

31 October 2017

Global Small Cap Equity Fund - I Acc USD

Investment Manager

Principal Global Equities† has expertise across U.S., international and emerging equity markets.

†Principal Global Equities is a specialized investment management group within Principal Global Investors. Principal Global Investors includes (amongst other entities): Principal Global Investors, LLC which has been appointed as Investment Advisor to the Fund.

Fund Managers

Brian W. Pattinson, CFA
MBA, University of Iowa
23 Yrs Industry Exp
Donghui (David) Han, CFA
MBA, The University of Iowa
16 Yrs Industry Exp
Tiffany N. Lavastida, CFA
MBA, University of Iowa
21 Yrs Industry Exp
Phil Nordhus, CFA
MBA, Drake University
27 Yrs Industry Exp

Investment Objective

The Fund aims to provide capital growth over the medium to long term by investing primarily in publicly listed equity securities of smaller capitalization companies in global markets that we believe are mispriced by the market and have potential for significant growth.

Benchmark

MSCI All Country World Small Cap Index

Fund Facts

Fund Size	\$12.5m
Launch Date	22 Oct 2012
Base Currency	USD
Min Investment	US\$2,000,000
Management Fee	0.75% pa
Fund Domicile	Ireland
UCITs Qualifying	Yes
Pricing	Daily
Dealing	10am Dublin
Income Distribution	Spm Hong Kong Accumulated

Country Registration

Belgium, Finland, France, Germany, Guernsey, Ireland, Italy*, Jersey, Netherlands, Singapore*, Spain, Sweden, Switzerland and UK

Fund Grading

3 Star Overall Morningstar Rating™ as of 31 October 2017

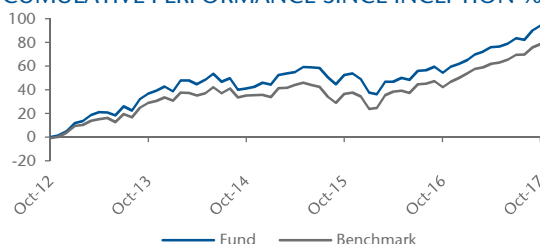


PERFORMANCE %

	1M	3M	YTD	1YR	3YR	5YR	SI
Fund Cumulative Net	2.17	5.78	19.96	25.51	37.67	94.49	94.25
Benchmark Cumulative	1.68	5.41	19.13	25.55	32.14	79.95	78.57
Fund Annualised Net	2.17	5.78	19.96	25.51	11.24	14.22	14.12
Benchmark Annualised	1.68	5.41	19.13	25.55	9.73	12.46	12.22

Fund performance is calculated on a Nav to Nav basis, including net of trustee and management fees. See performance notes, SI represents Since Inception.

CUMULATIVE PERFORMANCE SINCE INCEPTION %



CALENDAR YEAR PERFORMANCE %

	2016	2015	2014	2013	2012
Fund Net	8.71	2.00	2.33	36.27	-
Benchmark	11.59	-1.04	1.78	28.66	-

FUND ANALYSIS

	Fund	Benchmark
Active Share	96.0	-
Price/Earnings	17.9	20.3
Price/Book	2.4	2.5
Div Yield Wtd Avg	2.0	1.9
Mkt Cap Wtd Avg USDm	3,778.4	3,144.5

RISK ANALYSIS

	3YR	5YR
Information Ratio	0.5	0.6
Alpha	2.1	1.5
Tracking Error	3.0	3.0
Standard Deviation	10.5	11.3
Beta	0.9	1.0

TOP 10 HOLDINGS %

	Fund
Toda Corporation	1.2
New Flyer Industries Inc.	1.1
CACI International Inc.	1.1
II-VI Incorporated	1.0
American Financial Group, Inc.	1.0
ASR Nederland NV	1.0
Rubis SCA	1.0
Advanced Energy Industries, Inc.	1.0
Siltronic AG	1.0
Bellway p.l.c.	1.0
Total	10.5

