Important Notes:

1. **Manulife Global Fund – China Value Fund** ("Manulife China Value Fund" or the "Fund") invests in equity securities of companies with substantial business interests in the Greater China region, which may involve risks relating to equity market, geographical concentration, political and regulatory, Mainland China investment, Mainland China tax, small cap, liquidity and Volatility, currency risks, and is subject to greater risk than investments in more developed economies or markets.
2. The Fund intends to use financial derivative instruments ("FDIs") for investment, efficient portfolio management and/or hedging purposes. The use of FDIs exposes the Fund to additional risks, including counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk.
3. Investment involves risk. The Fund may expose its investors to capital loss. Investors should not base on this material alone to make investment decisions and should read the offering document for details, including the risk factors, charges and features of the Fund and its share classes.

Manulife China Value Fund

Q&A with Fund Manager

July 2024

Wenlin Li

Managing Director and Senior Portfolio Manager for Greater China equity, based in Hong Kong, Wenlin manages the China A-shares, Greater China as well as Shariah compliant related China equity portfolios.

Q: How did Greater China equities perform in June[1]?

A: China equities[1] rose in the first half of June on the back of continued policy measures across sectors and consolidated in the second half of June on profit-taking and EU's electric vehicle (EV) tariff announcement. On the economic front, Caixin manufacturing and service PMI, exports and retail sales for May came in better-than-expected.

Taiwan equities[1] rallied for the month. Tech led performance amid strong sales by a major semiconductor manufacturer thanks to booming AI demand and recovery in consumer electronics.

Q: What were the key contributors to the Fund's performance over the month?

A: The Fund moved higher but slightly underperformed the benchmark[2]. By sectors, the portfolio's overweight in consumer discretionary and materials detracted from performance, while underweight in financials offset part of the losses. Stock selection in energy and real estate detracted from performance, while consumer discretionary offset part of the losses. By geographies, Hong Kong market contributed positively to performance, while Taiwan and China detracted.

On the detractor side, the key detractor was a Chinese supplier of exterior automobile parts. The stock retreated with the auto sector amid EU's tariff announcement on Chinese imported EVs. However, the company has provided positive guidance for 2024. While revenue growth should be supported by strong order backlog, margin expansion should be further driven by improved efficiency in the overseas plants and optimization in its supply chain.

Another detractor was a Chinese bank. The stock corrected on profit-taking after recent months' rally thanks to better-than-expected net interest margin and loan growth for Q1 2024. The bank is competitively positioned with its tailored products and services to local small-and-medium sized enterprises (SMEs) and high-net-worth retail clients. Majority of its loan business is associated with economically developed areas, which has been demonstrating strong growth.

On the contributor side, the key contributor was a Taiwanese electronics component manufacturer. The company has reported decent sales revenue for May 2024. It also expected continuous improvement in sales amid mass production and shipment of its new AI server component product into 2H 2024.

Another contributor was a Taiwanese financial company. The stock extended the May rally thanks to better-than-expected Q1 2024 results, driven by upbeat operational performance in the insurance and securities segments.

Q: What is your outlook on the market?

A: Overall, better-than-expected corporate earnings for technology and industrial sectors, concerted roll-out of policies, recovering activities in industrial sectors suggest continuous economic recovery in Mainland China.

For policy tailwinds, the State Council issued Mainland China's 2024-2025 carbon reduction action plan with aim to achieve carbon peaking in 2030 and carbon neutrality goals in 2060.

For innovations, Mainland China appointed the first batch of eligible tech firms (approximately 7000 companies) for the tech relending program, as part of efforts to encourage tech innovations. Authorities also granted approvals for 9 automobile manufacturers to carry out public road trials of advanced autonomous driving technologies.

For consumptions, Mainland China issued guidelines to support development of cross-border service capabilities of e-commerce companies, including building overseas warehouses. Meanwhile, RMB11.2 billion of auto trade-in subsidy has been confirmed for this year, comprising of contributions from both central and local governments. We favor selective opportunities within consumer sectors, including e-commerce, service consumption names.

For Taiwan Region, management from leading foundry companies re-affirmed expectations for "AI development to drive a 2024 industry recovery". We favor the below sectors: (1) foundries, (2) Integrated Circuit design services, (3) server hardware supply chain and (4) networking switch companies. Foundries would continue to benefit from new product launches by global semiconductor companies and localization trends. AI server demand is better than expected with original design manufacturers (ODM) gaining market share.

1. Source: Manulife Investment Management, as of June 30, 2024. China equities were represented by the MSCI China Index. Taiwan equities were represented by the MSCI Taiwan Index. Hong Kong equities were represented by the MSCI Hong Kong Index.
2. Source: MSCI Golden Dragon NR USD Index.