

# USD Global Preferred Securities Income Fund

An investment fund option for variable life insurance products of **The Manufacturers Life Insurance Co., (Phils), Inc.**

## Investment Objective

The Fund aims to maximize total return by investing substantially all of its assets in one or more collective investment schemes which aims to provide income generation with potential long-term capital appreciation by investing primarily in preferred securities listed or traded on any regulated market in the world.

## Fund Information

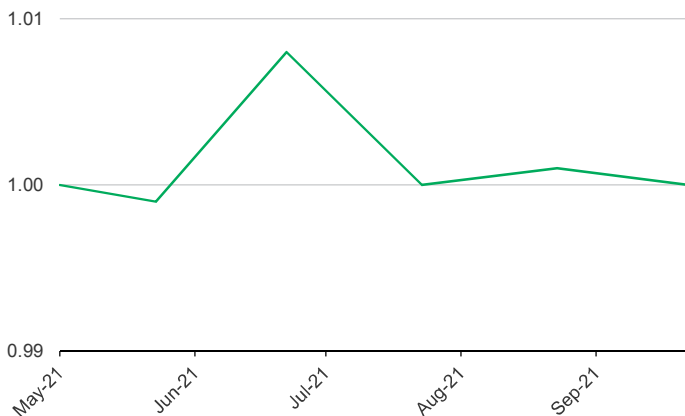
|                                      |  |                                    |                                   |
|--------------------------------------|--|------------------------------------|-----------------------------------|
| <b>Inception Date</b><br>May 2021    | <b>Fund Size</b><br>USD 863.11 thousand  | <b>Fund Currency</b><br>US dollar  | <b>Dealing/Valuation</b><br>Daily |
| <b>Price (NAV/unit)</b><br>USD 1.000 | <b>Management Fee</b><br>2.25% per annum | <b>Bloomberg Ticker</b><br>PHBAUGP |                                   |

## Performance Return (September 30, 2021)

| USD Global Preferred Securities Income Fund<br>(net of management fee) | 1 Month | YTD  | 1 Year | 3 Years | 5 Years | Since Inception |
|--|---------|------|--------|---------|---------|-----------------|
| Absolute   | -0.10%  | n.a. | n.a.   | n.a.    | n.a.    | 1.05%           |
| Annualized   | n.a.    | n.a. | n.a.   | n.a.    | n.a.    | 1.05%           |

Past performance is not an indication of future results. Information about the portfolio's holdings, asset allocation, or country diversification is historical and is not an indication of future portfolio composition, which will vary.

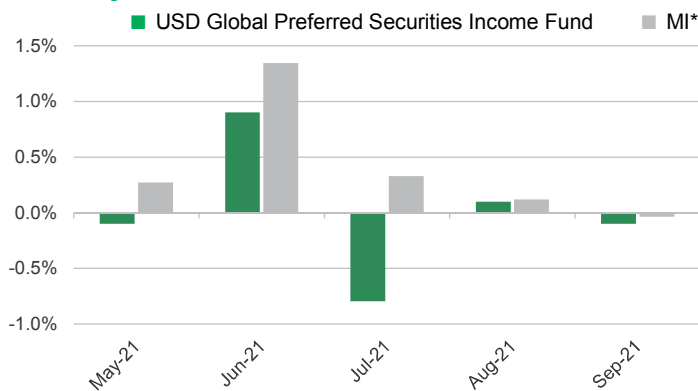
## Monthly Net Asset Value per Unit



## Top Five Holdings

|                                       |       |
|---------------------------------------|-------|
| BANK OF AMERICA CORP 6.45% 12/15/2066 | 2.57% |
| TRINITY CAPITAL INC/MD 7% 01/16/2025  | 2.30% |
| ASSURANT INC 7% 03/27/2048            | 2.16% |
| SOFTBANK GROUP CORP 6.875% Perpetual  | 2.05% |
| ENBRIDGE INC 6.25% 03/01/2078         | 2.01% |

## Monthly Performance



\*Market Indicator = 50% BoFA Merrill Lynch Fixed Rate Preferred Securities Index and 50% BoFA Merrill Lynch US Capital Securities Index

This is not a deposit product. Earnings are not assured and principal amount invested is exposed to risk of loss. This product cannot be sold to you unless its benefits and risks have been thoroughly explained. If you do not fully understand this product, do not purchase or invest in it.

