

# High Yield Fund - Hong Kong Dollar D2 Class Income Units

30 September 2020

## Investment advisor

Principal Global Investors, LLC ("PGI")

Principal Global Fixed Income is a specialized investment management group of Principal Global Investors which is located across various investments locations. It has expertise across all major fixed income sectors and security types, but with signature capability in managing credit strategies.

## Fund managers

**Mark Denking, CFA**  
30 Yrs Industry Exp

**Darrin Smith, CFA**  
29 Yrs Industry Exp

**Joshua Rank, CFA**  
20 Yrs Industry Exp

## Performance (%)

	1M	3M	YTD	1YR	3YR	5YR	SI
Fund Cumulative Net	-1.02	4.00	-1.10	0.40	-	-	6.97
Index Cumulative	-0.98	4.14	0.32	3.21	-	-	9.56
Fund Annualised Net	-1.02	4.00	-1.10	0.40	-	-	4.18
Index Annualised	-0.98	4.14	0.32	3.21	-	-	5.70

## 12-month rolling return (%)

Oct 15 - Sep 16	Oct 16 - Sep 17	Oct 17 - Sep 18	Oct 18 - Sep 19	Oct 19 - Sep 20
-	-	-	-	0.40

## Risk analysis

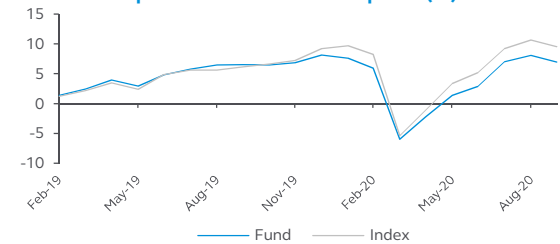
	1YR
Information Ratio	-1.4
Alpha	-2.6
Tracking Error	2.0
Standard Deviation	13.5
Beta	0.9

Past performance is not a reliable indicator of future performance.

Source: Fund Administrator: BNY Mellon Fund Services (Ireland) DAC since February 2011, performance data prior to this date is sourced from PGI and/or its affiliates; and the Index.

Data: 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 December 2018, the performance data shown is based upon the Fund's month-end market close prices. (See performance note for important information.)

## Cumulative performance since inception (%)



## Fund analysis

	Fund	Index
Average Credit Quality	BB-	BB-
Current Yield	5.6	5.9
Yield to Worst	5.4	5.8
Yield to Maturity	5.7	6.0
Option Adjusted Duration (Years)	3.8	4.0

Any yields quoted on the fact sheet are calculated at portfolio level gross of tax and expenses.

- 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.

## Index

ICE BofA Global High Yield Hong Kong Dollar Hedged Index\*

## Fund facts

Fund size	HKD 1,679.5m
Base currency	USD
Fund domicile	Ireland
UCITS qualifying	Yes
Pricing	Daily
Dealing	10am Dublin 5pm Hong Kong SAR

## Unit class facts

Launch date	08 Feb 2019
Currency	HKD
Hedging	Portfolio
Minimum investment	US\$1,000
Management fee(s)	0.65% pa
Income distribution	Income
Distribution frequency:	

## Top 10 holdings (%)

	Fund
Petrobras Global Finance Bv	1.7
Dell International Llc / Emc Corp	1.0
Voya Financial Inc	0.9
Post Holdings Inc	0.9
Upc Holding Bv	0.9
Centene Corp	0.8
Jpmorgan Chase & Co	0.8
Ssl Robotics Llc	0.8
Silgan Holdings Inc	0.8
Transdigm Inc	0.7
<b>Total</b>	<b>9.4</b>

No. of holdings

342

## Credit quality (%)

	Fund	Difference
AAA	4.1	4.1
BBB	4.1	3.2
BB	41.7	-17.1
B	35.9	6.2
CCC and Below	13.5	3.0
Not Rated	0.7	0.7

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. Credit Quality: AAA includes cash.

