reason of its initiative in organizing the Fund. The promoter will not receive any benefits, directly or indirectly, from the issuance of securities offered hereunder other than as described under “Fees and Expenses”.

## **CALCULATION OF NET ASSET VALUE**

The NAV on a particular date will be equal to the aggregate fair value of the assets of the Fund less the aggregate fair value of the liabilities of the Fund, expressed in Canadian dollars at the applicable exchange rate on such date. The NAV per Unit of a class on any day will be obtained by dividing the NAV of the Fund allocated to the Units of such class, divided by the number of Units of such class then outstanding at the time the calculation is made.

The NAV per Unit of a class is calculated in Canadian dollars (or U.S. dollars in the case of the Class U Units) in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any

exemption therefrom that the Fund may obtain. The NAV per Unit determined in accordance with the principles set out above may differ from net asset per unit determined under Canadian generally accepted accounting principles. Under current Canadian generally accepted accounting principles, the primary differences are that securities traded in an active market are generally valued using the bid prices for securities held long.

#### **Valuation Policies and Procedures of the Fund**

The determination of NAV at any time will take into account the following:

- a) cash on hand or on deposit, bills, demand notes, accounts receivable, prepaid expenses, cash dividends received or receivable and interest accrued and not yet received, shall be deemed to be the face value thereof unless the Manager has determined that any such deposit, bill, demand note, account receivable, prepaid expense, cash dividend received or receivable or interest is not worth the full face value, in which event the value thereof shall be deemed to be such value as the Manager determines to be reasonable;
- b) Senior Floating Rate Loans, bonds, debentures and other obligations shall be valued by taking the average of the most recently available bid and asked quotations at the Valuation Time on the Valuation Day;
- c) notes and money market instruments shall be valued at the current market value thereof, which value shall be determined by the Manager based on the cost, plus any interest accrued on the relevant note or money market instrument;
- d) any security which is listed or dealt in upon a stock exchange shall be valued at its current market value;
- e) any security which is not listed or dealt in upon a stock exchange shall be valued at the most recently available sale price on the Valuation Day, or if such sale price is unavailable, the average of the bid and asked quotations immediately prior to the Valuation Time on the Valuation Day shall be used;
- f) restricted securities shall be valued at the lesser of:
  - i. the value thereof based on reported quotations in common use; and
  - ii. that percentage of the market value of securities of the same class, the trading of which is not restricted or limited by reason of any representation, undertaking or agreement or by law, equal to the percentage that the Fund's acquisition cost was of the market value of such securities at the time of acquisition, as applicable, provided that a gradual taking into account of the actual value of the securities may be made where the date on which the restrictions will be lifted is known;
- g) purchased or written clearing corporation options, options on futures, over-the-counter options, debt-like securities and listed warrants shall be valued at the current market value thereof;
- h) where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received by the Fund shall be reflected as a deferred credit which shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from revaluation shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the NAV. The securities, if any, which are the subject of a written clearing corporation option or over-the-counter option shall be valued at their current market value;
- i) the value of a futures contract, forward contract or other derivatives, such as swap contracts or options on financial futures, shall be the gain or loss with respect thereto that would be realized if, at the Valuation Time, the position in the futures contract, or the forward contract, as the case may be, were to be closed out in accordance with its terms, unless "daily limits" are in effect, in which case fair value shall be based on the current market value of the underlying interest;
- j) margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin;



- k) translating amounts in U.S. dollar currency to Canadian currency shall be based on the noon rate of exchange in effect on the Valuation Day as quoted by the Bank of Canada;
- l) if any Valuation Day is not a business day in any jurisdiction which is relevant for the purposes of valuing investments of the Fund, the prices or quotations as of the preceding business day in such jurisdiction shall be used for the purposes of such valuation;
- m) any security purchased, the purchase price of which has not been paid, shall be included for valuation purposes as a security held, and the purchase price, including brokers' commissions and other expenses, shall be treated as a liability of the Fund;
- n) any security sold but not delivered, pending receipt of the proceeds, shall be valued at the net sale price; and
- o) if any investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Manager to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Manager shall make such valuation as it considers fair and reasonable.

Unless otherwise indicated, for purposes hereof, "current market value" means the most recently available sale price applicable to the relevant security on the principal exchange on which it is traded immediately preceding the Valuation Time on the Valuation Day, provided that, if no sale has taken place on a Valuation Day, the average of the bid and asked quotations immediately prior to the Valuation Time on the Valuation Day shall be used.

For the purposes of the foregoing valuation policies, quotations may be obtained from any report in common use, or from a reputable broker or other financial institutions, provided always that the Manager shall retain sole discretion to use such information and methods as it deems to be necessary or desirable for valuing the assets of a Fund, including the use of a formula computation.

