

**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**

Investment Management

June 2024

# Manulife China Value Fund

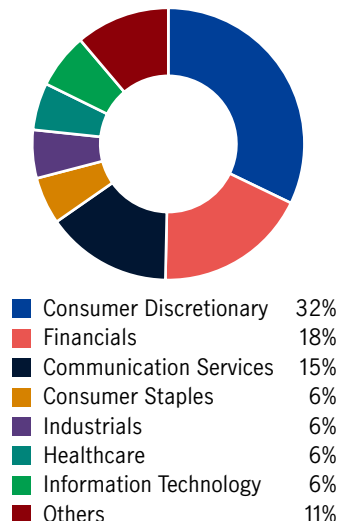
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# Greater China equities: a long term growth story

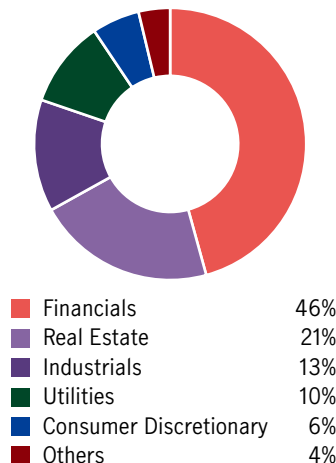
## Characteristics of the three markets

With unique characteristics of the Greater China region, investors may tap onto the most dynamic growth trends.

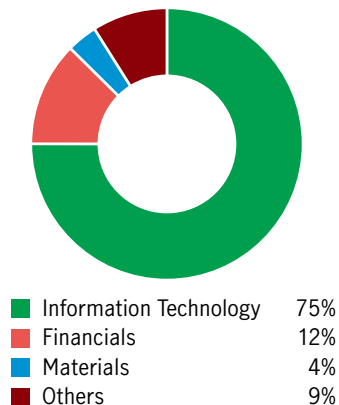
**Mainland China equities**  
Great potential from the world's second-largest economy with 1.4 billion population.



**Hong Kong equities**  
A global financial hub led by international banks and insurance giants, plus the property developers.



**Taiwan equities**  
A market dominated by world-class IT manufacturers.



Source: MSCI, as of February 29, 2024. China Equity refers to MSCI China 10/40 Index. Hong Kong Equity refers to MSCI Hong Kong Index; Taiwan Equity refers to MSCI Taiwan Index; Market capitalization represents the value of the index constituents. Due to rounding, the total may not be equal to 100%. References to securities are for illustrative purposes only. The information does not indicate any actual portfolio holdings and it should not be taken as a recommendation to trade any security.

## Greater China equities' 10-year performance

	Annual return / Cumulative return (%)											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	10-year
<b>Greater China equities</b>	7.1	7.8	-7.4	5.4	43.8	-15.3	24.5	28.2	-10.5	-21.5	-0.9	42.3
<b>China equities</b>	4.2	8.3	-7.6	1.8	54.4	-19.4	24.6	29.6	-23.2	-20.3	-11.1	11.4
<b>China A</b>	-0.8	52.0	2.6	-15.2	32.5	-27.8	37.5	38.6	-1.6	-25.7	-11.7	55.8
<b>Hong Kong equities</b>	11.1	5.1	-0.5	2.3	36.3	-8.7	11.3	5.8	-3.6	-5.0	-14.9	22.1
<b>Taiwan equities</b>	9.7	9.9	-11.1	19.2	29.5	-8.0	37.0	42.0	26.7	-29.3	31.6	217.3

Source: Bloomberg, as of December 31, 2023. Performance in USD. Greater China equities was represented by MSCI Golden Dragon NR USD Index. China equities was represented by MSCI China Index. China A was represented by CSI300. Hong Kong SAR was represented by MSCI Hong Kong Index. Taiwan Region was represented by MSCI Taiwan Index. Past performance is not indicative of future performance.

## Capturing higher quality growth opportunities by three key investment themes<sup>4</sup>:

**R&D/Innovation**

- Artificial Intelligence (A.I.) supply chain: hardware/chips
- Semiconductor
- Healthcare : Contract Research Organization (CRO)

**Consumption upgrade**

- Cyclical domestic consumption
- Travel-related consumption
- “Guochao”

