

# Principal Aligned SMA MidCap Equity

First quarter 2024

## Strategy overview

The strategy invests for the long-term in high-quality companies led by owner-operators. The strategy uses a highly active approach to U.S. mid-cap equities that aims for long-term outperformance with less risk.

## Portfolio management

**K. William Nolin, CFA**

35 years of experience

**Thomas Rozycki, CFA**

24 years of experience

## Characteristics<sup>1,2</sup>

	Portfolio	Index
Composite AUM	\$1.9B	—
UMA/SMA AUM <sup>3</sup>	\$8.8B	—
Inception date	04/01/00	—
Number of holdings	54	808
Active share	90.3%	—
Expected turnover	15%-30%	—
Market cap <sup>4</sup>	\$43.3B	\$27.8B
Operating margin	22.1%	17.2%

## Top 10 holdings<sup>2,5</sup>

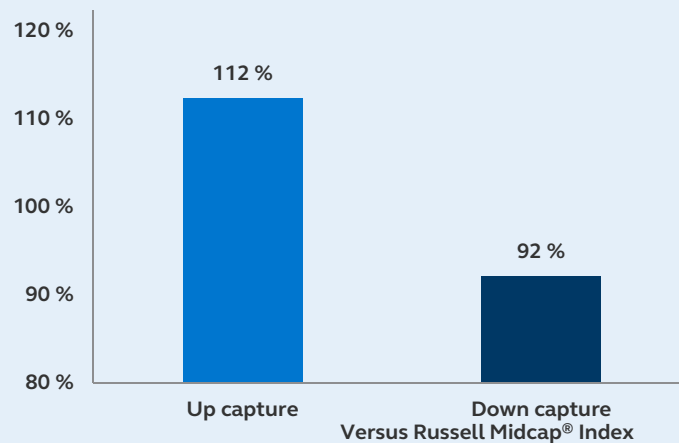
	% of net assets
Transdigm Group Incorporated	5.4
Copart, Inc.	5.3
Brookfield Corporation	4.8
O'Reilly Automotive, Inc.	4.6
Kkr & Co Inc	4.5
Heico Corporation	4.3
Hilton Worldwide Holdings, Inc.	4.3
Costar Group, Inc.	4.2
Vulcan Materials Company	3.5
Roper Technologies, Inc.	3.4
<b>Total</b>	<b>44.3</b>

See disclosure section for additional details.

## A highly active approach that focuses on owner-operators

- A wide latitude to depart from index weights results in higher active share and more concentrated top holdings than peers.
- Aligned incentives: Owner-operators tend to be passionate and cost conscious. We believe they have longer-term outlooks and are better capital allocators.
- An experienced team with a history of delivering excess risk-adjusted returns over market cycles.

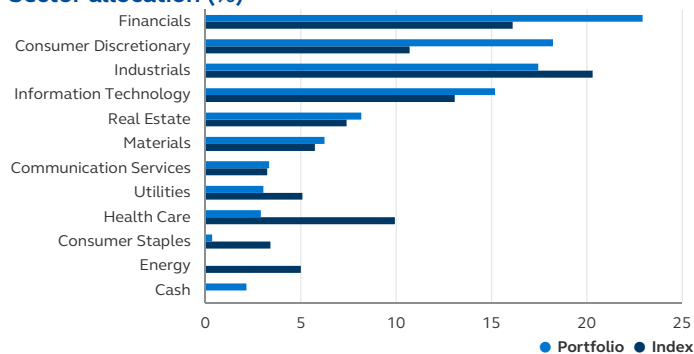
## A focus on risk reduction Capture ratios - 10-year, gross



04/01/2014- 03/31/2024. Source: Principal Global Investors. Capture ratios: Shows the relationship of the composite's performance to the performance of an index during a specific timeframe, as a percentage of that index's positive (upside capture) and negative (downside capture) performance. Represents quarterly returns for both composite and index returns. Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index. Portfolio information is based on the strategy's composite. Past performance does not guarantee future return.

## Why allocate to a portfolio:

- **Track record of attractive risk-adjusted returns:** Historically, mid-cap stocks have provided attractive risk-adjusted returns over full market cycles.
- **The best of both worlds:** Mid-cap companies have the potential to grow faster than large-cap companies — and they generally have better liquidity and less cyclical volatility than small-caps.
- **Diversification benefits:** Mid-cap equities are often overlooked by investors in favor of large- or small-cap stocks.

Sector allocation (%)<sup>1,2</sup>

## Performance

	Composite performance (%)					
	3-month	1-year	3-year	5-year	10-year	Since inception (04/01/2000)
Principal Aligned SMA MidCap Equity (gross)	10.66	31.37	9.45	14.38	13.32	11.36
Russell Midcap® Index	8.60	22.35	6.06	11.09	9.94	8.87
Principal Aligned SMA MidCap Equity (net)	9.86	27.57	6.23	11.03	10.00	8.09

Risk statistics (10-year, gross)<sup>5</sup>

	Composite
Sharpe ratio	0.7
Standard deviation	17.4
Information ratio	0.7
Tracking error	4.9

Calendar year returns (%)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Principal Aligned SMA MidCap Equity (gross)	13.30	2.84	10.14	25.47	-5.99	43.28	20.07	25.44	-22.17	25.67
Russell Midcap® Index	13.22	-2.44	13.80	18.52	-9.06	30.54	17.10	22.58	-17.32	17.23
Principal Aligned SMA MidCap Equity (net)	9.98	-0.19	6.91	21.82	-8.79	39.17	16.55	21.80	-24.52	22.01

Periods over one year are annualized. Net of fees reflects the gross returns reduced by an assumed maximum bundled fee of 3%. See disclosure section for additional details.

