

Dear Investor:

On behalf of the members of the Independent Review Committee (the “IRC”) of the Manulife Funds and the Manulife Simplicity Portfolios (the “Funds”), I am pleased to provide you with the IRC’s second annual report to investors of the Funds. This report is given to you under the requirements of National Instrument 81-107 (“NI 81-107”), the securities rule that governs Independent Review Committees in Canada.

The IRC is mandated both to review mutual fund *conflict of interest matters* identified and referred to the IRC by the Manager of the Funds, Elliott & Page Limited (the “Manager”), and also to provide, as applicable, the IRC’s approval or recommendation in the *conflict of interest matters* referred to it. A *conflict of interest matter* is a situation where a reasonable person would consider the Manager or an entity related to it, to have an interest that may conflict with the ability of the Manager to act in good faith and in the best interests of the Funds. In addition, securities regulators have specified certain situations that are conflicts of interest. The IRC’s overarching focus in addressing each conflict situation is to determine whether the Manager’s proposed action achieves a fair and reasonable result for the applicable Fund or Funds.

Since last reporting to you, the IRC has continued to meet its obligations in NI 81-107 by, for example, reviewing and revising the standard instructions under which the Manager is permitted to deal with existing *conflict of interest matters* and by reviewing the Manager’s policies and procedures. In carrying out its obligations, the IRC has instituted processes and has made suggestions to the Manager with the objective of having the IRC operate as efficiently as possible.

The members of the IRC look forward to continuing to work in the best interests of the Funds.

July 20, 2009

“R. W. Law”

R. W. Law
Chair of the IRC

In this document:

- *EPL* or the *Manager* refers to Elliott & Page Limited (EPL is an indirect wholly-owned subsidiary of Manulife Financial)
- *Fund* or *Funds* refers to one or more Manulife Corporate Classes listed on the final page of this document
- *IRC* refers to the Independent Review Committee of the Funds established pursuant to NI 81-107
- *Manulife Financial* refers to Manulife Financial Corporation, a TSX-listed holding company
- *NI 81-107* refers to National Instrument 81-107 - *Independent Review Committee for Investment Funds*
- *SEAMARK* refers to SEAMARK Asset Management Ltd. (Manulife Financial holds 31% of the voting securities of SEAMARK)

The IRC for the Funds became operational on November 1, 2007. Unless otherwise indicated, the information set out in this report covers the period beginning May 1, 2008 and ending April 30, 2009, the financial year-end for the Funds (inclusively, the “Period”).

Members of the IRC

Name	Residence	Member of IRC Since
Robert W. Law (Chair)	Toronto, Ontario	May 1, 2007
David Moritsugu	Toronto, Ontario	May 1, 2007 ¹
Robert S. Robson	Toronto, Ontario	May 1, 2007
Robert Thomas	Toronto, Ontario	May 1, 2007 ¹
William J. L. Swirsky	Toronto, Ontario	May 1, 2009

¹ Mr. Moritsugu and Mr. Thomas were members until April 30, 2009, when their terms expired.

In compliance with NI 81-107, each member was appointed to sit on the IRC on or before May 1, 2007. There were no changes in the composition or membership of the IRC during the period ended April 30, 2009. Mr. Robson’s term was renewed on May 1, 2008 for a period of three years.

Mr. Moritsugu also sits on the independent review committee of the iShares Funds managed by Barclays Global Investors Canada Limited.

Mr. Law also sits on the independent review committee of the Webb Asset Management Funds managed by Webb Asset Management Canada, Inc.

The members of the IRC also act as the independent review committee for the other 49 mutual funds sold to the public and managed by EPL, and as a committee which reviews related party transactions made by EPL on behalf of a number of investment portfolios managed by EPL for private investors. Each member of the IRC receives compensation from such other public mutual funds and EPL.

The members of the IRC are not associates or employees of Manulife Financial, SEAMARK, the Manager, or any other entity related to the Manager and are independent of all such companies and entities. According to NI 81-107, a member of an independent review committee is considered to be independent “if the member has no material relationship with the manager, the investment fund, or an entity related to the manager,” where a material relationship means “a relationship which could reasonably be perceived to interfere with the member’s judgment regarding a conflict of interest matter.”

In accordance with NI 81-107, the IRC considers and provides approvals or recommendations to the Manager of the Funds on conflicts of interest referred to the IRC by the Manager to which the Manager is subject when managing the Funds. The Manager is required under NI 81-107 to identify conflicts of interest inherent in its management of the Funds and refer such matters to the IRC for consideration.

The IRC provides its approvals or recommendations to the Manager in relation to the Manager’s conflicts of interest relevant to the Funds with a view to the best interests of the Funds.

Effective May 1, 2009, the Manager has reduced the number of IRC members from four to three, in an effort to reduce the costs that are charged to the Funds.

Compensation of the IRC

For the year ended April 30, 2009, the aggregate compensation paid by the Funds to the IRC was \$10,975, excluding GST. This amount was allocated among the Funds.

No indemnities were paid to members of the IRC by the Funds in the Period.

At least annually, the IRC reviews and sets its own reasonable compensation and expense reimbursement for its members giving consideration to the following factors, among any other factors the IRC considers relevant: the number, nature and complexity of the Funds for which the IRC acts; the nature and extent of the workload of each member of the IRC, including the commitment of time and energy that is expected from each member; relevant industry surveys and best practices; the Manager’s recommendations; and,

generally, the best interests of the Funds. The first annual review of the IRC's compensation was completed in November 2008.

As at the date of this report, each member of the IRC receives an annual retainer of \$20,000 (\$21,000 for the Chair) and \$2,000 (\$2,500 for the Chair) for each meeting of the IRC that the member attends in excess of four meetings per year, plus expenses for each meeting. These amounts are allocated among the Funds and the other mutual funds sold to the public and managed by EPL.

