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PRINCIPAL GLOBAL INVESTORS FUNDS

31 January 2018

Real Estate Debt Fund - I Inc USD

Investment Manager

The real estate capabilities of Principal Real Estate Investors, LLC† span the spectrum of public and private equity and debt investment alternatives. We have been managing Commercial Mortgage-Backed Securities (CMBS) portfolios for more than fifteen years, and have built a reputation for delivering the opportunity for consistent yield enhancement, over the long-term, primarily through bottom-up security selection.

†Principal Global Investors, LLC has been appointed as Investment Advisor to the Fund and has appointed Principal Real Estate Investors, LLC, as the Sub-Investment Advisor.

Fund Managers

Marc Peterson, CFA
MBA, Drake University
26 Yrs Industry Exp
Scott M. Carson, CFA
BS, Iowa State University
15 Yrs Industry Exp

Investment Objective

The Real Estate Debt Fund (the Fund) is part of the Principal Global Investors Funds range of Dublin-based UCITS which is registered in Ireland. The Fund's primary objective is to seek to provide attractive long-term risk-adjusted returns. The Fund invests primarily in a diversified portfolio of U.S. commercial mortgage-backed securities (CMBS).

Benchmark

Bloomberg Barclays CMBS Investment Grade Index

Fund Facts

Fund Size	$10.6m
Launch Date	21 Mar 2016
Base Currency	USD
Hedging	Portfolio
Min Investment	US$2,000,000
Management Fee	0.55% pa
Hurdle Rate	No
High Watermark	No
Early Exit Penalty	No
Fund Domicile	Ireland
UCITs Qualifying	Yes
Pricing	Daily
Dealing	10am Dublin 5pm Hong Kong
Income Distribution	Income

Country Registration

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

Regulatory Risk Warnings

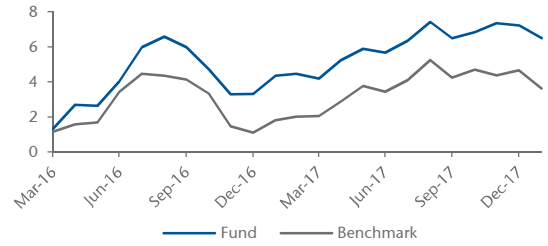
Past performance is not a reliable indicator of future performance. There is no guarantee that the investment objective of the Fund will be achieved. Derivatives are volatile and carry a high degree of risk, including liquidity risk. Leverage can magnify losses as well as gains. Commercial Mortgage Backed Securities carry greater risk compared to other securities in times of market stress.

PERFORMANCE %

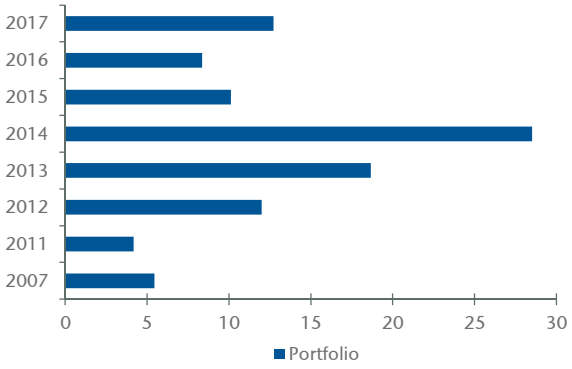
	1M	3M	YTD	1YR	3YR	5YR	SI
Fund Cumulative Net	-0.68	-0.32	-0.68	2.05	-	-	6.49
Benchmark Cumulative	-0.99	-1.02	-0.99	1.77	-	-	3.62
Fund Annualised Net	-0.68	-0.32	-0.68	2.05	-	-	3.43
Benchmark Annualised	-0.99	-1.02	-0.99	1.77	-	-	1.92

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 %



VINTAGE DISTRIBUTION (%)

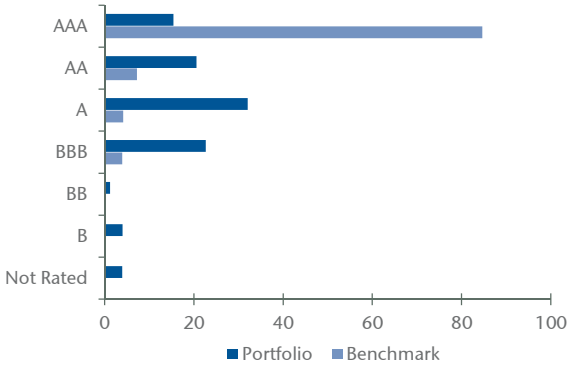


Excludes Cash

Vintage refers to the year a CMBS issuance was launched in the primary market. The chart shows the portfolios exposure to each vintage.

