

**Supplement**

**for the**

**Global Sukuk Fund**

**1 March 2024**

**Principal Global Investors Funds**

This Supplement contains specific information in relation to the Global Sukuk Fund (the "**Fund**"), a Fund of the Principal Global Investors Funds (the "**Unit Trust**"), an open-ended umbrella type unit trust authorised by the Central Bank of Ireland (the "**Central Bank**") as an undertaking for collective investment in transferable securities pursuant to the Regulations.

The Directors of the Manager, whose names appear in the Prospectus, accept responsibility for the information contained in this Supplement. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of the information. The Directors accept responsibility accordingly.

**This Supplement forms part of and should be read in conjunction with the Prospectus for the Unit Trust dated 14 December 2023 (together the "Prospectus"). Words and expressions defined in the Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.**

**An investment in the Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.**

## Table of Contents

1	Investment Objective, Policies and Profile of a Typical Investor .....	3
2	Investment Restrictions and Shariah Investment Guidelines .....	4
3	Efficient Portfolio Management .....	7
4	Borrowing .....	8
5	Shariah Investment Manager .....	8
6	Risk Factors .....	8
7	Distribution Policy.....	8
8	Key Information for Buying and Selling.....	9
9	Charges and Expenses .....	10
10	Other Information .....	10

# 1 Investment Objective, Policies and Profile of a Typical Investor

## 1.1 Investment Objective

The Fund seeks to maximize total return over the medium to long term through a combination of capital growth and income.

## 1.2 Investment Policies

The Fund seeks to achieve its objective by investing primarily in a diversified portfolio of Shariah-compliant fixed income securities (**Sukuk**) issued by government, government-related entities such as their local authorities and public authorities, corporate or supranational entities located globally.

Sukuk are certificates of equal value which evidence undivided ownership or investment in the underlying assets using Shariah principles. The sakk (singular of Sukuk) is freely traded at par, premium or discount. Commonly the term Sukuk is used for fixed income securities and debt securities which comply with Shariah principals financial instruments. They comprise:

- mortgage-backed, asset-backed securities and collateralized financing obligations which are Sukuk whose profit/coupon payments and/or payment at maturity depend primarily on the performance of one or more underlying credit exposures;
- zero-coupon Sukuk and coupon bearing Sukuk;
- convertible Sukuk (which will not include contingent convertible securities);
- the Fund may also hold private placements, including those issued pursuant to Rule 144A.

The Fund may also invest up to 20% of its Net Asset Value in aggregate in Shariah-compliant UCITS eligible collective investment schemes and Shariah-compliant exchange traded funds (ETFs) the constituents of which include the types of instruments in which the Fund may directly invest.

The Fund expects to invest a minimum of 70% of the Fund's Net Asset Value in Sukuk that may be USD denominated and non-USD denominated, investment grade or below investment grade or non-rated and may be fixed or floating rate. Up to 20% of the Fund's Net Asset Value may be invested in asset backed securities.

The Fund may usually also invest up to 30% of its Net Asset Value in Shariah-compliant bank deposits and money market instruments comprising money market funds, commercial paper and treasury bills, save in the circumstances described below when it may hold up to 100%.

The Shariah Investment Manager will adopt an active investment strategy. This is based on its review of economic fundamentals such as economic growth rate, inflation rate and unemployment rate in a particular market, credit analysis such as the creditworthiness of the issuer and the identification of relative value through a comparison of the value or yield of potential investments relative to their peers. This review generates the Shariah Investment Manager's expectations of the future that impact on the growth of and income generated by Sukuk and the portfolio is constructed based on those expectations. The Shariah Investment Manager's global Sukuk philosophy embraces diversification amongst the markets described above and among the type of securities described above.

The Shariah Investment Manager integrates its own ESG research and data with the research and ratings provided by third party providers (e.g. MSCI, RAM Ratings and Bloomberg) to achieve consistency and comprehensiveness in coverage across the investment universe when making evaluations. Within the ESG considerations and process hierarchy, the Shariah Investment Manager refers to third party providers as the first point of reference while for those without third party data coverage, the Shariah Investment Manager will rely on its own internal ESG ratings and research. ESG data inputs are also gathered via an ESG

