

Sub Investment Advisor

Spectrum Asset Management† specialises in the management of preferred securities.

†Principal Global Investors, LLC has been appointed as Investment Advisor to the Fund, and has appointed Spectrum Asset Management, Inc. as the Sub-Investment Advisor.

Investment Advisor

Principal Global Investors, LLC

Fund Managers

Mark A. Lieb
MBA, University of Hartford
41 Yrs Industry Exp
L. Phillip Jacoby, IV
BS, Boston University
36 Yrs Industry Exp
Manu Krishnan, CFA
MBA, Cornell University
14 Yrs Industry Exp
Bob Giangregorio
MBA, Cornell University
15 Yrs Industry Exp
Fred Diaz

Investment Objective

The Fund seeks to achieve its overall objective by investing primarily in a portfolio of US dollar denominated preferred securities and debt securities, including convertible bonds and contingent convertible securities (CoCos).

Index

Bloomberg Barclays Global Aggregate Corporate USD TR Index##

Fund Facts

Fund Size	\$3762.9m
Launch Date	27 Feb 2005
Fund Base Currency	USD
Hedging	Portfolio
Min Investment	US\$10,000
Fund Domicile	Ireland
UCITs Qualifying	Yes
Pricing	Daily
Dealing Cut off	10am Dublin Spm Hong Kong
Income Distribution	Income
Fee Structure	A Class
Preliminary Charge	max 5%
Management Fee	0.90% pa
Admin Charge	0.15% pa
Trustee Fee	Not more than 0.022% pa

Investor Minimum
Please contact Principal Global Investors

Country Registration*

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

Fund Grading

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



IMPORTANT NOTE

- The Principal Preferred Securities Fund will invest primarily in a portfolio of U.S. dollar denominated preferred securities and debt securities.
- The Fund's investments will be offered on markets listed in Appendix A to the Prospectus, although it is anticipated that the majority will be issued by U.S. issuers. Compared with a well-diversified fund, its concentration risk is relatively high and hence it might be more volatile than a well-diversified fund.
- Investment involves risk. There is no assurance on investment returns and you may not get back the amount originally invested.
- The investment decision is yours but you should not invest in this Fund unless the intermediary who sells it to you has advised you that it is suitable for you and explained how it is consistent with your investment objectives.
- You should not invest solely in reliance on this marketing material alone. You should read the Prospectus and the relevant Supplement(s) before investing including the Special Investment Considerations and Risks section of the Prospectus.
- In relation to A Class Income Units of the Fund, the dividends which may be distributed by such class of units may be paid effectively out of the capital of the Fund (i.e. making the distribution from gross income while charging all or part of the Fund's fees and expenses to capital), resulting in an increase in distributable income for the payment of dividends by the Fund and an immediate reduction of the net asset value per unit of the Fund. Payment of dividends effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment.

PERFORMANCE %

	1M	3M	YTD	1YR	3YR	5YR	10YR
Fund Cumulative Net	-0.64	-3.37	-5.46	-5.46	8.78	22.76	142.62
Cumulative Index	1.41	-0.06	-2.24	-2.24	10.12	17.61	79.46
Fund Annualised Net	-0.64	-3.37	-5.46	-5.46	2.84	4.18	9.26
Index Annualised	1.41	-0.06	-2.24	-2.24	3.26	3.30	6.02

Fund performance is calculated on a NAV to NAV basis. Please see performance notes for further details.

CALENDAR YEAR PERFORMANCE %

	2018	2017	2016	2015	2014
Fund Net	-5.46	9.76	4.84	2.39	10.21
Index	-2.24	6.32	5.95	-0.42	7.25

FUND ANALYSIS

	Fund	Index
Average Credit Quality	Baa2	A3
Current Yield**	6.5	4.1
Yield to Worst***	6.2	4.2
Yield to Maturity#	7.0	4.2
Modified Duration	5.1	6.7

TOP 10 HOLDINGS %

	Fund
Lloyds Banking Group 12 12/24-49 REG S	3.2
AXA S.A. 8.60 12/15/30	2.7
Metlife Inc. 10.75 8/1/39	2.0
Emera Inc 6.75 6/26-76	1.9
Legal and General Group 5.25 3/27-47	1.8
Demeter (Swiss Re) 5.75 08/25-50	1.8
Demeter Swiss Re 5.625 8/27-52	1.6
HSBC Capital Funding 10.176 6/30/30 RegS	1.5
BNP 7.195 6/37-49 Reg S	1.5
Sumitomo Life Insurance 6.5 9/23-73	1.5
Total	19.6