If any investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Manager to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Manager shall make such valuation as it considers fair and reasonable under the circumstances and, if there is an industry practice, in a manner consistent with such industry practice for valuing such investment.

Pursuant to NI 81-106, investment funds calculate their net asset value using fair value for purposes of securityholder transactions. The Manager considers the policies above to result in fair valuation of the securities held by the Fund in accordance with NI 81-106 and such policies have been approved by the Board of Directors of the Manager. Net assets of the Fund will continue to be calculated in accordance with Canadian GAAP for the purposes of its financial statements which currently results in the use of bid prices for long positions and ask prices for short positions, unless such value is determined to be unreliable or not readily available by the Manager, in which case the fair value will be estimated using certain valuation techniques on such basis and in such manner as may be determined by the Manager in accordance with Canadian GAAP for such purpose.

Financial statements of the Fund will contain a reconciliation of the net assets per Unit that is reported in such financial statements in accordance with Canadian GAAP to the NAV per Unit used by the Fund for all other purposes, if required.

### **Reporting of Net Asset Value**

The NAV and NAV per Unit of a class will be calculated as of 4:00 p.m. (Toronto time) (the "**Valuation Time**") on every Business Day (each, a "**Valuation Day**"). Such information will be provided by the Manager to Unitholders on request by calling toll-free 1-888-333-3240 or via the Internet at [www.manulifemutualfunds.ca](http://www.manulifemutualfunds.ca).

## **ATTRIBUTES OF THE SECURITIES**

### **Description of the Securities Distributed**

The beneficial interests in the net assets and net income of the Fund are divided into units of two classes, Class A Units and Class U Units. The Fund is authorized to issue an unlimited number of Units of each class. The Class A Units are designed for investors who want to make their investment in Canadian dollars and the Class U Units are designed for investors who want to make their investment in U.S. dollars. The Class U Units will not be listed on a stock exchange and will not be hedged.

Except as provided under “Plan of Distribution – Non-Resident Unitholders” below, all Units have equal rights and privileges. Each Unit is entitled to one vote at all meetings of Unitholders and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains, and distributions upon the termination of the Fund. Units are issued only as fully paid and Unitholders will not, as such, be liable to contribute any additional amount in respect thereof. Units will only be issued through the book-entry only system administered by CDS. See “Book-Entry Only System”.

The Declaration of Trust provides that the Fund may not issue additional Units (or securities convertible exchangeable or exercisable for Units) following completion of the Offering except: (i) at a price that yields net proceeds to the Fund of not less than 100% of NAV per Unit calculated as of the close of business on the Business Day immediately prior to the pricing of such issuance; (ii) by way of Unit distributions; or (iii) with the approval of Unitholders. Immediately after a pro rata distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will automatically be consolidated such that each Unitholder will hold, after the consolidation, the same number of Units as the Unitholder held before the non-cash distribution, except in the case of a non-resident Unitholder to the extent tax was required to be withheld in respect of the distribution. Subject to the foregoing, the Fund may also allot and issue Units or other securities at such time or times and in such manner as the Manager in its sole discretion shall determine.

### **Conversion of Class U Units**

A holder of Class U Units may convert such Class U Units into Class A Units on a weekly basis and it is expected that liquidity for the Class U Units will be obtained primarily by means of conversion into Class A Units and a sale of such Class A Units. Class U Units may be converted in any week on the first Business Day of such week (the “**Conversion Date**”) by delivering a notice and surrendering such Class U Units no later than 3:00 p.m. (Toronto time) at least five Business Days prior to the applicable Conversion Date. For each Class U Unit so converted, a holder will receive that number of Class A Units equal to the NAV per Class U Unit as at the close of trading on the Business Day immediately preceding the Conversion Date divided by the NAV per Class A Unit as at the close of trading on the Business Day immediately preceding the Conversion Date. No fraction of a Class A Unit will be issued upon any conversion of Class U Units. Any remaining fraction of a Class U Unit will be redeemed for cash payment at the NAV per Class U Unit as of the close of trading on the Business Day immediately preceding the Conversion Date. Based on CRA’s administrative practice, a conversion of Class U Units into whole Class A Units will likely constitute a disposition of such Class U Units for the purposes of the Tax Act. The redemption of any fraction of a Class U Unit will likely result in a capital gain (or capital loss) to the redeeming Unitholder. See “Income Tax Considerations – Taxation of Unitholders”.

### **Market Purchases**

The Manager may purchase Class A Units if it determines that such purchases are in the best interest of Unitholders.

Purchases of Class A Units by the Fund will be subject to compliance with any applicable regulatory requirements and limitations.

