

## Principal Global Investors Funds

# Islamic Asia Pacific Dynamic Income & Growth Fund

I Class April 2025

## Market Review

MSCI AC Asia Pacific ex Japan Islamic Index was up 2.1% in US\$ terms in March. The US 10-year bond yield was volatile as universal tariffs were announced, plunging as low as 4.0% before rising to 4.5% and ending the month at 4.2%. Meanwhile Brent crude collapsed from US\$75 to 61/ barrel.

## Fund Review

In April, the Fund was flat in US\$ terms; detractors were China and Taiwan, offset by contributors India and Singapore.

## Portfolio Outlook and Strategy

### Outlook

President Trump announced a 90-day reprieve on reciprocal tariffs, reducing them to 10% across all countries except for China, on which the US raised reciprocal tariffs even further. The decision to grant a temporary reprieve came after a correction in US equities and after the bond market started to show concerning signs of a “buyer’s strike”, driving bond yields higher across the curve. Sectoral tariffs will be announced in due course. Policy uncertainty with implications for inflation and global growth outlook, remain the key drivers of equity markets. The US average effective tariff rate is the highest since World War II and China’s retaliatory actions added risk that global trade may slow meaningfully in the months ahead.

In China, the late-April Politburo meeting signaled a wait-and-see approach from the government, while reaffirming a commitment to loose monetary and fiscal policies. Given the potential for tariffs to impact GDP growth, Beijing is likely to introduce additional stimulus measures on both fiscal and monetary fronts to offset the effects. We maintain a preference for domestically oriented companies over exporters. Meanwhile, we are turning more positive in India, which appears relatively insulated from the ongoing tariff tensions. The Reserve Bank of India has adopted an easing stance, and the government has responded to the economic slowdown with middle-income tax measures.

### Strategy

We are positioned in the following areas a) diversified technology names across semiconductor, internet b) India domestic names, where growth appears to be bottoming c) ideas where return drivers are not major macro factors, such as ASEAN telcos and pharmaceutical contract manufacturers. Our preference is for domestic oriented companies that are more insulated from the US.

## 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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