

Unit Trust

Principal Next-G Connectivity Fund

Why this fund?

- Gain exposure to the long term winners of the 5G technology race
- Focused on companies with meaningful earnings growth from 5G deployment
- Managed by industry expert with unique insights to the emerging opportunities in 5G

What is this fund all about?

- **Invests in the building block of the future:** 5G connectivity is the building block that links and enables the new wave of innovations, including Internet of Things (IoT), Robotics, Artificial Intelligence and Autonomous Vehicles. Investing in this building block allows investors to benefit from the explosive growth in the demand for faster and more reliable data transmission.
- **Capture the winners in the emerging 5G ecosystem:** The fund invests into 3 sub-themes: 1) Network Infrastructure, 2) Internet of Things (IoT) Devices and 3) Applications & Services. The 5G investment universe is expected to grow meaningfully as governments and corporates race to roll out their 5G networks in the near term. The strategy seeks to capture these emerging opportunities by identifying the winners of this 5G proliferation.
- **Differentiated holdings with small and mid-cap hidden gems:** The fund is focused on companies that will derive a large portion of its future earnings growth by 5G. Investing in 5G enablers and beneficiaries could also include non-tech names that are benefitting from 5G trends, like connected healthcare, materials, and mobile insurance. This results in a broader, diversified portfolio with minimal overlaps with the mainstream technology funds.
- **Strong research team led by PM with expert industry knowledge:** The Lead PM, Yan Taw (YT) Boon, has industry experience working as a microprocessor designer before transitioning to investment related roles with Credit Suisse and Neuberger Berman. He is supported by a strong team of research analysts, which include 4 thematic research analysts with average c. 20 years of experience, and a wider team of 40+ global professionals.

What is the key risk?

This fund is primarily exposed to stock selection specific risks. Exposure to small and mid-caps can result in higher short-term volatility and may carry liquidity risk. The fund invests in global equities, hence is also exposed to country specific (i.e. political, growth) and currency risks.

Performance contributors

	MTD contributors	MTD detractors
Sector	<ul style="list-style-type: none"> • No contributors 	<ul style="list-style-type: none"> • No detractors
Stock	<ul style="list-style-type: none"> • Farfetch • II-VI • Murata 	<ul style="list-style-type: none"> • Alibaba • Cellnex

What the target manager says

The fund continues to see acceleration of 5G network deployment and early stages of 5G smartphone adoption driven by stronger demand for better connectivity post COVID-19. While the market may be concerned about geopolitical tensions, innovations in 5G and the global race to be 5G-ready continue to take shape. The fund believes the 5G ecosystem is bifurcating into two and it is able to tap into the investment opportunities of the two ecosystems. In addition, the resurgence of COVID-19 in some regions has accelerated the trends of working from home, online education, ecommerce and connected health. As 5G smartphones are ramping up in 4Q20 and 2021, the fund is focused on identifying opportunities in IoT Devices. In particular, it believes the new 5G iPhone will drive telecom carriers globally to accelerate 5G network upgrade. The fund is also excited

about next generation applications such as live-streaming e-commerce and connected logistics that will benefit from 5G proliferation. The fund initiated a new position in a leading fabless RF semiconductor supplier in China which has 30% global volume share in RF switches. The company benefits from strong 5G smartphone ramp up as well as import substitution trends in China. It is also expanding its product lineup to include RF sub-modules that will enable faster earnings growth in 2021-22. The fund also initiated a small position in a leading telecom network equipment provider in Finland. It believes risk-reward has become attractive following guidance reset and the company is gaining market share as a result of Huawei's share loss in Europe and some Asian countries. The fund believes the company will gradually turnaround over the next 12-18 months as it continues to improve its product portfolio and streamline its operations.

PERFORMANCE (%)

	2020*	3Y (ann.)
Principal Next-G Connectivity Fund	-	-
Neuberger Berman 5G Connectivity Fund[^]	54.60	-

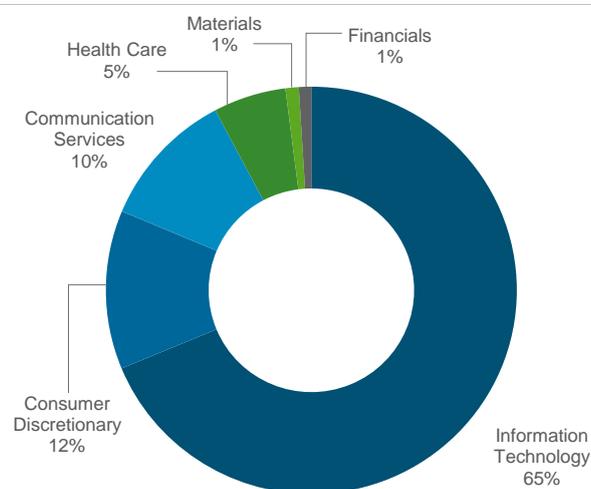
Source: Morningstar. Performance in USD NAV-to-NAV with dividends reinvested. *Since fund inception on 4th May 2020.

[^]Neuberger Berman 5G Connectivity Fund is the target fund underlying of Principal Next-G Connectivity Fund which was incepted on 4th May 2020.

TOP 10 HOLDINGS

Keysight Technologies Inc	3.6%
Qorvo, Inc.	3.3%
Zendesk, Inc.	3.2%
Universal Display Corporation	3.2%
JD.com, Inc. Class A	3.2%
Analog Devices, Inc.	3.2%
T-Mobile US, Inc.	3.0%
Lam Research Corporation	2.9%
II-VI Incorporated	2.9%
Farfetch Limited Class A	2.8%

SECTOR ALLOCATION



KEY FUND CHARACTERISTICS

Target Manager Name	Yan Taw (YT) Boon, Hari Ramanan, Tim Creedon
Benchmark	MSCI All Country World
Standard Deviation (3Yr)	NA
Sharpe Ratio (3Yr)	NA
Product Risk Rating	5

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

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