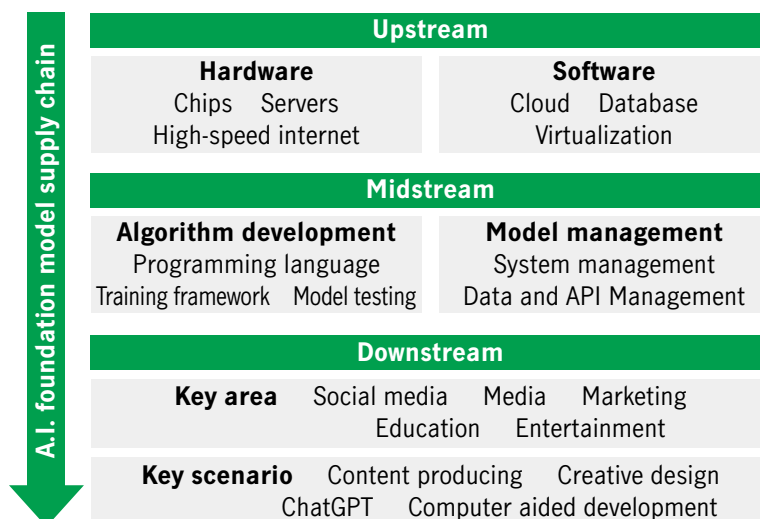
**Policy tailwind**

- Online gaming
- Renewable energy
- Construction machinery

## Diversified opportunities emerged from domestic generative Artificial Intelligence (A.I.)

Global A.I. development is expected to change the technology landscape over the next decade. We expect Mainland China's A.I. investment to accelerate.

Within the A.I. supply chain, we favor hardware and software companies as well as downstream platforms to ride on the long-term structural trend.

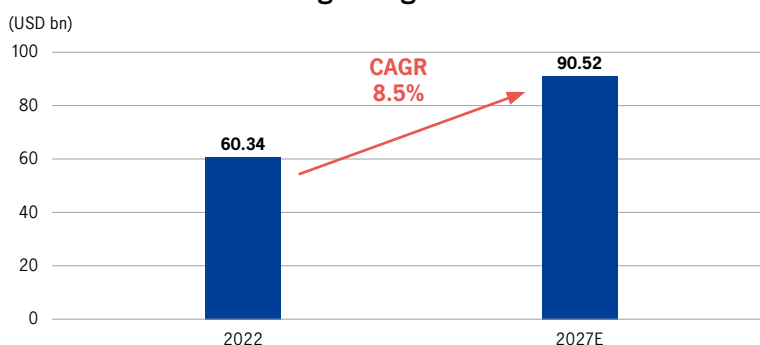


Source: Beijing Academy of Artificial Intelligence, February 2023.

## Positive measures to support private enterprises and promote technology innovation

Mainland China's authorities rolled out measures to support private enterprises, and speed up the approval of domestic gaming titles. We expect Mainland China's online gaming market to grow over the next few years.

### Mainland China online gaming market<sup>5</sup>



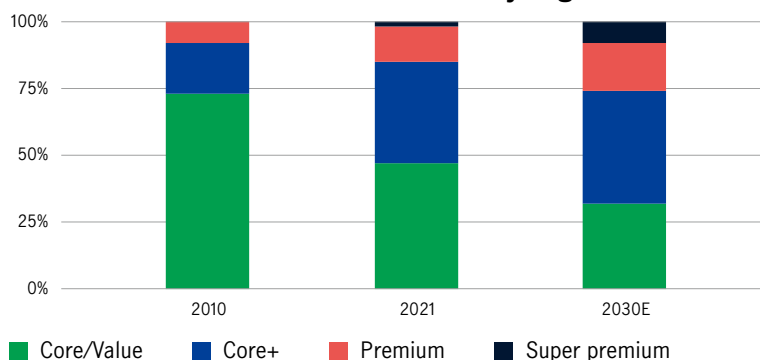
Source: Research and Market - China Online Gaming Market, January 2023.

## Mainland China's household disposable income growth is expected to drive consumptions

Mainland China's household disposable income growth should continue to drive consumptions.

Premiumization is the main growth driver for Mainland China's beer market. We expect premiumization to boost long term growth as demand increases.

### Mainland China's beer sales volume by segments<sup>5</sup>



Source: HSBC Qianhai Securities, June 2023.

## Manulife Investment Management's expertise

**25+ years**  
of track record<sup>1</sup>

**40+**  
investment professionals  
across Greater China<sup>2</sup>

**USD 447 million**  
assets under management<sup>3</sup>

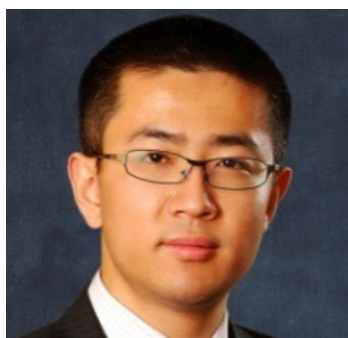
<sup>1</sup> Inception date of Manulife Global Fund – China Value Fund (Share Class A): April 1, 1998. Inception date of Manulife Global Fund – China Value Fund (Share Class AA): April 19, 2004.

<sup>2</sup> Source: Manulife Investment Management, as of December 31, 2023.

<sup>3</sup> Source: Manulife Investment Management (Asia), as of December 31, 2023. Figure reflects total Assets Under Management of Manulife Global Fund – China Value Fund Share Class A and AA.

<sup>4</sup> For illustrative purposes only. It should not be taken as a recommendation to trade any security. It should not be assumed that an investment in these securities or equities was or will be profitable.

