Principal Asset Management®

PRINCIPAL REAL ESTATE SECURITIES FUND

Quarterly commentary

THIRD QUARTER 2026

TICKER:

Class I: PIREX
Class A: PRRAX
Class C: PRCEX
Class R6: PFRSX

Market review

During the third quarter of 2026, United States real estate securities declined 6.1%, trailing the broader U.S. equity market, as the S&P 500 Index advanced 2.3%, while the Barclays U.S. Aggregate Index declined 3.5%. The U.S. 10-year Treasury yield rose to approximately 5.3% from 4.4% at the prior quarter-end, creating a challenging environment for interest-rate-sensitive real estate securities. Higher rates particularly pressured longer-duration and defensive property types.

Health care was one of the most resilient sectors given its strong yet durable earnings streams. Data centers also fared well in the early half of the quarter despite rising volatility within the artificial intelligence (AI) trade. Short lease duration lodging and industrial also fared well with emergent signs of green shoots within the latter. Conversely, long duration net lease was adversely impacted by rising bond yields. Residential landlords also lagged.

Portfolio performance

The Principal Real Estate Securities Fund outperformed the index on a net basis through positive stock selection, led by the overweight to the defensive health care segment that continued to see earnings upgrades. Apartment and industrial selection were also additive; the former due to the preference for coastal over Sunbelt landlords; the latter as coastal industrial real estate investment trusts (REITs) started to report green shoots of demand stabilization. Detraction came from weak office and data center selection.

Strategy and outlook

The macro backdrop has once again shifted meaningfully from the more constructive environment prevailing at the end of Q2. The Iran conflict has re-intensified, oil prices have risen sharply, and the resulting inflation concerns have contributed to the Federal Reserve (Fed) delivering its first rate increase in three years, putting commensurate upward pressure on long end bond yields. At this point, we view the Fed's move as a recalibration intended to reinforce its inflation-fighting credibility, rather than the beginning of a sustained tightening cycle or a fundamental change in the rate regime. The U.S. economy remains distinctly two-speed: AI-related investment and higher-income consumption continue to support headline growth, while housing, commercial real estate activity, consumer confidence, and other rate-sensitive areas are feeling the cumulative effects of tighter financial conditions. These pressures should act as a natural constraint on how far rates can rise. Importantly, longer-term inflation expectations remain relatively well anchored, suggesting that markets are primarily pricing an external energy shock rather than a structural loss of confidence in the inflation framework. Given the unusually close relationship between oil prices and bond yields during the quarter, any stabilization in energy markets should provide relief to duration-sensitive assets.

For REITs, the increase in bond yields remains a clear near-term valuation headwind, although the impact continues to vary across regions and companies. Markets with less sensitivity to U.S. rates, stronger domestic fundamentals, and more resilient balance sheets are better positioned. At the same time, REIT operating fundamentals remain generally sound, supported by contractual rental income, constrained new supply, and continued rental growth across a number of sectors. Corporate activity --including the completed combination of AvalonBay and Equity Residential to create Vivmark Residential, alongside Prologis' recommended acquisition of SEGRO --highlights both the strategic benefits of scale and the value embedded in listed real estate at current valuations. The prospect of lower rates re-entering the conversation as growth concerns increasingly offset residual inflation risks remains a medium-term tailwind, even if its timing has been pushed out.

Against this backdrop, our portfolio strategy remains anchored in bottom-up stock selection and company fundamentals. Elevated uncertainty and increasingly divergent economic outcomes should continue to favor quality --companies with strong balance sheets, manageable refinancing requirements, visible earnings growth and disciplined capital allocation. This is consistent with how the portfolio is positioned. We believe these characteristics offer resilience if rates remain elevated, while preserving meaningful upside should oil prices moderate and interest-rate expectations stabilize. We will continue to seek opportunities where macro-driven dislocation has created attractive entry points in fundamentally strong companies, while remaining disciplined on valuation and attentive to changes in the geopolitical and monetary-policy trajectory.

Contributors

Rexford Industrial Realty, Inc.- An overweight to this industrial REIT contributed to performance. Shares outperformed on signs that SoCal fundamentals are bottoming and the announcement of the planned sale of non-core properties with proceeds used for debt repayment and buybacks.

Realty Income Corporation - An underweight to this net lease REIT contributed to performance. The group was dragged down by growing concerns over higher funding costs compressing investment spreads. As an industry bellwether, the company remained under pressure amid concerns that its scale could constrain future growth.

