

Principal Edge

Capital Appreciation

December 31, 2023

Overview

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 3000[®] Index. The strategy typically invests in 75-125 companies.

Philosophy & process

Edge believes in a philosophy that is:

- Long-term – we are investors, not traders, and the average holding period for a company is between three and five years
- Research driven – our investment approach focuses on using fundamental research to identify secular trends and/or outstanding, attractively priced businesses that possess strong long-term prospects and is the key to Edge's competitive advantage.
- Characterized by patience - we seek to invest in "great businesses" when they are out of favor

Annualized performance

	4Q23	One year	Three years	Five years	Ten years
Composite Gross performance	12.73	25.97	10.93	16.77	12.61
Russell 3000 Index	12.07	25.96	8.54	15.15	11.47
Gross Excess return	0.66	0.01	2.39	1.62	1.14
Net Excess Return	0.52	-0.60	1.84	1.09	0.64
Tracking error (based on gross performance)	—	2.27	2.42	2.87	2.29
Information ratio (based on gross performance)	—	0.01	0.99	0.56	0.50
Composite standard deviation (based on gross performance)	—	13.74	17.00	17.82	14.75
Benchmark standard deviation (based on gross performance)	—	14.83	17.46	18.97	15.57
Composite Net performance	12.59	25.35	10.39	16.24	12.11

Source: Principal Global Investors. Composite Returns above for a period of less than one year are not annualized. Past performance is not a reliable indicator of future performance.

Representative portfolio style characteristics

	Capital Appreciation
Strategy Assets**	\$4.1 billion
Strategy Inception	Mar-03
Number of Securities	85
Weighted. Avg. Market Cap	\$652.0 billion
Median Market Cap	\$100.6 billion
Operating Margin – 5 Year Avg.	23.99
Return on Capital – 5 Year Avg.	19.65
Sales Growth – 5 Year CAGR	10.01
Price/Earnings – Trailing	30.18
Dividend Yield – Current (Wtd Avg.)	1.29
Dividend Yield – Indicated (Wtd Avg.)	1.41
Beta	0.94
Active Share	58.49
Turnover Ratio*	47.33%

Sector distribution (%)

	Capital Appreciation
Communication Services	9.58
Consumer Discretionary	10.16
Consumer Staples	5.82
Energy	4.07
Financials	14.03
Health Care	11.75
Industrials	9.53
Information Technology	25.79
Materials	3.28
Real Estate	2.67
Utilities	2.61
Cash	0.70

Unless otherwise noted, portfolio statistics are provided by FactSet. Statistics aggregated using weighted median unless otherwise noted.

*Source: Principal Edge

**Strategy Assets includes all assets in the strategy including the Representative Portfolio.

Portfolio Style Characteristics and Sector Distribution information is based upon a representative portfolio of the Capital Appreciation strategy.

Portfolio managers



Dan Coleman

CIO/Portfolio Manager
44 years of experience



Toby Jayne, CFA

Portfolio Manager
25 years of experience

Company overview

Principal Edge, based in Seattle, Washington, is a leading manager of equity investment strategies. With a foundation dating back to 1939, Edge has a long legacy of providing straightforward investment solutions. Committed to fundamental analysis, Edge believes that quality companies make good stocks, and that attractive results can be achieved by identifying them, exercising patience to wait for attractive valuations, and investing in them long-term. Principal Edge is an investment team within Principal Global Investors. Principal Edge enjoys the focus of a boutique firm while leveraging the resources of a multinational organization.

Risk considerations

Past performance does not guarantee future return. Investing involves risk, including possible loss of principal. Equity investments involve greater risk, including higher volatility, than fixed-income investments.

Important Information

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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 on 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. Additional information on calculation of composite performance data is available on request.

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. The two methods of calculating performance of the composite and the index may not be identical. Indices are unmanaged and do not take into account fees, expenses and transaction costs are not available for direct investment.

Russell 3000 Index measures the performance of the largest 3000 U.S. companies based on total market capitalization. Information regarding the comparison to the Russell 3000 Index is available upon request.

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