Principal Global Investors Funds

Islamic Global Multi-Asset Fund

I Class October 2025

Market Review

Global inflation remained steady at 2.5% yoy in Sep'25 with market-implied inflation expectations proxied by US breakevens remaining well-anchored, though tariff-related pressures are building as the estimated US tariff rate rose to 11% from 2% at the end of last year. The Fed continued its easing cycle with another 25bp rate cut in October FOMC meeting as expected but Chair Powell's press conference carried a hawkish tone, emphasizing that a December cut is "far from a foregone conclusion". While RBNZ cut by 50bps against expectation of a 25bps cut, ECB and BOJ held the policy rates unchanged, signaling a data-dependent stance. Global financial conditions eased slightly on lower yields and continued equity momentum, though wider credit spreads offset some gains. Both our Leading Regime Indicator and our Global Manufacturing PMI Index were stable with the latter showing a divergence of a stronger Europe versus marginally softer US, Japan and China.

Global equities extended their winning streak in Oct'25 on AI optimism and resilient corporate earnings despite the prolonged US government shutdown and concerns over regional banks loan quality. With the rally continued to center on Mag 7 and other tech hardware companies, US outperformed Europe while Japan rallied strongly on Takaichi's victory of Japan's ruling LDP president on the prospect for an "Abenomics"-style fiscal and monetary easing plan. Despite the pullback of China, emerging markets outperformed developed market peers supported by outperformance in Taiwan, Korea and India. Growth outperformed value. MSCI ACWI ISLAMIC INDEX NTR (USD) and DOW JONES SUKUK TR EX REINVEST (USD) gained +3.81% and +61bps respectively in Oct'25. US Treasury curve bull flattened with US Treasury 10yr falling -7bps to 4.08%. Sukuk's credit spreads tightened. Gold and other precious metals had seen a roller coaster ride in Oct'25 and still ended the month in the greens.

Fund Review and Portfolio Strategy

The Fund returned (gross) +1.72% underperforming the risk reference index in Oct'25 on the underperformance of equity sleeve while sukuk sleeve was in line with the benchmark. Equity overweight and gold allocation helped.

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 and despite some slowdown US economy remains resilient. We believe Euro strength might drag the export-oriented economy and complicate the growth picture there with budget concerns in France and UK remaining an overhang. 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 through wealth effect. We maintain overweight risk assets and 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 almost 2.4% in the month of October while underperforming its respective index. From a sector perspective, the communication services and health care sectors were places of modest strength while were more than offset by weakness in IT and consumer discretionary. The Netherlands and the United Kingdom were the top contributors from a country perspective while South Korea and Japan lagged overall.

<u>Sukuk</u>

For the month of October, the Global Sukuk sleeve delivered returns of 0.66%, outperforming the Dow Jones Sukuk Total Return Index return of 0.61% by 4bps. Main contributors to performance include sovereign and quasi-sovereign sukuk, while detractors include shorter-tenured sukuk. We also participated in new issuances during the month. Towards month-end ahead of the US Fed meeting, we took profit on Mubadala 2034 as they have tracked the UST rally. This effectively shortened duration and insulated the portfolio when UST weakened in response to Chaiman Powell's hawkish comments. Year to date, the Global Sukuk sleeve has delivered strong returns of 7.01%, albeit lower than the index return of 7.21% by 20bps.

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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