questionnaire sent to companies across the Fund's investment universe. The third party rating changes are reviewed on a quarterly basis whilst data input collection via the ESG questionnaire is done on a yearly basis. Overall data inputs are collectively used at arriving to the internal score where a sustainability risk level (low, medium, or high risk) is assigned. These ESG risk levels are used to reflect the varying levels of ESG concerns for different sectors. Should the research on ESG factors reveal adverse material findings, the Shariah Investment Manager may reassess the Sukuk's position in the Fund. The Shariah Investment Manager's focus on ESG is complementary to the fundamental research undertaken. Companies which are ranked relatively low in an ESG assessment may not be excluded from the Fund's portfolio, but instead will warrant further engagement with management for opportunities to enhance and track their ESG practices. ESG assessment of an issuer is an integral part of our investment decisions but is not necessarily the only determining factor in the overall investment assessment. Thus, the Fund may invest in an issuer despite a relatively weak ESG assessment or conversely may not invest in or hold an issuer despite a strong ESG assessment. Rather, the Shariah Investment Manager will seek to engage with the aim of improving their ESG performance.

The Shariah Investment Manager may take a defensive position when it anticipates that the markets or the economies of the countries where the Fund invests are experiencing excessive volatility or prolonged general decline or other adverse conditions. In such a situation, the Fund may hold up to 100% in Shariah-compliant bank deposits and money market instruments comprising money market funds, commercial paper and treasury bills and the Shariah Investment Manager would be expected to realign the Fund with its investment policies when market conditions improved. **In this situation Unitholders should note the difference between the nature of a deposit and the nature of an investment in the Fund and that the value of the principal invested in the Fund may fluctuate.**

The Fund's investments will (other than permitted unlisted investments) be listed/traded on the exchanges and markets listed in Appendix E to the Prospectus provided that such exchanges and markets are either an ordinary or associate member of the International Organization of Securities Commission (IOSCO), further details of which are set out in [www.iosco.org](http://www.iosco.org).

Investors' attention is drawn to the information set out in the Prospectus under the headings **General Information** and **Special Investment Considerations and Risks**.

### 1.3 **How the Fund References an Index or Benchmark**

The Fund is actively managed with reference to the Dow Jones Sukuk Price Return Index (the "**Index**") on the basis that the Fund seeks to outperform the Index.

The Shariah Investment Manager may reference the Index as part of the investment management process and the Fund may invest in securities that are components of the Index with the result that at a given point in time a significant proportion of the Fund's investments could be components of the Index. However, the Shariah Investment Manager maintains full discretion to select investments for the Fund in line with the above investment policy and with prior review from the Shariah Adviser and is not required to invest in components of the Index.

The Fund does not however seek to track the Index and is not managed in a risk-managed manner that would limit the Fund's ability to deviate from the performance of the Index.

### 1.4 **Profile of a Typical Investor**

The Fund is suitable for investors with a medium to long term investment horizon who want to maximize total return over the medium to long term through a combination of capital growth and income.

## 2 **Investment Restrictions and Shariah Investment Guidelines**

The general investment restrictions set out in **Appendix A** of the Prospectus shall apply and the following investment restrictions shall apply to the Fund.

## 2.1

- (a) The Fund's investments in transferable Shariah-compliant securities and money market instruments issued by any single issuer must not exceed 10% of the Fund's Net Asset Value;
- (b) The Fund's investments in transferable Shariah-compliant securities (including Sukuk) must not exceed 10% of the securities issued by any single issuer;
- (c) The Fund's investment in Shariah-compliant money market instruments must not exceed 10% of the instruments issued by any single issuer;

**Note:** *This limit may be disregarded if the Shariah-compliant money market instrument does not have pre-determined issued size.*

- (d) The value of the Fund's OTC Shariah-compliant derivative transaction with any single counter-party must not exceed 5% of the Fund's Net Asset Value and the Fund's exposure from derivatives position should not exceed the Fund's Net Asset Value at all times;
- (e) In the case of cross-investment in a sister sub-fund of the Unit Trust the following additional restrictions apply:
  - (i) The investment shall not be made in a sub-fund which itself holds units in any other sub-fund within the Unit Trust;
  - (ii) the rate of the annual investment management fee which investors in the Fund are charged in respect of that portion of the Fund's assets invested in the Units of the other sub-funds of the Unit Trust (the **Receiving Funds**) (whether such fee is paid directly at the Fund level, indirectly at the level of the Receiving Funds or a combination of both) shall not exceed the rate of the maximum annual investment management fee which investors in the Fund may be charged in respect of the balance of the Fund's assets, such that there shall be no double charging of the annual investment management fee to the Fund as a result of its investments in the Receiving Fund.