No. of holdings 210

CREDIT QUALITY %

	Fund
AA or AAA	0.0
A	20.4
BBB	63.3
BB and Lower	16.4

COUNTRY ALLOCATION %

	Fund
United States	34.2
Great Britain	17.4
France	10.1
Japan	8.8
Switzerland	8.8
Canada	4.2
Australia	3.0
Bermuda	2.5
Netherlands	2.4
Sweden	2.3
Italy	1.5
Denmark	1.4
Belgium	1.4
Other	2.1
Cash	0.0

INDUSTRY ALLOCATION %

	Fund
Banks	42.3
Insurance	40.5
Utilities	7.8
Energy	3.2
Industrials	2.5
Telecommunications	2.5
Financials	0.9
REITs	0.2
Treasuries	0.0
Agencies	0.0
Media	0.0
Options	0.0
Cash	0.0

Fund Codes

Income Units:

Bloomberg	PRIIFS1 ID
ISIN	IE00B067MS69
Lipper	60015003
SEDOL	B067MS6
Valoren	2079429
WKN	A0D8H0

FUND MANAGEMENT COMMENTARY

Market Review

It was the worst December for US stock prices since The Depression. The S&P plummeted 9.2% after unsettling news on oil demand, global trade and Fed views. US Treasury bond prices zoomed up 4.4% on the March 19 bond contract. The 30-year US Treasury bond closed the month yielding 3.01% and the US Treasury 10-year note closed yielding 2.68% -- the yield curve differential between the two longer US Treasury terms closed at 33bps. The Fed's 25bp increase in the target funds rate was anticipated, nonetheless, the significant decline in interest rates has impelled an abrupt disruption in the Committee's comfort zone to raise rates.

Fund Review

The preferred market was mixed in December as the retail-oriented \$25 par preferred market had positive returns and the institutional \$1000 par market had its third consecutive month of negative returns. The largest contributors were US industrial, non-US gas, non-US banking, non-US life insurance, US railroad, and US insurance brokerage. These industries represented 48.90% of the portfolio at month-end and contributed 0.50%. The largest detractors by industry were, US life insurance, US banking, US multiline insurance, US reinsurance, and US utilities. These industries comprised 24.33% of the portfolio at month-end and detracted 0.48%.

Market Outlook

We expect the Fed to move again in March, then pause for the rest of the year. Communication on eliminating the auto-pilot taper of the balance sheet would be very welcomed as the Fed has more to lose by quantitative tightening than it has to gain. Any constructive implementation of the Fed tool(s) should improve market sentiment and spark a spread rally against the backdrop of persistent US treasury issuance that should steepen the yield curve and assist the Fed in forestalling recession fears. The combination of tighter spreads and only modestly higher longer-term US Treasury rates (i.e., stabilized prices) and high income should combine for a positive total rate of return for junior subordinated capital securities -- in particular, for institutional product. The retail \$25par market is fair value but we expect it to underperform NoCos. We expect the CoCo sector to outperform preferred securities.

PERFORMANCE NOTE

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. 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 will differ. The performance information reflects the performance of the A Class income units. Periods over one year are annualised. Investors should obtain their own independent tax advice. ##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 29 September 2018, 50% BofA Merrill Lynch Fixed Rate Preferred Securities Index and 50% BofA Merrill Lynch US Capital Securities Index. On 30 September 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. The inception date of the fund is 22 April 2003; not all share classes may be available to all investors. Performance since the inception of the fund is available on request. Outperforming the Blended Index is not specifically included in the objective of the Fund, and the figures shown in the table are provided as a comparison only. The methods of calculation of performance may not be identical. The source of performance is based on the current Advisor, Principal Global Investors, LLC. Past performance is not indicative of future performance. **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. 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. Source & Copyright: CITYWIRE. Mark Lieb and Phil Jacoby are A rated by Citywire for 3 year risk-adjusted performance for the period 30 November 2015 – 30 November 2018. Citywire's exclusive methodology ranks fund managers based on their individual track records across all funds they manage globally. All figures shown in this document are in U.S. dollars unless otherwise noted.

DISCLOSURE

*Where applicable: In Singapore, the Fund is registered as a Restricted Scheme and in Italy for Qualified Investors only.

Divergences between the returns of unit classes denominated in the base currency of the fund and hedged unit classes may arise among other things due to interest rate differentials between the base currency of the fund and the hedged unit class currency.

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This document has not been reviewed by the Securities and Futures Commission.

Contact Us

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