

31 July 2017

Spectrum Global Capital Securities Fund - I Acc USD

Investment Manager

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.

Fund Managers

Mark A. Lieb
MBA, University of Hartford
40 Yrs Industry Exp
L. Phillip Jacoby, IV
BS, Boston University
35 Yrs Industry Exp
Manu Krishnan, CFA
MBA, Cornell University
13 Yrs Industry Exp
Kevin Nugent
BA, Ohio Wesleyan University
33 Yrs Industry Exp

Investment Objective

The investment objective of the Fund is to generate positive total return over the medium- to long-term including capital preservation. The Fund seeks to achieve its objective by investing the majority of its assets in financial below investment grade contingent convertible capital securities (CoCos), which include Additional Tier 1 and Tier 2 securities. The Fund utilizes derivatives for the purpose of interest rate and credit spread-volatility mitigation.**

Benchmark

BofA Merrill Lynch Global Non-Sovereign Index (g0bn)

Fund Facts

Fund Size \$12.4m
Launch Date 30 Oct 2014
Base Currency USD
Hedging Portfolio
Min Investment \$2,000,000
Management Fee 0.70% pa
Fund Domicile Ireland
UCITs Qualifying Yes
Pricing Daily
Dealing 10am Dublin
Income Distribution Accumulated

Country Registration

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

Fund Grading

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

CITYWIRE **AA**

PERFORMANCE %

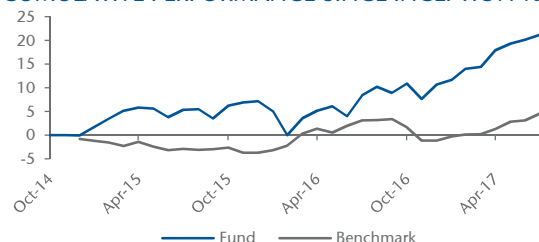
	1M	3M	YTD	1YR	3YR	5YR	SI
Fund Cumulative Net	0.89	2.81	9.57	11.85	-	-	21.24
Benchmark Cumulative	1.49	3.26	5.81	1.47	-	-	4.60
Fund Annualised Net	0.89	2.81	9.57	11.85	-	-	7.24
Benchmark Annualised	1.49	3.26	5.81	1.47	-	-	1.65

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

CALENDAR YEAR PERFORMANCE %

	2016	2015	2014	2013	2012
Fund Net	3.25	7.24	-	-	-
Benchmark	2.68	-2.91	-	-	-

CUMULATIVE PERFORMANCE SINCE INCEPTION %



FUND ANALYSIS

	Fund	Benchmark
Average Credit Quality	BB+	AA-
Current Yield	6.8	3.1
Yield to Worst	4.2	2.2
Yield to Maturity	6.9	2.2
Modified Duration	2.5	6.0
Hybrid Modified Duration	3.1	-

RISK ANALYSIS

	1YR
Information Ratio	2.1
Alpha	10.7
Tracking Error	4.9
Standard Deviation	5.6
Beta	0.7

TOP 10 HOLDINGS %

	Fund
Lloyds Banking Group PLC 7.5 6/24-49	9.9
UBS 7.125 2/20-49	9.8
Societe Generale 8.25 11/29/18-49	9.5
Credit Suisse Group 7.5 12/23-49 RegS	9.2
Australian & NZ Banking Gp RegS 6.75 12/26-49	9.1
Barclay Bank PLC 8.25 12/18-49	8.6
Banco Bilbao 9 05/09/18-49	8.6
SwedBank AB 5.5 3/17/20-49	8.5
Credit Agricole 6.625 9/23/19-65 RegS	4.3
Nordea Bank 5.5 9/23/19-49 RegS	4.3
Total	81.7

No. of holdings 10

CAPITAL POSITIONING %

	Fund
Additional Tier 1 (CoCo)	81.7
Cash	18.3
Hybrids	0.0
Volatility Hedge	0.0

SECTOR ALLOCATION %

	Fund
Banking - Foreign	81.7
FINANCIAL - FOREIGN	0.0
Gas - Foreign	0.0
Insurance - Life	0.0
Insurance - Multi Line	0.0
Insurance - P&C - Foreign	0.0
Reinsurance - Foreign	0.0
Volatility Hedge	0.0
Banking	0.0
Cash	18.3

REGIONAL ALLOCATION %

	Fund
Switzerland	19.0
Great Britain	18.6
Cash	18.3
France	13.8
Sweden	12.7
Australia	9.1
Spain	8.6
United States	0.0
Volatility Hedge	0.0
Brazil	0.0
Canada	0.0
Denmark	0.0
Germany	0.0
Netherlands	0.0
Norway	0.0

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Fund Codes

Accumulation Units:

Bloomberg	PGISGCS ID
ISIN	IE00BQR9LM08
Lipper	65136525
SEDOL	BQR9LM0
Valoren	25972736

FUND MANAGEMENT COMMENTARY

Fund Review

The Fund had large withdrawals the month before which reduced the Fund size in half. As a result, there was a significant amount of rebalancing during June and a large 17% cash position held and carried through the entire month of July. The large cash position is in anticipation of further withdrawals due to the small Fund size. The primary country weights are Switzerland (19%), Great Britain (18%), Sweden (13%), France (10%), Australia (9%) and Spain (9%). The Fund does not own bank names domiciled in Austria, Belgium, Brazil, China, Germany, Ireland, Italy, Luxembourg, Mexico or Russia. The weighted average rating of the Fund's CoCo holdings is BB+.

PERFORMANCE NOTE

All figures sourced by Principal Global Investors unless otherwise stated as at July 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 BofA Merrill Lynch Global Non-Sovereign Index (g0bn) 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.

Source & Copyright: CITYWIRE. Mark Lieb is AA rated by Citywire for his 3 year risk-adjusted performance for the period 30 June 2014 – 30 June 2017. Citywire's exclusive methodology ranks fund managers based on their individual track records across all funds they manage globally. 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.

**To the extent the Fund invests in contingent convertible securities, the following risk warning is relevant: Due to the contingent write-down, write-off and conversion features of contingent convertible securities, such instruments may have substantially greater risk than other forms of securities in times of credit stress. This means that, should the trigger level be breached, a Manager may not be able to control whether the issuer chooses to write-down, write-off or convert that security. This action could have an adverse effect on a Manager's ability to achieve its investment objective because the issuer may force a change before the Fund would otherwise choose. The Fund may even suffer a complete loss with no chance of recovery even if the issuer remains in existence. The Manager invests in FDIs to manage the volatility risk associated with investment in Contingent Capital Securities only, and not the risk of capital loss.

DISCLOSURE

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

This document is intended for information purposes only. It is not an offer or a solicitation to anyone to subscribe for units in the Fund. Nothing in this document should be interpreted as advice, nor is it a recommendation to transact in units in the Fund. Please refer to the KIID, the Fund offering documents, and the latest Annual and Semi Annual Reports before investing.

Retail investors should seek independent investment advice before deciding whether the fund in question is suitable to meet your investment needs and objectives as the language included has not been complied to a retail client standard. Principal may not forward this document themselves to retail clients.

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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Contact Us

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