### **Book-Entry Only System**

Registration of interests in, and transfers of, the Units will be made only through the book-entry entry system of CDS. The Fund will issue to CDS the aggregate number of Units subscribed for under the Offering. Units will be evidenced by one or more certificates, or electronically through the non-certificated inventory system operated by CDS. Units must be purchased, transferred and surrendered for redemption only through a CDS Participant. All rights of an owner of Units must be exercised through, and all payments or other property to which such beneficial owner is entitled will be made or delivered by, CDS or the CDS Participant through which the beneficial owner holds such Units. Upon purchase of any Units, the beneficial owner will receive only the customary confirmation. Certificates evidencing Units will not be issued unless a request for a certificate is made to the Fund.

The Fund, the Manager, and the Agents will not have any liability for (i) records maintained by CDS relating to the beneficial interests in the Units or the book-entry only accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or

representation made or given by CDS and made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such owner's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate to the extent that such owner has not requested a physical certificate from the Fund.

The Fund has the option to terminate registration of the Units through the book-entry only system in which case certificates for Units in fully registered form will be issued to beneficial owners of such Units or to their nominees.

### **Take-over Bids**

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for the Class A Units and not less than 90% of the aggregate of the Class A Units (but not including any Class A Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Class A Units held by the Unitholders who did not accept the take-over bid on the terms offered by the offeror.

The Declaration of Trust also provides that, if prior to the termination of the Fund, a formal bid (as defined in the *Securities Act* (Ontario)) is made for all of the Class U Units and such bid would constitute a formal bid for all Class A Units if the Class U Units had been converted to Class A Units immediately prior to such bid and the offer does not include a concurrent identical take-over bid, including in terms of price (relative to the Net Asset Value per Unit of the class), for the Class A Units, then the Fund shall provide the holders of Class A Units the right to convert all or a part of their Class A Units into whole Class U Units and to tender such Class U Units to the offer. In the circumstances described above, the Fund shall by press release provide written notice to the holders of the Class A Units that such an offer has been made and of the right of such holders to convert all or a part of their Class A Units into whole Class U Units and to tender such Class U Units to offer.

## **UNITHOLDER MATTERS**

### **Meetings of Unitholders**

A meeting of Unitholders may be convened by the Trustee or the Manager at any time and must be convened if requisitioned by Unitholders holding not less than 10% of the Units then outstanding (whether Class A Units and/or Class U Units) by a written requisition specifying the purpose of the meeting. Not less than 21 days' and not more than 50 days' notice will be given of any meeting of Unitholders. The Manager may convene a Class A Meeting or a Class U Meeting if the nature of the business to be transacted at that meeting is only relevant to Unitholders of the applicable class. The quorum at any meeting of all Unitholders is two Unitholders present in person or represented by proxy except for the purpose of any meeting called to consider item c) below under "Matters Requiring Unitholder Approval" in which case the quorum shall be two Unitholders holding not less than 10% of the outstanding Units. The quorum for a Class A Meeting is two or more holders of Class A Units present in person or represented by proxy holding not less than 10% of the Class A Units then outstanding. The quorum for a Class U Meeting is two or more holders of Class U Units present in person or represented by proxy holding not less than 10% of the Class U Units then outstanding. If a quorum is not present at a meeting when called, the meeting, if called on the requisition of Unitholders, will be terminated and otherwise will be adjourned for not less than 10 days and at the adjourned meeting the Unitholders then present in person or represented by proxy will form the necessary quorum. At any meeting of Unitholders, each Unitholder will be entitled to one vote for each Unit registered in the Unitholder's name.

The Fund will not hold annual meetings of Unitholders.

### **Matters Requiring Unitholder Approval**

Any matter to be considered at a meeting of Unitholders, other than certain matters requiring approval by Extraordinary Resolution as set out below, require the approval of Unitholders by Ordinary Resolution. Pursuant to the Declaration of Trust, the following matters require approval by Extraordinary Resolution:

- a) a change in the investment objectives or investment restrictions of the Fund, unless such change is necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- b) any change in the basis of calculating fees or other expenses that are charged to the Fund which could result in an increase in charges to the Fund other than a fee or expense charged by a person or company that is at arm's length to the Fund;
- c) except as described under "Organization and Management Details of the Fund – The Manager", a change of the Manager, other than a change resulting in an affiliate of such person assuming such position;
- d) a reorganization (other than a Permitted Merger (as defined herein)) with, or transfer of assets to, a mutual fund trust, if
  - (i) the Fund ceases to continue after the reorganization or transfer of assets; and
  - (ii) the transaction results in Unitholders becoming unitholders in a mutual fund trust;
- e) a reorganization (other than a Permitted Merger) with, or acquisition of assets of, a mutual fund trust, if
  - (i) the Fund continues after the reorganization or acquisition of assets;
  - (ii) the transaction results in the unitholders of the mutual fund trust becoming Unitholders of the Fund; and
  - (iii) the transaction would be a material change to the Fund;
- f) a termination of the Fund, other than as described under "Termination of the Fund";
- g) an amendment, modification or variation in the provisions or rights attaching to the Units;
- h) the issuance of additional Units, (including upon the exercise, conversion or exchange of any convertible or exchangeable securities of the Fund), other than: (i) for net proceeds to the Fund not less than 100% of the NAV per Unit calculated immediately prior to the pricing of such issuance; (ii) by way of Unit distributions;
- i) a reduction in the frequency of calculating the NAV per Unit; and
- j) any amendment to the above provisions except as permitted by the Declaration of Trust.

