RM-Hedged Class
3-year Fund Volatility
11.8
Moderate
Lipper Analytics 10 Sep 24

RM Class
3-year Fund Volatility
13.1
High
Lipper Analytics 10 Sep 24

Manulife Investment Management

October 2024
Factsheet

Manulife India Equity Fund

Fund category

Feeder Fund (Equity)

Fund objective

The Fund invests in the Manulife Global Fund - India Equity Fund ("Target Fund") and aims to achieve long-term capital growth through equities and equity-related investments of companies covering different sectors of the India economy and which are listed on stock exchange in India or on any stock exchange. The remaining assets of the Target Fund may include bonds, deposits and other investments.

Investor profile

The Fund is suitable for investors who seek an investment in the India market and are willing to accept higher risk in their investments in order to achieve long term capital growth.

Fund manager

Manulife Investment Management (M) Berhad
200801033087 (834424-U)

Trustee

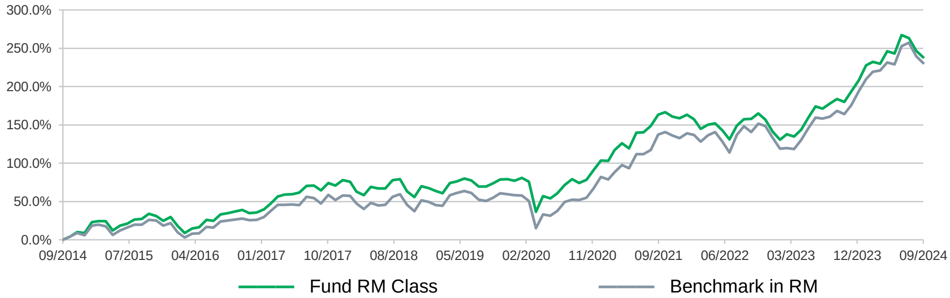
HSBC (Malaysia) Trustee Berhad
193701000084 (1281-T)

Fund information (as at 30 Sep 2024)

NAV/unit (RM Class)	RM 1.6921
NAV/unit (RM-Hedged Class)	RM 0.8764
Fund size	RM 739.88 mil
Units in circulation	456.45 mil
Fund launch date	07 Jan 2010
Fund inception date	27 Jan 2010
Financial year	31 Oct
Currency	RM
Management fee	Up to 1.80% of NAV p.a.
Trustee fee	0.08% of NAV p.a. Subject to a minimum fee of RM18,000 p.a. excluding foreign custodian fees and charges.
Sales charge	Up to 6.00% of NAV per unit
Redemption charge	Nil
Distribution frequency	Annually, if any
Benchmark	MSCI India 10/40 Index
Target fund#	Manulife Global Fund - India Equity Fund

Fund performance

10-year performance as at 30 September 2024*



Total return over the following periods ended 30 September 2024*

	1 month	6 month	YTD	1 year	3 year	5 year	10 year
Fund RM Class (%)	-2.46	2.52	9.83	19.20	26.87	94.71	238.08
Benchmark in RM (%)	-2.59	3.01	12.55	23.24	37.54	113.68	230.76
Fund RM-Hedged Class (%)	1.81	15.35	19.24	31.35	21.96	86.92	-
Benchmark in USD (%)	2.11	18.24	25.41	40.33	39.65	116.97	-

Calendar year returns*

	2019	2020	2021	2022	2023
Fund RM Class (%)	5.80	14.75	29.47	-8.39	27.68
Benchmark in RM (%)	5.84	15.02	31.16	-2.45	26.14
Fund RM-Hedged Class (%)	7.05	15.94	26.21	-13.87	19.20
Benchmark in USD (%)	6.93	16.96	26.64	-7.74	20.92

*Source: Lipper; Past performance is not necessarily indicative of future performance. The performance is calculated on NAV-to-NAV basis.

Top 5 holdings#

No.	Security name	% NAV
1	HDFC Bank Limited	6.3
2	ICICI Bank Limited	5.6
3	Bharti Airtel Limited	4.9
4	Reliance Industries Limited	4.6
5	Infosys Limited	4.5

Highest & lowest NAV

	2021	2022	2023
High	1.3784	1.3672	1.5610
Low	1.0640	1.1340	1.1450

Distribution by financial year

	2021	2022	2023
Distribution (Sen)	17.60	-	-
Distribution Yield (%)	15.0	-	-

Asset/sector allocation#

No.	Asset/sector name	% NAV
1	Financials	25.7
2	Consumer Discretionary	14.2
3	Industrials	10.7
4	Information Technology	9.7
5	Materials	8.6
6	Healthcare	8.4
7	Consumer Staples	6.0
8	Communication Services	4.9
9	Others	9.1
10	Cash & Cash Equivalents	2.7

Geographical allocation#

No.	Geographical name	% NAV
1	India	97.3
2	Cash & Cash Equivalents	2.7

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Manulife India Equity Fund

Market review

Indian equities posted modest gains for the month amid global market volatility with the US Federal Reserve Board (Fed)'s rate cut and broad economic support measures in China. During the month, August headline consumer price index (CPI) inflation ticked higher at 3.65% (year-on-year) driven by food inflation. That said, it remained the second-lowest inflation print in the last five years. Trade deficit increased to ~USD30 billion in August, led by higher gold imports, which should likely normalize. India's ability to sustain a higher deficit has improved as demonstrated through sustainably high services trade surplus (~USD14-15 billion/month), stable remittances (~USD110 billion annualized) and declining oil import bill. In addition, government spending so far, year-to-date (YTD), has remained soft, with weakness in both capex as well as revenue expenditure. This raises the specter of fiscal deficit being lower than budgeted targets.

