Principal Asset Management®

Portfolio Consulting Team

Portfolio Intelligence

July 2026

Market signals, hidden exposures, and emerging opportunities

A key function of our Portfolio Consulting Team is to monitor portfolios to identify trends in asset flows and positioning. While headlines remained focused on mega-cap technology stocks, our research identified other factors shaping and impacting portfolios today.

In the July edition of our *Portfolio Intelligence* report, we explore three important questions facing investors:

1. Are portfolios still missing one of 2026's strongest equity trends?
2. Is fixed income positioned for current market conditions?
3. Are we seeing a precious metals "gold rush" or a flashing risk signal?

Portfolio analysis with clarity and precision

Partner with the Portfolio Consulting Team at Principal Asset Management to gain objective, data-driven insights that can strengthen your investment process and enhance client conversations. Our advanced risk analytics help you identify potential portfolio vulnerabilities through comprehensive stress testing and product-agnostic risk assessments with a focus on active risk.

Whether you're evaluating existing portfolios or building new investment models, our team works alongside you to develop solutions aligned with your investment philosophy, preferred holdings, and clients' goals. We help simplify complex portfolio analysis, saving you time while providing actionable insights that support more informed decision-making.

Are portfolios still missing one of 2026's strongest equity trends?

For the 12 months ending in June, international stocks returned 28%, versus 22% for U.S. stocks.[*1] Indeed, for our 18-month research period, international stock returns far outpaced those of U.S. stocks.[*1]

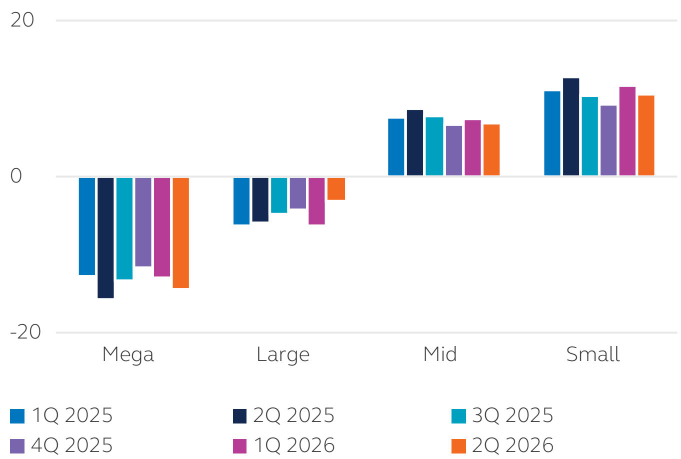
International stocks outperformed—so why are portfolios still underweight?

With some consistency, portfolios in our research universe reflected an underweight to mega-cap stocks, which are largely concentrated in the U.S. market. Relative to the MSCI ACWI, our analysis showed a linear relationship—as market cap *decreased*, the weighting in portfolios *increased*. Driven by a combination of flows and returns, this positioning remained fairly consistent over our 18-month research period.

Underweights to large- and mega-cap stocks detracted from performance in 2025 but paid off in the first half of 2026 as small- and mid-cap stocks outperformed by a wide margin. This positioning across market cap appears to be strategic given its staying power.

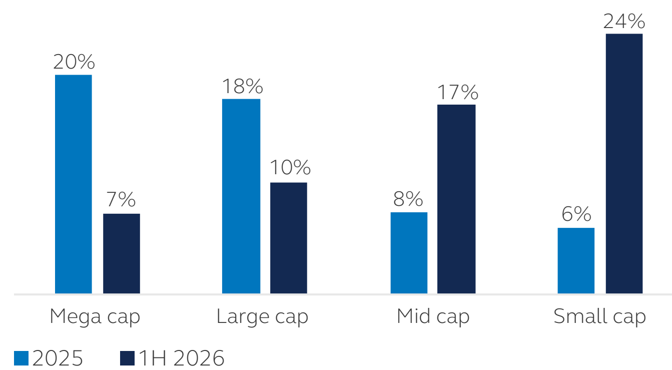
At the same time, portfolios continue to be overweight U.S. stocks relative to international stocks. While about 37% of global equities (represented by MSCI ACWI) are domiciled overseas, equity positions reflect a strong bias towards the U.S. despite a resurgence in the performance of non-U.S. stocks. *Indeed, over the past 18 months, international stock (represented by the MSCI ACWI ex USA) returns far exceeded those of U.S. stocks generally and the Mag 7 specifically.*

