Principal Global Investors Funds

Islamic Global Multi-Asset Fund

I Class December 2025

Market Review

Global inflation remained stable at 2.6% yoy in Nov'25 with market-implied inflation expectations proxied by US breakeven remaining well anchored. Despite a holiday shortened month, Dec'25 was a busy month occupied by global monetary policy meetings. In US, the Fed cut rates by -25bps as market expected and surprisingly commenced a $40 billion / month Treasury bill purchase program to improve liquidity in the system. In Europe, BOE cut rates by -25bps as expected while other central banks such as ECB, SNB, Riksbank and Norges Bank kept their policy rates unchanged. In Asia, RBI cut rates by -25bps and signaled rates would stay low for longer time while BOJ raised rate by +25bps, its highest in 30years but failed to support JPY for its lack of clarity on further rate hiking schedule. Global financial conditions remained steady on tighter spreads and falling policy rates. Our leading regime indicator and global PMI indicator pointed towards a stable manufacturing outlook.

Global equities extended the rally in Dec'25 despite traction behind the AI scrutiny and ended 2025 with a double-digit gain for the third consecutive year. Style rotation from US growth to cyclicals continued with US large cap technology giants underperforming. Europe outperformed other developed market peers. Emerging markets recouped the underperformance of the prior month on the back of recovery in Taiwan and Korea despite the underperformance of China offshore market and India on the slowing economic data and weakening INR respectively. Value outperformed growth with financials (banks) being the best performing sector. MSCI ACWI ISLAMIC INDEX NTR (USD) and DOW JONES SUKUK TR EX REINVEST (USD) gained +1.5% and +20bps respectively in Dec'25 and added +4.44% and +97bps respectively in Q4'25. Global government bonds' yield curve bear steepened with US Treasury 10yr yield rising +10bps to 4.17%. Sukuk's credit spreads compressed slightly. Gold and other precious metals gained meaningfully with silver rising +27% in Dec'25.

Fund Review and Portfolio Strategy

The Fund returned (gross) +48bps underperforming the risk reference index in Dec'25 on the underperformance of equity sleeve while equity overweight and gold allocation helped. Sukuk sleeve was in line with the benchmark.

The US economy remains resilient while easy fiscal and monetary policy should help US risk assets, though slowing labor market and high valuations will generate some volatility. US Trade policy related uncertainty remains an overhang, but it's also biasedly favorable to US on potential foreign direct investment 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 and tailwind from structural AI theme. European equities lag catalyst for sustained earning delivery while Euro strength, fragile political situation and lingering budget concerns will complicate the growth picture. Despite the tariff headwinds, we continue to expect India's economic growth thesis remains intact on the demographic dividends and supportive local reform policies. In China, we believe a stronger equity market is in line with policymaker interest to restore consumers' confidence on the economy through wealth effect. The Dec'25 FOMC meeting was more dovish than expected with the reserve management program injecting liquidity into the system and helped ease financial conditions further. Therefore, we increased overall equity risk exposure in the portfolio. We will be nimble in the positioning upon the unfolding policies of the US administration & global central banks and development in inflation & growth dynamics.

<u>Equities</u>

The portfolio posted a positive absolute return of 0.66% in the month of December but did underperform its respective index. From a sector perspective, consumer staples and energy sectors were places of strength while were more than offset by weakness in communication services and consumer discretionary. Canada and the Netherlands were the top contributors from a country perspective while the United States and Japan lagged overall.

Sukuk

For the month of December, the Global Sukuk sleeve delivered returns of 0.19%, marginally below the Dow Jones Sukuk Total Return Index return of 0.20% by 1bps. Returns were moderated by the portfolio's holdings in sovereign and quasi sovereign sukuk, which tracked UST movements more closely in December. However, this was offset by the strong performance of Dubai property sukuk, as well as stable prices in bank sukuk. For the full year 2025, the Global Sukuk sleeve delivered strong returns of 7.25%, albeit 34bps below the index return of 7.59%. During the month when 10-year UST weakened towards the 4.20% mark, we took the opportunity to add long Malaysia and Indonesia sovereign as well as Mubadala at attractive yields, effectively lengthening duration. The portfolio is now well-positioned to capture a potential market rally, in view of weakening US economic momentum.

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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