In addition, the Manager may, without obtaining Unitholder approval, merge the Fund (a "**Permitted Merger**") with another fund or funds, provided that:

- a) the fund(s) with which the Fund is merged must be managed by the Manager or an affiliate of the Manager;
- b) Unitholders are permitted to redeem their Units at a redemption price equal to 100% of the NAV per Unit, less any costs of funding the redemption, including commissions prior to the effective date of the merger;
- c) the funds being merged have similar investment objectives as set forth in their respective declarations of trust, as determined in good faith by the Manager in its sole discretion;
- d) the Manager must have determined in good faith that there will be no increase in the management expense ratio borne by the Unitholders as a result of the merger;
- e) the merger of the funds is completed on the basis of an exchange ratio determined with reference to the net asset value per unit of each fund; and
- f) the merger of the funds must be capable of being accomplished on a tax-deferred rollover basis for Unitholders of the Fund.

If the Manager determines that a Permitted Merger is appropriate and desirable, the Manager can effect the Permitted Merger, including any required changes to the Declaration of Trust, without seeking Unitholder approval

for the Permitted Merger or such amendments. If a decision is made to effect a Permitted Merger, the Manager will issue a press release at least 30 Business Days prior to the proposed effective date thereof disclosing details of the proposed merger. While the funds to be merged will have similar investment objectives, the funds may have different investment strategies, guidelines and restrictions and, accordingly, the units of the merged funds will be subject to different risk factors.

No amendment may be made to the Declaration of Trust which would have the effect of reducing the expenses reimbursable to the Manager or terminating the Manager unless the Manager, in its sole discretion, consents.

#### **Amendments to the Declaration of Trust**

The Trustee may, without the approval of or notice to Unitholders, amend the Declaration of Trust for certain limited purposes specified therein, including to:

- a) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law or regulation applicable to or affecting the Fund;
- b) make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- c) bring the Declaration of Trust into conformity with applicable laws, including the rules and policies of Canadian securities regulators or with current practice within the securities or investment fund industries provided that any such amendment does not adversely affect the rights of Unitholders;
- d) maintain, or permit the Manager to take such steps as may be desirable or necessary to maintain, the status of the Fund as a “mutual fund trust” and a “unit trust” for the purposes of the Tax Act or to respond to amendments to the Tax Act or to the interpretation thereof;
- e) change the name of the Fund;
- f) provide added protection to Unitholders;
- g) divide the capital of the Fund into one or more series of Units and to establish the attributes of each series, provided that the rights of existing Unitholders are not changed in an adverse manner; or
- h) make any changes to effect a Permitted Merger.

Except for changes to the Declaration of Trust which require the approval of Unitholders or changes described above which do not require approval of or prior notice to Unitholders, the Declaration of Trust may be amended from time to time by the Trustee or at the request of the Manager (if the Trustee is not the Manager) upon not less than 30 days’ prior written notice to Unitholders.

#### **Reporting to Unitholders**

The Fund’s fiscal year will be the calendar year. The annual financial statements of the Fund will be audited by the Fund’s auditor in accordance with Canadian generally accepted auditing standards. The auditor will be asked to report on the fair presentation of the annual financial statements in accordance with Canadian GAAP.

The Manager will ensure that the Fund complies with all applicable reporting and administrative requirements, including preparing and issuing unaudited interim financial statements. Each Unitholder, other than a plan trust, will be mailed annually, within the first 90 days after its taxation year, prescribed tax information with respect to amounts paid or payable by the Fund in respect of that taxation year of the Fund.

The Manager will keep adequate books and records reflecting the activities of the Fund. A Unitholder or his or her duly authorized representative will have the right to examine the books and records of the Fund during normal business hours at the offices of the Manager. Notwithstanding the foregoing, a Unitholder shall not have access to any information that, in the opinion of the Manager, should be kept confidential in the interests of the Fund.

