

**Important Notes :**

1. **Manulife Global Fund – Preferred Securities Income Fund** (Manulife Preferred Securities Income Fund or the “Fund”) invests primarily in preferred securities listed or traded on any regulated market in the world, including preferred stocks (including convertible preferred stocks) and subordinated debt securities, which exposes investors to fixed income and equity market risk, volatility and liquidity risk and currency risk. As the Fund may carry significant exposure to US-related issuers it may expose investors to geographical concentration risk.
2. The relevant distributing class of the Fund does not guarantee distribution of dividends, the frequency of distribution and the amount/rate of dividends. Dividends may be paid out of income, realized capital gains and/or out of capital of the Fund in respect of Inc share class(es). Dividends may be paid out of realized capital gains, capital and/or gross income while charging all or part of their fees and expenses to capital (i.e. payment of fees and expenses out of capital) in respect of MDIST (G) and R MDIST (G) share class(es). Dividends paid out of capital of the Fund amounts to a return or withdrawal of part of the amount of an investor’s original investment or from any capital gains attributable to that original investment and may result in an immediate decrease in the net asset value per share in respect of such class(es) of the Fund.
3. The Fund’s investment in fixed income and cash and cash equivalents is subject to credit risk, interest rate risk, credit rating and downgrading risk and high-yield bonds risk.
4. The Fund intends to use financial derivative instruments (“FDIs”) for investment, efficient portfolio management and/or hedging purposes. The use of FDIs exposes the Fund to additional risks, including volatility risk, management risk, market risk, credit risk and liquidity risk.
5. Investment involves risk. The Fund may expose its investors to capital loss. Investors should not make decisions based on this material alone and should read the offering document for details, including the risk factors, charges and features of the Fund and its share classes.
6. Given RMB is currently not a freely convertible currency, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB. As offshore RMB (CNH) will be used for the valuation of RMB denominated Class(es), CNH rate may be at a premium or discount to the exchange rate for onshore RMB (CNY) and there may be significant bid and offer spreads and thus the value of the RMB denominated Class(es) will be subject to fluctuation. Any devaluation of RMB could adversely affect the value of investors’ investments in the RMB denominated Class(es) of the Fund.

# Manulife Preferred Securities Income Fund

## Q&A with Fund Manager

August 2024



**Joseph Bozoyan**

US-based portfolio manager on the Global Credit Team at Manulife Investment Management

Previously a managing director and senior investment analyst on Manulife’s Intrinsic Value Team

**Q: How did the preferred securities market perform in July 2024?**

**A:** The U.S. bond market<sup>1</sup> advanced for the third straight month in July. Signs of continued cooling on the inflation front, including the lowest 12-month inflation reading in a year, were the key catalyst for the bond market rally. The continued downtrend in the inflation rate boosted investor expectations that the U.S. Federal Reserve (Fed) could begin lowering short-term interest rates as soon as September. As expected, the Fed held rates steady at its July policy meeting but left the door open for a rate cut at its next meeting despite continued signs of a robust U.S. economy, which grew at a higher-than-expected 2.8% annualized rate in the second quarter.

U.S. bond yields declined sharply across the board for the month, led by the market’s short- and intermediate-term segments. Against this backdrop, preferred securities registered a 0.98% total return in July, with convertible preferreds taking the lead with 2.63% total return<sup>1</sup>.

**Q: What has been driving the Fund’s performance in July 2024?**

**A:** The Fund posted a positive return<sup>2</sup> in July 2024. The portfolio’s performance was driven by its security selection in the electric utility sector, which was the leading contributor. The portfolio also benefited from security selection in the banking and insurance sectors. The portfolio’s security selection in junior subordinated preferreds was the top asset class contributor.

However, the portfolio’s security selection in the communications sector was the leading detractor. Additional detractors include security selection in the consumer cyclical and natural gas sectors. Lastly, the portfolio’s preferred stock underperformed the preferred market.

**Q: What is your investment outlook following the recent market volatility?**

**A:** U.S. treasury yields declined materially across the bull-steepened curve following Chair Powell’s dovish signaling in July FOMC press conference and a handful of bearish economic data released in early August, including worst-than-expected weekly unemployment claims, July’s unemployment rate, durable goods orders, home sales, and manufacturing activity. This has resulted in futures almost fully pricing in a 50-basis point cut in the federal funds rate in September and another 50 basis points in November. The concern is that the Fed has been behind the curve on rate cuts and that the US economy could be heading for a recession. However, the timing of all this is crucial because of the typical thin volumes throughout August.

The Fund has been prepared for a market sell-off as we have been defensively positioned since early 2023. We do not expect to materially change our strategies amid the elevated volatility due to geopolitical concerns, the upcoming US elections, and the Fed.

1. Source: Bloomberg, as of July 31, 2024. U.S. bonds measured by Bloomberg US Agg Bond TR USD Index. Preferred securities measured by ICE BofA US All Capital Securities Index. Convertible preferreds measured by ICE BofA US Convertible Preferred Index. Past performance is not indicative of further performance.

2. Source: Manulife Investment Management, as of July 31, 2024. Fund performance applies only to AA (USD) MDIST (G) class. All the performance figures are on NAV to NAV basis, in base currency with dividend reinvested. Performance of AA (USD) MDIST (G) class: 1.21% (1 month); 3.64% (3 months); 4.64% (6 months); 6.58% (year to date); 11.03% (1 yr); -0.71% (3 year annualized); 2.12% (5 year annualized); 3.10% (since inception annualized). AA (USD) MDIST (G) class performance information for past five calendar years: 7.62% (2023); -14.98% (2022); 4.79% (2021); 3.55% (2020); 21.07% (2019). Inception date: September 11, 2018. Investment involves risk. Past Performance is not indicative of future performance.

Unless otherwise stated, all information sources are from Bloomberg, Manulife Investment Management, as of July 31, 2024. The information in this material may contain projections or other forward-looking statements regarding future events, targets, management discipline or other expectations, and is only as current as of the date indicated. There is no assurance that such events will occur, and may be significantly different than that shown here.

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