

# 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

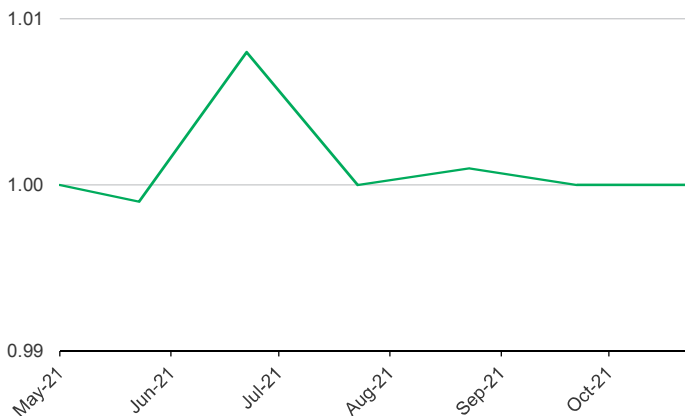
<b>Inception Date</b> May 2021	<b>Fund Size</b> USD 1.02 million	<b>Fund Currency</b> US dollar	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> USD 1.000	<b>Management Fee</b> 2.25% per annum	<b>Bloomberg Ticker</b> PHBAUGP	

## Performance Return (October 31, 2021)

USD Global Preferred Securities Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	0.00%	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.

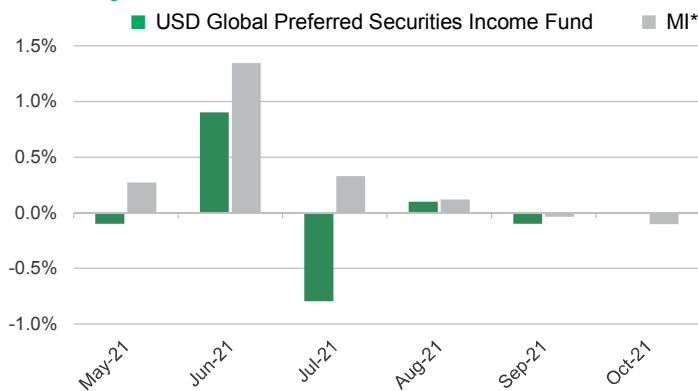
## Monthly Net Asset Value per Unit



## Top Five Holdings

TRINITY CAPITAL INC/MD 7% 01/16/2025	2.20%
BANK OF AMERICA CORP 6.45% 12/15/2066	2.11%
ASSURANT INC 7% 03/27/2048	2.06%
SOFTBANK GROUP CORP 6.875% Perpetual	1.97%
ENBRIDGE INC 6.25% 03/01/2078	1.91%

## 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 were largely unchanged in October, posting a fractional overall decline. The US economy grew at a 2% annualised rate in the third quarter of 2021, well below expectations and the weakest quarter of growth in the post-pandemic recovery. Supply chain disruptions weighed on growth, as did a notable decline in consumer spending. Inflation also remained elevated as the 12-month inflation rate remained above 5% for the fifth consecutive month, driven by rising housing and food costs. Heightened inflation led to increased expectations that the US Federal Reserve Board (Fed) will begin tapering its bond buying in the near future.

Bond yield movements were mixed—short- and intermediate-term bond yields rose sharply, reflecting the Fed tapering expectations, while longer-term bond yields fell. Most sectors of the bond market declined slightly for the month; the lone bright spot was investment-grade corporate bonds, which posted modestly positive returns. Preferred securities were mixed over the month as retail US\$25 par were positive and US\$1,000 par securities were negative. New issuance increased in October and now is over US\$66 billion year-to-date, outpacing 2020.

## 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 of the last ten years. We believe 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 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 investments 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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