PRINCIPAL DIVERSIFIED REAL ASSET FUND

Quarterly commentary

SECOND QUARTER 2026

Market review

TICKER:

Class I: PDRDX
Class A: PRDAX
Class R6: PDARX

Real assets delivered mixed but positive results overall, led by a sharp rebound in global REITs and continued strength in infrastructure. While commodities and natural resources corrected, the asset class continued to provide valuable diversification and inflation sensitivity.

Global REITs led all real asset sectors, with the FTSE EPRA/NAREIT Developed Markets Index returning 8.52%. Stabilizing interest rates, improving commercial real estate fundamentals, and attractive valuations supported a broad recovery.

Infrastructure remained resilient, gaining 1.28% as investors favored its stable cash flows and exposure to long-term themes such as electrification, artificial intelligence (AI), and power infrastructure. The portfolio's slight overweight remains well supported.

Commodities and natural resources retraced, with returns of -8.08% and -8.59%, respectively, as energy prices normalized following the first quarter's (Q1) supply shock. Despite the pullback, both sectors remain among the strongest performers over the past year, highlighting their long-term inflation hedging benefits.

Real assets remain a valuable portfolio diversifier, offering inflation sensitivity and differentiated return drivers across infrastructure, real estate, commodities, and natural resources. Attractive valuations in several sectors and supportive long-term fundamentals continue to reinforce the asset class's strategic role.

Market indices	Quarterly returns (%)	1-year returns (%)
Bloomberg Commodity TR USD Index	-8.08	25.46
S&P Global Infrastructure NR USD Index	1.28	15.82
S&P Global Natural Resources NR USD Index	-8.59	27.66
FTSE EPRA/NAREIT Developed Markets NR USD Index	5.82	13.26
S&P 500 TR USD Index	15.20	22.32
MSCI All Country World NR USD Index (ACWI)	14.93	23.67
Bloomberg U.S. Aggregate Bond TR USD Index	0.67	3.79
Bloomberg Global Aggregate TR USD Index	0.87	0.62

As of June 30, 2026. Source: Morningstar. Indices are unmanaged and do not take into account fees, expenses, and transaction costs and it is not possible to invest in an index.

Portfolio commentary

The Principal Diversified Real Asset Fund (I-shares) returned -0.72% for the quarter ending June 30, 2026, outperforming the Diversified Real Asset Index (Linked) (Strategic Index), which returned -0.84%.

What helped?

- Infrastructure was the largest contributor to relative performance, driven largely by the portfolio's exposure to the Global X U.S. Infrastructure Development exchange-traded fund (ETF) (PAVE), which the team had increased earlier in the quarter. PAVE benefited from sustained capital spending across domestic construction, industrial capacity, transportation, power infrastructure, and related supply chains. The position was well aligned with durable themes such as reshoring, electrification, grid investment, and AI-related data-center expansion.
- Commodity positioning also helped results. Although broad commodity markets were pressured as energy prices reversed lower, the portfolio's underweight was beneficial on a relative basis. The de-escalation in the U.S.-Iran conflict reduced the geopolitical risk premium that had supported crude oil prices earlier in the quarter.
- Manager selection within natural resources was positive, led by Newton Investment Management North America LLC (Newton). Energy-sensitive equities faced a difficult backdrop as crude prices declined and near-term supply-risk premiums faded, but manager selection helped offset some of the broader weakness in the category.

What hurt?

- The portfolio's underweight to real estate was the largest detractor. Listed real estate was the strongest area within the real asset universe, supported by attractive valuations and improving fundamentals. While the portfolio participated in the positive environment, its underweight relative to the Strategic Index limited the benefit from the asset class's strength.
- The overweight to natural resources also detracted. Although manager selection was positive, the portfolio's larger allocation to the segment was a headwind as energy prices reversed lower following the U.S.-Iran de-escalation and reopening of key energy transit routes. The shift from supply-disruption risk toward improving supply conditions weighed on energy-linked equities and broader resource-related exposures.
- Dedicated gold exposure through the SPDR Gold MiniShares Trust exchange-traded product (ETP) (GLDM) also detracted from relative performance. Gold continued its downward trend and did not provide the expected safe-haven benefit despite elevated geopolitical tensions. Instead, the metal remained pressured by a higher-rate environment, as energy-driven inflation concerns reinforced expectations that monetary policy could remain restrictive. Given this backdrop for non-yielding assets, we reduced the position during the quarter and eliminated the exposure by quarter-end.