## TERMINATION OF THE FUND

The Fund does not have a fixed termination date. The Fund may be terminated at any time upon not less than 90 days' written notice by the Manager (the "**Termination Date**"); provided, however, that the Manager may, in its discretion, on not less than 60 days' notice to Unitholders, terminate the Fund if, in the opinion of the Manager, it would be in the best interests of the Fund and the Unitholders to terminate the Fund. The Fund will also issue a press release 10 days prior to the Termination Date setting forth the details of the termination including the fact that, upon termination, the net assets of the Fund will be distributed to Unitholders on a pro rata basis. Immediately prior to the termination of the Fund, including on the Termination Date, the Trustee will, to the extent possible, convert the assets of the Fund to cash and after paying or making adequate provision for all of the Fund's liabilities, distribute the net assets of the Fund to the Unitholders as soon as practicable after the date of termination. Any unliquidated assets may be distributed in specie rather than in cash, subject to compliance with any securities or other laws applicable to such distributions.

## USE OF PROCEEDS

The net proceeds from the sale of Units (prior to the exercise of the Over-Allotment Option) will be as follows:

	Minimum Offering <sup>(1)</sup>	Maximum Offering <sup>(1)(2)</sup>
Gross proceeds to the Fund	\$20,000,000	\$250,000,000
Agents' fees	\$1,050,000	\$13,125,000
Expenses of issue <sup>(3)</sup>	\$300,000	\$800,000
Net proceeds to the Fund	\$18,650,000	\$236,075,000

Notes:

(1) There will be no Closing unless a minimum of 2,000,000 Class A Units are sold. The maximum Offering assumes 25,000,000 Units are sold. If subscriptions for a minimum of 2,000,000 Class A Units have not been received within 90 days following the date of issuance of a receipt for this prospectus, the Offering may not continue unless an amendment to this prospectus has been filed and a receipt therefor has been issued.

(2) The Fund has granted the Agents an option (the "**Over-Allotment Option**"), exercisable for a period of 30 days following the Closing, to purchase additional Class A Units in an amount up to 15% of the aggregate number of Class A Units issued at the Closing on the same terms as set forth above. If the Over-Allotment Option is exercised in full, under the maximum Offering, the price to the public, the Agents' fee and the net proceeds to the Fund before deducting the expenses of the Offering will be \$287,500,000, \$15,093,750 and \$272,406,250, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Option Units forming part of the over-allotment position acquires such Option Units under this prospectus, regardless of whether the over-allotment position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

(3) Subject to a maximum of 1.5% of the gross proceeds of the Offering.

The Fund will use the net proceeds of the Offering (including any net proceeds from the exercise of the Allotment Option), together with any borrowings, to invest in the Portfolio in accordance with the investment objectives and restrictions of the Fund as soon as practicable after Closing.

## PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement between the Agents, the Manager and the Fund, the Agents have agreed to offer the Units for sale, as agents of the Fund, on a best efforts basis, if, as and when issued by the Fund at a price of \$10.00 per Class A Unit or US\$10.00 per Class U Unit. In consideration for their services in connection with the Offering, the Agents will receive a fee equal to \$0.525 for each Class A Unit sold or US\$0.525 for each Class U Unit sold and will be reimbursed for out-of-pocket expenses incurred by them. The distribution price was determined by negotiation between the Agents and the Manager on behalf of the Fund. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell the Units offered hereby, the Agents will not be obligated to purchase Units which are not sold.

The Fund has granted the Agents an Over-Allotment Option, exercisable, in whole or in part, and from time to time for a period of 30 days following the closing of the Offering, to purchase up to 15% of the aggregate number of Class A Units issued at the closing of the Offering at a price of \$10.00 per Class A Unit (the "**Option Units**"). The Option Units are qualified for sale hereunder. To the extent that the Over-Allotment Option is exercised, the



Agents will be entitled to a fee of 5.25% of the gross proceeds realized in respect of the exercise of the Over-Allotment Option.

The TSX has conditionally approved the listing of the Class A Units. The listing is subject to the Fund fulfilling all the requirements of the TSX on or before July 23, 2013. The Class A Units will be listed on the TSX under the symbol MFR.UN.

The Units have not been, nor will they be, registered under the U.S. Securities Act or any state securities laws and may not be offered or sold in the United States or to, or for the account or benefit of, a U.S. person (as defined in Regulation S under the U.S. Securities Act) except in transactions exempt from the registration requirements of the U.S. Securities Act. The Agents have agreed that they will not offer or sell the Units within the United States or to, or for the account or benefit of, U.S. persons except in transactions that are exempt from the registration requirements of the U.S. Securities Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Units within the United States or to, or for the account or benefit of, a U.S. person by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such an offer or sale is made otherwise than in accordance with an exemption from registration under the U.S. Securities Act.

If subscriptions for a minimum of 2,000,000 Class A Units (\$20,000,000) have not been received within 90 days following the date of issuance of a final receipt for this prospectus, the Offering may not continue unless an amendment to this prospectus has been filed and a receipt therefor has been issued. Under the terms of the Agency Agreement, the Agents may, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement. In the event the minimum Offering is not achieved by the Fund and the necessary consents are not obtained or if the closing of the Offering does not occur for any reason, subscription proceeds received from prospective purchasers will be held in trust by the applicable Agent and will be returned to such purchasers promptly without interest or deduction. Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the Fund reserves the right to close the subscription books at any time without notice. Closing of the Offering is expected to occur on or about May 17, 2013, or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after a receipt for the final prospectus is issued (the “**Closing Date**”).

