

Unit Trust

Principal Global Technology Fund

Why this fund?

- Invests into key secular themes within the dynamic technology sector
- Global exposure with diversification across market capitalisation
- Long-term outperformer, top 2 quartile performance across 3 and 5 years

What is this fund all about?

- **Tapping on powerful secular trends in the tech sector:** The fund invests into high quality companies with potential to produce superior and sustainable revenue, earnings and cash flow growth. The portfolio manager focuses on growth opportunities in digital transformation theme, with sub-themes such as cloud computing, artificial intelligence, e-commerce, digital payments, analytics, Internet of Things and IT security.
- **Relevant universe to capture growth:** The strategy embraces a broader definition of 'Technology', which includes investing in innovative companies that are creating, implementing or commercializing new technologies that are used to enhance productivity or create new services.
- **Diversified exposure to technology themes:** Although 80% of the portfolio is invested in US companies, most of these firms are global and have diversified revenue streams that are not entirely dependent on the US economy. The fund also invests into opportunities in Emerging Markets such as China, given the strong tailwinds of consumer demand and technological innovation.

What is the key risk?

The fund concentrates investments in equities of technology companies and this could increase the potential for volatility and risk of loss, especially in periods of pronounced market volatility in this segment. Exposure to small and mid-cap stocks can result in higher short-term volatility and may carry liquidity risk.

Performance contributors

	MTD contributors	MTD detractors
Sector	<ul style="list-style-type: none"> • Underweight in Systems Software • Movies and Entertainment • Underweight in Technology Hardware, Storage and Peripherals 	<ul style="list-style-type: none"> • Internet and Direct Marketing Retail • Interactive Media and Services • Data Processing and Outsourced Services
Stock	<ul style="list-style-type: none"> • Underweight in Microsoft • Underweight in Apple • Roku 	<ul style="list-style-type: none"> • Alibaba • Tencent • Amazon.com

What the Target Fund Manager says

Global equity markets bounced back sharply during November 2020. Many investors turned bullish as the month progressed as uncertainty around the US elections lessened and progress on potential COVID-19 vaccines was reported. The vaccine news helped broaden the bull market to include some of the most pandemic-challenged businesses (including airlines and oil producers), despite concerns rising coronavirus infection rates could lead to renewed lockdowns that would stall economic recoveries. Against this backdrop, the information technology and communication services sectors ranked in the middle amongst the 11 major equity sector groups. As the fund heads into the final weeks of 2020, the key risks it is monitoring include the contentious US-China trade situation, as there seems to be no let-up in ongoing tensions. The situation became even more challenged in the latter half of 2020 as the Trump administration imposed new licensing restrictions, which is creating incremental challenges for key suppliers across the semiconductor and semiconductor capital equipment industries.

Technology regulation is another area of concern; in particular, the fund is paying close attention to China's latest antitrust rules for domestic tech companies such as Alibaba, as well as US and European Union investigations into the business practices of key digital leaders including Alphabet (Google), Amazon, Facebook and Apple.

PERFORMANCE (%)

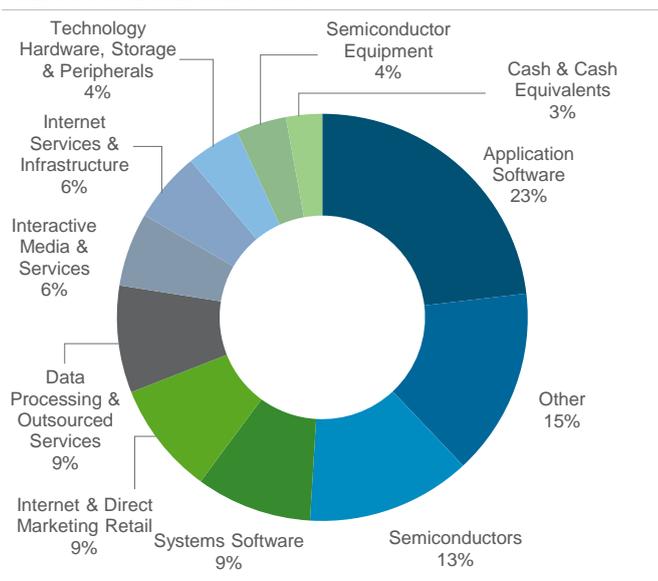
	2020	2019	3Y (ann.)
Principal Global Technology Fund	55.12	37.51	-
MSCI World Information Technology	43.78	47.55	21.41

Source: Morningstar. Performance in USD NAV-to-NAV with dividends reinvested.

TOP 10 HOLDINGS

Amazon.Com Inc	4.9%
Microsoft Corp	4.5%
Apple Inc	4.3%
Alibaba Group Holding Ltd	4.0%
Nvidia Corp	2.7%
Paypal Holdings Inc	2.6%
Servicenow Inc	2.6%
Mastercard Inc	2.5%
Workday Inc	2.5%
Tencent Holdings Ltd	2.4%

SECTOR BREAKDOWN



KEY FUND CHARACTERISTICS

Target Manager Name	Jonathan Curtis
Benchmark	MSCI World Information Technology
Standard Deviation (3 Yr)	21.54%
Sharpe Ratio (3 Yr)	1.40
Product Risk Rating	5

All data are extracted from the target fund as of 31-December-2020 unless otherwise stated.

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