2.2 The general investment restrictions set out in Appendix G of the Prospectus shall also apply to the Fund. However the following will apply instead of Clause 1.1 in Appendix G in the Prospectus, except in respect of equities derived from convertible fixed income and contingent convertible securities, in which case Clause 1.1 in Appendix G will apply:

**"Shariah-compliant"** securities which are subsequently considered **"non Shariah-compliant"**

Where the Fund invests in securities (save for money market instruments and deposits) earlier classified as Shariah-compliant but considered to have become non-compliant (by the Shariah adviser appointed by the issuer of that security) then guidance from the Shariah Adviser should be obtained.

The following constitute the Shariah Investment Guidelines in respect of the Fund:

- (a) **Sukuk** - The Fund shall only invest in Sukuk as endorsed by other Shariah scholar(s) or Shariah boards with the Shariah Adviser's prior review of the relevant documents e.g. principal terms and conditions and Shariah pronouncements and/or as listed in the Dow Jones Sukuk Total Return Index with the Shariah Adviser's prior review. The Dow Jones Sukuk Total Return Index may be referred to as part of the selection process for Sukuk as it is designed to track the performance of global Islamic fixed income securities. Further information on Dow Jones Sukuk Total Return Index is available at [www.spindices.com](http://www.spindices.com).

- (b) **Islamic money market instruments** - The Fund shall only invest in money market instruments which are endorsed by other Shariah scholar(s) or Shariah boards with the Shariah Adviser's prior review of the relevant documents e.g. principal terms and conditions and Shariah pronouncements.
- (c) **Islamic deposits** - Bank deposits shall be placed in accounts issued by licensed Islamic financial institutions or non-interest bearing accounts. The Fund is also prohibited from investing in interest-bearing deposits and recognising any interest income.
- (d) **Islamic Collective investment schemes** - The Fund shall only invest in UCITS eligible collective investment schemes which are endorsed by other Shariah scholar(s) or Shariah boards with the Shariah Adviser's prior review of the relevant documents e.g. principal terms and conditions and Shariah pronouncements.
- (e) **Islamic FDI** - The Fund shall only invest in Islamic FDI which are endorsed by other Shariah scholar(s) or Shariah boards with the Shariah Adviser's prior review of the relevant documents e.g. principal terms and conditions and Shariah pronouncements.

The general investment restrictions set out in Appendix G of the Prospectus shall also apply to the Fund.

- (f) Equities derived from convertible fixed income/contingent convertible securities are classified as Shariah-compliant if they are listed in the list of Shariah-compliant securities issued by Dow Jones Islamic Market World Index. For any equities which are not listed under Dow Jones Islamic Market World Index, it will need to follow the following guidelines which have been reviewed by the Shariah Adviser of the Fund:
  - (i) Investment is not allowed in companies which are directly active in and/or derive more than 5% of their revenue (cumulatively) from the manufacture and/or sale and/or distribution of the following good and services:
    - (A) Alcohol (brewers, distillers & vintners, packagers, transporters, sellers and resellers);
    - (B) Tobacco and electronic cigarettes;
    - (C) Recreational cannabis products
    - (D) Pork-related products (food products, food retailers & wholesalers, hotels, restaurants & bars);
    - (E) Conventional financial services (banking, insurance, investment services, insurance brokers, mortgage finance, etc.);
    - (F) Weapon and defence (defence industries, manufacturers of weapons, contractors, suppliers of spyware and offensive components and systems); and
    - (G) Entertainment (hotels, casinos/gambling, cinema, pornography, music, etc.)
  - (ii) Investments in companies with the following criteria are not allowed:
    - (A) total debt divided by trailing 24 month average market capitalisation is equal or

more than 33%, where “total debt” equals short-term debt plus current portion of long term debt plus long-term debt.

### **3 Efficient Portfolio Management**

The Fund may enter into Islamic forward foreign exchange contracts and Islamic profit rate swaps and futures for efficient portfolio management purposes as further outlined below in accordance with the investment restrictions, conditions and limits laid down by the Central Bank.

#### **3.1 Islamic Forward Foreign Exchange Contracts**

The Base Currency of the Fund is USD and exposure to currencies other than USD may, at the Shariah Investment Manager’s discretion, be fully or partially hedged back to USD through the use of Shariah-compliant currency forwards. These are non-standardized, negotiated, over the counter contracts between two parties to buy or sell currency at a specified future time at a price agreed upon today.

