

31 December 2016

Finisterre EM Debt Fund - A Acc USD

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 \$315.9m
Launch Date 26 Mar 2015
Base Currency USD
Management Fee 2.00% pa
Performance Fee 20%
Fund Domicile Ireland
UCITS Qualifying Yes
Pricing Daily
Dealing Thursday: 10am
Income Distribution Dublin
Accumulated

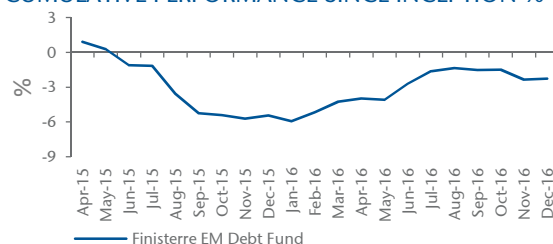
HISTORICAL MONTHLY NET PERFORMANCE %

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	SI [†]	ITD ^{††}
2015	-	-	-	0.37	-0.62	-1.37	-0.07	-2.44	-1.75	-0.16	-0.32	0.28	-	-	-
2016	-0.51	0.80	0.98	0.28	-0.10	1.42	1.11	0.28	-0.17	0.02	-0.84	0.06	3.35	-2.28	-1.29

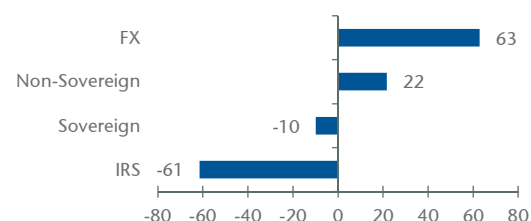
[†]Since Inception Cumulative Return (net). ^{††}Since Inception Annualised Return

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)
EM	FX	-7
	Sovereign	11
	LM Rates	38
China	FX	39
	LM Rates	-5
Brazil	FX	3
	Sovereign	5
	LM Rates	8
	Non-Sovereign	17
Japan	FX	26
Korea	FX	-2
	Sovereign	-2
	LM Rates	14

Detractors	Strategy	Return Attribution (bps)
India	FX	-2
	LM Rates	-20
South Africa	LM Rates	-15
Malaysia	Sovereign	-15
	LM Rates	3
Hungary	FX	-10
	Sovereign	6
	LM Rates	-8
Israel	FX	-4
	Sovereign	-5
	LM Rates	-3

FUND ANALYSIS

EM 10Y Equivalent Exposures	
Long Exposure (EM 10Y equiv. as x of NAV)	2.46x
Short Exposure (EM 10Y equiv. as x of NAV)	-3.11x
Net Exposure (EM 10Y equiv. as x of NAV)	-0.65x
Gross Exposure (EM 10Y equiv. as x of NAV)	5.57x
VaR (% NAV) [99.99% 5D]	1.63%
VaR (% NAV) [99% 1D]	0.46%
SDV01 (bp NAV)	-1.18bps

RISK SUMMARY

Annualised Vol	3.29x
Sharpe Ratio***	0.78%
Spread Duration	-1.50yrs
Average Duration	0.03yrs

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

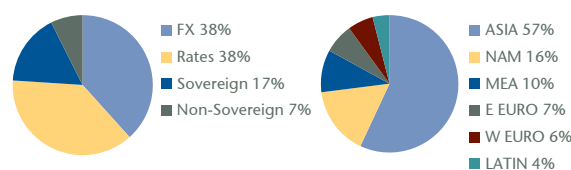
TOP 10 HOLDINGS % (Rates: EM 10Y Equiv.)

	Fund exposure as % NAV
TAIWAN Rates	32.5
AUSTRALIA Rates	28.6
CZECH REPUBLIC FX	18.0
SINGAPORE Rates	17.1
UNITED ARAB EMIRATES FX	-18.4
AUSTRALIA Credit	-19.6
EUROZONE Rates	-21.0
HONG KONG FX	-24.2
SINGAPORE FX	-36.2
UNITED STATES Rates	-56.1
Total	-79.3

No. of holdings

71

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 PRDUSAA ID
ISIN IE00BBPRCC83
SEDOL BBPRCC8
Valoren 24569124

Country Registration

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

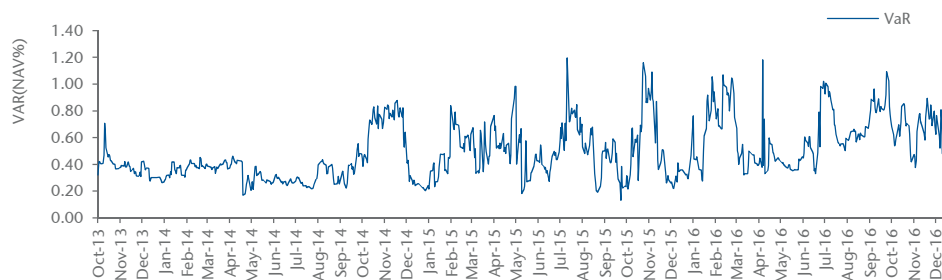
MONTH-END EM 10Y EQUIV. EXPOSURES BY COUNTRY %