QUALITY DISTRIBUTION

Market Value (%)



AAA Includes Cash

Quality Distribution shown is based on ratings from S&P, Moody's, and Fitch. The Not Rated category consists primarily of bonds that are rated by one or more nationally recognized statistical ratings organizations other than S&P, Moody's, and Fitch. More information is available upon request.

PORTFOLIO CHARACTERISTICS

	Portfolio	Benchmark
Current Yield	4.6	3.4
Yield to Maturity	5.0	3.2
# of Issues	27	3,007
Average Credit Quality[1]	A	AA+
Average Coupon[2]	4.5	3.4
Price Market Weighted[3]	97.3	100.3
Average Life	6.1	5.9
Duration (Years)	5.0	5.3

[1] Average Credit Quality shown is not based on ratings of one rating agency. More information regarding the averaging methodology and quality distribution is available upon request.
[2] Excludes I/O securities
[3] Excludes I/O securities

COLLATERAL DIVERSIFICATION (%)†

State (Top10)	Portfolio
California	16.3
New York	15.5
Texas	7.7
Virginia	7.4
Florida	6.5
Arizona	4.6
Michigan	3.6
Pennsylvania	3.6
Illinois	2.8
Maryland	2.5
Top 10 Total	70.5

Property Type	Portfolio
Office	37.9
Retail	25.2
Lodging	11.6
Multi-Family	10.3
Mixed Use	4.6
Industrial	4.1
Self Storage	2.9
Mobile Home	1.2
Co-op Housing	0.2
Other	1.9
Total	100.0

†Source: Trepp LLC
Characteristics shown are of the representative portfolio.
Due to rounding, figures and percentages shown may not add to the total or equal 100%.

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Fund Codes

Income Units:

ISIN	IE00BD3Z9W74
SEDOL	BD3Z9W7

Regulatory Risk Warnings

The potential for profit is accompanied by the possibility of loss.

FUND MANAGEMENT COMMENTARY

Market Review

Optimism abounded as money poured into equities, pushing stocks higher around the globe. In the U.S., tax reform, ongoing job growth, strong consumer confidence, and growth in business spending paint a positive outlook. Meanwhile, the tailwinds of an ultra-accommodative global central bank complex are expected to abate as the Fed leads the way to normalization; a potential catalyst for volatility as markets recalibrate. Slowly rising inflation expectations and heavy government bond issuance played a part in the rise in interest rates as the 10-year U.S. bond rate rose by 30 bps. CMBS spreads tightened considerably as the positive market sentiment was expressed across the fixed income credit markets as investors continued to search for pockets of value.

Fund Review

The significant increase in U.S. Treasury rates was a significant contributor to negative mark-to-market on the month. However, CMBS credit spreads also tightened in response to strong investor demand, resulting in a flattening of the CMBS credit curve. Against this backdrop, holdings of AAA and AA securities underperformed and holdings of A and BBB securities outperformed as the relative spread tightening and higher carry of these lower rated securities helped to offset the large move in rates.

Market Outlook

Accommodative central bank policy, low rates, and a relentless hunt for yield have resulted in a compression of risk premiums across the global investment landscape. Demand for CMBS continues to be driven by relative value, yield enhancement, and diversification as investors search for ways to improve their broader portfolios. Yield investors continue to have substantial funds to deploy and as treasury rates have risen, risk premiums have contracted in response to the overall yield levels that can be achieved. CRE property fundamentals and capital market conditions remain supportive. However, downside scenario analysis and disciplined security selection grow in importance as the current cycle extends. As treasury rates rise, real estate cap rates need to be closely monitored as rising cap rates must be accompanied by increasing property level cash flows in order to avoid value diminution. CMBS issuance got off to slow start), ultimately producing two CMBS conduit deals totaling US$2.5B.

PERFORMANCE NOTE

All figures sourced by Principal Global Investors unless otherwise stated as at January 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 to 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 Real Estate Debt Fund I Inc. USD performance table currently shows the benchmark returns for the net total return (NTR).

Outperforming the Barclays Capital CMBS Investment Grade 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 no guarantee of future results. All figures are stated in USD unless otherwise noted. 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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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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