

Principal Global Investors Funds

Islamic Global Multi-Asset Fund

I Class March 2026

Market Review

Our leading regime and PMI indicators remained trending upward pointing towards an improving manufacturing outlook while services continue to paint a robust picture. Global inflation remained stable at 2.6% yoy in Feb'26 and has stayed in a narrow band in recent months with market-implied inflation expectations proxied by US breakeven remaining well anchored. There was significant repricing of global central banks' rate expectations in response to the inflationary and growth implications of the energy shock in the Middle East conflicts. Global central banks' decisions came within market expectations with US Fed, ECB and BOJ holding policy rates unchanged while RBA hiked policy rates by 25bps with the accompanying statements leaning hawkish. Global financial conditions tightened noticeably in Mar'26 driven by higher rates, wider spreads and weakening equity momentum.

March 2026 was dominated by oil supply disruption headlines, as the Iran conflict effectively shut down the Strait of Hormuz, sending Brent crude prices toward USD 120/bbl, the highest level since June 2022. Global equities reversed sharply lower with the geopolitical shock triggering a regime shift across assets. The decline was broad based with energy being the only sector ended in the green. US, being a net energy exporter, was a relative outperformer. Asia equities underperformed other regions dragged by Korea, India and Japan given their dependence on the energy imports. MSCI ACWI ISLAMIC INDEX NTR (USD) and DOW JONES SUKUK TR EX REINVEST (USD) declined -7.70% and -2.17%, respectively in March 2026, bringing Q1'26 returns to +65bps and -1.14%. Global yield curves bear flattened as market expectations shifted dramatically from rate cuts to potential rate hikes. UST 10yr yield rose +38bps and credit spreads widened. US dollar strengthened against other currencies. Precious metals experienced a sharp positioning unwind with gold and silver falling -11% and -20% respectively.

Fund Review and Portfolio Strategy

The Fund returned (gross) -6.19% underperforming the risk reference index in Mar'26 on the underperformance of the sukuk sleeve, equity overweight and gold allocation. Equity sleeve outperformed the benchmark.

Recent economic data continues to suggest US economy remains resilient though heightened geopolitical risks and higher energy prices add uncertainty for the global economy. On easing fiscal & monetary 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 despite some near-term headwinds. We have a positive view over Japan in the near term on further expansionary fiscal policies under Takaichi's administration. In China, we believe a stronger equity market aligns with policymakers' interest to restore consumers' confidence on the economy through wealth effect. 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. Geopolitical selloffs have historically proven good entry points. We topped up our gold allocation on pullback as we believe the structural thesis of gold on central bank demand and falling rate remains intact after the clearance of the speculative position. 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.

Equities

The portfolio posted a negative absolute return of approximately 7.0% in the month of March but did outperform its respective index. From a sector perspective, the materials and IT sectors were places of strength which were more than offset by weakness in industrials and energy. South Korea and Canada were top contributors from a country perspective while the United States and United Kingdom lagged overall.

Sukuk

During the month, Global Sukuk prices traded weaker in response to the US-Israel-Iran attacks, although feedback from bank traders indicated that trading volume was light due to Ramadan and Eid holidays, and as most investors stayed on the sidelines.

In February, we took profit on Malaysia sovereign 2051 and Sharjah 2035 following the strong UST rally, therefore effectively shortening portfolio duration. When the war began, we immediately reduced exposure in below investment grade sukuk and switched into Malaysia sovereign as UST yields had risen in tandem with oil prices. For the month of March, the Global Sukuk sleeve's return stood at -4.35%, underperforming the Dow Jones Sukuk Total Return Index return of -2.17% by 219bps. The portfolio's underperformance was mainly due to our holdings in property sukuk where prices corrected as market sentiment was weak, despite the companies maintaining strong credit profiles and robust liquidity positions. Meanwhile, contributors to performance include Malaysia sovereign due to its position as an energy exporter, as well as the Omani complex which were relatively more insulated from the market correction. For the period 1Q26, the Global Sukuk sleeve's return stood at -3.00%, vs. the index return of -1.14%.

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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