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NOTICE TO SECURITYHOLDERS

OF

**MANULIFE DIVERSIFIED CANADA CLASS
MANULIFE CANADIAN BALANCED GROWTH FUND
MANULIFE DIVERSIFIED CANADA FUND**
(individually the “Fund”, collectively, the “Funds”)

August 30, 2011

Summary

This notice is being provided to you, as a securityholder of one or more of the Funds, in order to describe changes that Manulife Mutual Funds (“**MMF**”), a division of Manulife Asset Management Limited, the manager of the Funds, is proposing to make to the Funds.

As more specifically described below, MMF is proposing to merge (the “**Mergers**”) each of the funds listed in the chart below (a “**Terminating Fund**”) with another mutual fund managed by MMF shown opposite its name (a “**Continuing Fund**”), effective on or about November 4, 2011 (the “**Effective Date**”):

Terminating Fund	Continuing Fund
Manulife Diversified Canada Class	Manulife Canadian Focused Class
Manulife Canadian Balanced Growth Fund	Manulife Value Balanced Fund
Manulife Diversified Canada Fund	Manulife Canadian Focused Fund

In accordance with applicable securities law, although you are not being asked to approve the Mergers, you are being provided with advance notice of the Mergers prior to their respective implementations. Completion of the Mergers is subject to the receipt of any required approvals by the securityholders of the Continuing Funds and securities regulatory authorities.

Proposed Fund Mergers

MMF is proposing to merge each Terminating Fund into its corresponding Continuing Fund. Each Terminating Fund has a substantially similar investment objective as its respective Continuing Fund. The Continuing Funds are also managed by MMF and certain series of securities of the Continuing Funds are offered by way of the MMF simplified prospectus and annual information form.

After the close of business on the Effective Date, through a series of transactions, securities of each Terminating Fund will be exchanged on a tax-deferred basis for securities of its corresponding

Continuing Fund having a net asset value on the Effective Date equal to the net asset value of the securities of the Terminating Fund. Following such exchange, securityholders of the Terminating Fund will become securityholders of its corresponding Continuing Fund. Securityholders in each series of a Terminating Fund will become securityholders of the same named or equivalent series in the Continuing Fund. A securityholder's adjusted cost base of the securities of the Terminating Fund which they hold will become the securityholder's adjusted cost base of the securities of the Continuing Fund which they receive on the exchange. A securityholder's adjusted cost base of the new securities of the Continuing Fund acquired on the exchange will be averaged with the adjusted cost base of other similar securities of that fund already owned by the securityholder as capital property. As a result, a securityholder's accrued gain or loss in the securities of the Terminating Fund will be preserved in securities of the Continuing Fund.

For tax purposes, securityholders of the Terminating Funds will not realize any gain or loss as a result of the Mergers.

The Terminating Funds and/or the Continuing Funds may, if necessary, distribute before the Mergers, income, ordinary dividends from Canadian sources, and/or capital gains for the period from the beginning of a fund's taxation year to the Effective Date.

Effective as of the close of business on or about November 1, 2011, each Terminating Fund will cease distribution of new securities (except purchases under existing pre-authorized chequing plans and dollar cost averaging plans). Securityholders will have the right to redeem the securities of each Terminating Fund up to the close of business on the Effective Date in the case of a Merger between two mutual fund trusts, and up to the close of business on or about the business day prior to the Effective Date in the case of a Merger between two corporate classes. Following the Merger, pre-authorized chequing plans, systematic withdrawal plans and dollar cost averaging plans, which had been established with respect to a Terminating Fund will be re-established with respect to the Continuing Fund unless securityholders advise otherwise. Each Terminating Fund is intended to be wound-up in the case of a mutual fund trust or removed from the Articles of Amalgamation in the case of Manulife Diversified Canada Class, as soon as possible after the Effective Date.

In order to effect the merger of Manulife Canadian Balanced Growth Fund into Manulife Value Balanced Fund, MMF will be amending and restating the regulation pertaining to Manulife Canadian Balanced Growth Fund (the "**Regulation**"). Although you do not need to approve this change to the Regulation or the Merger, in accordance with Section 15.01 of the amended and restated master declaration of trust governing the Fund, you are being provided with 30 days' advance written notice of the change. The change will be effective after the close of business on or about November 4, 2011. No action is required on your part in respect of this notice. A copy of the amended and restated Regulation will be available on SEDAR.

The independent review committee of the Funds has reviewed and approved the Merger proposals.

MMF believes that the proposed Mergers are in the best interest of the securityholders of the Funds. The Mergers will eliminate the duplicative costs of operating the Terminating Funds, which are going to be merged into the applicable Continuing Fund with a similar investment mandate. MMF also believes that the Mergers will provide opportunities to generate greater operating efficiencies, achieve increased economies of scale and concentrate resources to better serve the interests of investors.

Contact Information

For further information regarding this notice or any of our other products, please contact Jeff Ray, Vice President at 416-852-7083.

MANULIFE ASSET MANAGEMENT LIMITED,
as manager of the Funds



By: _____
Name: Martin Guest
Title: Chief Compliance Officer, General Counsel
and Secretary