The Fund may be considered a “connected issuer” of Manulife Securities Incorporated (“**Manulife Securities**”) by virtue of the fact that the Manager and Manulife Securities are affiliates. Manulife Securities is entitled to receive certain fees from the Fund as described above under “Fees and Expenses”. In addition, on or following the Closing Date, the Fund may enter into a loan facility with one or more lenders which may be affiliates of one or more Agents. Accordingly, the Fund may be considered to be a “connected issuer” of such Agents.

Pursuant to policy statements of certain Canadian securities regulators, the Agents may not, throughout the period of distribution, bid for or purchase Units. The foregoing restriction is subject to certain exceptions, on the conditions that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. Such exceptions include a bid or purchase permitted under applicable by-laws and rules of the relevant self-regulatory authorities relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with the Offering, the Agents may over-allot or effect transactions in connection with their over-allotted position. Such transactions, if commenced, may be discontinued at any time. Such transactions, if effected, may diminish the effect that sales of Units may otherwise have on the price of Units while such Units are in distribution.

#### **Non-Resident Unitholders**

At no time may non-residents of Canada and/or partnerships that are not Canadian partnerships within the meaning of the Tax Act (or any combination thereof) (collectively, “**non-residents**”) be the beneficial owners of a majority of the Units, and the Trustee shall inform the registrar and transfer agent of the Fund of this restriction. The Trustee may require declarations as to the jurisdictions in which a beneficial owner of Units is resident and, if a partnership, its status as a Canadian partnership. If the Trustee becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Units then outstanding are, or may be, non-residents, or that such a situation is imminent, the Trustee may make a public announcement thereof. If the Trustee determines that more than 40% of the Units are beneficially held by non-residents, or that

such a situation is imminent, the Trustee may send a notice to such non-resident Unitholders, chosen in inverse order to the order of acquisition or in such manner as the Trustee may consider equitable and practicable, requiring them to dispose of their Units or a portion thereof within a specified period of not less than 30 days. If the Unitholders receiving such notice have not disposed of the specified number of Units or provided the Trustee with satisfactory evidence that they are not non-residents within such period, the Trustee may, on behalf of such Unitholders, redeem or dispose of such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such redemption or disposition, the affected holders shall cease to be beneficial holders of Units and their rights shall be limited to receiving the net proceeds of disposition of such Units.

Notwithstanding the foregoing, the Trustee may determine not to take any of the actions described above if the Trustee has been advised by legal counsel that the failure to take any of such actions would not adversely impact the status of the Fund as a mutual fund trust for purposes of the Tax Act or, alternatively, may take such other action or actions as may be necessary to maintain the status of the Fund as a mutual fund trust for purposes of the Tax Act.

#### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

The Manager will receive the fees described under “Fees and Expenses” for its services to the Fund and will be reimbursed by the Fund for all expenses incurred in connection with the operation and administration of the Fund.

#### **PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD**

The Manager has delegated the right and obligation to vote proxies relating to the securities in the Portfolio to the Advisor as part of the Advisor’s portfolio management responsibilities. One significant aspect of this duty is ensuring that the securities are voted in a timely manner that serves the best interests of the Fund and the Unitholders.

The Advisor is expected to take reasonable steps to vote all proxies received. However, the Advisor may refrain from voting where administrative or other procedures result in the costs of voting outweighing the benefits. The Advisor may also refrain from voting if in its opinion abstaining or otherwise withholding its vote is in the best interests of the Unitholders.

The Manager has established a proxy voting policy (the “**Proxy Voting Policy**”) that has been designed to provide general guidance, in compliance with applicable legislation, for the voting of proxies. Pursuant to the Investment Management Agreement, the Advisor is required, with certain limited exceptions described below, to comply with the Proxy Voting Policy and applicable legislation. The Manager may retract the Advisor’s voting authority at any time.

The Proxy Voting Policy provides a general indication as to how the Advisor is expected to vote proxies on each issue. The Advisor will usually vote proxies in accordance with the Proxy Voting Policy. However, the Advisor has the right to vote on certain issues counter to the Proxy Voting Policy if, after a review of the matter (which analysis will be documented in writing), the Advisor believes that the Fund’s best interests would be better served by such counter vote.

