

# Principal Edge Capital Appreciation

31 March 2025

## Strategy description

The Capital Appreciation strategy seeks long-term growth of capital by investing in common stocks of companies across the capitalization spectrum. The benchmark is the Russell 1000<sup>®</sup> Index. The strategy typically invests in 75-125 companies.

## Strategy facts

**Manager:** Principal Edge

**Inception:** 1 January 1997

**Index:** Edge Capital Appreciation Custom Index

**Available vehicles<sup>1</sup>:** IMA, U.S., Mutual Fund, UCITs

**Targeted number of holdings<sup>2</sup>:** 75-125

**Expected turnover<sup>2</sup>:** 20-50%

## Key differentiators

- **Quality first.** Proprietary industry review process utilizes deep fundamental analysis to identify quality businesses and avoid sub-par operators
- **Free cash flow focused.** Valuation framework utilizes free cash flow to identify opportunities in continuous compounders or companies with short-term dislocations
- **Balanced approach.** Sector neutral framework allows team to focus on company drivers, with stock selection focused on generating strong risk-adjusted results

## Portfolio management

**Theodore B. Jayne, CFA**

27 years' experience

**Daniel R. Coleman**

46 years' experience

## Investment philosophy

We invest in companies that we believe are high-quality with competitive advantages, financial strength, shareholder-oriented management teams, and a strong or improving profitability. We focus on quality first, have the patience to invest at attractive valuations, and maintain a long-term investment horizon.

## Composite performance (%)

	3M	1YR	3YR	5YR	10YR	Performance Start (1 January 1997)
Principal Edge Capital Appreciation (gross)	-5.52	6.79	10.51	19.31	13.00	12.73
Principal Edge Capital Appreciation (net)	-5.64	6.26	9.96	18.74	12.49	12.14
Edge Capital Appreciation Custom Index <sup>3</sup>	-4.68	7.27	8.23	18.18	11.80	9.33

## Calendar year returns (%)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Principal Edge Capital Appreciation (gross)	2.89	9.72	21.62	-2.77	33.26	19.39	28.61	-15.74	25.97	26.78
Principal Edge Capital Appreciation (net)	2.42	9.26	21.13	-3.17	32.72	18.91	28.00	-16.17	25.35	26.16
Edge Capital Appreciation Custom Index <sup>3</sup>	0.48	12.74	21.13	-5.24	31.02	20.89	25.66	-19.21	25.96	23.81

Source: Principal Global Investors.

As of March 2025. Investing involves risk, including possible loss of principal. Periods over one year are annualized. Please see disclosures for additional information on performance.

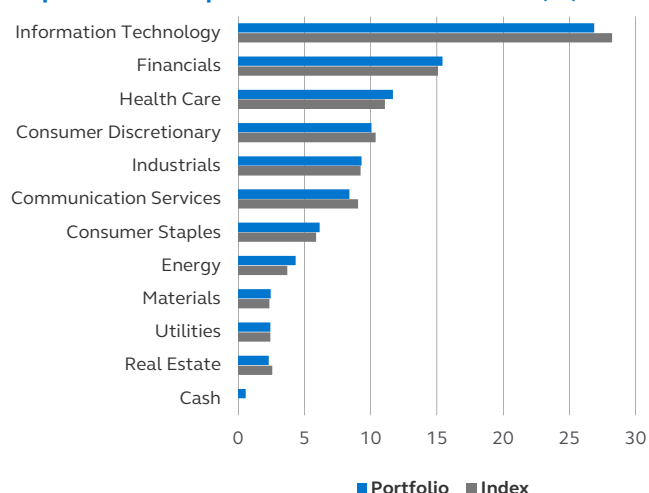
<sup>1</sup>Not all vehicles are available to investors in all jurisdictions.

<sup>2</sup>Investment guidelines are subject to change.

<sup>3</sup>Effective Mar. 1, 2025, the investment option changed its index to the Russell 1000 Index because it more closely aligns with the investment's investment approach. Prior to Mar. 1, 2025, the fund's benchmark was the Russell 3000 Index.

Representative portfolio top 10 holdings (%)<sup>4</sup>

	Location	Sector	Portfolio	Index	Active weight <sup>5</sup>
1 Apple Inc.	United States	Information Technology	5.8	6.4	-0.5
2 Microsoft Corporation	United States	Information Technology	5.3	5.4	-0.2
3 Nvidia Corporation	United States	Information Technology	4.4	4.9	-0.5
4 Alphabet Inc.	United States	Communication Services	3.3	3.2	0.1
5 Amazon.Com, Inc.	United States	Consumer Discretionary	3.3	3.5	-0.2
6 Jpmorgan Chase & Co.	United States	Financials	3.1	1.3	1.8
7 Meta Platforms Inc	United States	Communication Services	3.1	2.5	0.6
8 Visa Inc.	United States	Financials	3.0	1.2	1.9
9 Broadcom Inc.	United States	Information Technology	2.3	1.5	0.8
10 Republic Services, Inc.	United States	Industrials	1.9	0.1	1.8

Representative portfolio sector allocation (%)<sup>4</sup>Portfolio characteristics<sup>4,8</sup>

	Portfolio	Index
Market cap (weighted average)	\$823.1B	\$829.8B
Sales growth (trailing 5-year CAGR)	10.75	9.55
Turnover – last 12 months <sup>6</sup>	47.6%	-
Active share <sup>7</sup>	54.0%	-
Number of holdings	93	1,007
Dividend yield (weighted average)	1.08	1.35
Beta	0.96	1.00
Price/earnings – last 12 months	30.08	30.08
Operating margin (trailing 5-year average)	24.06	23.26
Return on capital (trailing 5-year average)	19.29	17.75

Composite risk statistics (gross)<sup>6</sup>

	3YR	5YR
Sharpe ratio	0.36	1.01
Standard deviation	16.89	16.53
Information ratio	1.12	0.43
Tracking error	2.04	2.64

<sup>4</sup> Source: FactSet. FactSet data is subject to revision over time, which may result in slight differences among data points reported during the same period.