Sabra Health Care REIT, Inc. - An overweight to this health care REIT contributed to performance. Shares outperformed as resolution of a troubled loan removed a key overhang, while favorable rent resets, and other portfolio actions supported upgraded earnings guidance.

Detractors

Csquare, Inc.- An overweight to this data center name detracted from performance. Shares underperformed despite strong initial operating results in 2Q as the newly public company's investment case remained dependent on executing capacity buildout and demonstrating that strong bookings can translate into earnings and deleveraging.

Blackstone Digital Infrastructure Trust, Inc. - An overweight to this data center REIT detracted from performance. Shares underperformed as investors continued to wait for roughly $2 billion of IPO dry powder to be deployed into stabilized assets, leaving acquisition timing rather than underlying data center demand as the principal earnings uncertainty.

NETSTREIT Corp. - An overweight to this net lease REIT detracted from performance. The group was dragged down by growing concerns over higher funding costs compressing investment spreads. There was profit taking given the stock's previous outperformance.

PRINCIPAL REAL ESTATE SECURITIES FUND as of September 30, 2026

Top 10 holdings

	% of net assets
Welltower Inc.	10.0
Equinix, Inc.	9.6
American Tower Corp.	7.6
Ventas, Inc.	6.0
Prologis, Inc.	5.6
Extra Space Storage Inc.	4.5
Digital Realty Trust, Inc.	4.0
Vivmark Residential	3.7
Essex Property Trust, Inc.	3.1
American Homes 4 Rent	2.9
Total	**57.0**

The holdings listed do not constitute a recommendation to purchase or sell a particular security. Cash and/or derivative positions that are not part of the core investment strategy will not be reflected in the top holdings list.

Performance, rankings, & ratings

Average annual total returns (%)									
	3-month	Year-to-date	1-year	3-year	5-year	10-year	Since inception*1 (03/01/2001)	Expense ratio (net/gross)*2	Expense limit expiration date
Class I*3,*4,*5,*6	-5.13	7.93	5.35	9.93	2.29	5.71	9.78	0.86/0.90	02/28/2027
U.S. REIT Linked Index*	-6.06	7.93	5.61	10.64	3.12	4.96	–	–	–
Morningstar category average	-6.98	5.75	3.98	9.98	1.82	4.55	–	–	–

Morningstar rankings and ratings	3-month	Year-to-date	1-year	3-year	5-year	10-year	Overall
Category and number of funds in category: real estate	213	205	204	197	191	149	197
Class I percentile rankings*7	–		35	53	33	18	–
Class I ratings*8	–		–	★★★	★★★★	★★★★	★★★★

Calendar year returns (%)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Class I	5.93	9.03	-4.31	31.13	-3.23	39.64	-25.20	13.33	5.45	1.20
U.S. REIT Linked Index*	8.60	5.07	-4.57	25.84	-7.57	43.06	-24.51	13.74	5.79	2.27
Morningstar category average	6.89	6.22	-5.97	27.28	-4.49	38.73	-25.67	12.03	5.90	1.60

Morningstar percentile rankings are based on total returns. Morningstar ratings are based on risk-adjusted returns.
Indices are unmanaged and do not take into account fees, expenses, and transaction costs and it is not possible to invest in an index.

*MSCI U.S. REIT Index through 01 March 2024 and FTSE NAREIT All Equity REIT Index onward.

Returns represent past performance and do not guarantee future results. Share price, principal value, and return will vary and you may have a gain or loss when shares are sold. Current performance may be lower or higher than quoted. For the most recent month-end performance, visit principalfunds.com.

*1Class I shares were first sold on 3/01/2001. Returns for these shares prior to those dates, including since-inception performance, are based on performance of R-3 shares adjusted to reflect the fees and expenses of these shares. R-3 shares were first sold 12/06/2000.

*2The net expense ratio reflects contractual expense limits, if any, which may lower net expenses and cause the gross and net expense ratios to differ. In such cases a date is listed through which expense limits are expected to apply; however, Principal Funds and the investment adviser may mutually agree to terminate the expense limits prior to the end of the period. Returns displayed are based on net total investment expense.

*3Class I shares are available only to eligible investors, including various institutional investors and investors in certain mutual fund wrap or asset allocation programs. See the prospectus for eligibility requirements. Performance assumes reinvestment of all dividends and capital gains. Only certain investors, such as retirement plan participants, can purchase.