Cap weight | % portfolios versus ACWI



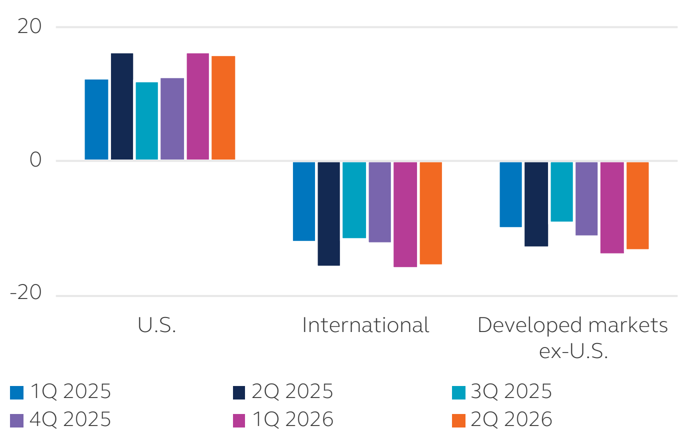
Source: Portfolio Consulting Team, Morningstar Direct. Data as of 06/30/2026 and based on an analysis of more than 700 portfolios from 01/01/2025-06/30/2026.

Total returns



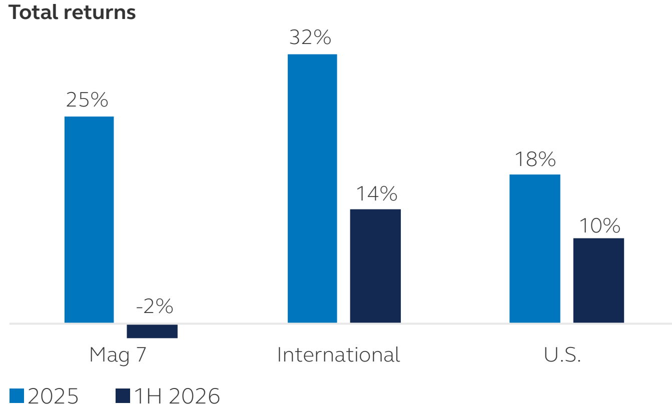
Source: Portfolio Consulting Team, Morningstar Direct. Data as of 06/30/2026 and based on an analysis of more than 700 portfolios from 01/01/2025-06/30/2026. 2025 (01/01/2025-12/31/2025), 1H 2026 (01/01/2026-06/30/2026). Mega cap (S&P 100 Index), Large cap (The S&P 500®), Mid cap (The S&P MidCap 400®), Small cap (The S&P SmallCap 600®).

Geographic exposure | % porfolios versus ACWI



Source: Portfolio Consulting Team, Morningstar Direct. Data as of 06/30/2026 and based on an analysis of more than 700 portfolios from 01/01/2025-06/30/2026.