No. of holdings 146

TOP 5 STOCK OVERWEIGHTS/UNDERWEIGHTS %

	Difference
Overweight	
Toda Corporation	1.1
New Flyer Industries Inc.	1.1
CACI International Inc.	1.1
American Financial Group, Inc.	1.0
II-VI Incorporated	1.0
Underweight	
Alnylam Pharmaceuticals, Inc	-0.1
Chemours Co.	-0.2
Cognex Corporation	-0.2
Take-Two Interactive Software, Inc.	-0.2
Wirecard AG	-0.2

SECTOR ALLOCATION %

	Fund	Difference
Industrials	16.8	-1.0
Information Technology	15.9	1.0
Consumer Discretionary	13.4	-0.4
Financials	12.5	-0.6
Health Care	9.9	0.5
Real Estate	9.4	-0.7
Materials	7.0	-1.6
Consumer Staples	5.0	0.1
Energy	4.2	0.8
Utilities	3.3	0.1
Telecommunication Services	0.5	-0.3
Cash	2.1	2.1

COUNTRY ALLOCATION %

	Fund	Difference
United States	48.0	-1.2
Japan	10.9	-0.1
United Kingdom	5.2	-1.4
Canada	4.0	0.6
China	3.5	1.1
Italy	3.3	1.8
France	3.2	1.6
Germany	2.6	0.1
Sweden	2.2	0.4
Taiwan	2.0	0.0
Brazil	1.7	1.1
South Korea	1.6	-0.2
Israel	1.5	0.9
Other	8.2	-6.8
Cash	2.1	2.1

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Fund Codes

Accumulation Units:

Bloomberg	PGGSCIU ID
ISIN	IE00B8F9VD76
Lipper	65146236
SEDOL	B8F9VD7
CUSIP	G7S461 135
Valoren	20012734
WKN	A1XCJ8

FUND MANAGEMENT COMMENTARY

Market Review

Equity markets extended their rally higher, despite a mild U.S. dollar recovery. The extension of the rally has largely been driven by earnings and not multiple rerating and/or interest rates. Top-line performance is running ahead of expectations. Earnings are also largely beating expectations led by technology and commodity-oriented sectors. Economic data remains supportive, led by a manufacturing expansion in most regions. The inflationary environment is slowly picking up, but relatively muted overall, leaving a positive backdrop for equities. Monetary policy normalization remains in place globally. Improving economic activity is allowing some central banks to move away from easing. The U.S. dollar benefitted from rising expectations of tax reform and a less hawkish tone from the Bank of Canada, ECB, and emerging markets central banks. WTI and Brent Crude moved higher by 5% and 6%, respectively, helped by larger drawdowns in U.S. oil inventories as well as the potential for Saudi Arabia to announce production cuts. Strong demand and lower inventories spurred the move higher in industrial prices.

Fund Review

The U.S. and Europe provided the biggest contribution to relative performance. Emerging markets detracted from relative performance. The IT and energy sectors posted the strongest contributions to relative returns. The healthcare and consumer discretionary sectors were the biggest detractors from relative performance.

Market Outlook

Many leading economic indicators remain favorable including the synchronized move higher in global Purchasing Manager's Indices. Corporate profits have been quite robust in 2017 while moderation of the U.S. dollar has spurred cyclical investment across the globe, reflecting a more reflationary environment. Valuation rerating is unlikely to push meaningful further advances in equity prices, leaving earnings growth as the key upside catalyst. With the latest earnings season wrapping up, growth generally came in ahead of expectations driven by top-line strength. The market remains positioned favorably in an upgrade cycle where global earnings upgrades outnumber downgrades.

PERFORMANCE NOTE

All figures sourced by Principal Global Investors unless otherwise stated as at October 2017. Performance Source: Performance is calculated on a NAV-to-NAV basis, includes the reinvestment of all investment income, and does not take into account subscription fees and/or tax, but does include trustee and management fees. The NAVs used in these calculations reflect the month-end market close prices of assets. The actual performance an investor receives reflects the NAVs at which they trade the Fund, which are calculated at the Fund's Valuation Point - as such, the two returns will differ. The performance information reflects performance of the I class accumulation units. Outperforming the MSCI All Country World Small Cap Index is not specifically included in the objective for the Fund, and the figures shown in the table are provided as a comparison only. Past performance is not indicative of future performance. All figures are stated in USD unless otherwise noted. Investments do not always add up to 100% due to rounding. Overall Morningstar Rating™ as of October 2017. 2017 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

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