

#### Important Notes:

1. **Manulife Global Fund – Dragon Growth Fund** (“Manulife Dragon Growth Fund” or the “Fund”) invests in a diversified portfolio of public companies listed in Hong Kong and/or having substantial business interest in Hong Kong and/or China, which may involve risks relating to equity market, geographical concentration, Mainland China investment, Mainland China tax, liquidity and volatility risks.
2. The relevant distributing class of the Fund does not guarantee distribution of dividends, the frequency of distribution, and the amount/rate of dividends. Dividends may be paid out of realized capital gains, capital and/or gross income while charging all or part of their fees and expenses to capital (i.e. payment of fees and expenses out of capital) in respect of MDIST (G) share class(es). Dividends paid or effectively paid out of capital amount to a return or withdrawal of part of the amount of an investor’s original investment or from any capital gains attributable to that original investment, and may result in an immediate decrease in the Net Asset Value per Share in respect of the relevant class(es).
3. 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.
4. 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 Dragon Growth Fund

## Q&A with Fund Manager

July 2024



**Kai Kong Chay**

Managing Director and Senior Portfolio Manager for Greater China equities, Kai Kong oversees the Greater China equity desk and works closely with investment specialists based across Hong Kong, Mainland China and Taiwan.

Kai Kong is a seasoned investment professional with more than 25 years of investment experience covering Greater China markets, including 18 years as a portfolio manager.

### Q: How did China equities perform in June?

A: China equities<sup>1</sup> 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. Hong Kong equities<sup>1</sup> posted losses along with China equities, dragged by materials and property sectors on profit taking and expectation over delayed U.S. Fed pivot.

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

A: The Fund moved lower and slightly underperformed the benchmark<sup>2</sup>. The portfolio’s underweight in utilities and communication services detracted from performance, while underweight in consumer staples offset part of the losses. Stock selection in industrials and communication services detracted from performance, while information technology offset part of the losses.

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 manufacturer of thermal components. The stock pulled back on the back of weaker-than-expected auto part demand. However, the management maintained its 2024 revenue growth guidance for refrigeration components, as well as expected a stable trend for overall margin. The company has a more diversified and balanced portfolio compared with peers. Its exposure to humanoid robot and ESS (energy storage system) supply chains should also support future growth.

On the contributor side, the key contributor was a Hong Kong-listed manufacturer of semiconductor backend equipment. The stock moved higher thanks to expectation over higher order visibility from optical communication and advanced packaging.

Another contributor was a Chinese electronic components manufacturer. The stock rallied on optimism over the upcoming AI-driven smartphone replacement cycle with a global leading producer, which the firm has high business exposure to.

### 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. Meanwhile, the National Energy Administration released guidelines to facilitate orderly consumption and capacity of new energy power, by encouraging grid companies to increase new energy transmission via cross-provincial channels to bridge gaps between regions, which should benefit the grid equipment supply chain.

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. Also, Mainland China aims to accelerate a massive equipment upgrade program in the transportation sector to reduce carbon emissions by 2028. We view investment in advanced manufacturing, innovation in tech and health care as medium-term structural opportunities.

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 select opportunities within consumer sectors, including e-commerce, service consumption names.

1. Source: Manulife Investment Management and Bloomberg as of June 30, 2024. China equities were represented by the MSCI China Index. Hong Kong equities were represented by the MSCI Hong Kong Index.

2. Source: MSCI AC Zhong Hua NR USD Index.

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