

# 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

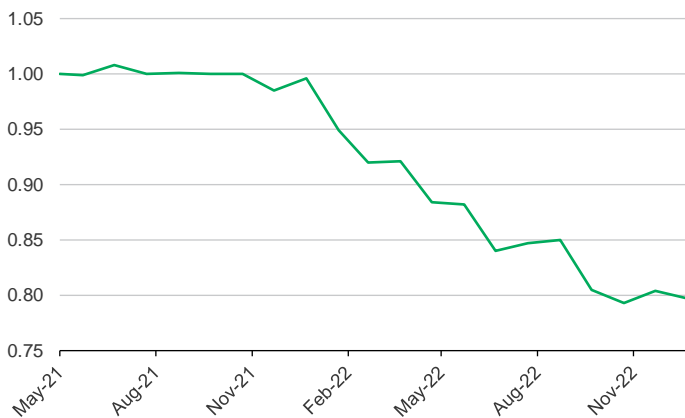
<b>Inception Date</b> May 2021	<b>Fund Size</b> USD 2.92 million	<b>Fund Currency</b> US dollar	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> USD 0.797	<b>Management Fee</b> 2.25% per annum	<b>Bloomberg Ticker</b> PHBAUGP	

## Performance Return (December 31, 2022)

USD Global Preferred Securities Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	-0.87%	-16.19%	-16.19%	n.a.	n.a.	-15.65%
Annualized	n.a.	n.a.	-16.19%	n.a.	n.a.	-9.84%

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.

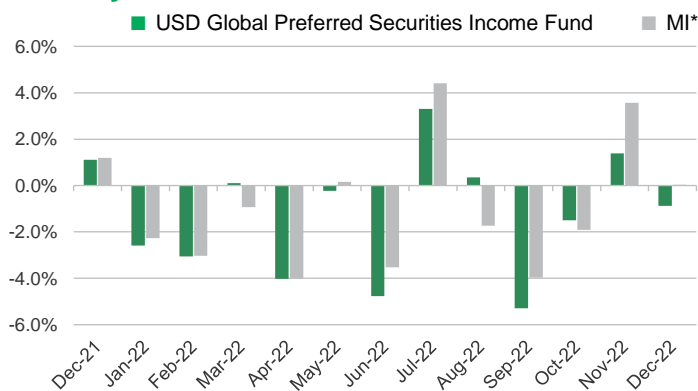
## Monthly Net Asset Value per Unit



## Top Five Holdings

BANK OF AMERICA CORP	6.45%	12/15/2066	2.43%
CITIGROUP CAPITAL XIII	10.785%	10/30/2040	2.38%
ASSURANT INC	7%	03/27/2048	2.12%
ENBRIDGE INC	6.25%	03/01/2078	1.95%
MPLX LP	6.875%	Perpetual	1.94%

## 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 Global Preferred Income Feeder Fund and/or Manulife Global Fund Preferred Securities Income Fund 100.00%

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## Market Review

In 2022, the U.S. bond market experienced its worst calendar-year performance in decades. The key factors included surging inflation and the efforts of the U.S. Federal Reserve to curb the inflationary pressures. The 12-month U.S. inflation rate soared during the first half of the year, peaking in July at a 40-year high of 9.1% before falling back, but it remained elevated throughout the year. The Fed responded with seven short-term interest rate increases—the Fed's first rate hikes since December 2018—which lifted the federal funds rate to 4.5%, its highest level in 15 years.

In this environment, U.S. bond yields rose sharply, putting significant downward pressure on bond prices. Reflecting the Fed rate hikes, short-term bond yields rose the most, leading to an inverted yield curve (where short-term yields are higher than longer-term yields). Sector performance was broadly negative, with investment-grade corporate bonds and U.S. Treasury securities posting the largest declines, while shorter-term sectors such as asset-backed securities held up the best.

## Outlook

The Fed continues its path to tighten monetary policy in 2023. The full impact of the tightening started early in 2022 and is flowing through the real economy. Consumers and businesses in the U.S. are beginning to feel this tightening. The impact to earnings and balance sheets is uneven, but it is there and broadening out.

Credit metrics supported by strong earnings and low leverage were very healthy for most businesses at the beginning of the year. Earnings deterioration is beginning to put pressure on companies as demand for goods wanes and inflationary pressures impact margins. Most higher quality corporates should be able to withstand softening economic conditions. Companies of lower credit quality will have to carefully navigate worsening conditions compounded by increased required rates of return by the financial markets.

We maintain our favorable view of preferred securities as significantly improved yields should lead to attractive forward returns. Ability to select securities from a broader credit universe and across the capital structure will help navigate the softening landscape and focus on risk-adjusted returns. There is potential for incremental upside in addition to income as inflation, volatility, and uncertainty subside medium-term. Preferred securities are higher quality in nature and continue to offer value compared to higher duration and traditional investment grade areas of the market. The investment team continues their defensive position stance since 2019, with overweight allocations in areas such as utilities and underweight allocations in retail fixed-coupon securities.

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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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