

30 April 2021

Preferred Securities Fund - A Class Inc Units (USD)

Sub Investment Advisor

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.

Investment Advisor

Principal Global Investors, LLC

Fund Managers

Mark A. Lieb
44 Yrs Industry Exp
L. Phillip Jacoby, IV
39 Yrs Industry Exp
Manu Krishnan, CFA
17 Yrs Industry Exp
Bob Giangregorio
18 Yrs Industry Exp
Fred Diaz
29 Yrs Industry Exp
Kevin Nugent
37 Yrs Industry Exp

Investment Objective

The Fund seeks to achieve its overall objective by investing primarily in a portfolio of US dollar denominated preferred securities and debt securities, including convertible bonds and contingent convertible securities (CoCos).

Index

Bloomberg Barclays Global Aggregate Corporate USD TR Index##

Fund Facts

Fund Size	\$5,239.7m
Launch Date	27 Feb 2005
Fund Base Currency	USD
Hedging	Portfolio
Min Investment	US\$1,000
Fund Domicile	Ireland
UCITs Qualifying	Yes
Pricing	Daily
Dealing Cut off	10am Dublin 5pm Hong Kong SAR
Income Distribution	Income
Fee Structure	A Class
Preliminary Charge	max 5%
Management Fee	0.90% pa
Admin Charge	0.15% pa
Trustee Fee	Not more than 0.022% pa

Investor Minimum
Please contact Principal Global Investors

Registration*

Austria, Belgium, Denmark, Finland, France, Germany, Guernsey, Hong Kong SAR, Ireland, Italy, Jersey, Luxembourg, Macau, Netherlands, Norway, Singapore, South-Korea, Spain, Sweden, Switzerland, UAE and UK

IMPORTANT NOTE

- The Preferred Securities Fund will invest primarily in a portfolio of U.S. dollar denominated preferred securities and debt securities.
- The Fund's investments will be offered on markets listed in Appendix A to the Prospectus, although it is anticipated that the majority will be issued by U.S. issuers. Compared with a well-diversified fund, its concentration risk is relatively high and hence it might be more volatile than a well-diversified fund.
- Investment involves risk. There is no assurance on investment returns and you may not get back the amount originally invested.
- The investment decision is yours but you should not invest in this Fund unless the intermediary who sells it to you has advised you that it is suitable for you and explained how it is consistent with your investment objectives.
- You should not invest solely in reliance on this marketing material alone. You should read the Summary Prospectus and the relevant Supplement(s) before investing including the Special Investment Considerations and Risks section of the Summary Prospectus.
- In relation to A Class Income Units of the Fund, the dividends which may be distributed by such class of units may be paid effectively out of the capital of the Fund (i.e. making the distribution from gross income while charging all or part of the Fund's fees and expenses to capital), resulting in an increase in distributable income for the payment of dividends by the Fund and an immediate reduction of the net asset value per unit of the Fund. Payment of dividends effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Dividend is not guaranteed.

PERFORMANCE %

	1M	3M	YTD	1YR	3YR	5YR	10YR
Fund Cumulative Net	1.07	0.63	0.68	12.23	17.34	32.37	75.51
Cumulative Index	1.05	-2.15	-3.22	4.93	22.05	26.80	62.41
Fund Annualised Net	1.07	0.63	0.68	12.23	5.47	5.77	5.78
Index Annualised	1.05	-2.15	-3.22	4.93	6.86	4.86	4.96

Fund performance is calculated on a NAV to NAV basis. Please see performance notes for further details.

CALENDAR YEAR PERFORMANCE %

	2020	2019	2018	2017	2016
Fund Net	4.35	16.11	-5.46	9.76	4.84
Index	9.68	14.06	-2.24	6.32	5.95

FUND ANALYSIS

	Fund	Index
Average Credit Quality	Baa2	A3
Current Yield**	5.0	3.4
Yield to Worst***	2.8	2.2
Yield to Maturity#	4.8	2.2
Modified Duration	4.5	7.8

TOP 10 HOLDINGS %

	Fund
AXA S.A. 8.60 12/15/30	2.4
HSBC Capital Funding 10.176 6/30/30	2.2
Enterprise Products Oper 5.25 8/27-77	1.8
Metlife Inc. 10.75 8/1/39	1.6
Voya Financial Inc 5.65 5/23-53	1.6
Demeter (Swiss Re) 5.75 08/25-50	1.5
Enbridge Inc 6 1/27-77	1.5
Demeter (Swiss Re) 5.625 8/27-52 Reg S	1.5
Metlife Cap X 9.25 4/33-38 144a	1.4
Barclays 7.75 9/23-49	1.4
Total	16.7

No. of holdings 245

CREDIT QUALITY %

	Fund
AA or AAA	3.2
A	19.9
BBB	57.5
BB and Lower	19.4

GEOGRAPHIC ALLOCATION %

	Fund
United States	35.3
Great Britain	15.0
France	9.9
Japan	9.1
Switzerland	9.0
Canada	6.4
Netherlands	2.6
Sweden	2.4
Finland	2.2
Australia	2.0
Spain	1.9
Denmark	1.2
Ireland	1.2
Other	1.4
Cash	0.6

INDUSTRY ALLOCATION %

	Fund
Banks	44.9
Insurance	35.1
Energy	6.7
Utilities	5.3
Treasuries	2.6
Financials	1.8
Industrials	1.3
REITs	1.0
Telecommunications	0.9
Other	0.0
Cash	0.6