<sup>5</sup> Portfolio security weight minus the benchmark security weight.

<sup>6</sup> Source: Principal Global Investors.

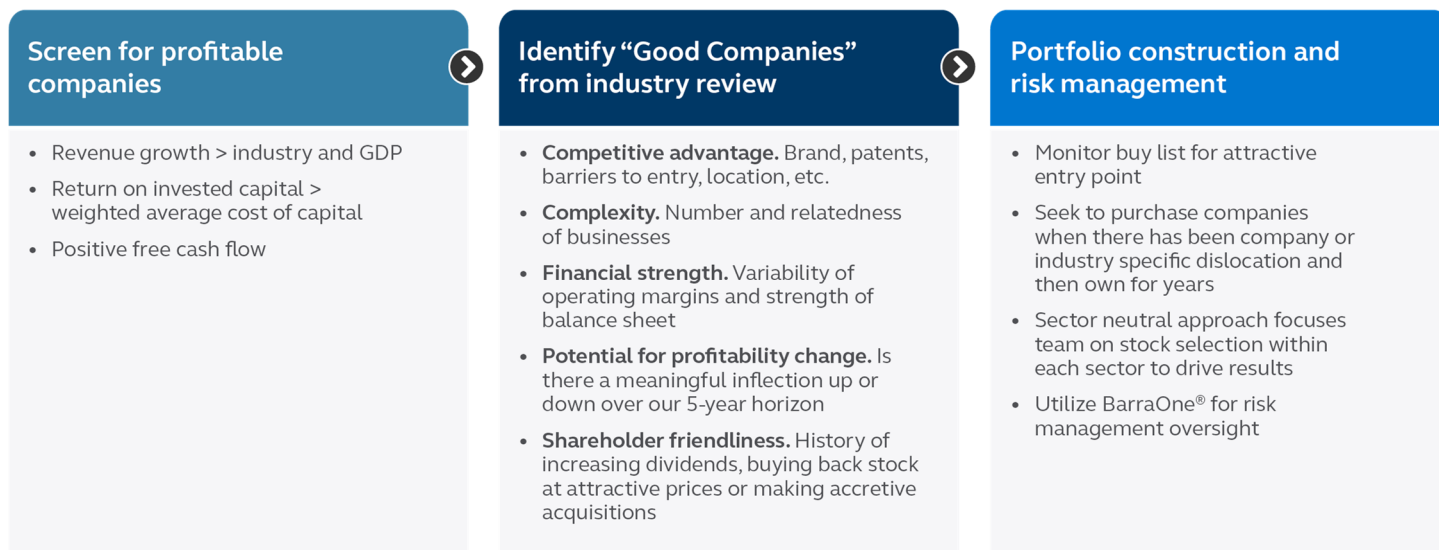
<sup>7</sup> A measure of the proportion of stock weights in a manager's portfolio that differ from the index.

<sup>8</sup> Yields and yield related characteristics shown are only one component of performance or expected performance and are not and should not be viewed as a statement of the current or future performance of the strategy. See the gross and net performance of the strategy.

Due to rounding, figures and percentages shown may not add to the total or equal 100%. The index benchmarks are referred to for comparative purposes only and are not necessarily intended to parallel the risk or investment approach of the portfolios included in the composites and the methods of calculating performance of the composite and the index may not be identical.

## Investment process overview

Seek quality companies at attractive valuations



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. The strategy may have an increased potential for loss because its portfolio includes a relatively small number of holdings. Movements in the prices of the individual assets may have a magnified effect on the portfolio.

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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 are not available for direct investment.

The Russell 1000 Index represents the **top 1,000 companies by market capitalization in the United States**. The index is a subset of the Russell 3000 Index. The Russell 1000 index comprises about 93% of the total market cap of all listed stocks in the U.S. equity market. Information regarding the comparison to the Russell 1000 Index is available upon request.

Composite performance results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Gross performance shown does not reflect the deduction of investment management fees and certain transaction costs, which will reduce portfolio performance. Net performance results reflect a reduction for investment advisory fees based on the firm's applicable asset management fee schedule. Effective March 2021, composite net performance is calculated using the highest applicable fee as shown in the composite fee schedule. Prior to March 2021, composite net returns were derived based the aggregation of underlying portfolios net returns that were either calculated by applying actual client fees for non-affiliated clients or a model tiered fee schedule for affiliated clients, unless otherwise noted. Composite net returns after January 1, 2011, are inclusive of performance-based fees (where applicable). Performance-based fees are accounted for on a cash basis. Prior to January 2003 certain commingled funds which returns may be utilized in a Composite's performance track record had net returns that reflected a deduction for administrative fees in addition to direct trading expenses and investment management fees. Therefore, the average fees will be higher during these time periods.

Each portfolio included in the composite is managed according to its own individual investment restrictions and limitations and therefore their characteristics may vary from those of the Representative Portfolio shown. Portfolio performance, characteristics and volatility may differ from the benchmark shown. Holdings and weightings are subject to change daily.

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