

Finisterre Unconstrained Emerging Markets Fixed Income Fund - Sterling Hedged I Class Accumulation Units

31 July 2020

Investment advisor

Principal Global Investors, LLC ("PGI")

Sub investment advisor

Finisterre Malta Limited, the Sub-Investment Adviser, has delegated the day to day investment management of the Fund to Finisterre Capital LLP. Finisterre Capital specialises in the management of emerging markets fixed income total return investment strategies. Finisterre manages emerging markets funds in a variety of asset classes, including sovereign debt, local currency debt, corporate credit and foreign exchange.

Fund managers

Damien Buchet, CFA
29 Years Industry Experience
Christopher Watson, CFA
22 Years Industry Experience

Investment objective

The investment objective of the Fund is to seek to generate total returns through income and capital appreciation, while limiting volatility and potential capital losses. The Fund has an unconstrained, long-bias and seeks to achieve its objective by investing across the spectrum of the emerging market debt universe including bonds, interest rates, currencies and credit default swaps. The Fund aims to deliver a flexible "all weather" strategy designed to deliver an optimal yield—liquidity—volatility profile throughout the market cycle.

Fund facts

Fund size	£695.4m
Base currency	USD
Fund domicile	Ireland
UCITS qualifying	Yes
Pricing	Daily
Dealing	10am Dublin

Unit class facts

Launch date	26 Jun 2017
Currency	GBP
Hedging	Class
Minimum investment	US\$2,000,000
Management fee(s)	0.85% pa
Income distribution	Accumulated

Fund grading

Damien Buchet and Christopher Watson A rated - Citywire Fund Manager Ratings



Regulatory risk warnings

There is no guarantee that the investment objective of the Fund will be achieved. Derivatives are volatile and carry a high degree of risk, including liquidity risk. Leverage can magnify losses as well as gains. Currency hedging may reduce but will not remove risk. Hedging will incur more transaction costs and fees, which will affect overall return.

Performance (%)

	1M	3M	YTD	1YR	3YR	5YR	SI
Fund Cumulative Net	2.36	9.74	0.21	3.05	12.42	-	13.69

12-month rolling return (%)

Aug 15 - Jul 16	Aug 16 - Jul 17	Aug 17 - Jul 18	Aug 18 - Jul 19	Aug 19 - Jul 20
-	-	2.03	6.93	3.05

Cumulative performance since inception (%)



Past performance is not a reliable indicator of future performance.

Performance data above is shown from 27 June 2017 rather than actual date of inception of unit class.

Source: Fund Administrator: BNY Mellon Fund Services (Ireland) DAC since February 2011, performance data prior to this date is sourced from PGI and/or its affiliates; and the Index.

Data: The performance data shown here is based upon the Fund's official NAV. Performance shown in this section is net of fees and other charges. See Performance Note for further details.

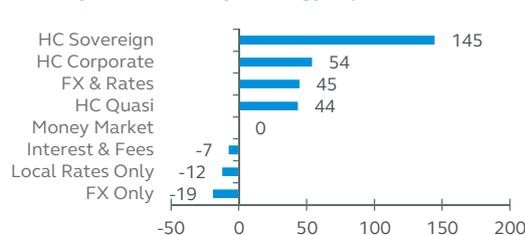
Fund analysis

	Fund
Average Duration	5.7
Average Maturity (Years)	8.0
Gross Exposure (%)	142.3
Net Exposure (%)	86.6
Current Yield	4.5
Yield to Worst	3.3
Yield to Maturity	3.5

Any yields quoted on the fact sheet are calculated at portfolio level gross of tax and expenses.

- Current Yield is the annual interest earned on the underlying bonds divided by the market price of the underlying portfolio of bonds. The figure is not the dividend yield received by the investors and is subject to change depending on the underlying portfolio of bonds.
- Yield to Worst is the lowest potential yield that can be received on a bond without the issuer actually defaulting. The yield to worst is calculated by making the worst-case scenario assumptions on the issue.
- Yield to Maturity is a concept used to determine the rate of return an investor will receive if a long-term, interest-bearing investment, such as a bond, is held to its maturity date. Please note that this is not the return or dividend to be received by investors in the fund.

