

31 May 2018

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  
24 Yrs Industry Exp  
**Donghui (David) Han, CFA**  
MBA, The University of Iowa  
17 Yrs Industry Exp  
**Tiffany N. Lavastida, CFA**  
MBA, University of Iowa  
22 Yrs Industry Exp  
**Phil Nordhus, CFA**  
MBA, Drake University  
28 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.

## Performance Comparator

The Fund is managed without reference to a particular benchmark. Figures in relation to the MSCI All Country World Small Cap Index are provided for comparison only.

## Fund Facts

Fund Size \$14.9m  
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  
5pm Hong Kong  
Income Distribution Accumulated

## Country Registration\*

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

## Fund Grading

4 Star Overall Morningstar Rating™ as of 31 May 2018



## Regulatory Risk Warnings

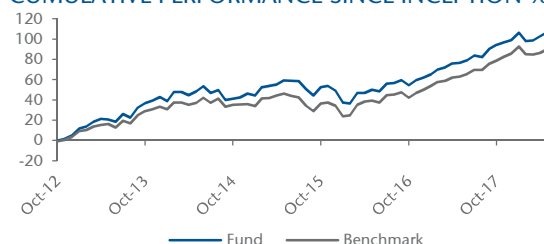
Past performance is not a reliable indicator of future performance. There is no guarantee that the investment objective of the Fund will be achieved.

## PERFORMANCE %

	1M	3M	YTD	1YR	3YR	5YR	SI
Fund Cumulative Net	2.09	4.48	3.98	17.09	29.90	71.44	106.81
Benchmark Cumulative	2.12	2.83	2.45	16.63	30.18	63.76	90.13
Fund Annualised Net	2.09	4.48	3.98	17.09	9.10	11.38	13.83
Benchmark Annualised	2.12	2.83	2.45	16.63	9.18	10.36	12.14

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 %

	2017	2016	2015	2014	2013
Fund Net	22.84	8.71	2.00	2.33	36.27
Benchmark	23.81	11.59	-1.04	1.78	28.66

## FUND ANALYSIS

	Fund	Benchmark
Active Share	95.6	-
Price/Earnings	15.8	18.6
Price/Book	2.4	2.4
Div Yield Wtd Avg	1.9	1.9
Mkt Cap Wtd Avg USDm	3,951.4	3,324.5

## RISK ANALYSIS

	3YR	5YR
Information Ratio	0.0	0.4
Alpha	0.5	1.0
Tracking Error	2.6	2.9
Standard Deviation	10.5	11.2
Beta	0.9	1.0

## TOP 10 HOLDINGS %

	Fund
Toda Corporation	1.2
Medifast, Inc.	1.2
Insperty, Inc.	1.1
Coca-Cola Bottlers Japan Holdings Inc.	1.1
Rubis SCA	1.1
NFI Group Inc.	1.1
Encompass Health Corporation	1.1
Planet Fitness, Inc. Class A	1.1
Siltronic AG	1.1
Aker BP ASA	1.1
<b>Total</b>	<b>11.2</b>

No. of holdings

156

## TOP 5 STOCK OVERWEIGHTS/UNDERWEIGHTS %

	Difference
<b>Overweight</b>	
Medifast, Inc.	1.2
Toda Corporation	1.2
Coca-Cola Bottlers Japan Holdings Inc.	1.1
Insperty, Inc.	1.1
NFI Group Inc.	1.1
<b>Underweight</b>	
Keysight Technologies Inc	-0.2
Copart, Inc.	-0.2
XPO Logistics, Inc.	-0.2
Nektar Therapeutics	-0.2
ABIOMED, Inc.	-0.2

## SECTOR ALLOCATION %

	Fund	Difference
Industrials	17.4	0.7
Information Technology	14.6	0.4
Consumer Discretionary	13.8	0.0
Financials	13.4	0.1
Health Care	9.6	-1.2
Real Estate	9.4	-0.5
Materials	7.5	-0.8
Consumer Staples	5.1	0.1
Energy	4.4	0.1
Utilities	3.1	0.2
Telecommunication Services	0.5	-0.3
Cash	1.3	1.3

## COUNTRY ALLOCATION %

	Fund	Difference
United States	51.2	1.4
Japan	10.1	-1.2
United Kingdom	5.6	-1.0
Germany	4.6	2.4
China	3.2	0.7
Canada	3.2	-0.2
France	2.6	1.3
Hong Kong	1.7	0.9
Sweden	1.6	-0.2
Israel	1.6	1.1
Italy	1.6	0.2
India	1.3	-0.2
South Korea	1.3	-0.6
Other	9.2	-6.0
Cash	1.3	1.3

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## Fund Codes

### Accumulation Units:

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

## 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

Global equities were slightly higher in aggregate, but market dispersion was notably high. Using the MSCI All Country World Index (USD) as a proxy, global markets advanced 0.1%. Developed markets gained 0.7%, outperforming emerging markets, which fell 3.5%. The depreciating currencies in emerging markets amplified losses in U.S. dollar terms. The United States, Canada, and China were among the few major markets with gains, while several markets experienced double digit declines. Of particular note was Italy, where a coalition of populist parties looked to take control driving Italian bond yields higher and Italian equities lower. Commodities moved higher, but prices were mixed. The Goldman Sachs Commodity Index advanced 1.2%. Oil prices moved in different directions. Geopolitical risks remain elevated. Metals were mixed. The U.S. dollar continued to strengthen, pressuring emerging markets. The U.S. Dollar Index (USD measured against a basket of international currencies) gained 2.3%. Every emerging market currency declined, besides the Indonesia rupiah and Russian ruble. The British pound and the euro each depreciated. Small-caps outperformed large-caps across most major regions. In aggregate, the MSCI ACWI Small Cap Index rose by 2.1% compared to a rise of 0.1% in the equivalent large-cap index.

### Fund Review

Our process faced mixed results across markets, with cheaper companies generally underperforming more expensive peers that also had a higher-quality and higher-price momentum profile. The United States and emerging markets provided the largest contributions to relative performance while Canada and Asia Pacific ex Japan detracted. The portfolio largely matched the index return in Europe with strength in the UK and Norway being offset by weakness in Germany and the Netherlands. The consumer staples, financials, and energy sectors were the biggest contributors to relative performance while the healthcare and industrials sectors were the most notable detractors.

### Market Outlook

The almost nine-year-old global bull market rally continues to meet scrutiny amid signs of a moderating economy or increasing geopolitical risks. Many leading economic indicators remain strong but are beginning to come off highs. While investor sentiment remains vulnerable, corporate fundamentals remain solid. Revenue growth surprised to the upside and profit margins continue to expand in many international markets.

## PERFORMANCE NOTE

All figures sourced by Principal Global Investors unless otherwise stated as at May 2018. 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. 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. 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 May 2018. 2018 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.

## DISCLOSURE

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

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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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Past performance is no guide to the future. There is no guarantee that the investment objective of the Fund will be achieved. The NAV is not guaranteed and may fall as well as rise, depending on investment performance, and exchange rate fluctuations – where the Fund invests in non-USD denominated assets, whose value is not hedged to the USD. Before investing, investors should obtain and read a copy of the prospectus and the KIID, which provide full details of the risks of investing in the Fund. These are available at [principalglobalfunds.com](http://principalglobalfunds.com). Full risks of investing are outlined in the KIID and prospectus.

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All fees and charges related to the Fund may not be contained within this document. Investors seeking to participate in this Fund should refer to the Fund prospectus, supplement and KIID, obtainable on request or from the company website, for full disclosure of all Fund charges and Fees.

## Contact Us

For more information on the fund, please contact:

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