

30 April 2017

Global Credit Alpha Fund - I Acc USD

Investment Manager

Principal Global Fixed Income† has expertise across all major fixed income sectors and security types, but with signature capability in managing credit strategies.

†Principal Global Fixed Income 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

William C. Armstrong, CFA

MBA, University of Iowa

30 Yrs Industry Exp

Mark Denking, CFA

MBA, University of Iowa

27 Yrs Industry Exp

Darrin Smith, CFA

MBA, Drake University

26 Yrs Industry Exp

Darryl Trunnel, CFA

BS, Iowa State University

28 Yrs Industry Exp

Joshua Rank, CFA

BS, Iowa State University

17 Yrs Industry Exp

Tina Paris, CFA

MBA, University of Iowa

16 Yrs Industry Exp

Investment Objective

The investment objective of the Fund is to seek a high rate of total return over the medium to long term.

Benchmark

3 Month U.S. Libor

Fund Facts

Fund Size	\$8.6m
Transfer Date	23 Jun 2015
Original Launch Date	10 Jul 2013^
Base Currency	USD
Min Investment	US\$2,000,000
Management Fee	0.65% pa
Fund Domicile	Ireland
UCITs Qualifying	Yes
Pricing	Daily
Dealing	10am Dublin 5pm Hong Kong
Income Distribution	Accumulated
	Not more than 0.0220%

Country Registration

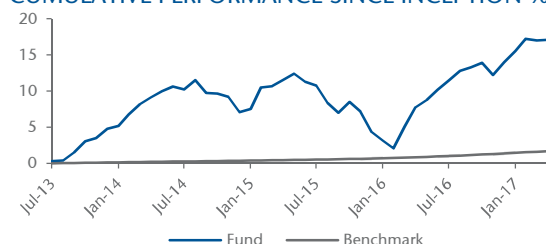
Belgium, Finland, France, Germany, Guernsey, Ireland, Italy*, Jersey, Netherlands, Singapore*, Spain, Sweden, Switzerland and UK

PERFORMANCE %

	1M	3M	YTD	1YR	3YR	5YR	SI
Fund Cumulative Net	0.07	1.33	2.70	8.67	6.96	-	17.08
Benchmark Cumulative	0.09	0.25	0.33	0.84	1.49	-	1.70
Fund Annualised Net	0.07	1.33	2.70	8.67	2.27	-	4.22
Benchmark Annualised	0.09	0.25	0.33	0.84	0.49	-	0.44

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	9.25	-2.94	2.32	-	-
Benchmark	0.71	0.28	0.24	-	-

FUND ANALYSIS

	Fund
Average Credit Quality	BAA2/BAA3
Current Yield	6.0
Yield to Worst	5.2
Yield to Maturity	5.4
Effective Duration (Years)	2.4

RISK ANALYSIS

	3YR
Information Ratio	0.4
Alpha	-7.2
Tracking Error	4.7
Standard Deviation	4.7
Beta	28.2

TOP 10 HOLDINGS %

	Fund
United States Treasury Note/Bond	4.6
Ing Groep Nv	3.5
Government National Mortgage Associatio	3.2
Royal Bank Of Scotland Group Plc	3.0
At&T Inc	3.0
Lloyds Banking Group Plc	2.9
Goldman Sachs Group Inc/The	2.9
Morgan Stanley	2.9
Government National Mortgage Associatio	2.8
Metlife Inc	2.8
Total	31.4

No. of holdings

81

CREDIT QUALITY %

	Fund
AAA	22.4
AA	3.8
A	9.2
BBB	19.7
BB	18.9
B	15.5
CCC and Below	10.4
Not Rated	0.0

REGIONAL ALLOCATION %

Contribution to Spread Duration (%)

	Fund
Europe	51.1
North America	32.3
Emerging Markets	14.4
Other	2.2

SECTOR ALLOCATION %

	Market Value	Contribution to Spread Duration
Corp Inv Grade	28.9	84.8
High Yield (ex EM)	36.2	63.2
Securitized	11.8	21.0
Emerging Markets	8.6	15.3
Govt Related	4.6	-84.3
Net Cash and Receivables	9.9	-

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Fund Codes

Accumulation Units:

Bloomberg	PGGCAIU ID
ISIN	IE00BWG0NQ44
SEDOL	BWG0NQ4

FUND MANAGEMENT COMMENTARY

Market Review

U.S. economic data began to disappoint in April, started by weak headline-payrolls growth for March and later inflation readings. The weakness in economic trends, combined with geopolitical risks and uncertainties around the French election, pushed U.S. Treasury yields to the lowest level since the U.S. election by mid-month. However, the market-friendly outcome of the first round of French elections and a relatively strong start to the first quarter corporate earnings season, caused risk assets to rally and interest rates to rebound off the lows. The Treasury curve flattened during the month due to decreasing interest rates of longer-term maturities. The 10-year Treasury yield fell -0.11% to end the month at 2.28% while the 30-year rate decreased -0.06% to 2.95%. Interest rates at the front-end of the curve remain biased upward due to market expectations of additional rate hikes from the Federal Reserve (Fed) later this year. The 2-year U.S. Treasury yield increased 0.01% to 1.26%.

Fund Review

Performance was driven by exposure to below investment grade corporate bonds and investment grade corporate bonds.

Market Outlook

Political risks outside of the U.S. have been abating, most recently evidenced by the outcome of the first round of French elections. This trend should continue to be supportive of global growth prospects and lessen the uncertainty of the future of the Eurozone. Exposure to investment grade corporate bonds was maintained, comprised of the best opportunities within the sector. Within below investment grade corporate bonds, corporate balance sheets are expected to improve throughout 2017 and default rates are expected to decline. The allocation to below investment grade corporate bonds was maintained. A modest increase in growth is appearing in emerging markets. Energy exporting economies have largely adjusted to lower energy prices with current commodity prices supportive of valuations. Exposure to the sector was maintained. Real estate fundamentals remain strong and have benefitted from being more U.S. focused and less impacted from global macro concerns. The portfolio maintains an allocation to commercial mortgage-backed securities. The portfolio also maintains an allocation to collateralized mortgage obligation (CMO) securities. CMO securities provide attractive yield opportunities and substantial diversification benefits.

PERFORMANCE NOTE

All figures sourced by Principal Global Investors, unless otherwise stated, as at April 2017. Performance Source: Performance is calculated on a NAV-to-NAV basis, which includes the reinvestment of net 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 from 23 June 2015 reflects performance of the I class accumulation units in the PGIFs Global Credit Alpha Fund (PGIFs Fund). Performance prior to this date is the gross performance of the PGOS Global Credit Alpha Fund less the fees and charges which would reasonably have been expected to be charged to the PGIFs Fund over that period. The assets of the PGOS Fund were transferred to the PGIFs Fund on 23 June 2015. The PGIFs Fund has the same Investment Objective as the PGOS Fund, and is sub-advised by the same entity, which continues to apply the same investment strategy as prior to the transfer. Outperforming the 3-month U.S. LIBOR is not specifically included in the objective for the Fund, and the figures shown in the table are provided as a comparison only. The two methods of calculation of performance may not be identical. Past performance is not indicative of future performance. All performance figures are stated in USD. Investments do not always add up to 100% due to rounding.

DISCLOSURE

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

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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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