

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

August 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 July¹?

- A: China equities¹ moved lower for the month amid mixed macro data and geopolitical concerns, despite continued policy measures. Hong Kong equities¹ posted losses overall, yet utilities remained resilient. Taiwan equities¹ pulled back on profit-taking on outperforming tech names. On the economic front, exports growth in June beat expectations at 23.5% year-on-year and Q2 2024 GDP growth came in at 5.09% year-on-year.

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

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

On the detractor side, the key detractor was a Hong Kong-listed manufacturer of semiconductor backend equipment. The company's Q2 2024 results and Q3 2024 guidance came in softer-than-expected, weighed by short-term cyclical pressure from mainstream semiconductor demand. That said, its advanced packaging business continued to demonstrate good traction, which should serve as long-term growth driver for the company.

Another detractor was a Taiwanese CPU socket manufacturer. The stock moved lower along with the global tech sector. On the other hand, the company remains a beneficiary of potential demand recovery in both regular and AI servers, which should lead to CPU platform upgrades.

On the contributor side, the key contributor was a Taiwanese financial company. The stock continued to rally post better-than-expected Q1 2024 results, driven by upbeat operational performance in the insurance and securities segments. Its banking segment should also continue to be supported by stable growth in loan and net interest income, as well as solid sales in mutual funds products.

Another contributor was a Taiwanese electronic component manufacturer. The company reported better-than-expected Q2 2024 results with gross margin beat and robust revenue growth across segments. It should continue to benefit from improving product mix thanks to rising demand from data center server power and automotive passive components, which are both higher-margin businesses for the company.

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. Mainland China not only focuses on long term structural reform but also on short term economic targets. In shorter term, Mainland China strives (1) to achieve 2024 growth target as well as (2) to support domestic demand.

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 will allocate RMB300 billion from proceeds raised in ultra-long special government bonds to promote its equipment upgrade and trade-in program. Meanwhile, the State Council evaluated an action plan to support the innovative drug industry. We view investment in advanced manufacturing, innovation in tech and health care as medium-term structural opportunities.

For consumptions, Mainland China's e-commerce sector demonstrated robust growth in H1 2024, with online sales growth of 9.8% year-on-year. This has been fueled by digital products, services consumption, and trade-in programs. Meanwhile, Mainland China also recorded 152.7% year-on-year growth for inbound trips by foreigners in H1 2024, thanks to favorable measures, including expansion of visa-free policies etc.. We favor selective opportunities within consumer sectors, including e-commerce, service consumption names.

For Taiwan Region, it saw solid consumption, moderate/benign CPI and strong export demand. Taiwan Region is competitive in semiconductor, tech component and downstream sectors. Strong AI chip demand fuels Taiwanese tech sector's growth. Recently, a 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. We continue to favor the below sectors: (1) foundries, (2) IC design services, (3) server hardware supply chain and (4) networking switch companies.

1. Source: Manulife Investment Management, as of July 31, 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.

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