

## Principal Global Investors Funds

# Islamic Global Multi-Asset Fund

I Class July 2025

### Market Review

Global inflation edged up slightly to 2.7% yoy in Jun'25 in which market implied inflation expectation proxied by US breakeven remained well-anchored. Global central banks set a cautious tone in rate decisions in Jul'25 policy meeting with US Fed, ECB, BOJ, RBA, Bank of Korea and MAS kept the monetary policy unchanged. Though the FOMC meeting featured two dissents for the first time since 1993, meeting takeaways leaned hawkish as Chair Powell did not offer any hints for a Sep'25 cut. Global financial conditions were flat in Jul'25 despite higher yields as credit spreads tightened and equity momentum remained strong. Our Leading Regime Indicator ticked up on the recovery of US durable goods orders whereas our Global Manufacturing PMI Index lowered to 49.1 from 49.5 on the deterioration in US, China and Japan.

Global equities in Jul'25 extended the rally supported by a strong start to earnings season, easing tariffs and trade tensions, a resilient macro backdrop in US and the removal of the One Big Beautiful Bill overhang after bill's passage. On the revival of AI secular growth narrative, S&P 500 and Nasdaq reached fresh record highs outperforming other developed and emerging markets peers. India was the key laggard after a protracted delay in its trade deal with the US. Growth outperformed value with technology related sectors leading the rally whereas healthcare underperformed on threats from President Trump to lower drug prices in US. MSCI ACWI ISLAMIC INDEX NTR (USD) and DOW JONES SUKUK TR EX REINVEST (USD) gained +74bps and +65bps respectively in Jul'25. US Treasury 10yr yield rose +15bps and sukuks' credit spreads compressed. Gold remained steady while US dollar strengthened against other major DM and EM currencies.

### Fund Review and Portfolio Strategy

The Fund returned (gross) +0.04% in Jul'25, underperforming the risk reference index with drag by equity sleeve selection while sukuk sleeve contributed positively.

Over the month, US has reached the trade agreements with several key trading partners such as Japan and Europe and we have also seen positioning of risk assets moved up meaningfully. Therefore, we tactically reduced some equity overweight to book some profits to evaluate the impact of trade deals and tariffs on the economy against the negative summer 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. 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. 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 modest loss in the month of July while underperforming its respective index. From a sector perspective, utilities and industrials were areas of strength while more than offset by weakness in materials and health care. The United States and Switzerland were the top contributors from a country perspective while Japan and the Netherlands lagged overall.

## Sukuk

Despite the weakness in UST, the Global Sukuk market performed well in July, supported by continued buying momentum in GCC sukuk, despite a seasonally quieter summer trading month. The Global Sukuk sleeve delivered returns of 0.83% for the month of July, outperforming the Dow Jones Sukuk Total Return Index return of 0.65% by 18bps. Contributors to performance include Saudi names, as well as Oman Telecommunications, where prices rallied after Moody's upgraded the Government of Oman's rating from Ba1 to Baa3 on 10th July. Moody's upgrade lifts Oman's rating back to investment grade, and follows S&P's upgrade of Oman to BBB- in September 2024, while Fitch Ratings placed Oman on Positive Outlook in December 2024, with a rating of BB+. We also participated in the new issuance of Riyad Bank in early July and Binghatti Properties at end-July, which performed exceptionally well post-issuance. Meanwhile, detractors include Malaysia sovereign, which tracked the weakness in UST, as well as short-tenured GCC sukuk.

## 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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