They reduce the Fund's exposure to changes in the value of the currency it will deliver and increases its exposure to changes in the value of the currency it will receive for the duration of the contract. Such forwards may also be non-deliverable and structured so as to be cash settled, usually on a thinly traded currency or non-convertible currency.

The Fund may enter into these contracts to hedge against exchange risk or to shift exposure to currency fluctuations from one currency to another.

#### **3.2 Shariah-permitted Futures**

Traded on a regulated exchange, a future is a standardised agreement between two parties to transact in an instrument at a specific price or rate at a future date. The Fund may invest in Shariah-compliant index futures for EPM purposes.

#### **3.3 Islamic Profit rate swaps (IPRS)**

An IPRS is individually negotiated and traded over the counter. It involves the exchange by the Fund with another party of their respective commitments to receive certain cash flows for a specified period of time. One stream of future cash flows is exchanged for another, based on a specified principal amount. It is generally an exchange by the Fund of fixed rate cash flows for floating rate cash flows. The Fund therefore obtains floating rate interest exposure.

These are used to manage interest rate risk. Swap agreements are subject to liquidity risk, meaning that the Fund may be unable to sell a swap contract to a third party at a favourable price. The Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a counterparty.

The Manager employs a risk-management process in respect of the Fund which enables it to accurately measure, monitor and manage the various risks associated with FDIs. The Fund may only utilise the FDIs listed in the risk management process as cleared by the Central Bank. The Shariah Investment Manager uses a risk management technique known as the commitment approach to calculate the Fund's global exposure to ensure that the Fund's use of FDI is within the limits specified by the Central Bank. On request, supplementary information will be provided to Unitholders relating to the risk management methods employed including the quantitative limits that are applied and any recent developments in the risk and yield characteristics of the main categories of investment.

The Fund's global exposure and leverage (as prescribed by the Central Bank) relating to FDI will not exceed 100% of the Fund’s Net Asset Value. Simple leverage is calculated as being global exposure divided by the Fund’s Net Asset Value.

Any investment in Financial Derivative Instruments is subject to the Shariah Adviser's prior review.

Further information is set out in the Prospectus under the headings **General Information** and **Special Investment Considerations and Risks**.

#### **4 Borrowing**

In accordance with the general provisions set out under the heading **Borrowings** of the Prospectus, the Fund may borrow up to 10% of its net assets on a temporary basis.

#### **5 Shariah Investment Manager**

The Manager has appointed Principal Islamic Asset Management Sdn Bhd to act as investment manager to the Fund (the "**Shariah Investment Manager**").

The Shariah Investment Manager was appointed pursuant to an Investment Management Agreement. This agreement may be terminated by either party on giving three months' written notice to the other although, in certain circumstances, the agreement may be terminated forthwith by notice in writing by either party to the other.

The Shariah Investment Manager is regulated in Malaysia by the Securities Commission Malaysia. The Shariah Investment Manager has been cleared by the Central Bank to act as Shariah Investment Manager to Irish authorised collective investment schemes.

#### **6 Risk Factors**

The general risk factors set out under the heading **Special Investment Considerations and Risks** of the Prospectus apply to the Fund.

In addition the further risk considerations in respect of FDI and Securities Financing Transactions Risks including Credit Risk, Counterparty Risk, Collateral Risk and Liquidity Risk; Settlement Risk, Convertible Bonds Risk, High Yield and Distressed Securities Risk, Interest Rate Risk and Sukuk Investment Risk are also applicable and investors' attention is drawn to the relevant information pertaining to these set out in the Prospectus.

#### **7 Distribution Policy**

The general distribution policy set out under the heading Distribution Policy of the Prospectus applies to the Fund save that the Manager, in consultation with the Directors, will be entitled to pay dividends only out of net income and/or realised gains net of realised losses of the Fund. Dividends will not be paid out of capital.

Dividends on the Income Units listed below will be declared as follows:

- 1) For the USD and SGD Income Units, dividends will be declared quarterly every June, September, December and March; within 30 days of each calendar quarter.
- 2) For the Euro and GBP Income Units, dividends will be declared annually at the end of the Fund's financial year.

Dividends on all Income Units will be paid within 30 days of the respective dividend declaration date specified above.

Such dividends may be paid in cash in which case they will be paid by telegraphic transfer to the nominated account of the Unitholder at its risk and expense.

It is not the intention of the Manager to declare a dividend in respect of the Accumulation Units listed below. Any distributable amounts attributable to such Accumulation Units will remain in the Fund's assets and be reflected in the Net Asset Value of the Accumulation Units.

