

31 July 2016

Finisterre EM Debt Fund - I Acc EUR Hedged

Investment Manager

Finisterre Capital[^] specialises in the management of emerging markets fixed income total return investment strategies. Finisterre manages emerging markets funds in a variety of asset classes, including sovereign debt, local currency debt, corporate credit and foreign exchange.

[^]Principal Global Investors, LLC has been appointed as Investment Advisor to the Fund, and has appointed Finisterre Malta Limited and Finisterre Capital LLP as the Sub-Investment Advisors.

Fund Managers

Bertrand Lavigne

BA Engineering, ENSIMAG
20 Yrs Industry Exp

Edward Lynch

MSC, University College Dublin
16 Yrs Industry Exp

Investment Objective

The investment objective of the Fund is to generate medium to long term positive total returns from a combination of current income and capital appreciation by investing in global emerging market securities. The Fund invests primarily in sovereign and corporate credits, local fixed income instruments, currencies and other debt securities. The Fund will take long and short positions and use financial derivative instruments.

Fund Facts

Fund Size	€252.6m
Launch Date	29 May 2014
Base Currency	USD
Hedging	Class
Min Investment	US\$2,000,000
Management Fee	1.50% pa
Performance Fee	15%
Fund Domicile	Ireland
UCITs Qualifying	Yes
Pricing	Daily
Dealing	Thursday: 10am
	Dublin
Income Distribution	Accumulated

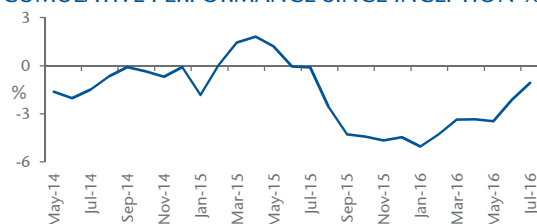
HISTORICAL MONTHLY NET PERFORMANCE %

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	SI [†]	ITD ^{††}
2014	-	-	-	-	-	-0.41	0.54	0.83	0.59	-0.27	-0.33	0.60	-	-	-
2015	-1.74	1.92	1.39	0.36	-0.62	-1.22	-0.06	-2.45	-1.75	-0.16	-0.24	0.20	-4.38	-	-
2016	-0.61	0.81	0.95	0.02	-0.12	1.38	1.07	-	-	-	-	-	3.54	-1.07	-0.50

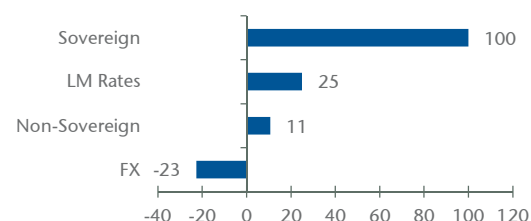
[†]Since Inception Cumulative Return (net). ^{††}Since Inception Annualised Return

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

CUMULATIVE PERFORMANCE SINCE INCEPTION %



MONTHLY ATTRIBUTION BY STRATEGY (bps)



MONTHLY (TOP 5 PnL) COUNTRY ATTRIBUTION

Contributors	Strategy	Return Attribution (bps)
Japan	FX	20
	Sovereign	4
Hong Kong	FX	0.5
	LM Rates	23
Brazil	FX	1
	Sovereign	4
	LM Rates	7
	Non-Sovereign	10
EM	FX	-7
	Sovereign	11
	LM Rates	15
	Non-Sovereign	-1
Hungary	FX	-0.1
	Sovereign	-40
	LM Rates	-3

Detractors	Strategy	Return Attribution (bps)
Korea	FX	-19
Taiwan	FX	-14
	LM Rates	-8
	Non-Sovereign	2
China	FX	-7
	LM Rates	-10
Thailand	LM Rates	-6
United States	Sovereign	-4
	LM Rates	1
	Materials	0.3

FUND ANALYSIS

EM 10Y Equivalent Exposures

Long Exposure (EM 10Y equiv. as x of NAV)	3.47x
Short Exposure (EM 10Y equiv. as x of NAV)	-3.42x
Net Exposure (EM 10Y equiv. as x of NAV)	0.05x
Gross Exposure (EM 10Y equiv. as x of NAV)	6.89x
VaR (% NAV) [99.99% 5D]	1.97%
VaR (% NAV) [99% 1D]	0.55%
SDV01 (bp NAV)	1.22bps

RISK SUMMARY

Sharpe Ratio***	0.90x
Annualised Volatility	3.47%
Spread Duration	4.83yrs
Average Duration	0.16yrs

***Sharpe Ratio vs. 1 Month Treasury Bill.

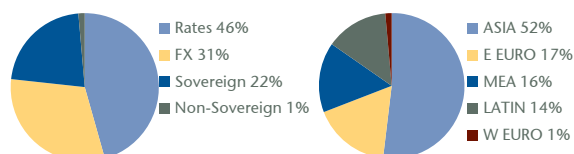
TOP 10 HOLDINGS % (Rates: EM 10Y Equiv.)

