Principal Global Investors Funds

Islamic Asia Pacific Dynamic Income & Growth Fund

I Class March 2025

Market Review

MSCI AC Asia Pacific ex Japan Islamic Index was up 1.65% in US$ terms in March. The US 10-year bond yield was flat at 4.2% while Brent crude remained at US$73-75/ barrel.

Fund Review

In March, the Fund was flat in US$ terms; detractors were Taiwan and Australia, offset by contributors India and South Korea.

Portfolio Outlook and Strategy

<u>Outlook</u>

The US tariff hikes were higher than expected and could lead to weaker global growth. The optimistic view is that tariffs are a negotiating tactic intended to pave the way for an extension of the Tax Cuts and Jobs Act. But the Trump administration may also want to rewire global trade practices. With the export outlook becoming more difficult, China's domestic economy will have to pick up the slack. Policies to boost consumption and revive the private sector are more probable now that China has retaliated to US's tariffs. We have preference for domestic-oriented stocks and are positioned in the areas of e-commerce, Cloud, electric vehicles and travel. Elsewhere, we have moderated our positions in Taiwan technology and Japan industrial, whereby global growth or tariffs can be an issue. In India, we need to see more signs of corporate-level growth improvement to turn more positive. However, from a portfolio perspective, we have incrementally added to India as it offers some insulation against the tariff situation compared to other Asian countries. In the coming months, we can look forward to RBI's continued monetary easing, income tax reliefs from April onwards, and easing commodity prices (e.g. crude oil) as catalysts for a more favorable India outlook.

<u>Strategy</u>

We complement our growth-oriented positions with selected defensives in Singapore (telco, commercial property), Thailand (telco, healthcare) and Malaysia utilities. We are also on a lookout to deploy our cash levels whenever we see opportunities in the near term.

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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