## **8 Key Information for Buying and Selling**

### **Base Currency**

US dollars

### **Initial Issue Price in respect of any unlaunched classes of Units**

US\$10 per Unit (or 10 units of the relevant currency for all classes denominated in currencies other than US dollars) or other values as determined by the Manager.

### **Initial Offer Period in respect of any unlaunched classes of Units**

From 9.00 a.m. on 4 March 2024 to 5.30 p.m. on 3 September 2024 as may be shortened or extended by the Manager and in accordance with the requirements of the Central Bank.

### **Business Day**

Any day other than Saturday or Sunday on which banks are open for business in Ireland.

### **Dealing Day**

Any Business Day and/or such other day or days as the Manager may with prior notification to the Holders determine provided that there shall be at least one per fortnight.

### **Valuation Point**

11:00pm (Irish time) on the relevant Dealing Day unless otherwise specified by the Manager and the Directors and notified in advance to Unitholders.

### **Dealing Deadline**

10.00am (Irish time) on the relevant Dealing Day or such other time, provided it is before the relevant Valuation Point, as the Directors may determine and notify Unitholders in advance.

The Directors may agree to accept specific applications after the Dealing Deadline, but before the relevant Valuation Point, at their discretion in exceptional circumstances.

### **Settlement Date**

In the case of subscription(s), cleared funds must be received on or before 3 Business Days after the relevant Dealing Day. In the case of redemption(s), payments of redemption proceeds will generally be settled on the third Business Day following the relevant Dealing Day (T+3), but in any event within ten Business Days from the relevant Dealing Day (T+10). Payment will only be made to an account in the name of the registered Unitholder. No payments to third parties will be made.

## 9 Charges and Expenses

### 9.1 Investment and Management Charges:

Units	Minimum Initial Subscription	Current Preliminary Charge(%)	Annual Management Fee (% per annum)	Annual Trustee Fee (% per annum)
A	1,000	1.00	1.00	Not more than 0.0220
B	1,000	See details below	1.00	Not more than 0.0220
R	1,000	0.00	0.70	Not more than 0.0220
I	1,000,000	0.00	0.70	Not more than 0.0220

9.2 The Annual Management Fee payable to the Shariah Investment Manager will accrue and be calculated on each Valuation Day and be payable monthly in arrears. The Shariah Investment Manager will also be entitled to be reimbursed out of the assets of the Fund for all its own reasonable out of pocket costs and expenses.

9.3 The Manager reserves the right to charge up to 1.00% of the amount of the initial investment in the A Class Units. No initial charge is payable in respect of the R Class Units or the I Class Units.

9.4 In respect of the B Class Units, the Manager, in consultation with the Directors, will apply an initial charge on a contingent deferred basis (i.e. apply a contingent deferred sales charge) upon Unitholders redemption / exchange within 24 months of their subscription of Units.

The amount of the contingent deferred sales charge levy payable for B Class Units will depend on the length of time between the date the Units were purchased and their redemption / exchange at the rates set out in the table below:

Unit Classes	Number of months from the relevant initial subscription date		
	12 months or less	Over 12 months and less than 24 months	24 months and over
B Class Units to be redeemed / exchanged	3.00% of the NAV at the time of purchase	1.50% of the NAV at the time of purchase	0%

9.5 The costs of establishing the Fund will be paid by Principal Asset Management.

Further details of charges and expenses payable out of the assets of the Fund are set out in the Prospectus under the heading **Charges and Expenses**.

## 10 Other Information

10.1 The Manager has the sole right to appoint the Shariah Adviser(s) for the Fund without approval from Unitholders.

10.2 Subscription for and redemption of Units may not be made by means of an in-specie subscription or

distributions of investments in lieu of cash.

10.3 The following classes of Units in the Fund are available for issue:

Unit Classes	Class Currency
Base Currency	US Dollar
A Class Accumulation	Hedged: N/A Unhedged: USD, EUR, GBP, SGD
A Class Income	Hedged: N/A Unhedged: USD, EUR, GBP, SGD
B Class Accumulation	Hedged: N/A Unhedged: USD
B Class Income	Hedged: N/A Unhedged: USD
I Class Accumulation	Hedged: N/A Unhedged: USD, EUR, GBP, SGD
I Class Income	Hedged: N/A Unhedged: USD, EUR, GBP, SGD
R Class Accumulation	Hedged: N/A Unhedged: GBP
R Class Income	Hedged: N/A Unhedged: GBP