Total returns



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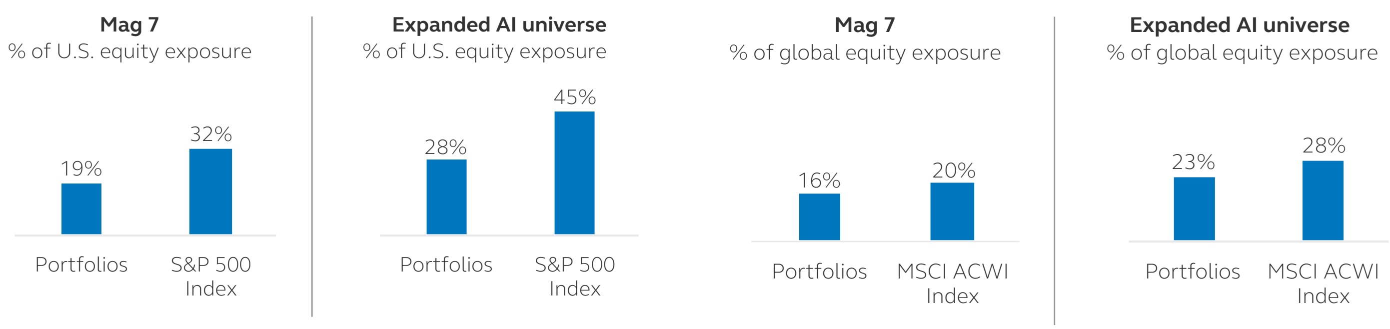
Do portfolios have more AI exposure than we think? The reference point matters.

If we look deeper within the U.S. equity allocation of portfolios, relative to the S&P 500, we see a meaningful underweight to both the Magnificent 7 (Mag 7)*[2] and a broadly defined set of 42 AI-related stocks.*[3]

However, when considering global equity exposure, our data shows only a 4% underweight (16% to 20%) to the Mag 7 and a 5% underweight (23% to 28%) to AI stocks. The data confirms what we hear anecdotally—exposures within U.S. equity and international allocations are created separately. As a result, today we see *underweights* to Mag 7 and mega-cap tech stocks within a U.S. equity allocation being mostly offset by the *overweight* to U.S. stocks.

The question may not be whether clients have AI exposure—but whether that exposure aligns with their intended risk profile and investment objectives.

U.S equities **Global equities**

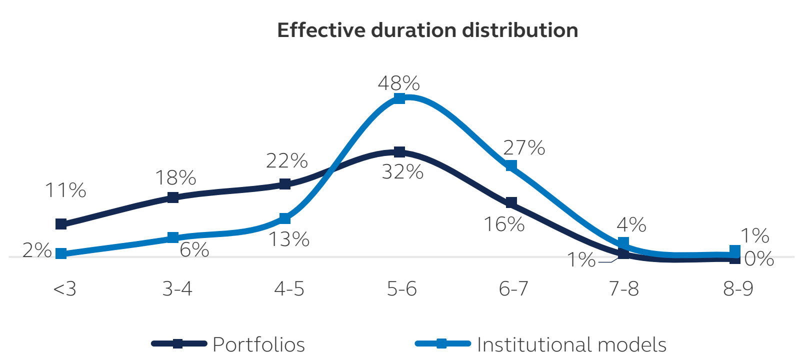


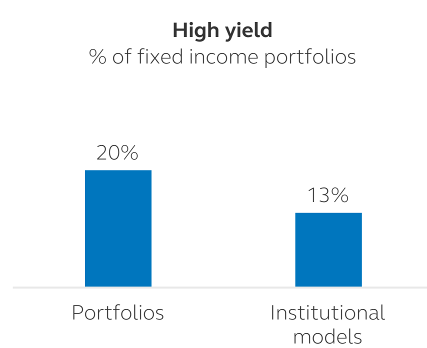
Source: Portfolio Consulting Team. Data as of 06/30/2026 and based on an analysis of more than 700 portfolios from 01/01/2025-06/30/2026.

Is fixed income positioned for current market conditions?

Fixed income positioning in our research universe of portfolios differs notably from that of institutional model providers. Institutional models are, on aggregate, longer in duration and significantly higher in overall credit quality. While extending duration today may boost yield, it also increases the potential for losses should rates increase.