<sup>5</sup> Past performance is not indicative of future performance. The above information may contain projections or other forward-looking statements regarding future events, targets, management discipline or other expectations. There is no assurance that such events will occur, and the future course may be significantly different from that shown here.



### 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 May?

A: China equities<sup>1</sup> rose for the month on the back of better-than-expected Caixin manufacturing data, exports & import data and industrial productions, despite U.S. announced tariffs on USD 18 billion of Chinese imports. Consumption during the Golden Week holiday held up well with increased inbound and outbound traffic. On the policy front, Mainland China announced a series of property policy relaxations ranging from (1) easing mortgage rules, (2) direct home purchases by local governments, and (3) setting up re-lending programs.

Taiwan equities<sup>1</sup> rose with transportation, electronics and semiconductor sectors outperforming. The semiconductor and IT sectors continued to benefit from new AI product launches announced by global players. On the economic front, Taiwan's trade exports grew by 4.3% year-on-year in April, moderating from March.

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

A: The Fund moved higher but slightly underperformed the benchmark<sup>2</sup>. By sectors, the portfolio's overweight in health care and materials detracted from performance, while underweight in consumer staples offset part of the losses. Stock selection in information technology and industrials detracted from performance, while materials offset part of losses. By geographies, China contributed positively to performance, while Taiwan detracted.

The key detractor was a Taiwanese semiconductor company on profit-taking pressure and uncertainty around customers' project pipelines. On the other hand, the company announced an investment by its key customer, which should help solidify its client relationship. Meanwhile, its YTD 2024 sales revenue has been ahead of expectation. In the long term, the company should continue to benefit from its strong track record, high AI-related exposure and geographical diversification.

Another detractor was a Chinese commodity manufacturer which corrected slightly for the month post recent months' rally. That said, it has seen solid output ramp-up in Q1 2024. It should further benefit from higher average selling price, capacity expansion and improving shipping and distribution.

The key contributor was a Chinese mining company, which rallied on higher uranium price and expectation over rising output from major producers. It remains a beneficiary of growing demand in nuclear and renewable energy.

Another contributor was a Chinese chemical manufacturer. The stock moved higher along with the carbon reduction action plan announced by the Chinese government, which should tighten the entry barrier and limit the supply for the petrochemical industry. It is also a beneficiary of the promotion of new advanced technologies.

#### Q: What is your outlook on the market?

A: Overall, better-than-expected earnings results from sectors such as Chinese TMT/energy/materials, the latest round of policy rollout for the Chinese property sector, solid Golden Week, as well as record-high participation at the Canton Fair (+24.5% for overseas purchasers vs. the previous session) suggest continuous economic recovery in Mainland China.

For policy tailwinds, the State Council issued Mainland China's 2024-2025 carbon reduction action plan, targeting energy consumption and carbon dioxide emissions per unit of GDP in 2024 to decrease by 2.5% and 3.9% respectively to achieve carbon peaking in 2030 and carbon neutrality goals in 2060. We favor selective opportunities that align with Mainland China's long-term energy plan.

For innovations, Mainland China set aside RMB 6 billion to boost development of more powerful EV battery technology. Also, Mainland China has set up the third phase of the National Integrated Circuit Industry Investment Fund (a.k.a. the Chip Fund) in May to promote and accelerate research and development of the next generation of semiconductors. We view investment in advanced manufacturing, innovation in tech and health care as medium-term structural opportunities.

For consumptions, consumption demand during the Golden Week showed strength despite per capita spending was lower than that of 2019 (-11%). The number of domestic trips in Mainland China increased by 7.6% year-on-year and 28.2% vs. 2019 according to the Ministry of Culture and Tourism, with domestic tourism picking up especially in lower-tier cities. Furthermore, the sales of automobiles and home appliances increased by 4.8% year-on-year and 7.9% year-on-year respectively during the Golden Week holiday according to the Ministry of Commerce, which shows resilience in specific consumption sectors.

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) IC design services, (3) server hardware supply chain and (4) networking switch companies. Foundries 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. We see emerging opportunities driven by potential adoption of AI PC and AI phones. AI servers will drive the demand of 800G switches. Furthermore, white-box network switching market remains active with the ongoing migration from 100G to 400G and cost reduction opportunities from cloud companies.

Unless otherwise stated, all information sources are from Manulife Investment Management and Bloomberg, as of May 31, 2024. Past performance is not indicative of future performance. Information about the asset allocation is historical and is not an indication of the future composition. The information in this material may contain projections or other forward-looking statements regarding future events, targets, management discipline or other expectations, and is only as current as of the date indicated. There is no assurance that such events will occur, and may be significantly different than that shown here.

<sup>1</sup> Source: Manulife Investment Management, as of May 31, 2024. China equities were represented by MSCI China Index. Taiwan equities were represented by MSCI Taiwan Index. HK equities were represented by MSCI Hong Kong Index.

<sup>2</sup> Source: MSCI Golden Dragon NR USD Index.

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This material has not been reviewed by the Securities and Futures Commission (SFC).