Principal Global Investors Funds

Islamic Global Responsible Equity Fund

I Class February 2026

Market Review

2026 has brought solid footing for non U.S. equity markets. Investors continue to respond positively to the improving growth outlook outside the U.S., especially given the meaningful valuation discount relative to U.S. equities. Despite a broad opportunity set, equity returns have become increasingly narrow in U.S. markets, where the Magnificent Seven have dominated performance. The increase in portfolio concentration raises the challenge of pursuing alpha while diversifying risk. As valuation dispersion widens and global earnings growth begins to converge, international equities are becoming structurally more appealing to investors evidenced in the best start relative to U.S. equities since 1995.

However, while headline index performance looks healthy, underlying sector and style rotations are resulting in abnormal market outcomes. We are experiencing a market influenced by narratives and non-fundamental market players as investors sell first and ask questions later on companies deemed to be disintermediated by A.I.

Recent trends indicate that A.I. development has been driving demand for A.I.-related skills, consistent with historical patterns in which innovation leads to new forms of labor. Advances in A.I. have heightened worries that automation could disrupt and displace legacy businesses, notably in software and business services, and ultimately lead to widespread job losses.

Although advancement in A.I. is expected to create more jobs than it displaces, job gains could be unevenly distributed across the workforce. Higher-skilled workers could see employment growth if A.I. enhances their capabilities rather than replaces them. By contrast, workers with less experience or those in occupations most vulnerable to automation could face greater repercussions if employers seek cost savings by automating their roles.

To conclude, 2026 has continued to lean into international leadership within equity markets. The S&P 500 was down by 0.8%, while the MSCI EM Index surged higher by 5.5%. The MSCI Europe Index was up 3.3%, while the MSCI Japan Index was higher by 8.6%.

Fund Review

The portfolio posted a positive absolute return of 3.0% in the month of February but did underperform its respective index. From a sector perspective, the IT and industrials sectors were places of strength while were more than offset by weakness in health care and communication services. South Korea and the United Kingdom were top contributors from a country perspective while Ireland and Japan lagged overall.

Portfolio Outlook and Strategy

The adage “stocks follow earnings” has never been truer than in recent years, particularly during a decade characterized by American exceptionalism. U.S. stocks have outperformed global counterparts, buoyed by superior free cash flow, earnings growth, and higher valuation multiples. Yet this period, driven by innovation and supportive policies, now raises the question: Is it time for this exceptionalism to normalize? The answer appears to be yes, as U.S. valuations have declined while ex-U.S. valuations have closed the gap in 2025.

U.S. earnings growth and valuation multiples reached extraordinary levels, largely fueled by innovation that has significantly favored mega-cap companies. In contrast, regions like Europe have struggled to secure a foothold in the digital economy, resulting in a stark earnings divergence—U.S. earnings per share (EPS) have doubled those of developed markets over the past decade.

Two key developments are necessary for Europe and emerging markets to sustain this shift in fortunes. First, both regions must reignite growth through domestic initiatives, as protectionism threatens global trade. Second, U.S. earnings growth must slow to align more closely with international trends.

The first development is underway. The “America First” policies have inadvertently prompted other nations to focus on internal development in pursuit of economic growth. This shift could foster a more conducive environment for local businesses. A prime example is Germany’s renewed commitment to invest in physical and digital infrastructure to stimulate short-term economic growth and enhance Berlin’s long-term competitiveness.

As for the second point, U.S. earnings growth may slow if the Magnificent Seven mean-revert to their long-term averages in their fundamentals. Looking at the earnings growth of the bottom 493 stocks, they are far more pedestrian. That is, without the top S&P 500 names, the earnings growth of the U.S. would look quite like the rest of the world. In fact, earnings estimates globally show a similar expected growth rate in 2026 in every region. Should that come to pass, the valuation gap should close.

Yet, thanks to the trade war launched by the Trump Administration, European leaders are taking steps to bolster their economies. Leading this effort is Germany, which unveiled a 500 billion euro stimulus package, signaling an end to decades of budget austerity as it focuses on military and infrastructure investment. If pronouncements translate into concrete steps, the current trade friction could become a long-term positive gamechanger for Europe’s economies.

