

**Important Notes:**

- 1 Manulife Global Fund – China Value Fund (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

March 2024

# Manulife China Value Fund



[manulifeim.com.hk](http://manulifeim.com.hk)

# 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.

**China equities**  
Great potential from the world's second-largest economy<sup>^</sup> with 1.4 billion population.



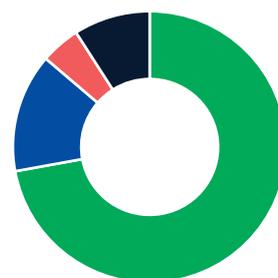
Consumer Discretionary	32%*
Financials	16%
Communication Services	15%
Consumer Staples	6%
Industrials	6%
Healthcare	6%
Information Technology	6%
Others	13%

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



Financials	48%*
Real Estate	21%
Industrials	13%
Utilities	8%
Consumer Discretionary	6%
Others	4%

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



Information Technology	72%*
Financials	14%
Materials	5%
Others	9%

Source: MSCI, as of July 31, 2023. China equities refers to MSCI China 10/40 Index. Hong Kong equities refers to MSCI Hong Kong Index; Taiwan equities refers to MSCI Taiwan Index; Market capitalization represents the value of the index constituents.

<sup>^</sup> Source: IMF, as of July 25, 2023. In terms of nominal GDP.

\* 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 (%)											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	10-year
<b>Greater China equities</b>	22.6	7.2	8.0	-7.1	6.1	44.2	-14.6	24.1	28.5	-9.3	-22.1	68.51
<b>China equities</b>	23.1	4.0	8.3	-7.6	1.8	54.4	-18.9	23.7	29.6	-21.7	-21.8	38.07
<b>China A</b>	10.9	-2.5	52.0	2.6	-15.2	32.5	-27.8	37.5	38.6	-0.9	-26.1	83.10
<b>Hong Kong equities</b>	28.3	11.1	5.1	-0.6	2.3	36.3	-8.0	10.4	5.8	-4.0	-4.7	49.48
<b>Taiwan equities</b>	17.5	9.7	9.9	-11.1	19.2	29.5	-8.0	37.0	41.6	26.6	-29.3	213.13

Source: Bloomberg, as of September 30, 2023. Performance in USD. Greater China equities was represented by MSCI Golden Dragon Index. China equities was represented by MSCI China Index. China A was represented by CSI300. Hong Kong equities was represented by MSCI Hong Kong Index. Taiwan equities 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"



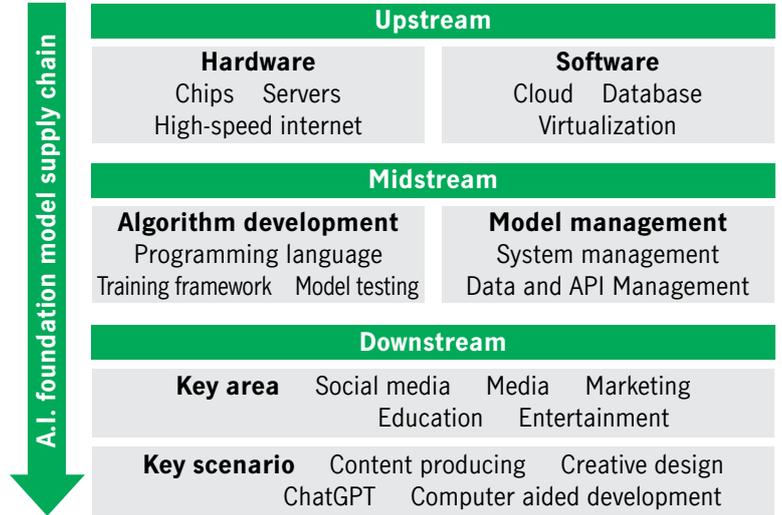
### Policy tailwind

- 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.

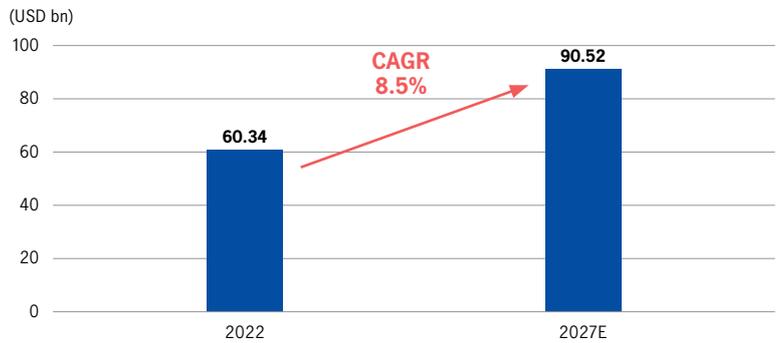


Source: Beijing Academy of Artificial Intelligence, February 2023.

