

## Principal Global Investors Funds

# Islamic Global Multi-Asset Fund

I Class August 2025

### Market Review

Global inflation ticked up to 2.7% in Jul'25 in which market implied inflation expectation proxied by US breakeven remained well-anchored. Despite the summer holiday, Aug'25 was occupied by global central banks meetings. Central banks in Asia such as RBA, BI, BOT and BSP trimmed rates by -25bps with a clear dovish tilt in the accompanying statements and minutes while BOE in Europe also cut rates by -25bps but adopted a hawkish stance and raised the near term peak inflation forecast to 4% by September. The weaker than expected July nonfarm payrolls report accompanied by large downward revisions to previous two month figures increased Fed rate cut expectations with Chair Powell's speech at the annual Jackson Hole conference being read as more dovish than expected. Global financial conditions eased on lower rates, tighter spreads and continued equity momentum. Our Leading Regime Indicator ticked down on weaker durable goods orders in US while our Global Manufacturing PMI Index rose on the recovery of US, EU and Japan with China steadying at 49.4.

Global equities in Aug'25 extended the rally further supported by rising Fed rate cut expectations, consumer resilience, solid corporate earnings growth and easing tariffs tensions. Upon confirmation of trade deals with US, Japan was the best performing market with Nikkei 225 exceeding its prior record set in 1989. Detracted by weaker USD, US underperformed. In emerging markets, India remained the key laggard as 50% US tariff officially imposed on their export while China has seen a strong liquidity driven rally against the backdrop of disappointing hard economic data. Value outperformed growth with YTD underperformers such as healthcare, commodity sectors and small cap caught up the rally. MSCI ACWI ISLAMIC INDEX NTR (USD) and DOW JONES SUKUK TR EX REINVEST (USD) gained +1.48% and +1.00% respectively in Aug'25. US Treasury 10yr yield fell -15bps to 4.23% and credit spreads remained tight. Gold rallied while US dollar fell against other major DM and EM currencies.

### Fund Review and Portfolio Strategy

The Fund returned (gross) +1.45% in Aug'25, outperforming the risk reference index in which outperformance of equity sleeve and gold allocation in the allocation sleeve helped while sukuk sleeve underperformed.

Over the months, US has reached the trade agreements with several key trading partners such as Japan and Europe and the positioning of risk assets moved up meaningfully. Therefore, we tactically reduced some equity overweight to evaluate the impact of trade deals and tariffs on the economy against the negative seasonality. While uncertainty of trade deal remains, it's in general biasedly favorable to US on more potential foreign direct investment in US and increasing openness of foreign markets to US exporters. Therefore, US equity is expected to fare better than other developed economies over longer term supported by solid corporate fundamentals. We believe Euro strength might drag the export-oriented economy and complicate the growth picture there with budget concerns in France and UK remaining an overhang. Despite the tariff headwinds, we continue to expect India's economic growth thesis remains intact on the demographic dividends in addition to the benefits from global relocation of supply chains. Recent India's government proposal to revamp its GST structure helps boost private consumption. In China, we believe a stronger equity market is in line with policymaker interest to restore consumers' confidence on the economy. We will be nimble in the positioning upon the unfolding policies of the US administration & global central banks and development in inflation & growth dynamics.

#### Equities

The portfolio posted a positive absolute return of almost 2% in the month of August while outperforming its respective index. From a sector perspective, the IT and communication services sectors were places of strength while were partially offset by weakness in materials and utilities. Japan and the United States were the top contributors from a country perspective while Switzerland and Germany lagged overall.

## Sukuk

The Global Sukuk sleeve delivered returns of 0.76% for the month of August, 24bps below the Dow Jones Sukuk Total Return Index return of 1.00%. Contributors to the performance include sovereign and quasi-sovereign sukuk such as Malaysia, Abu Dhabi National Oil Company (ADNOC), Saudi Public Investment Fund and Mubadala (UAE's sovereign wealth fund). Detractors include short tenured sukuk, as well as selective corporates which lagged the broad market movements.

## 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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