Manulife Investment Management

RM Class
3-year Fund Volatility
20.9
Very High
Lipper Analytics
10 Oct 21

November 2021
Factsheet

Manulife India Equity Fund

Fund category

Feeder Fund (Equity)

Fund objective

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

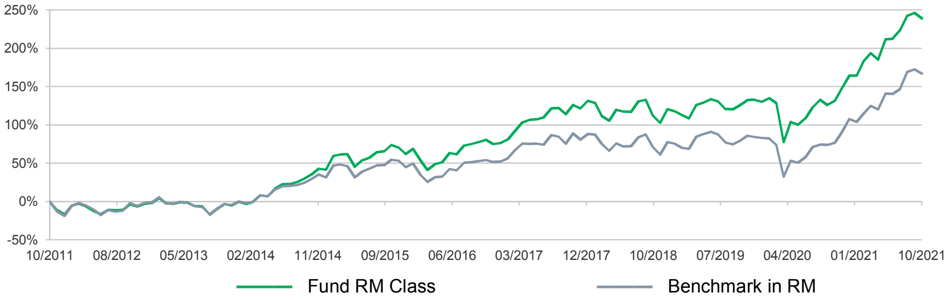
HSBC (Malaysia) Trustee Berhad
193701000084 (1281-T)

Fund information (as at 31 Oct 2021)

NAV/unit (RM Class)	RM 1.3051
NAV/unit (RM-Hedged Class)	RM 0.7118
Fund size	RM 389.35 mil
Units in circulation	303.79 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

Fund performance

10-year performance as at 31 October 2021*



Total return over the following periods ended 31 October 2021*

	1 month	6 month	YTD	1 year	3 year	5 year	10 year
Fund RM Class (%)	-2.14	18.87	28.28	46.35	67.28	87.71	238.95
Benchmark in RM (%)	-1.97	21.33	28.56	51.07	65.42	73.34	167.16
Fund RM-Hedged Class (%)	-0.95	18.12	25.49	47.46	-	-	-
Benchmark in USD (%)	-0.90	20.02	24.88	51.58	-	-	-

Calendar year returns*

	2016	2017	2018	2019	2020
Fund RM Class (%)	4.50	31.21	-5.97	5.80	14.75
Benchmark in RM (%)	1.91	23.44	-6.70	4.35	13.54
Fund RM-Hedged Class (%)	-	-	5.58	7.05	15.94
Benchmark in USD (%)	-	-	0.64	5.42	15.46

* 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	Reliance Industries Limited	9.3
2	ICICI Bank Limited	9.0
3	Infosys Limited	7.4
4	Axis Bank Limited	4.1
5	Housing Development Finance Corporation Limited	3.7

Highest & lowest NAV

	2018	2019	2020
High	1.0450	1.0580	1.1763
Low	0.8687	0.9143	0.7167

Distribution by financial year

	2019	2020	2021
Distribution (Sen)	-	-	17.60
Distribution Yield (%)	-	-	15.0

Asset/sector allocation#

No.	Asset/sector name	% NAV
1	Financials	33.7
2	Information Technology	13.2
3	Materials	11.7
4	Energy	9.3
5	Consumer Discretionary	6.6
6	Consumer Staples	6.0
7	Industrials	5.6
8	Healthcare	5.2
9	Others	5.8
10	Cash & Cash Equivalents	2.9

Geographical allocation#

No.	Geographical name	% NAV
1	India	97.1
2	Cash & Cash Equivalents	2.9

MANULIFE GLOBAL FUND - INDIA EQUITY FUND

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Market review

The Indian markets underperformed other markets within the region in October 2021 as the markets took a breather with the backdrop of high oil prices, a mixed earnings season and strong year-to-date performance. Key events during the month were: 1) Earnings season is underway in India and overall, so far, we have seen upgrades in outnumber downgrades even as select sectors see pressure on margins from rising commodity prices. Information technology services and real estate showed strong revenue growth and banks have shown better asset quality and sequential improvement in loan growth. Earnings disappointments were largely margin driven, primarily on input cost pressures, and were mostly seen in consumer and cement names; 2) The Covid-19 situation has continued to improve in India with the trend of falling cases and rising vaccinations. Active cases declined 41% in the month of September and are down about 96% from the peak of the second wave. We believe the focus should be on vaccinations and as of the end of October, India has administered roughly 1.07 billion doses of Covid-19 vaccines, and we estimate that most adult Indians have received at least one shot of the vaccine. Currently, we estimate that 35% of the adults are fully vaccinated; very soon, we will see the complete vaccination percentage ramp up and it is likely that India might fully vaccinate the adult population by early 2022. We believe India is on a strong footing to become one of the few emerging markets to achieve high vaccination of its population and thus achieve a lasting recovery; 3) The IMF retained India's gross domestic product (GDP) growth forecast for fiscal year 2022 at 9.5% (in line with the Reserve Bank of India (RBI)'s forecast) and for fiscal year 2023, the IMF's forecast stood at 8.5%. With this, India retained the tag of the fastest growing large economy, both for fiscal year 2022 and fiscal year 2023; 4) The Monetary Policy Committee kept its policy rate and stance unchanged while the RBI continued to fine-tune liquidity. Even as the tone of the policy remained dovish, the RBI's actions continue to guide on a gradual reversal in the interest rate cycle. The RBI will need to use more direct tools (longer-term variable reverse repo rates, market stabilisation scheme, open market operations sales, etc.) to normalise liquidity. We maintain our view that the RBI will support the recovery of the economy and any policy normalisation will only happen in calendar year 2022.