	Fund exposure as % NAV
China Rates	32.6
Taiwan Rates	26.5
Singapore Rates	23.8
Mexico Rates	22.7
Thailand Rates	19.6
Korea Rates	14.5
Singapore FX	-17.4
Hong Kong FX	-17.5
US Rates	-20.0
China FX	-22.2
Total	62.6

No. of holdings

62

MONTH-END PORTFOLIO RISK BY STRATEGY & REGIONAL EXPOSURE



Top 10 holdings % EM 10Y equivalent exposures is given in terms of NAV% by position – US, UK and German treasuries are excluded. The strategy exposure pie-chart is given in terms of ratios of standalone strategy VaR vs. total standalone strategy VaR and the regional exposure pie-chart is given in terms of ratio of regional EM 10Y equivalent exposure vs. total EM 10Y exposure (US rates hedges excluded).

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Fund Codes

Accumulation Units:

Bloomberg	PGIFIEH ID
ISIN	IE00BBPRCF15
Lipper	68265268
SEDOL	BBPRCF1
Valoren	22418205

Country Registration

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

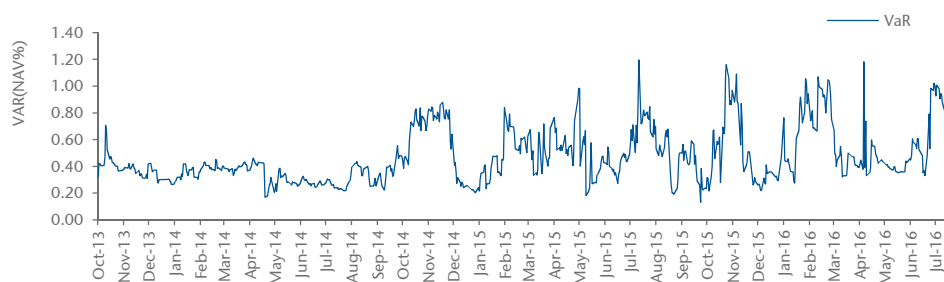
MONTH-END EM 10Y EQUIV. EXPOSURES BY COUNTRY %

Top 5 Longs	Strategy	Net Exposure (% NAV)
TAIWAN, PROVINCE OF CHINA	LM Rates, FX, Non-Sovereign	26.51
MEXICO	LM Rates, FX, Sovereign, Non-Sovereign	20.98
THAILAND	LM Rates, FX, Non-Sovereign	20.36
KOREA, REPUBLIC OF CHINA	LM Rates, FX	14.78
Top 5 Shorts	Strategy	Net Exposure (% NAV)
HONG KONG	FX, LM Rates	-16.49
EUROZONE	FX, Sovereign, Non-Sovereign	-10.90
ABU DHABI	LM Rates, FX, Sovereign, Non-Sovereign	-10.64
POLAND	Sovereign, Non-Sovereign	-9.20
INDIA	FX, LM Rates, Sovereign, Non-Sovereign	-8.84

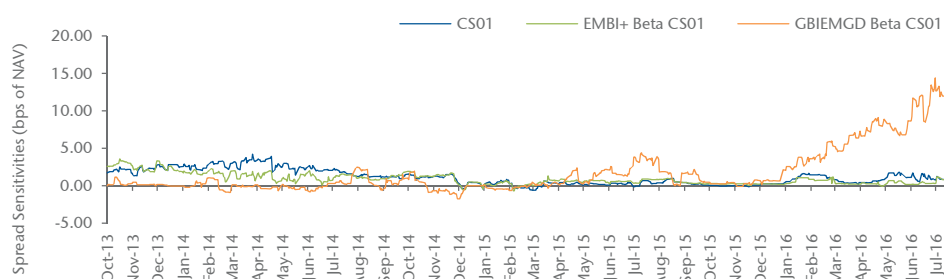
CURRENCY EXPOSURE (MV in NAV %)

	Fund Exposure as % NAV
CZK	13.42
JPY	9.14
MYR	3.04
GBP	1.59
ARS	1.05
THB	0.78
OMR	-3.56
SAR	-7.10
AED	-10.64
EUR	-10.90
SGD	-17.41
HKD	-17.48
CNH	-22.18
Other	2.65
Total	-57.61

