

# 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

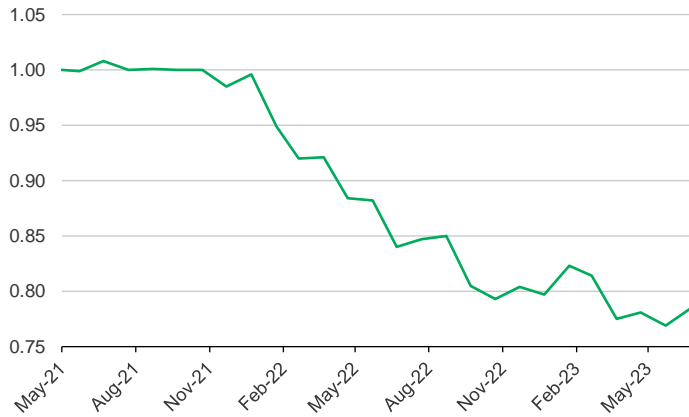
|                                      |  |                                    |                                   |
|--------------------------------------|--|------------------------------------|-----------------------------------|
| <b>Inception Date</b><br>May 2021    | <b>Fund Size</b><br>USD 2.88 million     | <b>Fund Currency</b><br>US dollar  | <b>Dealing/Valuation</b><br>Daily |
| <b>Price (NAV/unit)</b><br>USD 0.784 | <b>Management Fee</b><br>2.25% per annum | <b>Bloomberg Ticker</b><br>PHBAUGP |                                   |

## Performance Return (June 30, 2023)

| USD Global Preferred Securities Income Fund<br>(net of management fee) | 1 Month | YTD   | 1 Year | 3 Years | 5 Years | Since Inception |
|--|---------|-------|--------|---------|---------|-----------------|
| Absolute   | 1.95%   | 1.19% | -1.65% | n.a.    | n.a.    | -14.65%         |
| Annualized   | n.a.    | n.a.  | -1.65% | n.a.    | n.a.    | -7.14%          |

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.

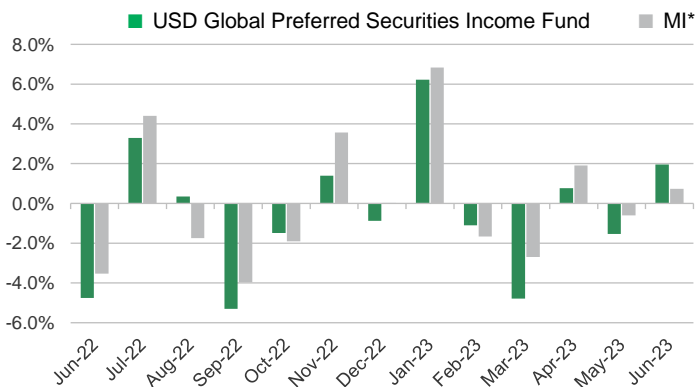
## Monthly Net Asset Value per Unit



## Top Five Holdings

|                          |         |            |       |
|--------------------------|---------|------------|-------|
| CITIGROUP CAPITAL XIII   | 11.643% | 10/30/2040 | 2.40% |
| BANK OF AMERICA CORP     | 6.45%   | 12/15/2066 | 2.28% |
| COREBRIDGE FINANCIAL INC | 6.875%  | 12/15/2052 | 2.21% |
| ASSURANT INC             | 7%      | 03/27/2048 | 2.12% |
| ENBRIDGE INC             | 6.25%   | 03/01/2078 | 1.98% |

## Monthly Performance

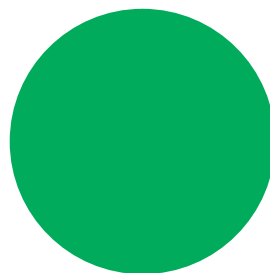


\*Market Indicator = 50% BoFA Merrill Lynch Fixed Rate Preferred Securities Index and 50% BoFA Merrill Lynch US Capital Securities Index

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

US bonds produced mixed results in June but declined slightly overall as bond yields rose during the month. The year-over-year inflation rate declined to 4%, its lowest level in more than two years, which prompted the US Federal Reserve Board (Fed) to hold short-term interest rates steady at its June policy meeting after 10 rate hikes between March 2022 and May 2023. Nonetheless, the Fed continued to emphasise that bringing inflation under control remained its top priority, and that further interest rate increases may be necessary. As if to underscore that point, much of the economic data released during the month came in stronger than expected, led by employment growth, consumer spending and the housing market.

As a result, bond yields moved higher across most maturity sectors in June, though longer-term bond yields remained relatively steady. Sector performance in the bond market was mixed—high-yield and investment-grade corporate bonds posted positive returns for the month, benefitting from the improving economic environment, whilst US Treasury securities declined the most.

## Outlook

The Fed continues its path to tighten monetary policy in 2023, but at a slower pace. The full impact of the tightening started early in 2022 and is flowing through the real economy. Consumers and businesses in the US 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 a favourable 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 the sector fell under pressure amidst bank issues in March, resulting in yields not seen since 2009. Preferred securities are higher quality in nature and offer value compared to higher duration and traditional investment grade areas of the market.

We continue our defensive position stance from 2019, with overweight allocations in areas such as utilities and underweight allocations in the banking sector. The Fund is overweight significant financial institutional (SFI) banks and super regional banks, relative to the preferred market. SFI banks are large and have already benefited from the fallout triggered by Silicon Valley Bank and others. They have been subject to the most stringent capital and liquidity rules, and they provide broad services to clients. Large or super regional banks have been preparing for stricter regulatory requirements following their acquisitions in recent years. This group of banks has benefitted from increased profitability, a tradition of strong loan underwriting, and diversified earnings.

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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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