What's next?

- Real assets continue to play an important role in diversified portfolios, particularly while inflation remains above target, policy rates are restrictive, and geopolitical events can quickly influence commodity prices and supply chains. The U.S.-Iran de-escalation reduced the immediate energy risk premium, but the quarter underscored how quickly real asset leadership can shift as macro conditions change.

Allocation update

	Diversified Real Asset Index (Linked) (%)	Q2 2026 (%)	Q1 2026 (%)
Infrastructure	**35**	**39.3**	**36.9**
ClearBridge Investments (North America) Pty Limited		16.8	11.5
Nomura Investments Fund Advisers		–	13.4
Nuveen Asset Management, LLC		10.7	–
Principal Asset Allocation Passive Index		8.5	8.9
Global X U.S. Infrastructure Development ETF (PAVE)*1		3.4	2.0
Global X MLP & Energy Infrastructure ETF (MLPX)*1		–	1.2
Real estate investment trusts (REITs)	**25**	**22.3**	**19.9**
Global REITs		**17.5**	**17.5**
Principal Real Estate		17.5	17.5
U.S. REITs		**4.8**	**2.5**
Principal Asset Allocation Passive Index		4.8	2.5
Commodities	**20**	**14.8**	**16.0**
CoreCommodity Management, LLC		3.9	4.0
Wellington Management Company LLP*2		10.9	9.1
SPDR Gold MiniShares Trust ETP (GLDM)*1		–	2.9
Natural resources	**20**	**22.9**	**23.8**
Global natural resources		**21.9**	**22.0**
Newton Investment Management North America LLC		11.3	9.8
Principal Asset Allocation Passive Index		10.6	12.2
Timber and forestry		**1.0**	**1.8**
Pictet Asset Management SA		1.0	1.8
Liquidity	**–**	**0.7**	**3.1**
Principal Asset Allocation		0.7	3.1

As of June 30, 2026. May not reflect current allocation or investment managers. Percentages may not add up to 100% due to rounding.

*1 A tactical asset allocation sleeve was added in 2023 with allocations reflecting under their respective asset classes (at times, there may not be any tactical views reflected through this sleeve, so allocations may be zero).

*2 Wellington Management Company LLP is a SEC-registered investment advisor and an independent and unaffiliated investment manager to Principal Funds.

PRINCIPAL DIVERSIFIED REAL ASSET FUND as of June 30, 2026

Performance, rankings, & ratings

	Average annual total returns (%)									Yields (%)	
	3-month	Year-to-date	1-year	3-year	5-year	10-year	Since inception (03/16/2010)	Expense ratio (net/gross)	Expense limit expiration date	30-day SEC (unsubsidized/ subsidized)	12-month distribution
Class I	-0.72	9.75	17.32	10.05	5.93	6.07	5.11	0.87/0.92	12/30/2026	2.14/2.21	3.77
Diversified Real Asset Index (Linked)	-0.84	11.00	18.55	12.07	7.02	6.48	–	–	–	–	–
Morningstar category average	7.14	8.07	16.58	12.95	6.47	7.55	–	–	–	–	–

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: Global Moderate Allocation	411	410	409	402	389	323	402
Class I percentile rankings	–	–	34	96	60	89	–
Class I ratings	–	–	–	★	★★	★	★

Calendar year returns (%)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Class I	5.86	10.17	-7.90	15.01	3.97	17.34	-6.16	3.24	3.08	14.64
Diversified Real Asset Index (Linked)	12.40	10.38	-7.27	14.86	2.08	15.87	-5.12	4.31	4.21	16.54
Morningstar category average	6.60	13.99	-7.16	17.61	9.32	12.01	-13.20	12.16	8.79	16.15

Morningstar percentile rankings are based on total returns. Morningstar rankings are based on risk-adjusted returns.

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 www.PrincipalAM.com.

The 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 advisor may mutually agree to terminate the expense limits prior to the end of the period. Returns displayed are based on net total investment expense.

Performance assumes reinvestment of all dividends and capital gains.