## Portfolio Breakdown

### Asset Allocation (at Market Value)



MANULIFE GBL PREF INC FDR FD-NO FEE SHS 100.00%

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## Market Review

US bonds declined in September as bond yields rose notably during the month. The catalyst for the rise in bond yields was persistently high inflation—the 12-month inflation rate remained above 5% for the fourth consecutive month—and expectations that the US Federal Reserve Board would need to scale back some of its accommodative policies sooner rather than later. Uncertainty surrounding the federal debt ceiling and its potential impact on the issuance of US Treasury securities also weighed on the bond market. US economic data released during the month was generally positive, with favourable reports on the unemployment rate, consumer spending, and manufacturing activity, offset in part by some softness in the housing market.

Nearly every sector of the US bond market declined. US Treasury securities and investment-grade corporate bonds fell the most, reflecting their greater interest-rate sensitivity, while preferred securities were down 0.02% illustrating their resilience in a rising rate environment.

## Outlook

While uncertainty has increased due to the spread of the Delta variant, accommodative central bank policies in addition to vaccination rates globally which are increasing, should allow for the global economy to continue to recover although at a potentially slower pace. The utility, energy, communication, and consumer cyclical industries stand to benefit significantly. Utility common equity valuation multiples are the lowest level in the last ten years. We believe that convertible preferred securities of utility issuers will benefit as valuation multiples rise. Global oil prices have rebounded and now trade over US\$70 a barrel from negative prices in 2020. Midstream concerns of counterparty credit risk and low volumes have abated, strengthening midstream credit profiles. Residential and commercial broadband demand is at an all-time high, improving the credit outlook for communication issuers. And consumer cyclical issuers should benefit from increased consumer spending levels and positive implications of the pending infrastructure spending legislation.

The Fund is overweight in the utilities sector, which has limited exposure from an economic standpoint to the coronavirus. Commercial and industrial electricity demand has declined but at the same time, residential demand increased as many Americans continue to work from home. Importantly, utilities often make between 2-3 times more margin from residential customers than they do commercial and industrial. In addition, most utilities have regulatory mechanisms in place to make up for lost demand. We see tremendous value in the utility preferred space as many of these securities are not trading on their underlying fundamentals. Further, we believe that President Biden will incentivise renewable energy investment which will result in even better earnings and cash flows for the next several years.

Financial services companies, another large weighting in the portfolio, are well-positioned from a balance sheet standpoint for this crisis. US banks are strong, well-capitalised with good liquidity. During the 2008-09 financial crisis, banks were forced to tighten their lending standards because of their weak balance sheets. Insurance companies, regulated by the states where they operate, similarly are well-positioned from a balance sheet standpoint currently. Property and casualty insurance companies are benefiting from increases in premiums paid as these companies have been raising prices owing to several years of higher-than-expected claims. We see value in the financial services sector as the market is not recognising their strong balance sheets.

The Fund's holdings in the energy sector do not have direct exposure to commodity prices. Our energy holdings are midstream companies that transport oil and/or gas on their pipelines. Many of these companies are diversified into different areas of the midstream space such as natural gas pipelines, gasoline pipelines and storage. Overall, we are confident in the stability of the income in our midstream names. We view the yields offered by these companies as very attractive.

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The investment fund option for The Manufacturers Life Insurance Company's variable life insurance product is managed by Manulife Investment Management and Trust Corporation.

The Fund mentioned in this document is specific to variable life insurance contracts and is not considered a mutual fund. Yields depend on interest and foreign exchange rate levels, both of which may fluctuate. Other factors that affect yield include changes in the credit standing of the issuers and changes in the value of the stocks and dividends received. Further, investments of the Fund may provide that their values be determined based on prices or yields of other securities, instruments or foreign currencies, and such provisions may result in negative fluctuations in the value of these investments and, in turn, the Fund's yields. Thus, the performance of the separate account(s) is not guaranteed and the value of the policy could be less than the capital invested. THE VARIABLE LIFE POLICYHOLDER SHALL BEAR ALL INVESTMENT RISKS. Past performance of the Fund is not necessarily indicative of future performance. Yields are not guaranteed.

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