Issuer’s proxies most frequently contain proposals to elect corporate directors, to appoint external auditors and fix their compensation, to amend the capitalization of the company and to adopt or amend management compensation plans. Consistent with the Proxy Voting Policy, unless one of the limited exceptions applies, the Advisor would vote on these matters as follows:

- a) Board of Directors – Vote for management nominees unless the board fails to meet minimum corporate governance standards, such as being comprised of a majority of independent directors or there are records of abuse against the interests of minority shareholders.
- b) Appointment of Auditors and Compensation – Vote for the election of auditors and proposals authorizing the board to fix the auditors’ compensation unless there are concerns about the accounts presented or the audit procedures used or if questions are raised regarding independence of the auditors.



- c) Changes in Capital Structure – Vote for resolutions that seek to maintain, or convert into, a one vote for one share capital structure and generally vote against resolutions authorizing a multiple class voting structure or the creation or addition of shares with superior voting rights.
- d) Management Compensation – Vote for proposals to compensate non-executive directors unless the amounts are excessive relative to other companies in the industry. Vote on equity compensation plans and other proposals relating to management compensation on a case-by-case basis having regard to the best interests of the Unitholders.

Other issues, including those business issues specific to the issuer or those raised by securityholders of the issuer, are addressed on a case-by-case basis with a focus on the best interests of the Unitholders and the potential impact of the vote on securityholder value.

The Advisor will provide to the Manager and the Manager will maintain records of all votes cast by the Fund. The Manager will publish these records on an annual basis, commencing in 2014, on its web site at [www.manulifemutualfunds.ca](http://www.manulifemutualfunds.ca). A copy of the Proxy Voting Policy is available on request by contacting the Manager at 1-888-333-3240.

### **MATERIAL CONTRACTS**

The following contracts can reasonably be regarded as material to purchasers of Units:

- a) the Declaration of Trust described under “Organization and Management Details of the Fund”, “Attributes of the Securities” and “Unitholder Matters”;
- b) the Agency Agreement described under “Plan of Distribution”;
- c) the Investment Management Agreement of the Fund described under “Organization and Management Details of the Fund”; and
- d) the Custodian Agreement described under “Organization and Management Details of the Fund”.

Copies of the agreements referred to above after the execution thereof may be inspected during business hours at the principal office of the Manager during the course of distribution of the Units offered hereby.

### **EXPERTS**

The matters referred to under “Income Tax Considerations” and certain other legal matters relating to the securities offered hereby will be passed upon on behalf of the Fund by Borden Ladner Gervais LLP and on behalf of the Agents by Fasken Martineau DuMoulin LLP.

The Fund’s auditor, PricewaterhouseCoopers LLP, Chartered Accountants, Licensed Public Accountants has audited the statement of financial position contained herein. PricewaterhouseCoopers LLP has advised that it is independent with respect to the Fund within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

### **PURCHASERS’ STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two Business Days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for the particulars of these rights or consult with a legal adviser.

## INDEPENDENT AUDITOR'S REPORT

To the Unitholder and Trustee of Manulife Floating Rate Senior Loan Fund

We have audited the accompanying statement of financial position of Manulife Floating Rate Senior Loan Fund (the “**Fund**”) as at April 26, 2013 and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

### **Management’s responsibility for the financial statement**

Management is responsible for the preparation and fair presentation of the financial statement in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

### **Auditor’s responsibility**

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Fund as at April 26, 2013 in accordance with Canadian generally accepted accounting principles.

*(Signed)* “PricewaterhouseCoopers LLP”

Chartered Accountants, Licensed Public Accountants  
Toronto, Ontario  
April 26, 2013

**MANULIFE FLOATING RATE SENIOR LOAN FUND**

**STATEMENT OF FINANCIAL POSITION**

**As at April 26, 2013**

**ASSETS**

Cash .....	<u>\$10</u>
<b>UNITHOLDER'S EQUITY (Note 1)</b>	
Unitholder's equity (1 Class A Unit) .....	<u>\$10</u>
<b>NET ASSETS PER CLASS A UNIT</b> .....	<u>\$10</u>

Approved by the Manager:  
**Manulife Asset Management Limited**

*(Signed)* "PAUL LORENTZ"  
Director

*(Signed)* "JACQUELINE ALLARD"  
Director

*The accompanying notes are an integral part of this statement of financial position.*

**MANULIFE FLOATING RATE SENIOR LOAN FUND**  
**NOTES TO THE STATEMENT OF FINANCIAL POSITION**

**As at April 26, 2013**

**1. ORGANIZATION AND UNITHOLDER'S EQUITY**

Manulife Floating Rate Senior Loan Fund (the "**Fund**") is a closed-end investment fund established under the laws of the Province of Ontario pursuant to a declaration of trust dated April 26, 2013 (the "**Declaration of Trust**"). The Fund has been created to invest in an actively managed portfolio comprised primarily of investments in senior floating rate loans and, to a lesser extent, short duration debt securities.