## Geographic allocation (%)

	Fund	Difference
United States	71.3	17.2
Canada	4.2	1.4
Great Britain	3.9	0.5
Netherlands	3.4	1.8
Germany	3.2	0.5
Italy	3.0	-0.7
Brazil	1.7	-2.3
Luxembourg	1.3	-0.4
Greece	1.0	0.8
Switzerland	1.0	0.8
United Arab Emirates (The)	0.8	0.5
Sweden	0.8	0.1
France	0.7	-2.3
Other	3.9	-17.8

## Industry allocation (%)

	Fund	Difference
Basic Industry	10.7	0.5
Energy	9.8	-3.5
Healthcare	9.7	2.8
Capital Goods	8.5	2.9
Telecommunications	8.1	1.0
Media	8.0	1.4
Financial Services	5.5	1.1
Leisure	4.9	0.4
Retail	4.5	0.4
Automotive	4.0	-1.3
Services	4.0	0.4
Technology & Electronics	3.6	0.2
Consumer Goods	3.5	-1.0
Banking	2.8	-3.6
Real Estate	2.7	-4.5
Transportation	2.2	-0.1
Utility	1.3	-2.2
Insurance	1.3	0.2
Asset Backed	0.7	0.7
Cash	4.1	4.1

Source: Principal Global Investors and/or its affiliates and the Index. Certain analytics powered by Aladdin® by BlackRock®, BlackRock® and Aladdin® are trademarks and service marks of BlackRock, Inc. and its affiliates (collectively, "BlackRock"). BlackRock owns all proprietary rights in the marks and in the Aladdin® by BlackRock® services. BlackRock neither approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom. Data: This data/analysis is not sourced from the Fund's official record. It is based upon data from the internal systems of Principal Global Investors and/or its affiliates. Performance shown in this section is gross which does not take into account any fees or other charges which, if taken into account, would reduce the figures shown.

**Fund codes**

ISIN IE00BD5DJB82  
SEDOL BD5DJB8

**Registration**

Austria, Belgium, Chile, Denmark, Finland, France, Germany, Guernsey, Hong Kong SAR, Ireland, Italy, Jersey, Luxembourg, Netherlands, Norway, Singapore, Spain, Sweden, Switzerland and UK

Not all unit classes are registered in the listed countries, please contact your sales representative for more details. In Italy, the Fund is registered for Qualified Investors only and in Singapore, the Fund is registered as a Restricted Scheme for institutional investors and relevant persons defined in the SFA.

**Fund management commentary****Market Review**

Despite the pullback in equities, notably technology stocks, and high levels of new issue activity, high yield spreads were range-bound in early September. However, as the month progressed high yield spreads widened and risk assets sold off, as uncertainty grew with the continued rise of COVID-19 cases in Europe, and concerns over the chances of a second United States stimulus package. The ICE BofAML Global High Yield Index USD-hedged returned -1.00%, with BBs, Bs, and CCCs returning -1.20%, -0.91% and -0.01% respectively. When breaking returns down by local currency, the Great Britain pound outperformed with a -0.21% return, while the euro and U.S. dollar returned -0.61% and -1.14% respectively. The best performing industries were energy, real estate, and financial services. In contrast, the worst performing industries were leisure, capital goods, and basic industry.

**Fund Review**

Security selection positively impacted returns. Sector allocation outperformed due to an underweight to energy, and an overweight to capital goods. This was somewhat offset due to underweight to banking.

**Market Outlook**

Our base-case is for spreads to stay range-bound for the time being, with a year-end forecast of 500 for U.S. and global high yield spreads. Our range-bound expectation for spreads is based on ongoing monetary support from central banks and the continued global hunt for yield, offset somewhat by mixed fundamentals. However, we do see a possibility for heightened volatility with several key risks on the horizon. From a bottom-up perspective, we continue to diligently follow our investment process by focusing on buying issuers with improving fundamentals and limited refinancing needs. Security selection remains paramount, as we continue to focus on issuers' exposure to the lasting impacts of the COVID-19 crises and the risk of exposure to a potential second wave. From a ratings perspective, we see the best value in BB and B-rated credits.

We continue to incorporate our dynamic ESG and data science AI initiatives into our fundamental research. These initiatives represent the continual evolution of our high yield investment process. These proprietary tools have allowed us to test our investment biases and have highlighted unique investment opportunities while expanding efficiencies.

**Risk warnings**

- The market value of debt securities is affected by changes in prevailing interest rates and the Fund may be exposed to credit risk by investing in debt securities.
- There are default and liquidity risks associated with investment in high yield securities and in below investment grade securities.
- The ability to trade REITs in the secondary market can be more limited than other stocks.
- Default risk and liquidity risk associated with investment in below investment grade securities.
- This unit class is unhedged. Unhedged unit classes are exposed to greater risk and volatility. Please note the fund does have hedged unit classes available.

**Performance note**

\*Index disclosure: The Fund is actively managed and aims to outperform the ICE BofA Global High Yield Hong Kong Dollar Hedged Index\* (the "Index"). The portfolio manager may reference the Index as part of the investment management process, and it is also considered as part of the investment risk monitoring process. However, the portfolio manager maintains full discretion to select investments for the Fund in line with the above investment policy.

