

Global High Yield Fund - I Class Income Units

31 March 2022

Investment advisor

Principal Global Investors, LLC ("PGI")

Fund managers

Mark Denkinger, CFA

32 Yrs Industry Exp

Darrin Smith, CFA

31 Yrs Industry Exp

Joshua Rank, CFA

22 Yrs Industry Exp

Investment objective

The Fund seeks to provide a return consisting of income and, over the long term, capital growth. The Fund seeks to achieve its overall objective by investing primarily in a portfolio of US dollar denominated high yield fixed income securities. The Fund may also invest globally in public and private issued high yield fixed income securities. All securities in the portfolio will generally be rated below investment grade. Any exposure to currencies other than US dollar will be hedged back to US dollars.

Index

ICE BofA Global High Yield USD Hedged Index*

Fund facts

Fund size	\$265.7m
Base currency	USD
Fund domicile	Ireland
UCITS qualifying	Yes
Pricing	Daily
Dealing	10am Dublin

Unit class facts

Launch date	12 Jan 2018
Currency	USD
Hedging	Portfolio
Minimum investment	US\$2,000,000
Management fee(s)	0.60% pa
Income distribution	Income
	Quarterly:
Distribution frequency:	March, June, September and December

Fund grading

4 Star Overall Morningstar Rating™ as of 31 March 2022

★ ★ ★ ★

Performance (%)

	1M	3M	YTD	1YR	3YR	5YR	SI
Fund Cumulative Net	-0.62	-4.25	-4.25	-0.62	13.81	-	15.72
Index Cumulative	-1.10	-5.49	-5.49	-3.31	11.26	-	15.90
Fund Annualised Net	-0.62	-4.25	-4.25	-0.62	4.40	-	3.52
Index Annualised	-1.10	-5.49	-5.49	-3.31	3.62	-	3.56

12-month rolling return (%)

Apr 17 - Mar 18	Apr 18 - Mar 19	Apr 19 - Mar 20	Apr 20 - Mar 21	Apr 21 - Mar 22
-	3.30	-6.51	22.50	-0.62

Risk analysis

	1YR	3YR
Information Ratio	2.8	0.5
Alpha	2.3	1.2
Tracking Error	1.0	1.7
Standard Deviation	3.8	8.4
Beta	0.9	0.9

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 Net Asset Value (NAV) prices of the last Irish business day of the month. For Funds not open for dealing on this day this will be an indicative NAV. 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 further details.)

Fund analysis

	Fund	Index
Average Credit Quality	B+	B+
Current Yield	5.5	5.6
Yield to Worst	6.2	6.2
Yield to Maturity	6.4	6.3
Option Adjusted Duration (Years)	3.8	4.1
Any yields quoted on the fact sheet are calculated at portfolio level gross of tax and expenses.		

Top 10 holdings (%)

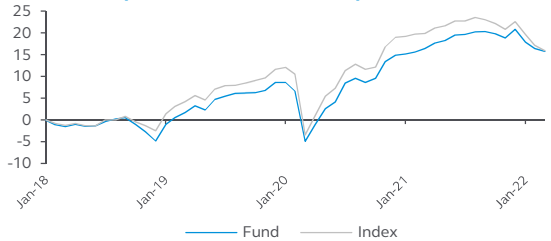
	Fund
Aryzta Ag	0.8
Aethon United Br Lp / Aethon United Finance Corp	0.8
Srm Escrow Issuer Llc	0.8
Adler Pelzer Holding GmbH	0.8
Deutsche Bank Ag	0.8
Chs/Community Health Systems Inc	0.8
Tele Columbus Ag	0.7
Consolidated Energy Finance Sa	0.7
Fertitta Entertainment Llc / Fertitta Entertainment Finance Co Inc	0.7
Southwestern Energy Co	0.6
Total	7.6

No. of holdings 323

Geographic allocation (%)

	Fund	Difference
United States	68.5	13.8
Canada	5.2	2.5
Germany	5.1	1.7
Netherlands	4.1	2.6
Great Britain	3.4	-0.9
Italy	2.6	-1.3
France	1.8	-1.8
Switzerland	1.7	1.3
Luxembourg	1.6	0.2
Denmark	1.3	1.1
Spain	0.7	-1.5
Zambia	0.5	0.3
Ireland	0.5	0.2
Other	3.0	-18.4

Cumulative performance since inception (%)



Credit quality (%)

	Fund	Difference
AAA	2.3	2.3
BBB	1.8	1.7
BB	36.6	-20.7
B	44.0	11.1
CCC and Below	12.3	2.5
Not Rated	3.0	3.0

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. Credit Quality: AAA includes cash.