## 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>



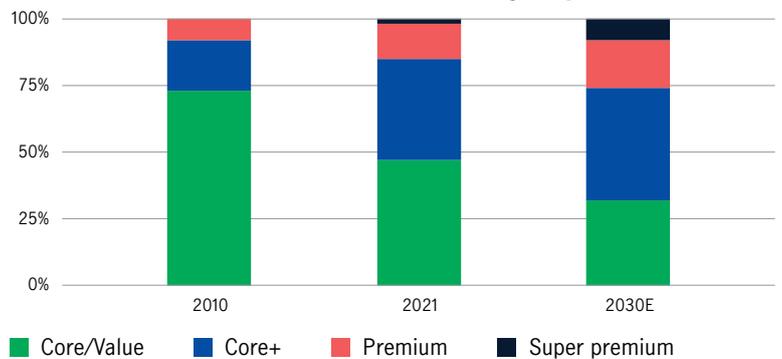
Source: Research and Market - China Online Gaming Market, January 2023.

## 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

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

**40+**  
equity investment experts in  
the Greater China region<sup>2</sup>

**USD 505 million**  
assets under management<sup>3</sup>

<sup>1</sup> Unless otherwise stated, all information sources are from Manulife Investment Management, as of July 31, 2023.  
<sup>2</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>3</sup> Source: Manulife Investment Management, as of July 31, 2023.

<sup>3</sup> Source: Manulife Investment Management, as of July 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 February?

A: China equities<sup>1</sup> rebounded for the month on the back of better-than-expected service consumption data during Chinese New Year (CNY) holiday<sup>2</sup>, as well as further policy stimulus for the stock and property markets. The China Securities Regulatory Commission announced tighter regulations on short-selling and encouraged merger, acquisition and restructuring activities. Meanwhile, the National Development and Reform Commission also vowed to boost private investments in infrastructure and public sectors. To support the property sector, the People's Bank of China reduced the 5-year loan prime rate by 25 bps and banks have started to approve loans to over 80 "whitelist" projects. Hong Kong equities moved higher along with China equities. In the 2024-2025 Hong Kong Budget, the HKSAR government announced removal of all housing market cooling measures to support the property market.

Taiwan equities<sup>1</sup> moved higher, led by tech and industrials. A.I. chip design and server names continued to benefit from strong growth estimates. On the economic front, Taiwan's export grew 18.1% year-on-year in January.

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

A: The Fund moved higher and outperformed the benchmark<sup>3</sup>. The portfolio's underweight to financials and communication services contributed to performance, while underweight in consumer staples offset part of the gains. Stock selection in health care and materials contributed to performance, while consumer discretionary offset part of the gains.

On the contributor side, the key contributor was a Chinese biopharmaceutical company. It continued to be driven by progress of clinical trials and cooperation with overseas partners. The company is a leader with major products for cancer treatment.

Another contributor was a Taiwanese electronics component manufacturer. The stock posted gains thanks to expectation on demand recovery and restocking for regular servers into 2024.

On the detractor side, the key detractor was a Taiwanese semiconductor company amid softer-than-expected Q4 2023 earnings. However, the company revised its long-term revenue growth forecasts upwards, thanks to higher clarity on design pipelines.

Another detractor was a Taiwanese networking solution designer and manufacturer. Despite better-than-expected Q4 2023 margins and strong data center and A.I.-related contribution, part of the profits was reversed by softer enterprise and telco demand. That said, the company remains a key beneficiary of networking upgrades on A.I. applications.

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

A: Overall, stabilizing consumptions (as evident by improving consumption data during CNY holiday), better-than-expected inventory destocking and increased policy measures (especially for the financial and property sectors) suggest potential bottoming of Mainland China's economy. The investment team believes Mainland China's four mega trends (i.e. the "4As") remain intact going into 2024: (1) **Acceleration**; (2) **Abroad**; (3) **Advancement** and (4) **Automation**.

For policy tailwinds, the concerted rollout of fiscal, monetary, and property-related policies may improve Mainland China's economy further in 2024. Despite weakness in Mainland China's property market, Mainland China reiterated its 2024 real GDP growth target to be around 5.0%. Mainland China reiterates its motivations to strive for technology innovations, with keen focus on promoting domestic consumptions and levelling the playing field for various enterprises.

For innovations, Mainland China should benefit from the following key areas despite macro and geopolitical headwinds: (1) **Traditional tech**; (2) **Artificial Intelligence (A.I.)**; (3) **Advanced manufacturing**; (4) **Electric vehicle (EV)** and (5) **Healthcare**.

For consumptions, we believe consumption may further improve with Mainland China's pro-growth policy stance. Despite sluggish Mainland China property contracted sales in February, secondary transaction volumes have improved. Service consumption (e.g. tourism-related spending, catering, duty free sales, tourism traffic and visitations from Mainland China to Hong Kong SAR/Macau SAR, online gaming) continued to improve during the CNY holiday, which is a positive sign. We expect more targeted measures to be rolled out to support growth.

For Taiwan Region, we favor the below sectors: (1) **foundries**, (2) **IC design services**, (3) **server hardware supply chain** and (4) **networking switch companies**. Foundries may benefit from i) growing localization trend and increased demand from domestic suppliers and ii) A.I. demand as more advanced node capacity is required. Also, the global server market growth should further improve in 2024, driven by growth recovery of regular servers and ongoing strength of AI servers.

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<sup>1</sup> Source: Manulife Investment Management, as of February 29, 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.

<sup>2</sup> Source: The Ministry of Culture and Tourism, as of February 18, 2024.

<sup>3</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).