The beneficial interests in the net assets and net income of the Fund are divided into units of two classes, Class A Units and Class U Units (collectively, the "**Units**"). The Fund is authorized to issue an unlimited number of Units of each class. On April 26, 2013 the Fund issued 1 Class A Unit to the manager of the Fund (the "**Manager**") for \$10.00.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The financial statement has been prepared in accordance with Canadian generally accepted accounting principles (GAAP). In applying Canadian GAAP, management may make estimates and assumptions that affect the reported accounts of assets and liabilities. Actual results could differ from these estimates.

Cash is presented at the face amount thereof.

**3. MANAGEMENT FEES AND OTHER EXPENSES**

The Manager is entitled to receive an annual management fee (the "**Management Fee**") from the Fund equal to 1.10% of the net asset value of the Fund accrued daily and paid monthly in arrears, plus an amount equal to the service fee (the "**Service Fee**") plus applicable taxes.

The Manager will pay to the registered dealers the Service Fee equal to 0.40% annually of the NAV per Unit for each Unit held by clients of registered dealers, plus applicable taxes, if any.

In addition to the expenses incurred in connection with the initial public offering of the Units (the "**Offering**") (subject to a maximum of 1.5% of the gross proceeds of the Offering), the Fund will also pay for all ordinary expenses, including applicable taxes, incurred in connection with its operation and administration including commissions and other costs of portfolio transactions and any extraordinary expenses which it may incur from time to time.

**4. AGENCY AGREEMENT**

The Fund has engaged RBC Dominion Securities Inc., CIBC World Markets Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., Manulife Securities Incorporated, National Bank Financial Inc., TD Securities Inc., Canaccord Genuity Corp., GMP Securities L.P., Macquarie Private Wealth Inc., Raymond James Ltd., Desjardins Securities Inc. and Mackie Research Capital Corporation (collectively, the "**Agents**") as agents to offer Units for sale to the public pursuant to a prospectus dated April 26, 2013 and pursuant to which the Fund has agreed to create, issue and sell a minimum of 2,000,000 Class A Units and a maximum of 25,000,000 Class A Units and/or Class U Units. The Fund is offering Class A Units, at a price of \$10.00 per Class A Unit, and Class U Units, at a price of US\$10.00 per Class U Unit. The expenses of the Offering, estimated at \$800,000 subject to a maximum of 1.5% of the gross proceeds of the Offering, together with the Agents' fee of \$0.525 per Class A Unit and US\$0.525 per Class U Unit will be paid from the proceeds of the Offering.

The Fund has granted to the Agents an option exercisable, in whole or in part, and from time to time for a period of 30 days following the closing of the Offering, to purchase an aggregate of up to 15% of the aggregate number of Class A Units issued at the closing of the Offering at a price of \$10.00 per Class A Unit.

**CERTIFICATE OF THE FUND, THE MANAGER AND THE PROMOTER**

Dated: April 26, 2013

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

**MANULIFE ASSET MANAGEMENT LIMITED**

(as trustee, promoter and manager and on behalf of Manulife Floating Rate Senior Loan Fund)

*(Signed)* "WARREN THOMSON"  
Chief Executive Officer

*(Signed)* "JAMES DEN OUDEN"  
Chief Financial Officer

On behalf of the Board of Directors of  
Manulife Asset Management Limited

*(Signed)* "PAUL LORENTZ"  
Director

*(Signed)* "JACQUELINE ALLARD"  
Director

**CERTIFICATE OF THE AGENTS**

Dated: April 26, 2013

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

**RBC DOMINION SECURITIES INC.**

**CIBC WORLD MARKETS INC.**

**SCOTIA CAPITAL INC.**

*(Signed)* "CHRISTOPHER BEAN"

*(Signed)* "MICHAEL D. SHUH"

*(Signed)* "BRIAN D. MCCHESEY"

**BMO NESBITT BURNS  
INC.**

**MANULIFE SECURITIES  
INCORPORATED**

**NATIONAL BANK  
FINANCIAL INC.**

**TD SECURITIES INC.**

*(Signed)*  
"ROBIN G. TESSIER"

*(Signed)*  
"WILLIAM PORTER"

*(Signed)*  
"TIMOTHY EVANS"

*(Signed)*  
"CAMERON GOODNOUGH"

**CANACCORD GENUITY  
CORP.**

**GMP SECURITIES L.P.**

**MACQUARIE PRIVATE  
WEALTH INC.**

**RAYMOND JAMES LTD.**

*(Signed)* "RON SEDRAN"

*(Signed)* "NEIL SELFE"

*(Signed)* "BRENT LARKAN"

*(Signed)*  
"J. GRAHAM FELL"

**DESJARDINS SECURITIES  
INC.**

**MACKIE RESEARCH  
CAPITAL CORPORATION**

*(Signed)* "BETH SHAW"

*(Signed)*  
"DAVID J. KEATING"





