

Preferred Securities Fund - I Class Accumulation Units

31 July 2019

Investment advisor

Principal Global Investors, LLC ("PGI")

Sub investment advisor

Spectrum Asset Management, Inc. ("Spectrum")
Spectrum specialises in the management of preferred securities.

Fund managers

L. Phillip Jacoby, IV

37 Yrs Industry Exp

Mark A. Lieb

42 Yrs Industry Exp

Manu Krishnan, CFA

15 Yrs Industry Exp

Bob Giangregorio

16 Yrs Industry Exp

Fred Diaz

27 Yrs Industry Exp

Investment objective

The Fund seeks to provide an income return consistent with capital preservation. The Fund seeks to achieve its objective by investing primarily in a portfolio of U.S. dollar denominated preferred securities and debt securities. At the time of the Fund's investment the majority of these securities will be rated as investment grade. Any exposure to currencies other than US dollar will be hedged back to US dollars.

Performance comparator

The Fund is managed without reference to a particular benchmark. Figures in relation to the Bloomberg Barclays Global Aggregate Corporate USD TR Index (the "Index") are provided for comparison only. Different indices may have been used in prior periods. See Important Information for further details.

Fund facts

Fund size \$4104.3m
Base currency USD
Fund domicile Ireland
UCITS qualifying Yes
Pricing Daily
Dealing 10am Dublin
5pm Hong Kong

Unit class facts

Launch date 22 Apr 2003
Currency USD
Hedging Portfolio
Minimum investment US\$2,000,000
Management fee(s) 0.40% pa
Income distribution Accumulated

Fund grading

Mark Lieb and Phil Jacoby AA rated - Citywire Fund Manager Ratings



Regulatory risk warnings

There is no guarantee that the investment objective of the Fund will be achieved. Contingent Capital Securities carry greater risk compared to other securities in times of credit stress. This shareclass is unhedged. Unhedged shareclasses are exposed to greater risk and volatility. Please note the fund does have hedged shareclasses available.

Performance (%)

	1M	3M	YTD	1YR	3YR	5YR	10YR
Fund Cumulative Net	1.21	3.72	11.77	8.54	18.73	29.76	124.39
Index Cumulative	0.56	4.34	10.13	10.22	11.41	22.70	74.24
Fund Annualised Net	1.21	3.72	11.77	8.54	5.89	5.35	8.41
Index Annualised	0.56	4.34	10.13	10.22	3.67	4.17	5.71

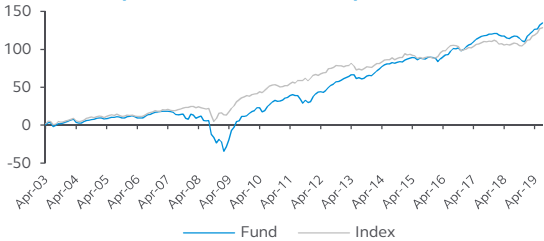
12-month rolling return (%)

August 14 - July 15	August 15 - July 16	August 16 - July 17	August 17 - July 18	August 18 - July 19
4.24	4.84	9.76	-0.34	8.54

Risk analysis

	3YR	5YR
Information Ratio	0.8	0.4
Alpha	2.8	2.4
Tracking Error	2.9	3.2
Standard Deviation	3.8	3.7
Beta	0.8	0.6

Cumulative performance since inception (%)



Past performance is not a reliable indicator of future performance.

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: From December 2018, the performance data shown is based upon the Fund's official Net Asset Value (NAV) prices. The performance data shown is net of fees and other charges but excludes any potential entry/exit charges- as such the return an investor receives may be lower. Prior to December 2018, the performance data shown is based upon the Fund's month-end market close prices. (See performance note for important information.)

Fund analysis

	Fund	Index
Average Credit Quality	Baa2	A3
Current Yield	5.9	3.8
Yield to Worst	4.4	3.2
Yield to Maturity	5.8	3.2
Modified Duration	4.3	7.2

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.

Top 10 holdings (%)

	Fund
Lloyds Banking Group 12 12/24-49 REG S	2.8
AXA S.A. 8.60 12/15/30	2.8
Metlife Inc. 10.75 8/1/39	2.0
Emera Inc 6.75 6/26-76	1.9
Demeter (Swiss Re) 5.75 08/25-50	1.9
BNP Paribas 7.625 3/30/21-49 Reg S	1.8
Demeter Swiss Re 5.625 8/27-52	1.7
HSBC Capital Funding 10.176 6/30/30 RegS	1.6
ENEL 8.75 09/24/23-73	1.6
Mitsui Sumitomo Insurance 7 3/22-72 Reg S	1.5
Total	19.3

No. of holdings 215

Country allocation (%)