Institutional model providers typically take a conventional approach to fixed income, with duration similar to the aggregate index and modest exposure to high yield credit. In contrast, portfolios generally have more high yield exposure and shorter duration. The institutional model approach is considered a traditional way to hedge equity exposure. *Investors may, on aggregate, have a more optimistic view of credit markets and/or a stronger preference for total return opportunities within fixed income allocations.*

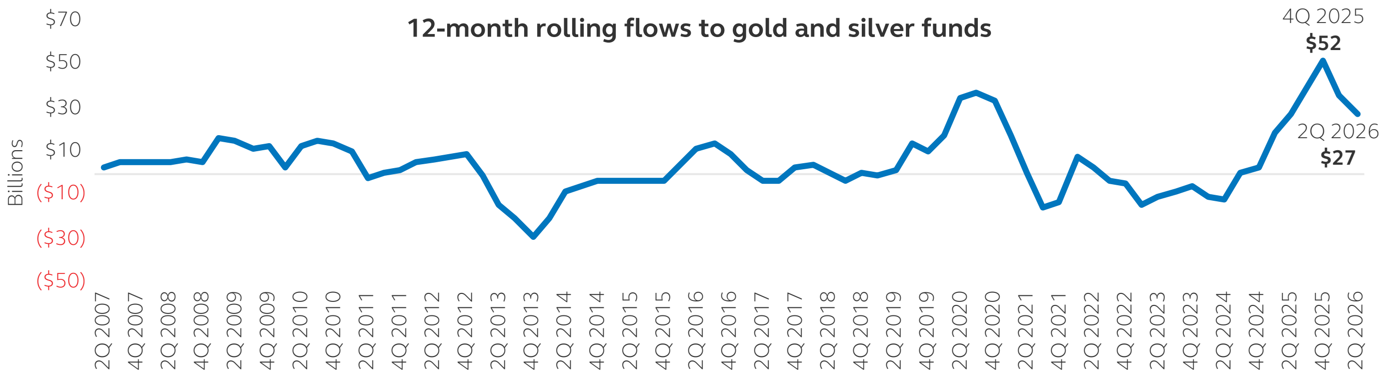




Source: Portfolio Consulting Team. Data as of 06/30/2026 and based on an analysis of more than 700 portfolios from 01/01/2025-06/30/2026.

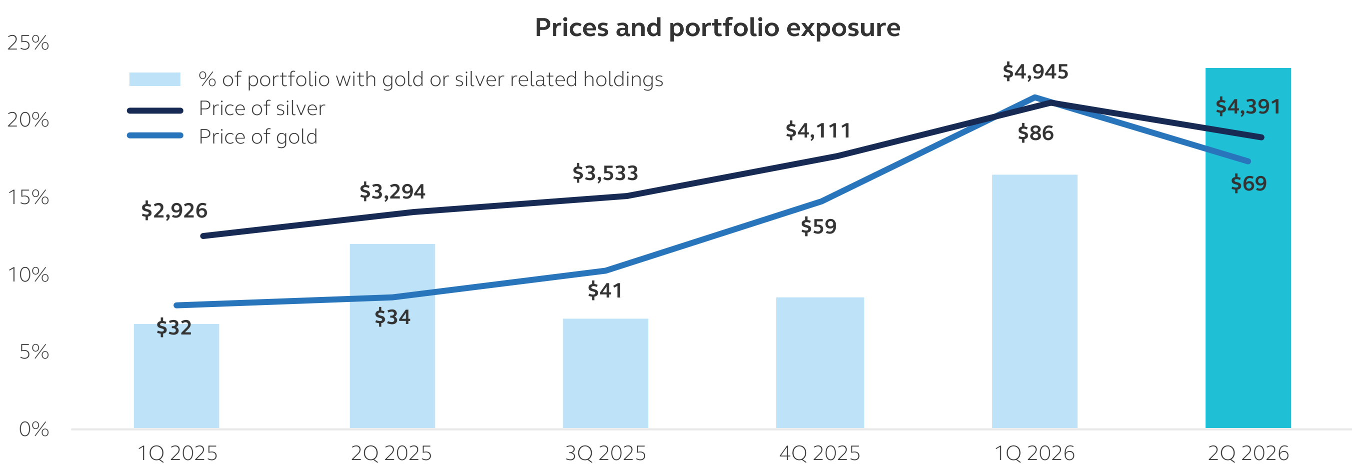
Are we seeing a precious metals "gold rush" or a flashing risk signal?