Effective January 1, 2026, 35% S&P Global Infrastructure Index NTR (designed to track 75 companies from around the world chosen to represent the listed infrastructure industry, covering energy, transportation, and utilities), 25% FTSE EPRA/NAREIT Developed Index NTR (designed to represent general trends in eligible real estate equities worldwide), 20% S&P Global Natural Resources Index NTR (includes 90 of the largest publicly-traded companies in natural resources and commodities businesses that meet specific investability requirements, covering three primary commodity-related sectors: agribusiness, energy, and metals & mining), and 20% Bloomberg Commodity Index (a broadly diversified commodity price index); January 1, 2022 to December 31, 2025, 30% S&P Global Infrastructure Index NTR, 25% FTSE EPRA/NAREIT Developed Index NTR, 15% Bloomberg U.S. Treasury TIPS Index NTR, 15% Bloomberg Commodity Index, and 15% S&P Global Natural Resources Index NTR; prior to January 1, 2022, 35% Bloomberg U.S. Treasury TIPS Index, 20% S&P Global Infrastructure Index NTR, 20% S&P Global Natural Resources Index NTR, 15% Bloomberg Commodity Index, and 10% FTSE EPRA/NAREIT Developed Index NTR.

Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index.

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

The 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.

30-day SEC yield represents net investment income earned by a fund over a 30-day period, stated as an annual percentage. Unsubsidized yield reflects the SEC yield when some fund expenses are not waived. Subsidized yield reflects a fund's yield when all expense waivers are included. 12-month yield is based on actual distributions paid over a trailing 12-month period, stated as an annual percentage.

Bloomberg Commodity TR USD Index: The index is made up of 22 exchange-traded futures on physical commodities and currently represents 20 commodities, which are weighted to account for economic significance and market liquidity. Weighting restrictions on individual commodities and commodity groups promote diversification.

S&P Global Infrastructure NR USD Index: The index is designed to track 75 companies from around the world chosen to represent the listed infrastructure industry while maintaining liquidity and tradability. To create diversified exposure, the index includes three distinct infrastructure clusters: energy, transportation, and utilities.

S&P Global Natural Resources NR USD Index: The index includes 90 of the largest publicly traded companies in natural resources and commodities businesses that meet specific investability requirements, offering investors diversified and investable equity exposure across three primary commodity-related sectors: agribusiness, energy, and metals & mining.

FTSE EPRA/NAREIT Developed Markets NR USD Index: The index is a free-float adjusted, market capitalization-weighted index designed to track the performance of listed real estate companies in developed countries worldwide. Constituents of the index are screened on liquidity, size, and revenue.

S&P 500 TR USD Index: The index is a market-capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market.

MSCI All Country World NR USD Index (ACWI): The index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The ACWI consists of developed and emerging market country indices and covers approximately 85% of the global investable equity opportunity set.

Bloomberg U.S. Aggregate Bond TR USD Index: The index is the most widely followed broad market U.S. bond index. It measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market.

Bloomberg Global Aggregate TR USD Index: The index measures global investment-grade debt from 24 local currency markets. This multi-currency benchmark includes treasury, government-related, corporate, and securitized fixed rate bonds from both developed and emerging markets issuers.

Not authorized for distribution unless preceded or accompanied by a current prospectus, or a summary prospectus if available, that includes information about the Fund's objectives, risks, charges and expenses. Please read it carefully before investing.

Commentary reflects the opinions of Principal Global Investors, is believed to come from reliable sources, and reflects the opinions of the investment advisor at the time of publication. The opinions may not come to pass.

Past performance is no guarantee of future results and should not be relied upon to make an investment decision. Investing involves risk, including possible loss of principal.

Asset allocation and diversification do not ensure a profit or protect against a loss.

Real assets include but not limited to precious metals, commodities, real estate, land, equipment, infrastructure, and natural resources. Each real asset is subject to its own unique investment risk and should be independently evaluated before investing. As an asset class, real assets are less developed, more illiquid, and less transparent compared to traditional asset classes.

Infrastructure companies are subject to risk factors including high interest costs, regulation costs, economic slowdown, and energy conservation policies. REITs are subject to declines in real estate values, risks to physical property, and instability/creditworthiness of management. Investment in natural resource industries and commodity related derivatives can be affected by political/economic developments, market shocks/natural disasters, and other factors.

Equity investments involve greater risk, including higher volatility, than fixed-income investments.

International and global investing involves greater risks such as currency fluctuations, political/social instability and differing accounting standards.

Investing in derivatives entails specific risks relating to liquidity, leverage, and credit, which may reduce returns and/or increase volatility.

Liquidity allocation may not be held as cash and may be invested on a short- term basis in ETFs that represent asset classes in the Fund, seeking to align with the target weights in the Fund's index.

Class 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.

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