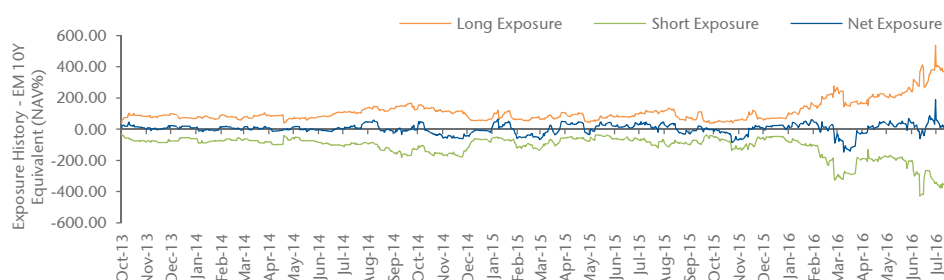
VAR HISTORY (1D 99%) - UCITS DAILY VAR LIMIT = 4.47%



SPREAD SENSITIVITY HISTORY



LONG/SHORT EXPOSURE HISTORY



FUND MANAGEMENT COMMENTARY

Market Review

July generally was a positive start to the second half of 2016 in emerging markets, with portfolio flows continuing apace. Economic surprise indices were much higher across both emerging markets and developed markets. Volatility across the board retreated from the "Brexit" inspired highs, and the flattening of yield curves continued, except in Japan, post the Bank of Japan (BoJ) meeting in late June. The broad trade-weighted dollar was surprisingly range bound, given that Brent Crude fell 15% over the month. Both the manufacturing and service survey indices globally are still consistent with a very subdued pace of growth. Politics and fiscal policy continue to overshadow monetary policy across developed markets and the stable dollar has mostly sidelined policy makers' need in emerging markets to engage in structural reform or protective monetary policies.

Fund Review

The EMBIGD returned 1.80% versus the JPM GBI EM 0.60%, with YTD returns of 12.30% and 14.71% respectively. The portfolio benefitted in July from a number of sources including the continued broad based rally in local rates and external curves; U.S. rate hikes being re-priced somewhat; mean reversion in cross currency basis in Asia; and capturing the wide range in the yen caused by the change in the BoJ policy expectations.

In Japan, the market presented an opportunity to profit from heightened expectations of monetary activism from BoJ. This was captured through long a volatility and short YEN position, and traded the subsequent market disappointment through a long YEN and short volatility position in the aftermath. In Brazil, the local rates received position at the long end was closed out, as positioning had become crowded. We expect some disappointment from the political situation as Brasilia goes back to work for the next session. We will look for better levels to re-enter the trade as the new BCB Governor continues his bedding in period. We have had a mean reversion trade on a cross-currency basis in Hong Kong, which has been closed. The market has retreated due to a heavy issuance calendar from locals, predominately swapping USD back into HKD. In Turkey, we have had a negative bias for some time as the marginal lender in a heavily bank dependent economy is the European Banking sector. This short bias was reduced into the coup-driven weakness. We will look to re-establish a short position on any strength if there is no downgrade early in August. In Central Europe we have reduced our exposure but continue to like local duration, for so long as European policy makers continue to fail to deal with the banking system issues as we believe growth will be constrained across the region.

Market Outlook

Libor/OIS spreads in the U.S. widened further over the course of the month of July due to changes in the money market funds' regulation, such that an effective hike had already happened in Libor products, since the December 2015 Federal Open Market Committee (FOMC) meeting. We will continue to trade short of Federal Funds Futures as the first full 25 basis points (bps) hike is now not priced in, until well into 2018.

The China CFETS basket performed flat for the month and the 11% annualized depreciating trend has paused for now. We have positioned for the trend to re-start, albeit at a much more moderate pace, as we are short volatility. We expect rate cuts from the People's Bank of China (PBOC) later this year to restart the trend of Asian rates market tightening in spread terms to U.S. rates. We feel that the chances of a Trump presidency in U.S. are presently underpriced in the market. The book has been positioned to be long of volatility in Mexico over the election period, and we will look to add to this in other markets that will be similarly affected; notably Canada and Russia. Indonesia is a favored long in Asia; while we are somewhat cynical on the amounts that will be repatriated from the upcoming tax amnesty, the credit story continues to be compelling.

We have reduced risk across the portfolio over the month, and will await more compelling opportunities to deploy capital in selected markets. We expect the inflows to emerging markets to continue throughout the next month, before tapering off as we enter election season in the U.S. and other political events, such as the Italian referendum, unfold. We will look for opportunities to add to long volatility positions and continually review the options markets for compelling structures based on our expectations for movements in spot, forward, volatility, and skew. The resulting trades typically add diversification and we have been finding interesting trades that fall into this category in recent weeks.

PERFORMANCE NOTE

All figures sourced by Principal Global Investors unless otherwise stated as at July 2016. 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. All performance figures are stated in EUR. Investments do not always add up to 100% due to rounding. The current document is intended for information purposes only and shall not be used as an offer to buy and/or sell shares.

Fund performance data is supplied by the Fund's administrator, BNY Mellon. The Fund's attribution data is supplied by the Investment Manager. Please note that the pricing sources and timing of pricing snaps used in the attribution and final Administrator return calculation may differ.

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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. Full risks of investing are outlined in the KIID and prospectus.

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