

Principal Global Investors Funds

Islamic Asia Pacific Dynamic Income & Growth Fund

I Class August 2024

Market Review

MSCI AC Asia Pacific ex Japan Islamic Index was up 1.21% in US\$ terms in August. The US 10-year bond yield declined to 3.9% while crude oil declined to US\$79/ barrel.

Fund Review

In August, the Fund returned 1.68% in US\$ terms; Taiwan and Singapore, Communication Services and Industrials were contributors.

Portfolio Outlook and Strategy

Outlook

This month's positive performance was mainly due to our positioning in dividend yielders and returns that are not highly correlated with macro conditions. The Fed is now confident that sufficient progress on disinflation has been achieved and has switched its focus to the weakening labour market. The debate is now on how fast and how much cuts there will be. Our base case is for a 25bps cut in September. In Asia, most countries such as Philippines, India and Indonesia have the ability to reduce rates given their high real rates. The outcome of the upcoming US elections have profound implications for Asian economies in terms of trade dynamics and geopolitical relations. India and ASEAN countries are more insulated and stand to benefit from supply chain shifts.

China's PMI signals continued softness in economic activity. Nonetheless, share buybacks have increased and in some cases, have started to become meaningful. We continue to be positive on India given its deep domestic economy, selected technology hardware names in Taiwan and selected ASEAN names where return drivers are not major macro factors.

Strategy

We remain fully invested and well positioned in the areas of a) broad-based exposure across India in consumption, industrials, healthcare, property, b) selected tech hardware names across foundry, phone components, IT services, software, c) Ideas where return drivers are not major macro factors, e.g. ASEAN and global energy transmission, pharma.

Risk Considerations

Investing involves risk, including possible loss of principal. Past Performance does not guarantee future return. All financial investments involve an element of risk. Therefore, the value of the investment and the income from it will vary and the initial investment amount cannot be guaranteed.

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