Over the past decade, Japanese companies have made great strides in corporate governance and capital allocation. Former Prime Minister Shinzo Abe’s push in 2012-13 to improve capital allocation in the corporate sector has had a lasting impact, driving more long-term, value-enhancing decisions by Japanese companies. Continued progress on these fronts is primed to release shareholder value in the coming years. As companies focus on higher profitability and improve balance sheet efficiency, return on assets (ROA) will likely continue to improve given the tailwinds of reshoring and improving governance. Recent conversations with Japanese companies indicate intentions to further use strong balance sheets for modest share buybacks.

The continuing pace of innovation is another reason for optimism, particularly in high-end computing and life-sciences. Innovation is growth stimulative and disinflationary due to its impact on productivity. Artificial Intelligence is early in its usage but offers great promise across many practical applications, including software development, finance and healthcare. The investment needed for A.I. deployment is historically massive and shows no signs of abating. In healthcare, new weight loss treatments offer the ability to systematically address one of the greatest co-morbidities. This should improve lifespans and result in a net reduction in societal healthcare costs. Continued therapeutic customization also continues to grow, offering additional measures to improve the quality of life.

Finally, there are still numerous challenges and persisting risks. However, the depressed valuations in these regions create attractive entry points for long-term investors in firms generating resilient economic returns. Both China and the U.K. are examples of countries facing longstanding economic structural challenges. It is not surprising that investors’ view companies domiciled in these markets with pessimism. Nevertheless, market pessimism seems extreme as many of these companies operate globally yet are beset with deeply discounted valuations relative to their own histories and global peers.

Pertaining to the U.S, consensus entering 2026 was that political volatility would diminish, tariff headlines would fade, and affordability concerns would restrain new trade measures. The latest announcements surrounding Greenland challenge all three assumptions.

Yet, markets are still responding in a measured way:
1. High bar for repricing political risk. Threats without clear implementation pathways are often discounted. Investors wait for action, not headlines.
2. Affordability concerns limit escalation. In a midterm election year, tariffs that risk higher goods inflation and thereby complicate further Fed rate cuts can carry political costs.
3. Earnings remain the anchor. Robust corporate profits, strong household balance sheets, and solid labor markets continue to drive equity performance. If earnings momentum holds, equities can extend gains despite policy noise.

However, risks remain elevated and could accelerate an emerging structural shift: global investors have shown greater appetite to diversify away from U.S. concentration risks, especially in A.I. leadership, and renewed geopolitical unpredictability strengthens this incentive. Recent dollar softness is consistent with this gradual global portfolio rebalancing; A theme that is likely to continue.

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.

Important Information

This material covers general information only and does not take account of any investor's investment objectives or financial situation and should not be construed as specific investment advice, a recommendation, or be relied on in any way as a guarantee, promise, forecast or prediction of future events regarding an investment or the markets in general. The opinions and predictions expressed are subject to change without prior notice. The information presented has been derived from sources believed to be accurate; however, we do not independently verify or guarantee its accuracy or validity. Any reference to a specific investment or security does not constitute a recommendation to buy, sell, or hold such investment or security, nor an indication that the investment manager or its affiliates has recommended a specific security for any client account. Subject to any contrary provisions of applicable law, the investment manager and its affiliates, and their officers, directors, employees, agents, disclaim any express or implied warranty of reliability or accuracy and any responsibility arising in any way (including by reason of negligence) for errors or omissions in the information or data provided.

This material may contain 'forward-looking' information that is not purely historical in nature and may include, among other things, projections and forecasts. There is no guarantee that any forecasts made will come to pass. Reliance upon information in this material is at the sole discretion of the reader.

The interest rate used is a general economic indicator that will have an impact on the management of the Fund regardless whether it is a Shariah-compliant Fund or otherwise. It does not in any way suggest that the Fund will invest in conventional financial instruments. All the investments carried out for the Fund are in accordance with Shariah requirements.

Proprietary model output is based upon certain assumptions that may change, are not guaranteed and should not be relied upon as a significant basis for an investment decision. Forecasts for each asset class can be conditional on economic scenarios; in the event a scenario comes to pass, actual returns could be significantly higher or lower than forecasted. Because of the inherent limitations of all models, potential investors should not rely exclusively on the model when making an investment decision. Forecasts of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice
Indices are unmanaged and do not consider fees, expenses and transaction costs are not available for direct investment. The information provided here is neither tax nor legal advice. Investors should speak to their tax professional for specific information regarding their tax situation.