Monthly attribution by strategy (bps)



Top 10 gross exposure (%)

	Fund
China Local	6.7
Peru Local	4.8
Ukraine Credit	4.2
Romania Credit	4.0
Israel Credit	3.7
Indonesia Local	3.3
Egypt Local	3.0
Qatar Credit	2.9
CDX EM	-3.6
Turkey FX	-3.6
Total	25.4

No. of holdings 97

Regional allocation (%)

	Fund
ASIA	25.7
LATAM	24.5
E EURO	19.6
AFRICA	11.1
MID EAST	8.6
NAM	6.7
INDEX / SNAT	-3.0
Other	0.0

Credit quality (%)

	Fund
AAA	6.7
AA	5.4
A	9.9
BBB	28.2
BB	11.9
B	18.6
CCC and below	4.3

Credit Quality refers to the credit ratings for the underlying securities in the Fund as rated by Standard & Poor's, Fitch or Moody's Investors Service, and typically range from AAA/Aaa (highest) to C/D (lowest). If Moody's, Fitch and S&P assign different ratings, the second highest rating is used. Ratings methodologies and individual ratings can change over time.

Top 5 issuer exposures

Top 5 corporate issuers	Net exposure (% nav)
EQUATE Petrochemical Co KSC	2.31
Tengizchevroil LLP	2.28
MTN Group Ltd	1.81
Marrig Global Foods SA	1.80
Adani Transmission Ltd	1.68

Top 5 sovereign issuers

Top 5 sovereign issuers	Net exposure (% nav)
Ukraine	4.17
Romania	3.98
State of Israel	3.70
State of Qatar	2.90
CDX EM	-3.56

Currency allocation (%)

	Fund
Peruvian Sol	4.8
Euro	4.0
Indonesian Rupiah	3.3
Egyptian Pound	3.0
Brazilian Real	2.0
Czech Koruna	2.0
Polish Zloty	2.0
Malaysian Ringgit	0.6
Mexican Peso	0.0
Russian Ruble	0.0
South African Rand	-1.9
Turkish Lira	-3.6

Source: Principal Global Investors and/or its affiliates and the Index. Characteristics source: Finisterre.

Data: This data/analysis is not sourced from the Fund's official record. It is based upon data from the internal systems of Principal Global Investors and/or its affiliates. Performance shown in this section is gross which does not take into account any fees or other charges which, if taken into account, would reduce the figures shown.

Fund codes

ISIN IE00BD2ZKY71
 SEDOL BD2ZKY7

Registration

Austria, Belgium, Denmark, Finland, France, Germany, Guernsey, Ireland, Italy, Jersey, Luxembourg, Netherlands, Norway, Singapore, South-Korea, Spain, Sweden, Switzerland and UK

Not all unit classes are registered in the listed countries, please contact your sales representative for more details. In Italy, the Fund is registered for Qualified Investors only and in Singapore, the Fund is registered as a Restricted Scheme for institutional investors and relevant persons defined in the SFA.

Regulatory risk warnings

The potential for profit is accompanied by the possibility of loss. Investing in emerging markets has associated risks including currency risk, confiscatory taxation, nationalization of assets, possibility of expropriation, volatility, liquidity and external factors e.g. war, natural disasters.

Fund management commentary**Market Review**

The global recovery was more differentiated with China and Europe showing a continued rebound while the U.S. recovery stalled somewhat on a virus comeback. In China, growth for the 2Q2020 showed a +3.2% increase over 2019 highlighting the extent of the rebound in the country. The approval of the European fiscal stimulus package was the highlight, seen as a breakthrough in terms of EU governance. The EUR rallied from 1.12 to 1.19 on the eve of July 31 before ending the month at 1.177. In EM specific developments, the IMF agreed to a \$4.3 billion emergency facility for South Africa, Ukraine replaced the head of its central bank re-confirming the strength of institutions in the country, and the month finished without a deal between Argentina and its creditors on the long-awaited debt restructuring.

