Principal Global Investors Funds

Islamic Global Multi-Asset Fund

I Class July 2026

Market Review

Our leading regime index weakened in July but remained in the expansionary zone while global manufacturing PMI rebounded with US showing an improvement. Our global economic surprise index weakened dragged by data disappointment in China and softer readings in Japan. Global inflation eased in Jun'26 though the market-implied inflation expectations proxied by US breakeven rising along with the energy prices. It was another busy month of global monetary policy meetings with ECB, BOJ and US Fed holding the policy rates unchanged. Chair Walsh reiterated the Fed's commitment to restoring price stability but avoided providing forward guidance which some economists commented it added confusion to policy actions. Global financial conditions weakened across most major regions on wider credit spreads, higher rates and weaker equity momentum.

Markets navigated a volatile month on renewed US-Iran hostilities, momentum trade unwind and shifting AI narrative from demand to ROI. While the top index level of global equities remained steady, rotation emerged with underperformers last quarter such as offshore China, financials and energy outperforming while semiconductor related instruments including Taiwan and Korea giving back some YTD outperformance. MSCI ACWI ISLAMIC INDEX NTR (USD) and DOW JONES SUKUK TR EX REINVEST (USD) returned -4.67% and -77bps respectively in Jul'26. Global yield curve shifted higher with UST 10yr yield rising +27bps to 4.73%. Sukuk's credit spreads widened and US dollar depreciated against major currencies. Oil rose +20% to $80/brl handle while gold found support at $4,000.

Fund Review and Portfolio Strategy

The Fund returned (gross) -2.14% outperforming the risk reference index. Outperformance of equity sleeve and our gold allocation helped while equity overweight and sukuk sleeve's underperformance detracted.

Macroeconomic data and corporate earnings continue to suggest the resilient macro backdrop in US. On easy fiscal policy, rising corporate capex and solid corporate and household balance sheet, we continue to believe US equity has a structural advantage over other developed markets. We have a positive view over Japan on expansionary fiscal policies under Takaichi's administration. On the other hand, European equities lag clear catalysts for sustained earning delivery, fragile political situation and lingering budget concerns might complicate the growth picture. We will be nimble in the positioning upon geopolitical developments, unfolding policies of the US administration & global central banks and development in inflation & growth dynamics.

After a strong rally in June, US Treasuries (UST) weakened across the curve in July as investors grew increasingly concerned that renewed geopolitical tensions in the Middle East and rising energy prices could reignite inflationary pressures. Although the Federal Reserve left its policy rate unchanged at 3.50%-3.75%, markets became less convinced that inflation would continue to trend lower, prompting investors to demand higher compensation for holding longer-dated bonds. As a result, the UST yield curve bear steepened during the month, with the 2-year yield rising a modest 6bps to 4.23%, while the benchmark 10-year and 30-year yields increased by 18bps and 24bps respectively to close at 4.65% and 5.19%. Consequently, the 2s10s yield spread widened from 29bps to 42bps by month-end. The FOMC's decision to keep rates unchanged was accompanied by a more divided policy outlook, with several policymakers favouring a rate hike. While markets interpreted this as reducing the likelihood of near-term rate cuts, the more significant market reaction occurred at the longer end of the curve, where concerns over inflation persistence, elevated US Treasury issuance and policy credibility drove term premiums higher. As a result, longer-duration fixed income assets, including global sukuk, came under pressure despite no actual increase in policy rates. Meanwhile, Brent crude oil emerged as the key macroeconomic driver for global fixed income markets during the month. Oil prices rose sharply from USD73/bbl at end-June to approximately USD90/bbl at end-July, supported by escalating geopolitical tensions and concerns over supply disruptions. While higher oil prices are broadly supportive of fiscal balances and credit fundamentals across GCC sovereigns and corporates, they also increase the risk of prolonged inflation globally and reduce the likelihood of accommodative monetary policy in developed markets. Consequently, the rise in oil prices provided a supportive backdrop for Gulf issuers but was generally negative for duration-sensitive assets as global bond yields moved higher.

Equities

The portfolio posted a negative net return of -2.58% in the month of July and outperformed its respective index. From a sector perspective, IT and communication services were places of strength while industrials and energy were places of weakness. The United States and South Korea were top contributors from a country perspective while the Netherlands and Denmark lagged overall.

Sukuk

For the month of July, the Global Sukuk sleeve delivered returns of -1.43%, underperforming the Dow Jones Sukuk Total Return Index return of -0.77% by 66bps. The underperformance was primarily driven by weakness in UAE property names, whose prices corrected sharply during the month, as well as Bahrain sovereign, which weakened alongside broader risk-off sentiment. Meanwhile, contributors to the performance include Dubai Islamic Bank Tier 1, First Abu Dhabi Bank and Al Rajhi Bank Tier 1. These positions benefited from resilient credit fundamentals and continued investor demand for high-quality GCC financial credits, helping to buffer the overall portfolio performance during the month. In early July, we took the opportunity to take profit in Mubadala (Abu Dhabi sovereign wealth fund) and Malaysia sovereign, and effectively shortened the portfolio's duration. Following this, we re-invested in Dubai Islamic Bank Tier 1, where valuations became increasingly compelling and offered attractive carry potential.

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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