

PRINCIPAL GLOBAL MULTI-STRATEGY FUND

Quarterly commentary

SECOND QUARTER 2024

Market review

The U.S. economy moderated while other developed markets enjoyed cyclical upturns. Global financial conditions were marginally tighter, driven by wider credit spreads and weaker equity momentum.

Central bank cutting cycles were delayed and are expected to be slow and shallow. A first Federal Reserve (Fed) rate cut could occur in September, provided inflation and economic surprises continue to decelerate. Other central banks already eased but their next moves will align with Fed actions.

Investors who stayed in cash are meaningfully exposed to reinvestment risk. Assets in money market funds ballooned to a record \$6 trillion. This cash now represents a potential tailwind to risk assets.

Diversified liquid alternatives continued to outperform fixed income with meaningfully less volatility over the trailing 12 months.

Equity sensitive alternatives outperformed fixed income alternatives due to their underlying sensitivity to equity beta combined with alpha emergence. Fixed income alternatives were positive despite the headwinds from rising rates.

Macro Commodity Trading Advisor (CTA) strategies lagged the group as the trends in both rates and equities were choppy in the second quarter (Q2) than they were in previous quarters.

Market indices	Quarterly returns (%)	1-year returns (%)
HFRX Global Hedge Fund USD Index	0.37	5.42
HFRX Equity Hedge USD Index	1.65	9.13
HFRX Event Driven USD Index	-0.07	4.83
HFRX Fixed Income-Credit TR USD Index	0.21	4.82
HFRX Equity Market Neutral USD Index	1.26	7.58
HFRX Relative Value Arbitrage USD Index	0.41	3.67
HFRX Macro/CTA USD Index	-1.20	2.77
S&P 500 TR USD Index	4.28	24.56
MSCI ACWI NR USD Index	2.87	19.38
Bloomberg U.S. Aggregate Bond TR USD Index	0.07	2.63
Bloomberg Global Aggregate TR USD Index	-1.10	0.93

As of June 30, 2024. 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.

TICKER:
Class I: PSMIX

Class A: PMSAX

Class R6: PGLSX

Portfolio commentary

The Principal Global Multi-Strategy Fund (I-shares) returned 0.55% for the quarter ending June 30, 2024, outperforming the HFRX Global Hedge Fund Index which returned 0.37%.

What helped?

- The Fund's top performing manager from an absolute total return perspective was Los Angeles Capital Management LLC (LA Capital), one of three equity long/short managers held within the portfolio. One of the key factors driving their outperformance was being overweight companies that screened for higher long-term earnings growth expectations, as markets over Q2 were led by large-cap technology stocks in the U.S. Analyst insight was another factor within the model that delivered strong results, as growth stocks tend to have support from the analyst community.
- Wellington Management Company LLP* (Wellington), also held within our equity long/short bucket, delivered strong performance both from an absolute and relative perspective, outperforming the HFRX Equity Hedge Index. Gains were led by their U.S. all-cap equity strategy with exposures to information technology and communication services.
- Held within our credit long/short bucket, Loomis, Sayles & Company, L.P.'s (Loomis Sayles) credit long/short strategy delivered positive results led by positioning in the securitized portion of their portfolio. This came through strong security selection and exposure to non-agency commercial mortgage-backed securities (CMBS) and asset-backed securities (ABS). Their positioning within investment-grade (IG) credit was also additive, particularly within banking, consumer cyclical, and financial sectors.
- Our dynamic global macro trend-based strategy, managed by Graham Capital Management, L.P. (Graham), ended the quarter slightly negative from an absolute basis. Losses were experienced from the equity sector, primarily European indices, as well as across the energy complex. Losses were partially offset by gains on their net short interest rates positioning, mainly across U.S. and European rates, along with their net long U.S. dollar exposures. Although absolute returns were negative, relative performance attribution was positive as the strategy outperformed the HFRX Systematic Diversified CTA Index by a healthy margin.
- Our allocation to event-driven strategies through our Westchester Capital Management, LLC (Westchester) sleeve delivered negative absolute and relative performance against the HFRX Event Driven Index, which resulted in a slight detraction from a manager selection perspective. We have recently seen both positive and negative developments within the merger & acquisition (M&A) space. The Capri Holdings Limited/Tapestry, Inc. spread widened over the quarter as the Federal Trade Commission (FTC) announced it is seeking to block the transaction. The Hess Corporation/Chevron Corporation spread also widened as the two companies continue to work through an arbitration dispute. Meanwhile, we have seen other M&A deals come to closure such as the Exxon Mobil Corporation acquisition of Pioneer Natural Resources, and we continue to see an active calendar of announced merger activity.

What hurt?

- Within our credit long/short bucket, our allocation to Principal Finisterre (Finisterre) focused on emerging market (EM) debt, detracted from performance both on an absolute and relative perspective, as Finisterre underperformed the HFRX Credit Index for the period. Finisterre's second largest exposure, Brazil, declined towards the end of the quarter as the central bank held interest rates unchanged at 10.5% in an effort to slow the pace of inflationary pressures. The strategy maintains a bias towards short dated income and has trimmed some of their larger exposures such as Argentina and Egypt local currency debt in an effort to reduce some of the volatility across the strategy.

