

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

September 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 August¹?

A: China equities¹ moved higher and remained resilient for the month, despite global market volatility driven by the U.S. economic concerns and the unwinding of yen carry trade after the Bank of Japan's rate hike.

Taiwan equities¹ moved higher as tech stocks rebounded after the global market pullback in early August. Most PC/server companies posted inline/better-than-expected earnings for Q2 2024. On the economic front, export orders for July beat expectation, led by resilient tech demand.

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

A: The Fund moved higher and outperformed the benchmark². The portfolio's overweight in health care and underweight in information technology contributed to performance, while overweight in materials offset part of the gains. Stock selection in financials and information technology contributed to performance, while industrials offset part of the gains. By geographies, Taiwan and China contributed positively, while Hong Kong detracted from performance.

On the contributor side, the key contributor was a Taiwanese electronics component manufacturer, which is a key beneficiary of server upgrades and AI demand. The company benefits from server CPU upgrade globally from major US customers.

Another contributor was a Taiwanese financial company. The group reported solid growth for Q2 2024, with net profit growth led by life insurance and bank business. The bank business also saw stable asset quality with net interest margin expansion.

On the detractor side, the key detractor was a Chinese education company. The stock moved lower on profit taking despite better-than-expected Q1 FY2025 results with strong ramp-up of its offline learning center capacity as well as product upgrades of its learning devices business.

Another detractor was a Chinese mining company. The stock was under pressure as additional tax payments weighed on short-term earnings. However, the company remains a beneficiary of growing demand in nuclear and renewable energy over the long-term.

Q: What is your outlook on the market?

A: Post China's third Plenum, it is evident that Mainland China has stepped up with concrete measures by announcing details of various programs and initiatives, which is encouraging. For policy tailwinds, the State Council announced new carbon emission control measures with the aim to achieve carbon peaking in 2030. They include a “dual-control” system during the 15th 5-year plan period (2026-2030) with primary focus on emission intensity supplemented by the control over total emission amount, as well as an improvement in the statistical and accounting system with a focus on key industries such as power, steel, metals, building materials, petrochemicals. We favor beneficiaries of Mainland China's long-term renewable energy roadmap.

For innovations, regulators guided RMB3 trillion in large equipment renewals from central state-owned enterprises over the next 5 years. Shanghai region launched a RMB100 billion fund to support development of integrated circuit, biomedicine and AI. We view investment in advanced manufacturing, innovation in tech and health care as medium-term structural opportunities.

For consumptions, the State Council issued 20 key steps on boosting service consumption in areas such as catering, culture and tourism, and child/ elderly care. We favor select opportunities within consumer sectors, including e-commerce, food delivery, tourism, online travel agency (OTA) and service consumption names.

Taiwan equities¹ rose post the sharp market pullback due to unwinding of USD/JPY carry trade. Taiwanese technology supply chain reported strong Q2 2024 results in many sub-sectors driven by smartphone recovery and AI capex, ranging from foundries, PC OEM, AI server component players, etc. Diversified financials also reported solid growth for the quarter. Recently, a leading Taiwanese foundry player has raised the 2024 revenue guidance to 25% year-on-year (vs. 20-26% earlier) and remained confident on 2025 and 2026 outlook with AI as the major driver. In terms of significance of Taiwan Region, it owns unique shares along the semiconductor supply chain, spanning from (1) electronic design automation & core IP, (2) design, (3) equipment, (4) materials, (5) manufacturing, (6) assembly testing and packaging. We continue to favor the below sectors: (1) foundries, (2) beneficiaries of global PC/smartphone recovery, (3) server hardware supply chain and (4) networking switch companies.

1. Source: Manulife Investment Management, as of August 31, 2024. China equities were represented by the MSCI China Index. Taiwan equities were represented by the MSCI Taiwan Index.

2. Source: MSCI Golden Dragon NR USD Index.

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