Holdings of Securities

a. The Funds

As at April 30, 2009, the percentage of units of each Fund or series of the Funds beneficially owned, directly or indirectly, in aggregate, by all members of the IRC did not exceed ten percent.

b. The Manager

As at April 30, 2009, no member of the IRC beneficially owned, directly or indirectly, any series or class of voting shares of the Manager.

c. Service Providers

As at April 30, 2009, the percentage of securities of each class of voting or equity securities of Manulife Financial Corporation or of any other company or entity providing services to the Manager or the Funds beneficially owned, directly or indirectly, in aggregate, by all members of the IRC was, in each case, less than 0.01 percent.

Conflicts of Interest

The Manager has identified and brought to the attention of the IRC for its review and recommendation or approval, as applicable, the conflicts of interest listed in the paragraphs below. As a result of its review and consideration, the IRC issued standing instructions with respect to each conflict of interest matter.

EPL relied on the following approvals and standing instructions of the IRC in the Period. The standing instructions require EPL to comply with its related policies and procedures and to report on a specified basis to the IRC.

Approvals and Standing Instructions

- ✓ **Related Party Transactions** - allows the Funds to purchase, hold or sell securities in Manulife Financial and SEAMARK

- ✓ **Cross Trading** (incorporates the more limited practice of Inter-Fund Trading as defined in NI 81-107) - a cross trade is a transaction where EPL manages both sides of a trade. Cross trades involve a trade of a security between Funds either managed by the same or different individual investment advisors of the Manager. This standing instruction was changed effective January 1, 2009 to reduce reporting to a semi-annual basis from a quarterly basis.

The Manager relied on positive recommendations and standing instructions of the IRC in the Period with respect to the conflict of interest matters outlined below. In each case, the standing instruction requires EPL to comply with its related policy and procedure on the relevant subject matter and to report on a specified basis to the IRC.

Recommendations and Standing Instructions

- ✓ **Best Execution** - occurs where an investment advisor of a Fund takes reasonable care to ascertain that the price is the best available for the Fund in the relevant market at the time transactions of that kind and size occur.

E&P has reconsidered its identification of “best execution” as a conflict of interest matter, and reached the conclusion that best execution does not give rise to a conflict of interest. Accordingly, E&P requested that the IRC rescind the IRC’s standing instruction relating to that subject. E&P is of the view that the conflict of interest previously identified as “best execution” is dealt with in the other conflicts’ policies and procedures of the Manager and related standing instructions of the IRC. Therefore, following related discussion between the IRC and E&P, the IRC agreed to rescind the standing instruction for best execution with effect from January 1, 2009.

- ✓ **Proxy Voting** - the right to vote is most often exercised through the use of proxies. A proxy is the legal transfer of a shareholder’s right to vote to the professionals who manage their investments. The Proxy Voting Policy and Procedures of the Manager ensure the voting rights in respect of securities of the Funds are voted in the best interests of securityholders of the Funds.
- ✓ **Trade Allocation** - occurs when an investment advisor or trader for a Fund executes a security transaction involving the same security for two or more client portfolios via a single order. Trade allocation creates a potential conflict of interest because an investment advisor or trader could allocate trades in a manner that favours itself instead of a Fund or in a manner that favours one particular client to the detriment of others. This standing instruction was changed effective January 1, 2009 to reduce reporting to a semi-annual basis from a quarterly basis.
- ✓ **Allocation of Fund Expenses** - The Manager recovers from the Funds operating expenses that it pays on behalf of the Funds. There is a potential conflict of interest in allocating these expenses because the Manager may be motivated to

- favour one Fund over another or to allocate expenses to Funds that the Manager should be bearing itself.
- ✓ **Soft Dollar Arrangements** - Soft dollar arrangements are a means for an investment advisor of a Fund, on behalf of its clients, to obtain products or services (most notably, research) from a broker-dealer in exchange for the direction of client brokerage transactions to that same broker-dealer. The use of soft dollars creates a potential conflict of interest since an investment advisor could use soft dollars to acquire goods or services that benefit itself instead of the Funds it manages. This standing instruction was changed effective January 1, 2009 to reduce reporting to a semi-annual basis from a quarterly basis.

The IRC is not aware of any instance when the Manager acted in a conflict of interest matter referred to the IRC for which the IRC did not give a positive recommendation or its approval.

The IRC is also not aware of any instance when the Manager acted in a conflict of interest matter but did not meet a condition imposed by the IRC in its recommendation, approval or standing instruction.

At least annually, the IRC reviews and assesses the adequacy and effectiveness of the policies and procedures of the Manager and the related standing instructions of the IRC relating to conflicts of interest matters relevant to the Funds. The next review will take place on or before November, 2009.

The Funds covered in this report include:**Manulife Mawer Funds**

Manulife Mawer Canadian Equity Class
Manulife Mawer World Investment Class

Canadian Equity Funds

Manulife Canadian Core Class
Manulife Canadian Equity Class
Manulife Canadian Large Cap Value Class
Manulife Canadian Value Class
Manulife Growth Opportunities Class

U.S. Equity Funds

Manulife U.S. Large Cap Value Class
Manulife U.S. Mid-Cap Value Class

Foreign Equity Funds

Manulife China Opportunities Class
Manulife Global Core Class
Manulife Global Leaders Class
Manulife Global Opportunities Class
Manulife Global Value Class
Manulife International Value Class)
Manulife Japan Opportunities Class
Manulife SEAMARK Total Global Equity
Class

Fixed Income Funds

Manulife Short Term Yield Class
Manulife Structured Bond Class