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

August 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 July?

A: China equities[1] moved lower for the month amid mixed macro data and geopolitical concerns, despite continued policy measures. On the policy front, the Third Plenum provided high-level direction of key reform areas by 2029, including tech self-sufficiency, new productive force, macro governance, social welfare, urban-rural development, as well as fiscal and taxation systems. Hong Kong equities[1] posted losses overall, yet utilities remained resilient.

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

A: The Fund moved lower and slightly underperformed the benchmark[2]. The portfolio's overweight in energy and underweight in financials detracted from performance, while underweight in consumer staples offset part of the losses. Stock selection in information technology and energy detracted from performance, while industrials offset part of the losses.

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 Chinese electronic component manufacturer. The stock corrected on profit-taking post recent months' rally. That said, earnings outlook remains favorable as the management expected the business to be supported by recovery in smartphone and auto part demand, rising AI exposure and synergy from acquisition activities.

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

Another contributor was a Chinese cement manufacturer. The stock moved higher along with recovering cement price in South China amid supply cuts and price hikes by industry players. Coupling with the gradual improvement in product mix, these might support earnings into 2H 2024.

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. Meanwhile, authorities drafted rules on reducing supply of carbon permits to lower greenhouse gas emissions. We favor beneficiaries of Mainland China's long-term renewable energy roadmap.

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 and encouraged government agencies to deploy policies on pricing, medical insurance payments and commercial insurance to promote innovative drugs. 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.

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

Manulife Investment Management

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