Manulife Investment Management

Investment Note

10 Aug 2026

Important Notes:

1. Manulife Global Fund – Global Equity Diversified Income Fund (the “Fund”) is primarily designed to provide income with the secondary goal of medium to long term capital growth by investing at least 70% of its net assets in a portfolio of equity and equity related securities of companies listed globally (including in emerging markets from time to time). Equity and equity related securities may include common stocks, preferred stocks, depositary receipts and real estate investment trusts, which may involve investment, equity market, small-cap/mid-cap risk, geographical concentration and currency risks. Certain investors may also be subject to the risk relating to RMB hedged share class.

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 income, realized capital gains and/or out of capital of the Fund in respect of Inc share class(es). 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), R MDIST (G) and F MDIST (G) share class(es)). Dividends paid out of capital of the Fund amounts 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 such class(es) of the Fund. Fixed yield share classes pay out a pre-determined annualized fixed percentage of their NAV, which can be adjusted by the Directors with at least one month’s prior notice, do not entirely reflect the actual or expected income or performance of the Fund. These distributions may exceed the actual income, leading to capital erosion, especially during negative returns or losses, and may reduce future capital growth. A positive distribution yield does not guarantee a positive return, and the absolute distributions vary with the NAV, resulting in fluctuating monthly payouts for investors.

3. The Fund intends to use financial derivative instruments (“FDIs”) for efficient portfolio management and/or investment 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. The Fund may adopt options overlay strategy such as covered calls and/or collateralised puts to generate additional income. The outcome of such strategy depends on market conditions and the Investment Manager’s ability to anticipate price movements, which cannot be guaranteed. The Fund may sustain a loss in excess of the fixed premium received from writing an option. The Fund’s strategy of generating extra income from options overlay strategy may reduce the potential capital growth and future income of the Fund.

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.

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Global equity markets have recently experienced greater volatility. Much of this has been driven by earnings announcements from AI hardware, semiconductor and large cloud-computing companies. Concerns about potential interest rate hikes have also added to investor uncertainty.

After a prolonged period of strong performance in AI-related areas, market expectations have become demanding. Even companies reporting solid results have experienced sharp share-price moves when their outlook has only met, rather than exceeded, investor expectations.

Against this backdrop, the GEDI Fund remains focused on its core objective: generating income while maintaining diversified exposure to potential capital growth.

Global Equity Diversified Income (GEDI) Fund: Staying selective through market volatility

Key points:

- The Strategy’s diversified, income-focused approach may help reduce the impact of sharp moves in technology and AI-related shares.
- Technology and artificial intelligence (AI) exposure remains meaningful, but it is not the main driver of overall Strategy returns.
- We remain constructive on the long-term potential of AI, while recognising that elevated expectations and valuations may lead to continued volatility.
- Positioning has shifted moderately towards growth opportunities, with greater use of options to manage exposure and participate in potential market gains.
- Diversification across sectors and regions remains central as we look for market leadership to broaden beyond a small group of large technology companies.

A diversified approach may help moderate the impact

The GEDI Strategy has exposure to technology and AI-related opportunities, but these areas are not the dominant drivers of its results.

Its broader diversification and income focus mean that growth-led market factors may have a more moderate effect on performance – both when technology markets rise and when they fall. This does not remove market risk, but it may help reduce the Strategy's reliance on a narrow group of companies or a single investment theme.

Why markets have become more sensitive

Recent volatility reflects more than the strength or weakness of reported earnings. Investors are paying closer attention to what companies say about the future.

The main areas under scrutiny include:

- Planned spending on AI infrastructure
- Demand for semiconductors, data centres and related equipment
- The pace at which AI investment may generate revenue
- The outlook for cloud-computing growth
- The effect of higher investment spending on profit margins

Our observation is that AI-related spending remains strong, However, evidence of how this spending can support broader revenue growth, productivity improvements and future earnings remains key market focus.

Markets have therefore become less tolerant of situations where investment is rising much faster than near-term revenue opportunities. We believe companies that can demonstrate sustained demand and a credible route to generating returns from AI investment may be better placed, while those that disappoint elevated expectations may experience larger price movements.

Market leadership has also been concentrated within a relatively small group of AI-linked companies. This concentration may increase volatility because changes in expectations for a limited number of large businesses may have an outsized effect on the wider market.

Our view on the outlook and potential rate hikes

We believe AI may remain a long-term source of growth. At the same time, near-term volatility is likely to continue as markets reassess valuations, earnings expectations and the pace at which AI is adopted.

Potential changes in interest-rate expectations may create an additional source of uncertainty. We remain focused on diversification, income generation and selective participation in growth opportunities.

We also expect market participation may broaden beyond the largest AI-related companies. This may create opportunities in other sectors and regions, including businesses that may benefit indirectly from technology investment or from a wider improvement in economic activity.

Periods of consolidation or correction remain possible, particularly in parts of the semiconductor and AI infrastructure markets where valuations and expectations are elevated. We therefore believe it is important to balance participation in the long-term theme with careful management of concentration and valuation risk.

Allocation

We have gradually increased the Strategy's sensitivity to equity market movements over recent months. These changes have been measured rather than concentrated in a single area.

Key adjustments have included:

- Moving around 5% of the Strategy from its equity income allocation into its growth allocation
- Directing a larger share of recent inflows selectively towards growth opportunities
- Taking profits on selected preferred securities
- Increasing activity within the Strategy's options positioning
- Reducing selected exposure in Korea, particularly where the team had concerns about high retail investor use of leveraged exchange-traded products
- Retaining selected exposure to technology opportunities in Taiwan and the US

The change in options positioning has included selling shorter-dated calls linked to defensive utility shares and buying longer-dated calls linked to the technology sector. In simple terms, this is intended to give the Strategy more potential participation in future technology-led gains while continuing to manage overall exposure.

Based on our estimates, the combined positioning changes have reduced annual income potential by around 0.6 percentage points, assuming the positions are maintained for 12 months. This reflects a deliberate trade-off: modestly lower income potential in exchange for greater participation in potential future market gains.

Remaining selective rather than chasing the market

We are selective in areas that may benefit from semiconductor and AI infrastructure investment. These have been balanced with broader exposure to financially sound companies and quality-oriented businesses that may benefit from a wider economic cycle.

We expect further opportunities may emerge as markets rotate and valuations adjust. However, selection remains important. The aim is not to make AI the dominant source of risk, but to participate in its potential growth while maintaining the Strategy's broader income and diversification objectives.