<sup>1</sup> Source: FactSet

<sup>2</sup> The index is the Russell Midcap® Index and is described below. Portfolio information is based on the strategy's model portfolio. The holdings shown do not represent all the securities purchased, sold or recommended for any advisory client and in the aggregate may represent only a small percentage of an account's portfolio holdings. Actual portfolios may differ because of account size, client-imposed investment restrictions, the timing of client investments and market, economic and individual company considerations. Securities are shown for illustrative purposes only and are not a solicitation to buy or sell any security or invest in a sector.

<sup>3</sup> May include model-only assets managed by the firm, where the firm has no control as to whether investment recommendations are accepted or the firm does not have trading authority over the assets.

<sup>4</sup> Weighted average

<sup>5</sup> Source: Principal Global Investors

Reported FactSet data is subject to revision over time, which may result in slight differences among data points reported during the same period.

Past performance is no guarantee of future results. Investing involves risk, including possible loss of principal. Equity markets are subject to many factors, including economic conditions, government regulations, market sentiment, local and international political events, and environmental and technological issues that may impact return and volatility. Mid-cap stocks may have additional risks including greater price volatility.

This material covers general information only and does not take account of any investor's investment objectives or financial situation and should not be construed as specific investment advice, a recommendation, or be relied on in any way as a guarantee, promise, forecast or prediction of future events regarding an investment or the markets in general. The opinions and predictions expressed are subject to change without prior notice. The information presented has been derived from sources believed to be accurate; however, we do not independently verify or guarantee its accuracy or validity. Any reference to a specific investment or security does not constitute a recommendation to buy, sell, or hold such investment or security, nor an indication that the investment manager or its affiliates has recommended a specific security for any client account. Subject to any contrary provisions of applicable law, the investment manager and its affiliates, and their officers, directors, employees, agents, disclaim any express or implied warranty of reliability or accuracy and any responsibility arising in any way (including by reason of negligence) for errors or omissions in the information or data provided.

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

Indices are unmanaged and do not take into account fees, expenses,

and transaction costs. The methods of calculating performance of the composite and the index may not be identical and it is not possible to invest in an index.

The SMA Aligned MidCap Equity composite contains fully discretionary portfolios that invest in the equity securities of mid-capitalization companies primarily in the U.S. The investment strategy emphasizes high quality businesses with sustainable competitive advantages, utilizing a long term, fundamental approach. The composite is measured against the Russell Midcap® Index. The SMA Aligned MidCap Equity composite was created in August 2007. The composite may consist of accounts from more than one SMA sponsor platform. Accounts with any type of restriction are not included in the composite. Beginning January 1, 2006, performance results reflect actual returns of the SMA wrap-fee composite. Performance prior to January 1, 2006, reflects the Aligned Investors MidCap Equity institutional composite and does not reflect any actual SMA portfolios.

The Russell Midcap® Index measures the performance of the 800 smallest companies in the Russell 1000® Index. Performance results in presentations prior to January 1, 2001, were measured against the S&P 500 Index. The benchmark was changed to be more representative of the composite strategy. Information regarding the comparison to the benchmarks is available upon request.

This strategy is only provided through separately managed accounts program sponsors. Clients should consult a financial professional before making any investment decisions. Financial professionals should consider the appropriateness of the manager, strategy and program for its clients on an initial and ongoing basis.

Wrap fee schedules are provided by independent wrap sponsors and are available upon request from the representative wrap sponsor. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. Net performance shown reflects the gross returns reduced by a maximum bundled fee which includes brokerage, custodial, and investment management expenses. Actual investment advisory fees incurred by clients may vary.

Actual client portfolios may differ because of account size, client-imposed investment restrictions, the timing of client investments and market, economic and individual company considerations.

Principal Global Investors ("PGI") acts as a discretionary investment manager or non-discretionary model provider in a variety of separately managed account or wrap fee programs ("SMA Program") sponsored by either broker-dealers or another financial services firm ("Sponsor"). When acting as a discretionary investment manager, PGI is responsible for implementing trades in SMA Program accounts. When acting as a non-discretionary model provider, PGI's responsibility is limited to providing non-discretionary investment recommendations of model portfolios to the SMA Program Sponsor who may utilize such

recommendations in connection with its management of SMA Program accounts. In such model SMA Programs ("Model Programs"), it is the Sponsor, and not PGI, which serves as the investment manager to, and has trade implementation responsibility for, the Model Program accounts.

This document is issued in the United States by Principal Global Investors, LLC, which is regulated by the U.S. Securities and Exchange Commission.

Principal Global Investors, LLC (PGI) is registered with the U.S. Commodity Futures Trading Commission (CFTC) as a commodity trading advisor (CTA), a commodity pool operator (CPO) and is a member of the National Futures Association (NFA). PGI advises qualified eligible persons (QEPs) under CFTC Regulation 4.7.

© 2024 Principal Financial Services, Inc., Principal<sup>®</sup>, Principal Financial Group<sup>®</sup>, 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<sup>SM</sup> is a trade name of Principal Global Investors, LLC. Principal Global Investors leads global asset management at Principal<sup>®</sup>. Principal Aligned is an investment team within Principal Global Investors.

MM8216-38 | 04/2024 | 3485489-082024