Inflation fears drove gold and silver prices to record highs in late 2025, with subsequent declines as sentiment changed in 2026. Asset flows followed the same pattern. Gold- and silver-related funds netted record inflows of $52 billion for the 12 months ending December 2025, but only $27 billion in net flows for the 11 months ending May 2026, using the latest data available.



Source: Morningstar. Flows into gold- and/or silver-related funds or ETFs 06/2007-05/2026.
NOTE: 2Q 2026 data ends in May 2026, June data not available at time of publication; 2Q 2026 is not a full 12 months.

The number of allocations to gold- and silver-related holdings also closely tracked spot prices throughout 2025—as gold and silver rose, more portfolios added exposure. This pattern suggests portfolios were allocating tactically. Interestingly, even though gold and silver prices retreated in 2Q 2026, the number of portfolios allocating to those assets continued to rise. *If gold and silver spot prices continue to fall, the trade will increasingly be viewed as strategic rather than tactical*.



Source: Portfolio Consulting Team. Data as of 06/30/2026. Average prices based on market close.

We will continue to monitor these issues and others, identifying emerging trends and providing data-driven insights into portfolio positioning, asset flows, and market developments.

Harness the full potential of portfolios

Markets evolve, and portfolios must evolve with them. Whether you're interested in a one-time portfolio analysis or recurring consultations, we're here to help. Contact your Principal Asset Management representative to get started.

*1 Source: Morningstar Direct.

*2 Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA, Tesla.

*3 For purposes of this analysis, "AI stocks" refer to a group of 42 stocks defined and identified by J.P. Morgan as companies within the S&P 500 that demonstrate meaningful exposure to the development, enablement, infrastructure, or application of artificial intelligence technologies. Direct AI (28): NVIDIA, Microsoft, Apple, Alphabet, Amazon, Meta, Broadcom, Tesla, Oracle, Palantir, AMD, Salesforce, IBM, Uber, ServiceNow, Qualcomm, Arista, Adobe, Micron, Palo Alto, Intel, Crowdstrike, Cadence Design, Dell, NXP, Fortinet, HP and Super Micro Computer. AI utilities (8): NRG, Vistra, NextEra, Southern, Constellation, Public Service Enterprise, Entergy, NiSource. AI capital equipment (6): Eaton, Trane, Johnson Controls, Quanta, GE Vernova, EMCOR.

Methodology

Portfolio Intelligence is based on an analysis of more than 700 portfolios from 01/01/2025-06/30/2026. We evaluate portfolio flows, asset allocations, and positioning trends to identify broad market trends and emerging themes that may benefit advisors and their clients. Unless otherwise noted, the data reflects moderate-risk portfolios, typically consisting of 50%–80% equity exposure.

Index definitions

The MSCI ACWI captures large and mid-cap representation across Developed Markets (DM) and Emerging Markets (EM) countries. The index covers approximately 85% of the global investable equity opportunity set. The MSCI ACWI ex USA captures large and mid cap representation across Developed Markets (DM) countries (excluding the US) and Emerging Markets (EM) countries. The index covers approximately 85% of the global equity opportunity set outside the US. The S&P 500® Index is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization. The S&P 100 Index, a sub-set of the S&P 500®, is designed to measure the performance of large-cap companies in the United States and comprises 100 major blue chip companies across multiple industry groups. Individual stock options are listed for each index constituent. The S&P MidCap 400® Index provides investors with a benchmark for mid-sized companies. The index, which is distinct from the large-cap S&P 500®, is designed to measure the performance of 400 mid-sized companies, reflecting the distinctive risk and return characteristics of this market segment. The S&P SmallCap 600® Index seeks to measure the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable. Bloomberg Magnificent 7 Total Return Index is an equal-dollar weighted equity benchmark consisting of a fixed basket of 7 widely-traded companies classified in the United States and representing the Communications, Consumer Discretionary and Technology sectors as defined by Bloomberg Industry Classification System (BICS).

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