Fund Codes

Income Units:

Bloomberg	PRIIFS1 ID
ISIN	IE00B067MS69
Lipper	60015003
SEDOL	B067MS6
Valoren	2079429
WKN	AOD8HO

FUND MANAGEMENT COMMENTARY

Market Review

We had a strong month for Preferreds and Jr. subordinated capital securities as the fiscal spending/vaccination/re-opening dynamic continued to foster higher equity valuations and tighter spreads combined with the U.S. Treasury market taking a breather with rates consolidating here at higher levels and moving lower for the period. Rates on 10s and 30s moved lower by 11 bps. The ICE BofA US Investment Grade Institutional Capital Securities Index (CIPS) returned 1.45% and the \$25 par ICE BofA Fixed Rate Preferred Securities Index (POP2) 0.88%. The ICE BofA US All Capital Securities Index (IOCS) that includes below investment grade preferreds returned 1.29%. European bank equity continued to rally in April with the SX7E index returning 4.69% as investors are recognizing the discounted price-to-book values in European banks. The AT1 Cocos sector performed well returning 1.26% (CDLR: ICE BofA USD Contingent Capital Index).

The strength in equity markets were reinforced by strong Q1 earnings numbers. Specifically, U.S. and European banks had a strong earnings seasons. The credit conditions for the financials that we invest in continue to be strong. The best value continues to be in AT1 Cocos and the new issue \$1000 par US Preferred securities sector.

Fund Review

AT1 Cocos contributed. Insurance hybrids that have a longer duration profile benefitted from falling rates. The legacy Tier1 bonds rallied. The midstream/pipeline names performed well.

Cash, U.S. Treasury, and senior debt were underperformers in a period where long duration bonds rallied strongly. Japanese life insurance bonds were relative underperformers given their tight spreads and low duration. The trust preferred floaters relatively underperformed.

Market Outlook

We continue to remain constructive on AT1 Cocos given our favorable view on European bank credit for 2021 and the duration profile of the Cocos index. We had a number of calls in AT1 Cocos resulting in increased cash levels as of last month end, which we put to work by buying AT1 Cocos. We were focused on adding bonds with high back-end spreads and shorter call terms. We continued to add to non-financial diversification.

PERFORMANCE NOTE

From December 2018, the performance data shown is based upon the Fund's official Net Asset Value (NAV) prices. The performance data shown is net of fees and other charges but excludes any potential entry/exit charges- as such the return an investor receives may be lower. Prior to 31st December 2018, the data performance calculations reflect the month-end market close prices of the Fund's assets. After 1 January 2019, the performance data shown is based upon the Fund's Net Asset Value (NAV) prices of the last Irish business day of the month. For Funds not open for dealing on this day this will be an indicative NAV. As a result, it is possible that the stated performance and the actual investment returns available to investors will differ. The performance information reflects the performance of the A Class income units. Periods over one year are annualised. Investors should obtain their own independent tax advice. ##The following performance comparators were used for the Fund between the dates specified: Inception to 30 September 2008, Lehman Aggregate Index or BofA Merrill Lynch Preferred Stock Index; 1 October 2008 to 31 March 2011, 65% BofA Merrill Lynch Fixed Rate Preferred Securities Index and 35% Barclays Capital CapSec Tier 1 Index; 1 April 2011 to 28 February 2014, 50% BofA Merrill Lynch Fixed Rate Preferred Securities Index and 50% Barclays Capital CapSec Tier 1 Index; and 28 February 2014 to 29 September 2018, 50% BofA Merrill Lynch Fixed Rate Preferred Securities Index and 50% BofA Merrill Lynch US Capital Securities Index. On 30 September 2018, the performance comparator for the Fund changed to the current Index and on that date the index returns presented in this factsheet from inception of the Fund were amended to solely show those of the current index. Index returns for the other indices will be provided upon request. The inception date of the fund is 22 April 2003; not all share classes may be available to all investors. Performance since the inception of the fund is available on request. Outperforming the Blended Index is not specifically included in the objective of the Fund, and the figures shown in the table are provided as a comparison only. The methods of calculation of performance may not be identical. The source of performance is based on the current Advisor, Principal Global Investors, LLC. Past performance is not indicative of future performance. **Current Yield is the annual interest earned on the underlying bonds divided by the market price of the underlying portfolio of bonds. The figure is not the dividend yield received by the investors and is subject to change depending on the underlying portfolio of bonds. ***Yield to Worst is the lowest potential yield that can be received on a bond without the issuer actually defaulting. The yield to worst is calculated by making the worst-case scenario assumptions on the issue. #Yield to Maturity is a concept used to determine the rate of return an investor will receive if a long-term, interest-bearing investment, such as a bond, is held to its maturity date. Please note that this is not the return or dividend to be received by investors in the fund. Credit Quality refers to the credit ratings for the underlying securities in the Fund as rated by Standard & Poor's or Moody's Investors Service, and typically range from AAA/Aaa (highest) to C/D (lowest). If Moody's and S&P assign different ratings, the higher rating is used. Ratings methodologies and individual ratings can change over time. All figures shown in this document are in U.S. dollars unless otherwise noted.

DISCLOSURE

*Where applicable: In Singapore, the Fund is registered as a Restricted Scheme and in Italy for Qualified Investors only. 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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This document has not been reviewed by the Securities and Futures Commission.

Contact Us

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