Market outlook

Although Indian Prime Minister Narendra Modi's BJP (Bharatiya Janata Party) unexpectedly failed to secure a majority of seats on its own in the nation's election, subsequent strong support from key allies in the National Democratic Alliance (NDA) 3.0 and continuity in key ministries have allayed concerns on the stability of the government and policy continuity.

During NDA 1.0 (2014-2019), the most defining policy features were promoting the digital economy and indirect tax reforms, which formalized the economy and raised tax-to-GDP ratio from 10.0% to 11.8% over FY2020 to FY2025E. Going into NDA 2.0 (2019-2024), the most defining policy features were a sharp reduction in the fiscal deficit, increase in public infrastructure investment, and incentives for companies to create capital investments, with aim to increase India's manufacturing's share of GDP. As a result of these policies, India became a more tax-compliant, and a more formal/digital economy with better public infrastructure. Moreover, due to the "China + 1" strategy adopted by multinational corporations, Indian companies have started to capture import substitution, and increased export opportunities. Indeed, these structural reforms and policy support helped India to respond to various macro challenges over the past four years (Covid-19, energy price shock). This has also underwritten the current strength of the macro setup – strong growth, low inflation and healthy external accounts. This resiliency has been helped by low external debt plus strong household, corporate, and government balance sheets, as well as a conservative central bank. This has protected the currency outlook and kept foreign exchange reserves strong. Macro resiliency has also underwritten the strength of foreign and domestic flows and valuations.

The recently presented budget extended this continuation of policies. The five key takeaways from the Indian budget are (1) focus on fiscal consolidation continued with a fiscal deficit target of 4.9%, lower than the interim budget, (2) priority on employment, small-medium enterprise (SME), youth, household, and farmers, (3) capex estimates are maintained, underlining the investment led growth agenda, (4) transfer to states ruled by alliance partners to satisfy coalition politics demand rather than widespread fiscal profligacy, and (5) hike in capital gains tax (CGT) which was a negative surprise that will lower net return to investors. The key to the budget was that the structural growth story in India is still intact. Employment has been recognized as a key focus area and should receive more attention in future budgets despite the modest allocation in the current one. We retain our belief that the government will not turn populist as it believes the solution to consumption issue routes through the labor market. Thus, NDA 3.0 will be mostly about labor and we retain that view.

In conclusion, we believe some reprioritization of expenditure to improve the employability and availability of labor during NDA 3.0 will complement the NDA 2.0 policy of capital stock creation. We don't think the government will resort to blatant populism, which can impact overall stability. We expect that our 5D themes, which identify key investment themes in Indian equities, will remain relevant. We classify these forces under the 5Ds framework – Digitization, Deglobalization, Decarbonization, Demography and Deficit Reduction. Within these themes, we see opportunities under Digitization and Decarbonization to remain unchanged, and opportunities under Demography to broaden. We see some risks Deglobalization opportunities from elevated expectations from government capex.

From a sectoral positioning, we are more optimistic on (1) domestic demand plays, where we continue to identify beneficiaries of rising domestic income, a turn in rural consumption, demographic shifts in consumption and disruptors in a selective manner. We are positive on stock specific opportunities in real estate, staples, food services and auto names, (2) healthcare, where we are positive on both domestic focused plays on branded formulations names due to their high-quality growth and return on equity (ROE) characteristics, as well as globally focused CDMO names which are benefitting from evolving regulation in US from the BIOSECURE Act, and 3) India capex plays, where we remain positive on beneficiaries of policy-driven private capex in power, electronics, industrials, auto and materials, while avoiding names dependent on direct government capex.

Feeder fund review

In September, the Feeder Fund posted a) -2.46% versus the benchmark return of -2.59% for its RM class; and b) 1.81% versus the benchmark return of 2.11% for its RM-Hedged class. The ringgit appreciated by 4.55% against the US dollar and the ringgit's surge erased gains to end the month lower for the RM class. At the Target Fund level, unfavourable stock selection in consumer staples and materials detracted from performance while favourable stock selection in information technology stocks contributed to performance. The Feeder Fund will continue to be fully invested into the Target Fund. We rebalance the Feeder Fund when the invested level is affected by market volatilities, inflows and outflows of the Feeder Fund. We aim to maintain a target allocation of around 95%-98%.