

# PHP 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> PHP 249.42 million	<b>Fund Currency</b> Philippine peso	<b>Dealing/Valuation</b> Daily
<b>Price (NAV/unit)</b> PHP 1.004	<b>Management Fee</b> 2.25% per annum	<b>Bloomberg Ticker</b> PHBAPGP	

## Performance Return (August 31, 2022)

PHP Global Preferred Securities Income Fund (net of management fee)	1 Month	YTD	1 Year	3 Years	5 Years	Since Inception
Absolute	2.24%	-1.29%	0.60%	n.a.	n.a.	5.77%
Annualized	n.a.	n.a.	0.60%	n.a.	n.a.	4.38%

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.

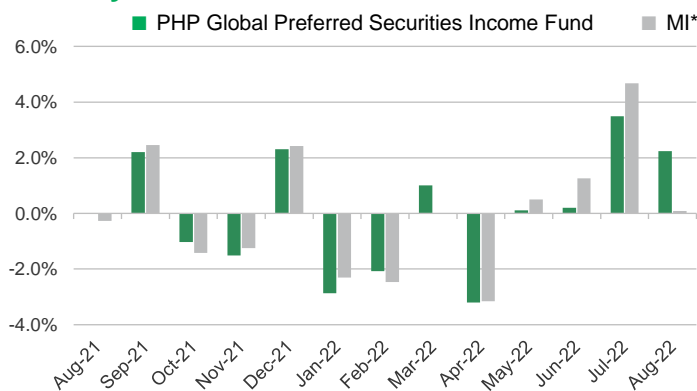
## Monthly Net Asset Value per Unit



## Top Five Holdings

BANK OF AMERICA CORP	6.45%	12/15/2066	2.31%
CITIGROUP CAPITAL XIII	9.176%	10/30/2040	2.11%
ASSURANT INC	7%	03/27/2048	2.06%
TRINITY CAPITAL INC/MD	7%	01/16/2025	1.90%
ENBRIDGE INC	6.25%	03/01/2078	1.82%

## 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 GP5  
PHPUNHGNF 100.00%

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## Market Review

After posting positive returns in July, US bonds resumed their decline in August amidst continued inflationary concerns and a resolute US Federal Reserve Board (Fed). The 12-month US inflation rate came in at 8.5% in August—below expectations and down from a 40-year high of 9.1% in July, but still elevated by historical standards. Although the Fed did not raise short-term interest rates in August, investors priced in another sizable Fed rate hike for September after Fed Chair Jerome Powell stated that restoring price stability was the Fed's primary goal, even at the expense of "a sustained period of below-trend growth." Economic data released during the month was mixed as employment growth remained robust, but consumer spending stalled, and the housing market continued to weaken.

In this environment, bond yields rose across the board in August, pushing bond prices lower. Short-term yields rose the most, exacerbating an already-inverted yield curve (where short-term yields are higher than long-term yields). On a sector basis, residential mortgage-backed securities and investment-grade corporate bonds declined the most, whilst asset-backed securities held up the best.

## Outlook

A combination of high inflation and full employment has led the Fed to adopt a drastically different approach to monetary policy in the past few months. We believe that market pricing of expected rate hikes is overdone, particularly against a backdrop characterised by, as we expect, slowing growth and some moderation in inflation.

Whilst uncertainty has increased, we remain positive on corporate fundamentals overall. Given the global economic uncertainty, the portfolio is invested in high quality companies that offer attractive yields. The investment team has continued their defensive position stance since 2019, with overweight allocations in areas such as utilities and underweight allocations in retail fixed-coupon securities. Corporate credit fundamentals are strong. Financial sector credit fundamentals are also strong, much different than during the global financial crisis in 2008-2009. Energy and utilities have strong fundamentals, two sectors in which we are overweight. Bottom line, valuations are attractive and balance sheets are strong. Even in the event of a recession, the strategy is invested in high-quality companies, companies which are able to withstand an economic downturn.

We maintain our favourable view of preferred securities, largely due to the carry that the asset class offers. Spreads relative to US Treasuries have widened and we are concerned about the outlook for certain sectors should the economy stall. That said, we expect spreads to tighten should policy uncertainty (as well as inflation levels) recede during the second half of the year, as we expect, providing some incremental upside. Preferred securities continue to offer value compared to higher duration and higher quality fixed income areas of the market.

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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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