Top 5 Longs	Strategy	Net Exposure (% NAV)
TAIWAN	LM Rates	32.14
CZECH REPUBLIC	FX	18.04
INDIA	LM Rates, FX	14.25
INDONESIA	FX, Sovereign	9.43
KOREA	LM Rates, FX, Sovereign	9.03
Top 5 Shorts	Strategy	Net Exposure (% NAV)
UNITED STATES	LM Rates, FX, Sovereign	-56.12
EUROZONE	LM Rates	-30.33
HONG KONG	LM Rates, FX	-24.00
SINGAPORE	LM Rates, FX, Sovereign	-19.11
UNITED ARAB EMIRATES	FX, LM Rates	-18.38

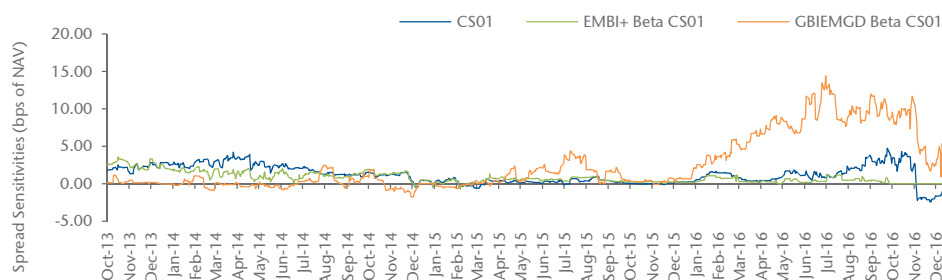
CURRENCY EXPOSURE (MV in NAV %)

	Fund Exposure as % NAV
CZK	18.04
JPY	2.72
CNH	2.31
CAD	-2.01
AUD	-2.52
ILS	-5.02
SAR	-6.11
THB	-6.13
HUF	-6.50
EUR	-9.32
AED	-18.39
HKD	-24.22
SGD	-36.18
Other	1.60
Total	-91.73

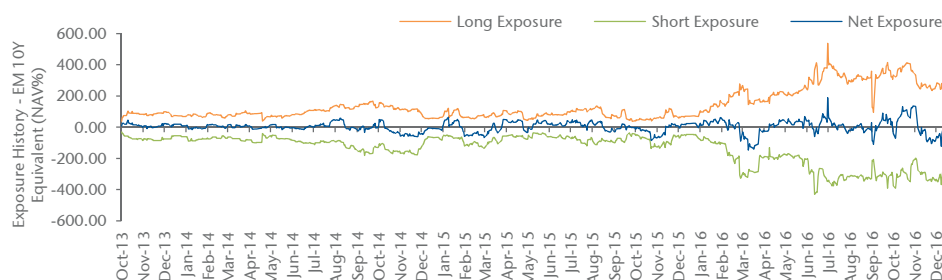
VAR HISTORY (1D 99%) - UCITS DAILY VAR LIMIT = 4.47%



SPREAD SENSITIVITY HISTORY



LONG/SHORT EXPOSURE HISTORY



FUND MANAGEMENT COMMENTARY

Market Review

December was a busy month in the markets, with political events again at the fore. Crude traded much higher after OPEC demonstrated its relevance to the oil markets, especially when there is agreement with Russia on supply management. After the Italian referendum, bank stocks rallied 20% in a short time, catching up with the reflation theme in other developed global equity markets. The fallout from the Indian demonetization continued, yet the Central Bank did not cut rates as expected. Donald Trump continued to use Twitter to stir things up in Taiwan, the South China Sea, on the Korean peninsula, and talk of border taxes which would negatively impact Mexico the most.

Monetary policy in developed markets continued to be a key driver for investors in emerging markets. Early in December, the ECB announced the beginning of the end of QE in Europe. The FOMC hiked rates for the second time since 2006, but still managed to surprise markets with penciling in more hikes to the Fed "dots" for 2017 than expected. The data continued to support this somewhat more hawkish stance.

Fund Review

Positive returns were driven by FX, in particular long USD/long vol against JPY/TRY/SGD/THB/AUD. The portfolio generated a negative return in rates, as losses on long positions in Mexico, Singapore, Thailand, and India were not fully offset by gains from shorts in Europe and the U.S. In Credit, overall returns were slightly negative, with losses from shorts in Malaysia and Australia not fully offset from gains in Brazil and Index.

Market Outlook

We believe that the Trump policy agenda will prove to be business-friendly and involve less regulation going forward. We also see it as being reflationary, but the time-frame for this is unclear. The fiscal stimulus he proposes will come in three parts. The first, a tax cut for the wealthy, is likely to be net deflationary over time as the proceeds will be mostly saved, and the borrowing resulting from this will result in higher yields. The military spending announcements will be in late summer or autumn with spending mostly in 2018. The infrastructure spend will take much longer to come to fruition. Thus, we strongly believe that the U.S. will continue to outpace much of the world in growth terms for a prolonged period. Taxation policies of a new Homeland Investment Act and a Border Tax also make us bullish on the USD going forward.

PERFORMANCE NOTE

All figures sourced by Principal Global Investors unless otherwise stated as at December 2016. 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 official NAVs. The official NAVs may vary from a performance NAV calculation based solely on month-end market close prices of assets. All figures are stated in USD unless otherwise noted. Investments do not always add up to 100% due to rounding. Past performance is no guarantee of future return. 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.

DISCLOSURE

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

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