	Fund
United States	31.5
Great Britain	16.5
France	9.8
Switzerland	9.6
Japan	8.5
Canada	4.5
Australia	3.0
Sweden	2.5
Bermuda	2.4
Netherlands	2.3
Finland	1.9
Italy	1.6
Spain	1.4
Other	2.3
Cash	2.3

Credit quality (%)

	Fund
AA or AAA	2.3
A	19.4
BBB	59.5
BB and Lower	18.8

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

Industry allocation (%)

	Fund
Banks	43.8
Insurance	38.0
Utilities	8.2
Energy	3.4
Industrials	2.0
Telecommunications	1.7
Financials	0.6
REITs	0.1
Agencies	0.0
Treasuries	0.0
Media	0.0
Options	0.0
Cash	2.3

Source: Principal Global Investors and/or its affiliates and the Index. Characteristics sources: Bloomberg, Moody's, S&P, Fitch, and Spectrum Asset Management. 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	
Bloomberg	PGIPSIA ID
ISIN	IE0032591004
Lipper	60083429
SEDOL	3259100
CUSIP	G7244L107
Valoren	1601452
WKN	813952

Country registration
Austria, Belgium, Chile, Denmark, Finland, France, Germany, Guernsey, Hong Kong, Ireland, Italy, Jersey, Luxembourg, Netherlands, Norway, Singapore, South-Korea, Spain, Sweden, Switzerland, UAE 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.

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Fund management commentary

Market Review

Risk markets moved higher in anticipation of central bank support in the form of a rate cut by the Fed and talk of rate cuts and QE from the ECB. Capital Securities had a strong period of performance with the ICE BofA Merrill Lynch US Investment Grade Institutional Capital Securities Index (CIPS) returning 1.25% and the \$25 par Merrill Lynch Fixed Rate Preferred Securities Index (POP2) 1.94%. The Merrill Lynch US All Capital Securities Index (I0CS) that includes below investment-grade preferreds returned 1.67%. Long-term rates were flat. Spreads on the CIPS index tightened by 16 bps. The \$25 par index continues to defy gravity ending the month at a spread of -84 bps. This negative value implies that several securities within the index are trading at negative yields to call. The \$25 par sector is at the greatest risk of correcting relative to \$1000 pars given current valuations. Brexit related uncertainty began to impact valuations on UK Bank AT1 Cocos and resulted in weakness in the Coco space overall. The case for a no deal Brexit is becoming more probable.

Fund Review

The floaters in the portfolio had a good period and rallied given tightening spreads. Duration continued to be well bid given the expectation for lower rates and hence Insurance hybrids, given their long-dated structures, performed strongly. AT1 Cocos gave up some gains towards month-end given Brexit uncertainty but still had a positive month. The Legacy Tier1 Banking paper continued to perform this year. The pipeline bonds were the best performing asset class.

AT1 Cocos issued by UK banks were negative performers. Underweight in the pipeline sector detracted. We avoided many names in the pipeline sector given credit fundamentals.

Market Outlook

We continued to add high coupon, high back-end spread European bank AT1s, switch out of legacy tier1s into AT1 Cocos, and took some gains on bonds that had become rich.

Performance note

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.
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 Fund is managed without reference to a particular benchmark; it does not track or define asset allocation in respect of a benchmark. The figures published are for information purposes only and provide details of the performance of a comparable index, the 'Performance Comparator'. The method of calculating performance may differ between the Fund and its Performance Comparator. Further, it is not possible to invest in the Performance Comparator.
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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. The name of the Swiss paying agent is Banque Cantonale de Genève, 17, quai de l'Ile, 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 AA rated by Citywire for 3 year risk-adjusted performance for the period 30 June 2016 - 30 June 2019. Citywire's exclusive methodology ranks fund managers based on their individual track records across all funds they manage globally.
The following performance comparators were used for the Fund between the dates specified: Inception to 30 September 2008, Lehman Aggregate Index or BofA Merrill Lynch Preferred Stock Index; 1 October 2008 to 31 March 2011, 65% BofA Merrill Lynch Fixed Rate Preferred Securities Index and 35% Barclays Capital CapSec Tier 1 Index; 1 April 2011 to 28 February 2014, 50% BofA Merrill Lynch Fixed Rate Preferred Securities Index and 50% Barclays Capital CapSec Tier 1 Index; and 28 February 2014 to 30 July 2018, 50% BofA Merrill Lynch Fixed Rate Preferred Securities HDG CHF and 50% BofA Merrill Lynch US Capital Securities HDG CHF Index. On 30 July 2018, the performance comparator for the Fund changed to the current Index and on that date the index returns presented in this factsheet from inception of the Fund were amended to solely show those of the current index. Index returns for the other indices will be provided upon request.