PRINCIPAL GLOBAL REAL ESTATE SECURITIES FUND

Quarterly commentary

SECOND QUARTER 2026

TICKER:

Class I: POSIX
Class A: POSAX
Class R6: PGRSX

Market review

Global real estate investment trusts (REITs) (FTSE EPRA NAREIT Developed) delivered positive returns (+8.5%) and outperformed global bonds (+0.9%) but lagged global equities (+13.9%) as the hawkish pivot from the new Federal Reserve (Fed) leadership under Chairman Kevin Warsh dominated the macro narrative for the asset class. The June Federal Open Market Committee Meeting (Warsh's first as Chair) left rates unchanged but signaled growing support for hikes, with nine of eighteen participants penciling in at least one increase in 2026 and six expecting two or more, the most hawkish dot plot in years. Despite this, broader equities proved remarkably resilient, closing out their strongest quarter since 2020 as the artificial intelligence (AI) theme continued to power earnings and capital expenditure across the technology complex. Chipmakers notched their best quarter on record, and the soft-landing narrative gained conviction as jobs and consumer sentiment data held firm into quarter-end.

Within the FTSE EPRA NAREIT Developed, regional and sector dispersion was wide. The United States was the dominant contributor to index returns, led by cyclical property types. Hotels and offices were the standout performers on strong operating momentum, consistent with the pattern seen in the first quarter, while residential, retail, health care, and self-storage all delivered broadly similar mid-teen returns. Data centers were a notable laggard despite the strength of the AI theme in broader equities on profit taking toward quarter end. Within Europe, the United Kingdom outperformed strongly following Prologis's unsolicited GBP 12.6 billion all-share bid for SEGRO and a reduction in political uncertainty following Keir Starmer's resignation and an expected smooth transition to Andy Burnham, his widely expected successor. Sweden, Austria, and Switzerland were the regional laggards, with bond-proxy characteristics and rate sensitivity weighing on returns. In Asia-Pacific, Australia was the best-performing market as the Reserve Bank of Australia's pause following three consecutive hikes raised market expectations that the next move could be a cut, providing a more supportive backdrop for domestic REITs. Japan and Hong Kong were the laggards. Japan was hurt by continued Bank of Japan's policy normalization concerns pushing up long-end bond yields. Hong Kong was impacted by China's regulatory tightening of cross border capital flows, ostensibly to reduce tax leakage as the key priority though property was viewed as being collateral damage.

Portfolio performance

The Principal Global Real Estate Securities Fund outperformed on a net basis due to European selection. In Europe, the underweight to bond proxy regions Switzerland and Sweden were the main contributors, as these regions lagged due to the surge in bond yields on inflationary concerns. The overweight to French retail paid off on resilient fundamentals. Detraction derived from an underweight to U.S. lodging selection and U.S. malls, both cyclical sectors that fared well amidst resilient U.S. economic data.

Strategy and outlook

As Q2 concludes, the macro backdrop has shifted meaningfully from the acute stagflation ary shock that defined the quarter. The Iran conflict has de-escalated and oil has retreated toward the low-to-mid $70s as indirect U.S.-Iran talks progress. Central banks, which spent much of Q2 leaning hawkish in response to the energy shock, are now navigating a more nuanced picture: the Fed remains on hold with markets pricing a non-trivial probability of a July hike, while the European Central Bank has signaled that inflation and growth risks are now more broadly balanced following a larger-than-expected deceleration in eurozone Consumer Price Index in June. The path into Q3 is therefore one of cautious recalibration rather than outright tightening, with the balance of risks tilting back toward growth as the deflationary impulse from demand destruction begins to assert itself.

For REITs, this evolving backdrop is incrementally constructive, though the picture remains uneven across regions. Net energy-importing economies continue to face headwinds from elevated input costs and currency pressure. Markets with stronger domestic orientation and balance sheet resilience are better positioned. Encouragingly, the prospect of rate cuts re-entering the conversation in the not-too-distant future, as growth concerns increasingly offset residual inflation risk, provides a more supportive duration backdrop for the asset class. Mergers and acquisitions activity in the sector also remains a constructive signal, with private capital continuing to identify value in listed REITs at meaningful premiums to market.