Fund Review

Portfolio returns came from a mix of credit and local markets exposures. The biggest contributor was Brazil on the improved fundamental outlook and refocus on reforms. Romania, Sri Lanka, and Mexico and Peru local bonds were leading contributors. The agreement on the EU's recovery fund drove a bid for all European assets, while the rally in core global rates allowed our positions in Mexico and Peru to perform. The biggest detractors were Ukraine, Russia, and to a smaller degree Ghana and South Africa.

Market Outlook

We remained positively engaged with risk adding back to local stories. The portfolio IR duration increased to 5.75 years as we continued to tilt the portfolio towards higher duration IG credits.

Although we remain quite reserved about the medium-term global outlook, we acknowledge that the market's growing faith in a short-term vaccine breakthrough, confidence in continued fiscal and monetary support, and the impression of continuing recovery momentum through sequential macro data, could be enough to maintain a bid for risk assets in coming weeks. Meanwhile, we expect the discrepancy between high- and low-quality names to continue and result in a further compression of EM IG credit spreads, while the HY space, albeit technically attractive due to low positioning, remains fraught with idiosyncratic risks.

Performance note

*Index disclosure: The Fund is actively managed and aims to provide an absolute return. The portfolio manager maintains full discretion to select investments for the Fund in line with the above investment policy.

The Manager may, from time to time, determine to include information in its marketing materials relative to the Index; however, the Index composition is not factored into the investment management process.

This document presents the performance of this particular unit class of the Fund from the date of inception of the unit class in its unit class currency, as specified on the front page. Performance since inception date of the Fund, which precedes the inception date of the unit class, is available upon request.

Prior to December 2018, the performance data shown is not based upon the Fund's official Net Asset Value ("NAV") prices. The performance calculations reflect the month-end market close prices of the Fund's assets, whereas the actual performance investors receive reflects the official NAVs at which they trade the Fund which are calculated at the Fund's Valuation Point. As a result, it is possible that the stated performance and the actual investment returns received differed.

The performance data shown is net of fees and other charges but excludes any potential entry/exit charges – as such the returns an investor receives may be lower.

Disclosure

Principal Global Investors ("PGI") is the asset management arm of the Principal Financial Group, and includes (amongst other entities): Principal Global Investors LLC ("PGI LLC"), Principal Global Investors (Europe) Limited ("PGIE") and any Sub-Advisers to the Fund. PGIE has been appointed as Distributor for the Fund and has identified that the Fund is compatible with the needs, characteristics and objectives of both institutional and retail investors. Please note however that PGI does not distribute directly to retail investors who should seek independent investment advice before deciding whether the fund in question is suitable to meet their investment needs and objectives.

Full details of the risks associated with investing in the Fund are detailed in the Fund Prospectus, Supplement and Key Investor Information Document ("KIID"). All fees and charges related to the Fund may not be contained within this document. Information regarding the costs and charges associated with the Fund is provided in the MiFID II ex-ante disclosure. These documents are available on our website at principalglobal.com and you are advised to read them before investing so you can make an informed decision about whether to invest. Any person selling or advising you about the Fund may charge you additional costs and you should request information about those costs and charges from that person.

This document is intended for information purposes only. It is not an offer or a solicitation to anyone to subscribe for units in the Fund. It should not be construed as investment advice. There is no guarantee that the investment objective of the Fund will be achieved. Commentary is based on current market conditions, there is no assurance that such events or projections will occur and actual conditions may be significantly different. Expressions of opinion and predictions within this document are accurate as of the date of issuance and subject to change without notice. Reference to a specific investment or security does not constitute a recommendation to buy, sell or hold such investment or security, and is provided for illustrative purposes. Percentages do not always add up to 100% due to rounding.

The Fund may offer different unit classes which may be subject to different fees and expenses (which could affect performance) and may not be available to all investors. Where the Fund offers hedged unit classes, returns of such unit classes may diverge from that of unit classes denominated in the base currency of the Fund and the hedged unit class currency.

