

Principal Global Investors Funds

Islamic Global Multi-Asset Fund

I Class January 2026

Market Review

Our leading regime and PMI indicators are pointing towards an improving manufacturing outlook while services continue to paint a robust picture with all regions showing solid expansion. Global inflation remained stable at 2.6% yoy in Dec'25 with market-implied inflation expectations proxied by US breakeven remaining well anchored. As expected, global central banks such as US Fed, ECB, Norges Bank, Riksbank and BOJ held the policy rates unchanged in Jan'26 monetary policy meetings with central bank in Brazil signaling potential rate cuts in next meeting. Global financial conditions remained steady on strong equity momentum and tighter spreads against higher yields.

Global equities continued their running uptrend and entered 2026 with strong momentum despite heightened geopolitical volatility earlier in the month around Greenland, Venezuela and the Middle East. Style rotation from US growth to cyclicals, value and commodity sectors continued with US underperforming Europe and Japan and with small cap, consumer staples, energy and materials being the best performing sectors. Emerging markets outperformed the developed markets counterparts with Latam and Korea leading the market rally. India underperformed on continued foreign portfolio outflows. MSCI ACWI ISLAMIC INDEX NTR (USD) and DOW JONES SUKUK TR EX REINVEST (USD) gained +4.86% and +2bps respectively in Jan'26. On the news of Japan's snap election, JPY and JGB witnessed a volatile month. US Treasury 10yr yield rose +7bps to 4.24%. Sukuk's credit spreads widened. Against the backdrop of debasement trade, US dollar weakened while global defense stocks outperformed and precious metals continued the rally but saw extreme volatility over the month with silver off 31% on 30-Jan after gaining 60% in the first 4 weeks of 2026.

Fund Review and Portfolio Strategy

The Fund returned (gross) +1.67% underperforming the risk reference index in Jan'26 on the underperformance of the equity sleeve while equity overweight and gold allocation continued to help. 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 despite some near term headwinds. European equities lag catalysts 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. In Jan'26, we increased gold allocation on pullback where we see structural demand for gold from central banks and asset owners. 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 2.0% in the month of January but did underperform its respective index. From a sector perspective, industrials and materials sectors were places of strength while were more than offset by weakness in IT and health care. Canada and the Netherlands were the top contributors from a country perspective while the United States and Japan lagged overall.

Sukuk

Global Sukuk prices softened in January as they tracked UST movements during the month, given that GCC economies (especially the UAE and Saudi) have been successfully diversifying their economies away from the hydrocarbon sector. Sukuk prices in the secondary market were also weighed by a very active primary issuance market in January, as issuers front loaded their fund-raising activities ahead of Ramadan. Notable issuances include Saudi Telecom, Kuwait Finance House, Energy Development Oman, Saudi Public Investment Fund (PIF), as well as Bahrain sovereign. The Republic of Benin, a country in West Africa, also made its debut in the sukuk market with a USD 500mil issuance. Demand for Global Sukuk offerings continued to be extremely strong, with spreads on most of the new issuances squeezed 35-50bps tighter from their initial price thoughts (IPT), while Saudi PIF's USD 2.0bil 10-year sukuk issuance was oversubscribed by 5.5 times (total order of USD 10.9bil). For the month of January, the Global Sukuk sleeve delivered returns of 0.15%, outperforming the Dow Jones Sukuk Total Return Index return of 0.02% by 13bps. Main contributors to the performance include Dubai property sukuk which rallied strongly in January amid strong demand. However, returns were moderated by Malaysia and Saudi sovereign as well as quasi sovereigns which traded weaker in tandem with UST.

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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