Industry allocation (%)

	Fund	Difference
Energy	11.5	-2.1
Capital Goods	8.8	3.5
Healthcare	8.2	0.1
Basic Industry	8.1	0.2
Leisure	7.3	1.9
Media	7.1	1.3
Telecommunications	6.3	-1.5
Retail	6.2	1.2
Services	5.7	0.4
Consumer Goods	5.5	2.3
Automotive	5.5	0.7
Financial Services	5.4	0.5
Technology & Electronics	4.2	0.6
Real Estate	2.6	-2.6
Transportation	2.5	-0.5
Banking	1.4	-3.9
Utility	0.8	-3.6
Insurance	0.5	-0.8
Asset Backed	0.2	0.2
Other	0.0	0.0
Cash	2.3	2.3

Source: Principal Global Investors and/or its affiliates and the Index. Certain analytics powered by Aladdin® by BlackRock®, BlackRock® and Aladdin® are trademarks and service marks of BlackRock, Inc. and its affiliates (collectively, "BlackRock"). BlackRock owns all proprietary rights in the marks and in the Aladdin® by BlackRock® services. BlackRock neither approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom. 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 PRHYIE ID
ISIN IE00B8808032
Lipper 65126230
SEDOL B880803
CUSIP G75468635
Valoren 24560836
WKN A2H7EU

Registration

Austria, Belgium, Denmark, Finland,
France, Germany, Guernsey, Ireland, Italy,
Jersey, Liechtenstein, Luxembourg, Macau,
Netherlands, Norway, Singapore, 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.

Contact us

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Fund management commentary

Market Review

March was tough for high yield amidst a hawkish Fed, tensions in Russia/Ukraine, higher rates, rising commodity prices, and inflation concerns. Even though March was the third consecutive month of losses for high yield, both United States and European high yield rank as the highest performing sectors of most major fixed income indices. The safest place was single Bs, which outperformed CCCs and BBs. The weakest sectors were automotive and transportation. The strongest were diversified media and energy. March was another month of low issuance. Acquisition financing led the use of proceeds. Default activity remains very low. U.S. high yield funds reported a \$4.9 billion outflow. Loan funds saw inflows of US\$2.2 billion.

Fund Review

Sector allocation outperformed due to underweights to banking and real estate. This was somewhat offset due to underweights to energy and utilities.

Market Outlook

Our base case remains for slightly higher rates. We still believe the geopolitical conflict likely decreases the risk of an over aggressive Fed and a potential for a policy miss-step. We believe that steady, positive economic growth, a very strong high yield fundamental environment, and valuations will be a foundation for good long-term returns. We believe that issuer fundamentals will continue to improve and will be stronger than pre-COVID-19 levels. We are confident that defaults will decline to the 1.0%-1.50% area by the year end. The geopolitical conflict most likely keeps inflation higher and longer than we expected. We had positioned the portfolio in corporate issuers that have the forecasted ability to maintain margins during this inflationary environment. With the recent widening, we want to maintain yields close to our respective indices. While near-term market movements may be choppy and further volatility is possible, the constructive macro backdrop should stabilize conditions. We will continue to be shorter in duration as the Fed begins their tightening process and see the best value in B-rated bonds. With the significant underperformance from BBs, we expect to decrease our underweight to that ratings category over time. We continue to be overweight basic industries, capital goods, and transportation and underweight communications and technology, but have selectively been reducing underweight to technology.

Risk warnings

- The market value of debt securities is affected by changes in prevailing interest rates and the Fund may be exposed to credit risk by investing in debt securities.
- There are default and liquidity risks associated with investment in high yield securities and in below investment grade securities.
- The ability to trade REITS in the secondary market can be more limited than other stocks.
- Default risk and liquidity risk associated with investment in below investment grade securities.
- This unit class is unhedged. Unhedged unit classes are exposed to greater risk and volatility. Please note the fund does have hedged unit classes available.

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. Performance since inception date of the Fund, which precedes the inception date of the unit class, is available upon request. Prior to 31st December 2018, the data performance calculations reflect the month-end market close prices of the Fund's assets. After 1 January 2019, the performance data shown is based upon the Fund's Net Asset Value (NAV) prices of the last Irish business day of the month. For Funds not open for dealing on this day this will be an indicative NAV. As a result, it is possible that the stated performance and the actual investment returns available to investors will differ. For income unit classes, returns are measured on a total return basis i.e. net investment income plus capital gain or loss from investment. 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. 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On 31 December 2014, the performance comparator for the Fund changed to the current Index from Merrill Lynch Global High Yield Index (the "Prior Index"). Prior to that date, index returns show those of the Prior Index. The two methods of calculation of performance may not be identical.

Important information

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