*4Real Estate investment options are subject to investment and liquidity risk and other risks inherent in real estate such as those associated with general and local economic conditions. Property values can decline due to environmental and other reasons. In addition, fluctuation in interest rates can negatively impact the performance of real estate investment options.

*5These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect a portion of the fees and expenses of this share class. For time periods prior to inception date of the fund, predecessor performance is reflected. Please see the fund's prospectus for more information on specific expenses, and the fund's most recent shareholder report for actual date of first sale. Expenses are deducted from income earned by the fund. As a result, dividends and investment results will differ for each share class.

*6This investment option is considered non-diversified, which means it, or the underlying mutual fund, can invest a higher percentage of its assets in of fewer individual issuers than a diversified investment. As a result, changes in the value of a single investment could cause greater fluctuations, gain or loss, in the net asset value than would occur if it was more diversified.

*7Morningstar percentile rankings are based on total returns and do not reflect the inclusion of sales charges. If sales charges were reflected, rankings could be lower.

*8The Morningstar Rating™ for funds, or "star rating," is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Morningstar ratings do not reflect the inclusion of sales charges. If sales charges were reflected, ratings could be lower. ©2026 Morningstar, Inc. All rights reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Returns shown for periods less than one year are not annualized.

Glossary of Indices

S&P 500 Total Return Index is an equity index that tracks both the capital gains of a group of 500 widely held stocks often used as a proxy for the stock market and assumes dividends are reinvested back into the index.

U.S. REIT Linked Index composition: For March 1, 2024 and after, the index is 100% the FTSE NAREIT All Equity REIT Index, and for the period prior to March 1, 2024, it is 100% the MSCI US REIT Index.

FTSE NAREIT All Equity REIT Index is a free-float adjusted, market capitalization-weighted index of U.S. equity REITs. Constituents of the index include all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property.

MSCI U.S. REIT Index is a capitalization-weighted benchmark index of most actively traded Real Estate Investment Trusts (REITs), designed to measure real estate performance.

The information in this document has been derived from sources believed to be accurate. It contains general information only on investment matters and should not be considered as a comprehensive statement on any matter and should not be relied upon as such. The information it contains does not take into account any investor's investment objectives, particular needs or financial situation. You should consider whether an investment fits your investment objectives, particular needs and financial situation before making any investment decision.

The data presented is for information purposes only and is not a recommendation to buy or sell any securities or adopt any investment strategy. This material is not intended to be relied upon as a forecast, research, or investment advice regarding a particular investment or the markets in general, nor is it intended to predict or depict performance of any investment.

All expressions of opinion and estimates in this report are subject to change without notice. This report is not intended to be, nor should it be relied upon in any way as a forecast or guarantee of future events or investment advice regarding a particular investment or the markets in general.

Subject to any contrary provisions of applicable law, no company in the Principal Financial Group nor any of their employees or directors gives any warranty of reliability or accuracy nor accepts any responsibility arising in any other way (including by reason of negligence) for errors or omissionsin this document.

All figures shown in this document are in U.S. dollars unless otherwise noted.

The company names listed are for illustrative purposes only and do not constitute a recommendation to buy, hold, or sell any security product.
The Principal Real Estate Securities Fund is managed by Principal Real Estate. Principal Real Estate is a trade name of Principal Real Estate Investors, LLC, an affiliate of Principal Global Investors.

Principal Real Estate is a trade name of Principal Real Estate Investors, LLC, an affiliate of Principal Global Investors.

Principal Asset Management® is a trade name of Principal Global Investors, LLC.

© 2026 Principal Financial Services, Inc. Principal®, Principal Financial Group®, Principal Asset Management, and Principal and the logomark design are registered trademarks and service marks of Principal Financial Services, Inc., a Principal Financial Group company, in various countries around the world and may be used only with the permission of Principal Financial Services, Inc. Principal Asset Management℠ is a trade name of Principal Global Investors, LLC.

Principal Asset Management®

www.PrincipalAM.com

Carefully consider a fund's objectives, risks, charges, and expenses. Contact your financial professional or visit www.PrincipalAM.com for a prospectus, or summary prospectus if available, containing this and other information. Please read it carefully before investing.

Investing involves risk, including possible loss of principal.

Principal Funds are distributed by Principal Funds Distributor, Inc.

MM5711-61 | 10/2026 | 5975879-022027