Principal Asset Management®

PRINCIPAL GLOBAL REAL ESTATE SECURITIES FUND

# Quarterly commentary

THIRD QUARTER 2026

**TICKER:**

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

## Market review

Global real estate securities declined 6.1% during the third quarter, underperforming global equities, which gained 2.0%, and global bonds which were down 2.5%. The United States 10-year Treasury yield rose to 5.27% from 4.44% at the prior quarter-end. Higher bond yields and a hawkish shift in Federal Reserve (Fed) expectations pressured the rate-sensitive asset class, while global equities remained resilient amid continued artificial intelligence (AI)-related investment and generally firm economic data.

APAC was the most resilient region, lifted by Hong Kong landlords on more visible signs of a commercial market recovery and ongoing capital management activity. Australia was the APAC laggard, hurt as the RBA hiked rates during the quarter, dashing hopes that the rate hike cycle had peaked. Europe was hardest hit by renewed inflation fears. The United Kingdom materially outperformed Continental Europe, lifted by merger and acquisition (M&A) activity in the industrial sector. On the Continent, bond proxy Germany was the biggest laggard by a margin. Within the Americas, short lease duration U.S. hotels, data centers (supported by AI resilience) and the defensive health care sector led performance, while bond proxy net lease and residential were the weaker sectors.

## Portfolio performance

The Principal Global Real Estate Securities Fund outperformed the index on a net basis led by the overweight to the defensive U.S. health care segment that continued to see earnings upgrades. U.S. self-storage and apartment selection contributed as well. This was partly offset by Japan developer selection as more cyclically exposed developers lagged amidst higher interest rate volatility. The exposure to data centers outside of the Americas was the other detractor.

# 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 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 real estate investment trusts (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 U.S. 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 U.S. 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.

**Vonovia SE** - An underweight to this German housing stock contributed to performance as rising bond yields hurt bond-proxies.

# Detractors

**Unibail Rodamco Westfield SE** - An overweight to this high-quality French listed mall REIT detracted from performance as spiking bond yields hurt REITs in Europe.

**MERLIN Properties SOCIMI, S.A.** - An overweight to this Spanish diversified REIT detracted from performance. Focus remained on Merlin's data center pipeline build out with pressure on AI-related stocks, concerns over tenant credit worthiness, and regulatory concerns all putting downward pressure on the stock.

**SEGRO plc** - An underweight to this U.K. industrial REIT detracted from performance. Segro accepted Prologis' last & final takeover offer on deadline day for an offer with the stock rallying on the announcement.

## PRINCIPAL GLOBAL REAL ESTATE SECURITIES FUND as of September 30, 2026

### Top 10 holdings

| | % of net assets |
|---|---|
| Welltower Inc. | 7.9 |
| Equinix, Inc. | 7.4 |
| Ventas, Inc. | 4.8 |
| Prologis, Inc. | 4.1 |
| Goodman Group | 3.8 |
| Extra Space Storage Inc. | 3.8 |
| Unibail Rodamco Westfield SE | 3.0 |
| Vivmark Residential | 2.7 |
| American Homes 4 Rent | 2.4 |
| Digital Realty Trust, Inc. | 2.4 |
| **Total** | **42.3** |

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] | -6.01 | 3.03 | 1.59 | 8.93 | -0.14 | 3.35 | 3.51 | 0.94/1.01 | 02/28/2027 |
| FTSE EPRA/NAREIT Developed Index NR | -6.10 | 2.95 | 2.20 | 9.50 | 0.60 | 2.55 | – | – | – |
| Morningstar category average | -5.92 | 1.43 | 0.82 | 8.97 | 0.08 | 3.07 | – | – | – |

| 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 | 140 | 138 | 138 | 138 | 134 | 114 | 138 |
| Class I percentile rankings[*5] | – | | 65 | 59 | 64 | 40 | – |
| 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. ©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 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.

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 account of 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.

Potential investors should be aware of the risks inherent to owning and investing in real estate, including: value fluctuations, capital market pricing volatility, liquidity risks, leverage, credit risk, occupancy risk and legal risk.

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 omissions in 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 Global 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 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.

MM5710-58 | 10/2026 | 5975819-022027