Market outlook

We have written in our past communications since the beginning of the year that we believe that the stage is set for growth to stage a strong comeback in 2021 in India, driven by the government's long-term policy framework and the central bank's supportive monetary policies. The growth outlook is further supported by benign monetary conditions and low real rates that are a result of strong capital flows to India to participate in the country's long-term growth story. We believe that India will remain the fastest growing large economy in both fiscal year 2022 and fiscal year 2023.

As it is evident from the recent high frequency indicators and the first quarter (April to June 2021) GDP growth (+20% in real terms), the loss of economic output in the second wave has been much lower compared to the first wave of the pandemic as there has not been a total lockdown. The government has focused on faster vaccinations rather than relying only on restrictions to bring an end to the pandemic. India remains one of the few countries in the world which has enough vaccine capacity to vaccinate its population. With most of the adult population receiving at least one shot, we expect that by the beginning of 2022 almost all adult Indians will be fully vaccinated. Our focus remains on the recovery rather than on headline Covid numbers. Inflation has also started to ease off and tax revenues have exceeded budgeted expectations. These data points are likely to give the Indian central bank further impetus to keep monetary policy accommodative. This will support the recovery and prevent any systemic issue in the financial system.

As we have consistently highlighted through our past communications, India remains a local and bottom-up story supported by a host of structural reforms already in place to promote formalisation (Jan Dhan Yojana or JAM Trinity, lower corporate taxes, indirect tax reform - GST, real estate Regulations - RERA, the Bankruptcy Act). We had also argued that with the fundamental building block of formalisation in place, the Indian government has a unique opportunity to revitalise economic growth through a policy framework we called the 3Rs (Recycle, Rebuild and Reinvest). The government has consistently moved ahead on this policy agenda over the last 18 months, focusing on long-term policies during the pandemic, rather than just fiscal stimulus (reduction in corporate taxes, simplifying labour laws, incentivising localisation of manufacturing to India). The Union budget presented in February 2021 and recent announcement of production linked incentive schemes in new sectors carries on these policy initiatives with focus on asset monetisation across sectors and development of the manufacturing sector. Two powerful themes have emerged because of the focused policy agenda over the last six years; we believe these will drive India's medium-term growth potential - 1) India's formalisation through a digital economy and 2) reinvestment in manufacturing. The two themes should also feed-off each other to create a virtuous cycle creating more jobs, improving domestic savings, and enabling reinvestment into better infrastructure. Indeed, we are already starting to see the fusion of these themes driving improvements in India's macro situation with a better fiscal situation (more formal, more digital economy leading to better tax compliance), higher current account balance (manufacturing reforms, incentives have reduced imports, increased exports), better productivity (better infrastructure, more formal, more digital, and more local manufacturing have kept inflation in check). This also makes India's external accounts more resilient.

We are more constructive on: 1) Financials: It will benefit from a cyclical upturn when the economy fully reopens as well as with the longer-term structural trend of formalisation; 2) Materials and Industrials: Will benefit from increased government spend on infrastructure as well as the recovery in real estate through cement, building materials, as well as global strength in metal prices; 3) Real Estate: With negative real rates, the attractiveness of real estate has gone up along with improved affordability due to real estate inflation being below the consumer price index for more than five years now; 4) Structural Themes: We are constructive on macro themes like import substitution plays benefiting from government policies that encourage domestic manufacturing, as well as a diversification of production away from China. These companies are present across industrials, materials and healthcare.

Also, we are less constructive on: 1) Energy and Utilities: Most companies in this sector have weak environmental, social and governance characteristics and an uncertain growth outlook; 2) Communication Services: This sector has high debt and low pricing power.

Feeder fund review

In October, the Feeder Fund posted a) -2.14% versus the benchmark return of -1.97% for its RM class; and b) -0.95% versus the benchmark return of -0.90% for its RM-Hedged class.

Consumer discretionary and financials outperformed. On the other hand, real estate, consumer staples, healthcare, information technology and communication services detracted. Energy, industrials, materials and utilities performed broadly in line with the markets. Consumer discretionary outperformed led by one of the largest auto companies striking new partnership for their electric vehicle business. Financials outperformed due to decent earnings showing sequential improvement in loan growth and better asset quality. The detraction in real estate and communication services was stock specific. Consumer staples detracted as the sector is facing gross margin pressure due to rising raw material costs. Healthcare detracted on weak earnings as there is pricing pressure in the US generics market. Information technology detracted as one of the largest companies in the sector posted weaker than expected earnings.

The Fund benefited from stock selection in information technology, industrials, materials, communication services and energy. It also benefited from an overweight in financials and an underweight in consumer staples and communication services. On the other hand, stock selection in utilities, consumer staples, consumer discretionary and healthcare were the main detractors. From an allocation point of view, an underweight in consumer discretionary and an overweight in real estate detracted from performance.

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Based on the Fund's portfolio returns as at 30 Sep 2021 the Volatility Factor (VF) for the Fund is as indicated in the table above and are classified as in the table (source: Lipper). "Very High" includes Funds with VF that are above 17.285, "High" includes Funds with VF that are above 14.240 but not more than 17.285, "Moderate" includes Funds with VF that are above 10.840 but not more than 14.240, "Low" includes Funds with VF that are above 4.265 but not more than 10.840 and "Very Low" includes Funds with VF that are above 0.000 but not more than 4.265 (source:FiMM). The VF means there is a possibility for the Funds in generating an upside return or downside return around this VF. The Volatility Class (VC) is assigned by Lipper based on quintile ranks of VF for qualified Funds. VF and VC are subject to monthly revision or at any interval which may be prescribed by FIMM from time to time. The Fund's portfolio may have changed since this date and there is no guarantee that the Funds will continue to have the same VF or VC in the future. Presently, only Funds launched in the market for at least 36 months will display the VF and its VC.