

Principal U.S. Small Cap Equity

31 March 2024

Strategy description

The strategy aims to provide long-term capital growth by investing primarily in the shares of small-cap companies domiciled in the United States. The strategy is research-driven and focused on bottom-up stock selection, not bold calls on macro or geopolitical conditions.

Strategy facts

Manager: Principal Global Equities

Inception: 1 April 2000

Index: Russell 2000 Index

Targeted number of holdings¹: 100 -250

Expected turnover¹: <75%

Key differentiators

- **We invest in businesses we believe are becoming better** as a result of positive change: innovators, renovators, and pacesetters.
- **We identify them ahead of the market** by recognizing potential underappreciated growth and improvement opportunities.
- **We isolate stock selection as the key driver of results**, delivering style consistency over time using a comprehensive system of checks and balances.

Portfolio management

Phil Nordhus, CFA

34 years' experience

Brian Pattinson, CFA

30 years' experience

Investment philosophy

We believe bottom-up stock selection is the most reliable and repeatable source of consistent performance. We also recognize that persistent behavioral biases and impediments to capital flows create market inefficiencies and opportunities. We seek to exploit these anomalies through focused fundamental research and disciplined risk management.

Composite performance (%)

	3M	1YR	3YR	5YR	10YR	Performance Start (1 April 2000)
Principal U.S. Small Cap Equity (gross)	7.86	18.43	2.55	10.63	9.18	9.25
Principal U.S. Small Cap Equity (net)	7.70	17.73	1.94	10.03	8.55	8.57
Russell 2000 Index	5.18	19.71	-0.10	8.10	7.57	7.30

12-month rolling returns (%)

	Apr 19 - Mar 20	Apr 20 - Mar 21	Apr 21 - Mar 22	Apr 22 - Mar 23	Apr 23 - Mar 24
Principal U.S. Small Cap Equity (gross)	-23.29	100.43	-1.03	-7.97	18.43
Principal U.S. Small Cap Equity (net)	-23.65	99.47	-1.63	-8.53	17.73
Russell 2000 Index	-23.99	94.85	-5.79	-11.61	19.71

Source: Principal Global Investors.

As of March 2024. Investing involves risk, including possible loss of principal. Periods over one year are annualized. Please see disclosures for additional information on performance.

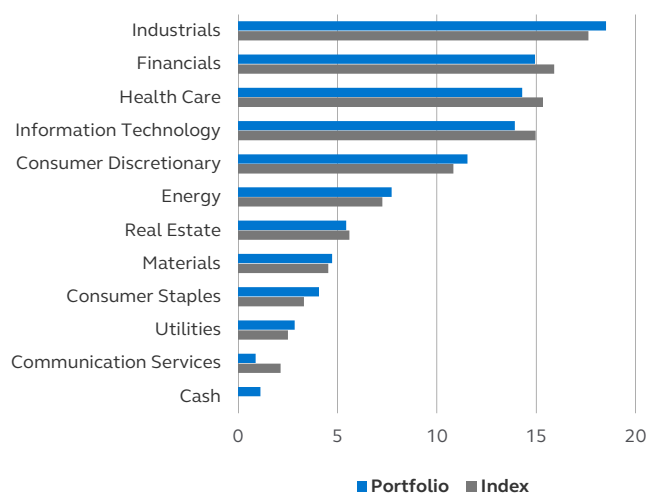
Risk Considerations

- The potential for profit is accompanied by the possibility of loss.
- 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.
- There is a risk that an investment will decline in value.
- Equity stocks of small-cap companies carry greater risks including that they may be more volatile and less liquid than equity stocks of larger, more established companies.

¹Investment guidelines are subject to change.

Top 10 holdings (%)²

	Sector	Portfolio	Index	Active weight ³
1 Super Micro Computer, Inc.	Information Technology	2.5	1.9	0.5
2 Taylor Morrison Home Corporation	Consumer Discretionary	1.8	0.2	1.5
3 Modine Manufacturing Company	Consumer Discretionary	1.5	0.2	1.4
4 Atkore Inc	Industrials	1.5	0.3	1.2
5 Natera Inc	Health Care	1.4	—	1.4
6 Parsons Corporation	Industrials	1.3	0.1	1.2
7 Chart Industries, Inc.	Industrials	1.3	0.3	1.1
8 Pebblebrook Hotel Trust	Real Estate	1.3	0.1	1.2
9 Wintrust Financial Corporation	Financials	1.3	—	1.3
10 Dycom Industries, Inc.	Industrials	1.3	0.2	1.1

Sector allocation (%)²Portfolio characteristics²

	Portfolio	Index
Return on equity	11.8%	9.9%
Earnings growth ⁴	12.1%	10.8%
Active share ⁵	88.4%	-
Price/earnings ⁶	18.1x	18.0x
Earnings revisions ⁷	51.0%	47.1%
Number of holdings	131	1,942
Market cap (weighted median)	\$5.4B	\$3.1B

Composite risk statistics (gross)⁸

	3YR	5YR
Sharpe ratio	-0.01	0.36
Standard deviation	21.11	23.69
Information ratio	0.90	0.71
Tracking error	2.96	3.56

² Source: FactSet. Characteristics and weightings shown are of the representative portfolio. FactSet data is subject to revision over time, which may result in slight differences among data points reported during the same period.

³ Portfolio security weight minus the benchmark security weight.

⁴ Long term earnings per share (EPS Growth) - three-five year estimate.

⁵ Percentage of companies with positive EPS revisions.

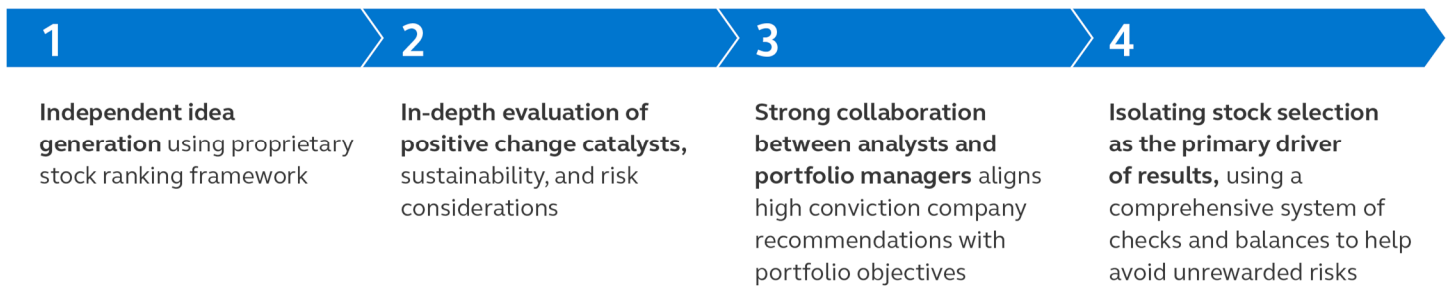
⁶ Forward one-year price/earnings estimates.

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

⁸ Source: Principal Global Investors.

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



Perspective and precision: a disciplined, repeatable approach for better fundamental outcomes

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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.

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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. The holdings listed should not be considered a recommendation to purchase or sell any security and there is no assurance an investment in these securities will be profitable.

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