

Principal Global Investors Funds

Islamic Asia Pacific Dynamic Income & Growth Fund

I Class June 2024

Market Review

MSCI AC Asia Pacific ex Japan Islamic Index was up 6.61% in US\$ terms in June. The US 10-year bond yield declined to 4.4% while crude oil declined to US\$86/ barrel.

Fund Review

In June, the Fund returned 5.37% in US\$ terms; Korea and Taiwan tech were contributors.

Portfolio Outlook and Strategy

Outlook

Fed policymakers have shown they won't rush to cut rates, as continued resilient economic growth is preventing inflation from swiftly returning to its 2% target. That same economic strength, even if downshifting slightly (given corporate commentaries regarding a softer consumer spend in the lower income) is driving the constructive backdrop for corporate earnings. Although the timing remains uncertain, the next policy move for the Fed will likely be a cut, not a hike.

In China, the government's reflation efforts have so far been incremental rather than major, and this has been echoed recently by Premier Li Qiang's speech in the World Economic Forum. The weak residential housing market, muted private sector and consumer confidence remain key issues to tackle. Meanwhile in India, the initial jitters regarding the BJP's seat tally proved to be short lived as it was able to form the government with its coalition members. In Asia, we are positive on the durability of the technology hardware cycle in South Korea and Taiwan and broad-based growth in India. Risks: a) Global economic and interest rate trajectory b) Geopolitics: US-China tensions which can range from various sanctions, financial markets and military conflicts

Strategy

We remain fully invested and well positioned in the areas of a) durability of the tech hardware cycle driven by AI b) broad-based growth across India in consumption, industrial and real estate c) selected global names with resilient demand in industrials and technology. During the month, we topped up our India exposure in the brief market correction during elections, initiated a position in a Malaysia utility company and selected dividend yielders in China and Singapore.

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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