Against this backdrop, our portfolio strategy remains anchored in bottom-up stock selection and company fundamentals. Geopolitical uncertainty and uneven regional exposure continue to favor quality --companies with strong balance sheets, visible earnings, and robust business models are best placed to navigate a macro environment that, while improving, remains fragile. We continue to seek opportunities where dislocation from the conflict has created mispricing at the individual security level, while remaining disciplined on valuation and attentive to any deterioration in the diplomatic trajectory that could reverse the recent improvement in energy market conditions.

Contributors

Mitsui Fudosan Co., Ltd. - An underweight to this Japan developer contributed to performance. Mitsui Fudosan traded lower on concerns of higher Japan government bond yields, and a lackluster full year earnings growth target were unable to offset an earlier than usual announced share buyback.

Goodman Group - An overweight to this Australian industrial/data center REIT contributed. The stock outperformed on the back of a marginal upgrade to fiscal year 2026 earnings guidance, a joint venture being established at its U.S. data center and more positive commentary around tenant leasing for its data center developments.

American Homes 4 Rent - An overweight to this U.S. single family rental REIT contributed to performance. Regulatory de-risking, strong leasing trend, and share buyback helped the stock rally.

Detractors

Sumitomo Realty & Development Co., Ltd. - An overweight to this Japan developer detracted from performance. Sumitomo R&D traded lower on concerns of higher Japan government bond yields, an activist exiting their position, full year earnings guidance offering little surprise to the upside, and no announcement of a share buyback.

Mitsubishi Estate Company, Limited - An overweight to this Japan developer detracted from performance. Mitsubishi Estate traded lower on concerns of higher Japan government bond yields, full year earnings guidance, and announced buybacks offering little surprise to the upside.

Public Storage - An underweight to this U.S. self-storage REIT detracted from performance. Investor sentiment has warmed up to PSA given recent board changes and messaging around more aggressive external growth.

PRINCIPAL GLOBAL REAL ESTATE SECURITIES FUND as of June 30, 2026

Top 10 holdings

	% of net assets
Welltower Inc.	8.1
Equinix, Inc.	7.2
Ventas, Inc.	4.7
Prologis, Inc.	4.4
Goodman Group	3.9
Extra Space Storage Inc.	3.8
Unibail-Rodamco-Westfield	3.3
Mitsui Fudosan Co., Ltd.	2.8
AvalonBay Communities, Inc.	2.7
American Homes 4 Rent	2.6
Total	**43.4**

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 (10/01/2007)	Expense ratio (net/gross)[*1]	Expense limit expiration date
Class I[*2,*3,*4]	8.38	9.62	11.10	8.88	0.87	4.13	3.90	0.94/1.01	02/28/2027
FTSE EPRA/NAREIT Developed Index NR	8.52	9.64	13.26	9.60	1.69	3.32	–	–	–
Morningstar category average	7.72	7.88	10.82	9.06	1.12	3.87	–	–	–

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 Real Estate	145	145	145	145	140	121	145
Class I percentile rankings[*5]	–		63	58	64	34	–
Class I ratings[*6]	–		–	★★★	★★★	★★★	★★★

Calendar year returns (%)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Class I	0.45	14.73	-3.33	24.50	-3.90	23.44	-26.73	10.85	0.69	7.57
FTSE EPRA/NAREIT Developed Index NR	4.06	10.36	-5.63	21.91	-9.04	26.09	-25.09	9.67	0.94	9.58
Morningstar category average	1.97	15.12	-7.11	23.45	-5.43	22.90	-25.15	10.24	0.23	11.19

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

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

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.

[*1] 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 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.

[*2] 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. Performance assumes reinvestment of all dividends and capital gains.

[*3] International and global investment options are subject to additional risk due to fluctuating exchange rates, foreign accounting and financial policies, and other economic and political environments.

[*4] Real 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.

[*5] Morningstar 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.

[*6] 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. 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 of less than one year are not annualized.

Glossary of Indices

The FTSE EPRA/NAREIT Global Real Estate Index Series is designed to represent general trends in eligible listed real estate stocks worldwide. The index series is designed to reflect the stock performance of companies engaged in specific aspects of the major real estate markets/regions of the world.

The MSCI World Index is a broad global equity index that represents large and mid-cap equity performance across all 23 developed markets countries. It covers approximately 85% of the free float-adjusted market capitalization in each country.

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