This document presents the performance of this particular unit class of the Fund from the date of inception of the unit class in its unit class currency, as specified on the front page. Performance since inception date of the Fund, which precedes the inception date of the unit class, is available upon request.

Prior to December 2018, the performance data shown is not based upon the Fund's official Net Asset Value ("NAV") prices. The performance calculations reflect the month-end market close prices of the Fund's assets, whereas the actual performance investors receive reflects the official NAVs at which they trade the Fund which are calculated at the Fund's Valuation Point. As a result, it is possible that the stated performance and the actual investment returns received differed.

For income unit classes, returns are measured on a total return basis i.e. net investment income plus capital gain or loss from investment.

The performance data shown is net of fees and other charges but excludes any potential entry/exit charges – as such the returns an investor receives may be lower.

**Disclosure**

Principal Global Investors ("PGI") is the asset management arm of the Principal Financial Group, and includes (amongst other entities): Principal Global Investors LLC ("PGI LLC"), Principal Global Investors (Europe) Limited ("PGIE") and any Sub-Advisers to the Fund. PGIE has been appointed as Distributor for the Fund and has identified that the Fund is compatible with the needs, characteristics and objectives of both institutional and retail investors. Please note however that PGI does not distribute directly to retail investors who should seek independent investment advice before deciding whether the fund in question is suitable to meet their investment needs and objectives.

Full details of the risks associated with investing in the Fund are detailed in the Fund Prospectus, Supplement and Key Investor Information Document ("KIID"). All fees and charges related to the Fund may not be contained within this document. Information regarding the costs and charges associated with the Fund is provided in the MiFID II ex-ante disclosure. These documents are available on our website at [principalglobal.com](http://principalglobal.com) and you are advised to read them before investing so you can make an informed decision about whether to invest. Any person selling or advising you about the Fund may charge you additional costs and you should request information about those costs and charges from that person.

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. It should not be construed as investment advice. There is no guarantee that the investment objective of the Fund will be achieved. Commentary is based on current market conditions, there is no assurance that such events or projections will occur and actual conditions may be significantly different. Expressions of opinion and predictions within this document are accurate as of the date of issuance and subject to change without notice. Reference to a specific investment or security does not constitute a recommendation to buy, sell or hold such investment or security, and is provided for illustrative purposes. Percentages do not always add up to 100% due to rounding.

The Fund may offer different unit classes which may be subject to different fees and expenses (which could affect performance) and may not be available to all investors.

Where the Fund offers hedged unit classes, returns of such unit classes may diverge from that of unit classes denominated in the base currency of the Fund and the hedged unit class currency.

The figures published are for information purposes only and provide details of the performance of a comparable index. The method of calculating performance may differ between the Fund and its index. Further, it is not possible to invest in an index.

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Disclosure for Singapore: The Fund is a restricted scheme in Singapore, it is not authorised or recognised by the MAS and the units in the Fund are not allowed to be offered to the retail public. The Fund is available only to: 1) Institutional Investors under Section 304 of the Securities and Futures Act ("SFA"); and 2) persons within the meaning of "relevant persons" defined in Section 305 of the SFA and in accordance with the conditions of, any other applicable provisions of the SFA. Mandatory Disclosure for the DIFC: Module 4.6.5.(d) - The DFSA has no responsibility for reviewing or verifying any prospectus or other documents in connection with this financial product. It has not approved this document or any other associated documents nor taken any steps to verify the information set out therein. The document is intended for sophisticated institutional and professional investors only in the DIFC and is delivered in on an individual basis to the recipient only and should not be passed on or otherwise distributed to any other person or organization. Disclosure for Switzerland: Where the Fund is registered in Switzerland, the name of the Swiss representative is ACOLIN Fund Services AG, Leutschenbachstrasse 50, CH-8050 Zurich. This is an advertising document. The name of the Swiss paying agent is Banque Cantonale de Genève, 17, quai de l'île, 1204 Geneva. Investors can obtain free of charge the prospectus, trust deed, the prospectus, the key investor information document (KIID), and the annual and semi-annual reports from the representative in Switzerland.

**Important information**

The Investment Objective as stated in this document is a summary, please refer to the supplement for full details of the Investment Objective and Policy of the Fund.

On 31 December 2014, the performance comparator for the Fund changed to the current Index from Merrill Lynch Global High Yield Index (the "Prior Index"). Prior to that date, index returns show those of the Prior Index. The two methods of calculation of performance may not be identical.

**Contact us**

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