This material is not intended for distribution to or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation.

This document is intent for use in:

• **The United States** by Principal Global Investors, LLC, which is regulated by the U.S. Securities and Exchange Commission.

• **Germany, Austria and the Netherlands** by Principal Global Investors (EU) Limited, Sobo Works, Windmill Lane, Dublin D02 K156, Ireland. Principal Global Investors (EU) Limited is regulated by the Central Bank of Ireland. **For all other European countries**, this document is issued by Principal Global Investors (Europe) Limited, Level 1, 1 Wood Street, London, EC2V 7 JB, registered in England, No. 03819986, which is authorized and regulated by the Financial Conduct Authority("FCA"). **In Europe**, this document is directed exclusively at Professional Clients and Eligible Counterparties and should not be relied upon by Retail Clients (all as defined by the MiFID). The contents of the document have been approved by the relevant entity. Clients that do not directly contract with Principal Global Investors (Europe) Limited ("PGIE") or Principal Global Investors (EU) Limited ("PGI EU") will not benefit from the protections offered by the rules and regulations of the Financial Conduct Authority or the Central Bank of Ireland, including those enacted under MiFID II. Further, where clients do contract with PGIE or PGI EU, PGIE or PGI EU may delegate management authority to affiliates that are not authorized and regulated within Europe and in any such case, the client may not benefit from all protections offered by the rules and regulations of the Financial Conduct Authority ,or the Central Bank. of Ireland.

• **In Dubai** by Principal Global Investors LLC, a branch registered in the Dubai International Financial Centre and authorized by the Dubai Financial Services Authority as a representative office and is delivered on an individual basis to the recipient and should not be passed on or otherwise distributed by the recipient to any other person or organization. This document is intended for sophisticated institutional and professional investors only.

• **Singapore** by Principal Global Investors (Singapore) Limited (ACRAReg.No.199603735H), which is regulated by the Monetary Authority of Singapore and is directed exclusively at institutional investors as defined by the Securities and Futures Act (Chapter 289). This advertisement or publication has not been reviewed by the Monetary Authority of Singapore.

• **Australia** by Principal Global Investors (Australia) Limited (ABN 45 102 488 068, AFS Licence No. 225385), which is regulated by the Australian Securities and Investments Commission. This document is intended for sophisticated institutional investors only.

• **Switzerland** by Principal Global Investors (Switzerland) GmbH.

• **Hong Kong SAR (China)** by Principal Global Investors (Hong Kong) Limited, which is regulated by the Securities and Futures Commission and is directed exclusively at professional investors as defined by the Securities and Futures Ordinance.

• **Other APAC Countries**, this material is issued for institutional investors only(or professional/sophisticated/qualified investors, as such term may apply in local jurisdictions) and is delivered on an individual basis to the recipient and should not be passed on, used by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation.

• **India** by Principal Asset Management Private Limited (PAMC). PAMC offers only the units of the schemes of Principal Mutual Fund, a mutual fund registered with SEBI.

Disclosures

The information in this document has been derived from sources believed to be accurate. It contains general information only on investment matters and should not be considered as a comprehensive statement on any matter and should not be relied upon as such. The information it contains does not take account of any investor's investment objectives, particular needs or financial situation. You should consider whether an investment fits your investment objectives, particular needs and financial situation before making any investment decision.

The data presented is for information purposes only and is not a recommendation to buy or sell any securities or adopt any investment strategy. This material is not intended to be relied upon as a forecast, research, or investment advice regarding a particular investment or the markets in general, nor is it intended to predict or depict performance of any investment.

All expressions of opinion and estimates in this report are subject to change without notice. This report is not intended to be, nor should it be relied upon in any way as a forecast or guarantee of future events or investment advice regarding a particular investment or the markets in general.

Persons wishing to rely upon this information should consult directly with the source of information or obtain professional advice.

All figures shown in this document are in U.S. dollars unless otherwise noted. This advertisement had not been reviewed by the Securities Commission Malaysia.