What's next?

- As we enter into the second half of 2024, we are encouraged by the strong performance coming from our managers across the strategy and continued robust performance within the Morningstar Multi-Strategy peer universe. Our current blend of managers continue to complement each other; however, we continually research and explore unique strategies to ensure we have an optimal asset allocation going forward.

Allocation update

	Q2 2024 (%)	Q1 2024 (%)
Equity hedge	30.8	31.3
Los Angeles Capital Management LLC	8.3	8.5
Gotham Asset Management, LLC	14.3	14.1
Wellington Management Company LLP*	8.2	8.7
Relative value arbitrage	36.0	36.0
Principal Finisterre	17.5	17.5
Loomis, Sayles & Company, L.P.	18.1	18.1
Macro/CTA	15.8	16.1
Graham Capital Management, L.P.	15.8	16.1
Event driven	15.0	15.0
Westchester Capital Management, LLC	15.0	15.0
Liquidity	2.4	1.5
Principal Asset Allocation	2.4	1.5

As of June 30, 2024. Source: Principal Global Investors. CTA: Commodity Trading Advisor. *Wellington Management Company LLP is a SEC-registered investment advisor and an independent and unaffiliated investment manager to Principal Funds. A Tactical asset allocation sleeve was added in the fourth quarter of 2023. At times, there may not be any tactical views reflected through this sleeve, so allocations may be zero. Tactical asset allocations will reflect under their respective asset classes.

PRINCIPAL GLOBAL MULTI-STRATEGY FUND as of June 30, 2024

Performance

Average annual total returns (%)									
	3-month	Year-to-date	1-year	3-year	5-year	10-year	Since inception (10/24/2011)	Expense ratio (net/gross)	Expense limit expiration date
Class I	0.55	5.97	9.15	3.89	4.75	3.52	3.81	1.70/1.86	12/30/2024
HFRX Global Hedge Fund Index	0.37	2.89	5.42	0.44	3.19	1.53	—	—	—
Morningstar category average	-0.13	4.59	8.14	3.83	3.87	2.22	—	—	—

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: Multistrategy	128	128	121	112	100	55	112	—	—
Class I percentile rankings	—	—	29	32	19	11	—	—	—
Class I ratings	—	—	—	★★★★	★★★★	★★★★★	★★★★★	—	—

Calendar year returns (%)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Class I	3.67	-0.64	3.27	6.59	-4.33	8.18	5.11	5.63	-1.79	6.58
HFRX Global Hedge Fund Index	-0.57	-3.63	2.50	5.99	-6.72	8.62	6.81	3.65	-4.41	3.10
Morningstar category average	3.35	-1.71	2.51	5.56	-4.31	7.77	1.63	6.86	-2.07	6.24

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.

Benchmark description: HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage.

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.

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HFRX Global Hedge Fund USD Index: The index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage.

HFRX Equity Hedge USD Index: The index is a measure of the performance of the hedge fund market and is asset-weighted based on the distribution of assets in the hedge fund industry.

HFRX Event Driven USD Index: The index measures the performance of an event-driven index and its exposure includes a combination of sensitivities to equity markets, credit markets, and idiosyncratic, company-specific developments.

HFRX Fixed Income-Credit TR USD Index: The index includes strategies with exposure to credit across a broad continuum of credit sub-strategies, including corporate, sovereign, distressed, convertible, asset backed, capital structure arbitrage, multi-strategy, and other relative value and event driven sub-strategies.

HFRX Equity Market Neutral USD Index: The index is a monthly-reporting HFRX index and its constituents are comprised of private hedge funds. Equity market neutral strategies employ sophisticated quantitative techniques of analyzing price data to ascertain information about future price movement and relationships between securities and select securities for purchase and sale.

HFRX Relative Value Arbitrage USD Index: The index measures the performance of the hedge fund market. Relative value investment managers maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities.

HFRX Macro/CTA USD Index: The index measures the performance of the hedge fund market where macro strategy managers trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency, and commodity markets.

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 ACWI NR USD Index: 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.

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.

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.

This Fund uses alternative strategies such as arbitrage, leverage, derivatives and shorting securities. Long/short investing does not guarantee lower risk associated with equity markets, capitalization, sector swings or other factors and may have higher turnover with additional tax consequences. Short selling risks include investment loss and added costs to cover short positions. International investing involves greater risks such as currency fluctuations, political/social instability and differing accounting standards. Use of alternative strategies may magnify risk. Securities such as bonds, equities, international and emerging market securities, and currencies are subject to risks associated with market and interest rate movements. The Fund is non-diversified and may be more susceptible to price volatility if the Fund does not meet its objective. Investors should not expect significant outperformance during market rallies. Additional risks are included in the Fund's prospectus.

Fixed-income investments are subject to interest rate risk; as interest rates rise their value will decline.

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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