Manulife Investment Management

November 2021
Factsheet

Manulife Preferred Securities Income Fund

Fund category
Feeder Fund

Fund objective
The Fund aims to provide income and potential capital appreciation by investing in one collective investment scheme with investment focus in preferred securities.

Investor profile
This Fund is suitable for investors who seek regular income and potential capital appreciation, have a long-term investment horizon and wish to seek investment exposure in preferred securities globally.

Fund manager
Manulife Investment Management (M) Berhad
200801033087 (834424-U)

Trustee
HSBC (Malaysia) Trustee Berhad
193701000084 (1281-T)

Fund information (as at 31 Oct 2021)

NAV/unit (A (USD) Class)	USD 0.5071
NAV/unit (A (RM Hedged) Class)	RM 0.5132
Fund size	USD 17.44 mil
Units in circulation	121.58 mil
Fund launch date	07 Oct 2020
Fund inception date	04 Nov 2020
Financial year	30 Jun
Currency	USD
Management fee	Up to 1.50% of NAV p.a.
Trustee fee	0.04% of NAV p.a. excluding foreign custodian fees and charges
Sales charge	Up to 3.00% of NAV per unit
Redemption charge	Nil
Distribution frequency	Quarterly, if any
Benchmark	BofA/Merrill Lynch All Capital Securities Index

Fund performance

Not available as the Fund is less than one year

Total return over the following periods

Not available as the Fund is less than one year

Calendar year returns

Not available as the Fund is less than one year

Top 5 holdings#

No.	Security name	% NAV
1	TRINITY CAPITAL INC/MD 7% 01/16/2025	2.2
2	BANK OF AMERICA CORP 6.45% 12/15/2066	2.1
3	ASSURANT INC 7% 03/27/2048	2.1
4	SOFTBANK GROUP CORP 6.875% Perpetual	2.0
5	ENBRIDGE INC 6.25% 03/01/2078	1.9

Asset/sector allocation#

No.	Asset/sector name	% NAV
1	Electric	21.0
2	Insurance	19.8
3	Banking	16.8
4	Communications	9.6
5	Energy	8.6
6	Natural Gas	5.1
7	Consumer Cyclical	4.0
8	Finance Companies	3.6
9	Others	8.8
10	Cash & Cash Equivalents	2.7

Highest & lowest NAV

	2018	2019	2020
High	-	-	0.5211
Low	-	-	0.5000

Geographical allocation#

No.	Geographical name	% NAV
1	United States	77.6
2	Canada	8.6
3	United Kingdom	3.3
4	Others	7.8
5	Cash & Cash Equivalents	2.7

Distribution by financial year

	2020	2021	2022**
Distribution (Sen)	-	2.10	0.90
Distribution Yield (%)	-	4.2	1.8

**Cumulative quarterly distribution for the month of Jul'21 - Sep'21

Manulife Global Fund - Preferred Securities Income Fund

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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.

Market 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.