The figures published are for information purposes only and provide details of the performance of a comparable index. The method of calculating performance may differ between the Fund and its index. Further, it is not possible to invest in an index.

Information in this document has been derived from sources believed to be accurate as of the date of issuance and is derived from PGI or its affiliates unless otherwise noted. Information derived from sources other than PGI or its affiliates is believed to be reliable however we do not independently verify or guarantee its accuracy or validity. Subject to any contrary provisions of applicable law, no company in the Principal Financial Group nor any of their employees or directors gives any warranty of reliability or accuracy nor accepts any responsibility arising in any other way (including by reason of negligence) for errors or omissions in this document.

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. When this document is issued in the following countries/jurisdictions, it is issued by the entities noted: Europe, by PGIE, Level 1, 1 Wood Street, London, EC2V 7JB, registered in England, No. 03819986, which has approved its contents, and which is authorized and regulated by the Financial Conduct Authority; Switzerland, by Principal Global Investors (Switzerland) GmbH; Singapore, by Principal Global Investors (Singapore) Limited (ACRA Reg. No. 199603735H), regulated by the Monetary Authority of Singapore ("MAS"); and the Dubai International Financial Centre ("DIFC"), by Principal Global Investors LLC, a branch registered in the DIFC and authorized by the Dubai Financial Services Authority ("DFSA") as a representative office.

Disclosure for Singapore: The Fund is a restricted scheme in Singapore, it is not authorised or recognised by the MAS and the units in the Fund are not allowed to be offered to the retail public. The Fund is available only to: 1) Institutional Investors under Section 304 of the Securities and Futures Act ("SFA"); and 2) persons within the meaning of "relevant persons" defined in Section 305 of the SFA and in accordance with the conditions of, any other applicable provisions of the SFA. Mandatory Disclosure for the DIFC: Module 4.6.5.(d) - The DFSA has no responsibility for reviewing or verifying any prospectus or other documents in connection with this financial product. It has not approved this document or any other associated documents nor taken any steps to verify the information set out therein. The document is intended for sophisticated institutional and professional investors only in the DIFC and is delivered in on an individual basis to the recipient only and should not be passed on or otherwise distributed to any other person or organization. Disclosure for Switzerland: Where the Fund is registered in Switzerland, the name of the Swiss representative is ACOLIN Fund Services AG, Leutschenbachstrasse 50, CH-8050 Zurich. This is an advertising document. The name of the Swiss paying agent is Banque Cantonale de Genève, 17, quai de l'Île, 1204 Geneva. Investors can obtain free of charge the prospectus, trust deed, the prospectus, the key investor information document (KIID), and the annual and semi-annual reports from the representative in Switzerland.

Important information

The Investment Objective as stated in this document is a summary, please refer to the supplement for full details of the Investment Objective and Policy of the Fund.

Source & Copyright: CITYWIRE. Portfolio managers are A rated by Citywire for 3 year risk-adjusted performance for the period 30 June 2017 - 30 June 2020. Citywire's exclusive methodology ranks fund managers based on their individual track records across all funds they manage globally.

Contact us

For more information on the fund, please contact:

Principal Global Investors (Europe) Limited
 +44 (0) 207 710 0220

Investors-Europe@principal.com
 Pilavachi.Helly@principal.com
 Glendon.Alan@principal.com
 +49 69 5060 6787
 Richter.Frank@principal.com
 Sippel.Diana@principal.com

Principal Global Investors (Singapore) Limited

+65 6307 7807
 Singh.Suresh@principal.com

Finisterre Capital LLP

+44 (0) 207 440 5278
 Richard@finisterrecapital.com

Principal Global Investors (Switzerland) GmbH

+41 44 286 1000
 Bloch.Martin@principal.com
 Stengel.Nikolai@principal.com

Principal Global Investors, LLC (Dubai)

+97 143 46 4555
 Dungarpurwala.Tasneem@principal.com

Website

www.principalglobal.com