

# Principal Global High Yield

31 March 2024

## Strategy description

The strategy that is primarily invested in U.S. and European domiciled companies and is focused on income and capital appreciation derived primarily from security selection.

## Strategy facts

**Manager:** Principal Fixed Income

**Inception:** 1 January 2010

**Index:** Global High Yield Blended Index

**Targeted number of issuers<sup>1</sup>:** 150-225

**Expected turnover<sup>1</sup>:** 30-50%

## Key differentiators

- **Artificial Intelligence (AI) tools and Environmental, Social, and Corporate Governance (ESG)** to challenge biases, strive to avoid unintended risks, with the goal to capture growing impact on market performance.
- **Well-defined exit strategies to help minimize risk;** dynamic risk limits allow flexibility to adjust risk tolerance as market volatility and our macro risk perspective changes.
- **Seeks to achieve long-term outperformance** and drawdown mitigation.

## Portfolio management

**Joshua Rank, CFA**

24 years' experience

**Darrin Smith, CFA**

33 years' experience

**Mark Denkinger, CFA**

34 years' experience

## Investment philosophy

We believe attractive returns are best achieved for our clients through the integration of rigorous fundamental research, a global perspective, and disciplined risk management.

## Composite performance (%)

	3M	1YR	3YR	5YR	10YR	Performance Start (1 January 2010)
Principal Global High Yield (gross)	2.02	12.03	3.15	4.90	4.98	7.03
Principal Global High Yield (net)	1.89	11.48	2.64	4.42	4.45	6.41
Global High Yield Blended Index	2.05	11.60	1.48	3.76	4.18	6.12

## 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 Global High Yield (gross)	-5.98	23.13	-0.22	-1.80	12.03
Principal Global High Yield (net)	-6.36	22.63	-0.72	-2.29	11.48
Global High Yield Blended Index	-7.33	24.17	-3.31	-3.14	11.60

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

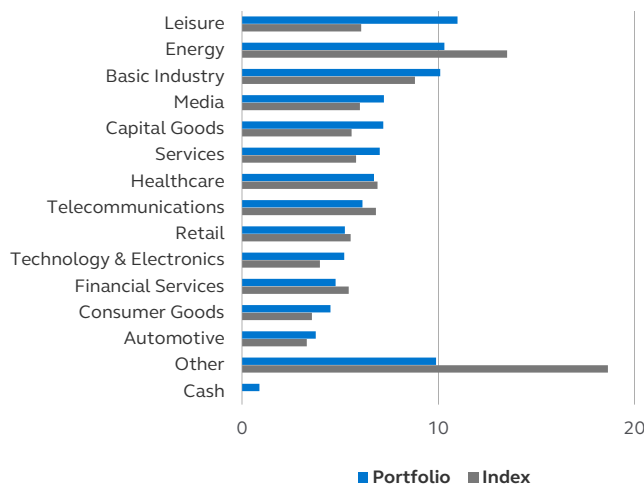
- The potential for profit is accompanied by the possibility of loss.
- Fixed Income investments are subject to interest rate risk; when interest rates rise, the price of debt typically declines.
- Potential investors should be aware that fixed Investments carry credit risks, default risk, liquidity risks, currency risks, operational risks, legal risks, counterparty risk and valuation risks.
- Non-investment grade securities offer a potentially higher yield but carry a greater degree of risk.

<sup>1</sup>Investment guidelines are subject to change.

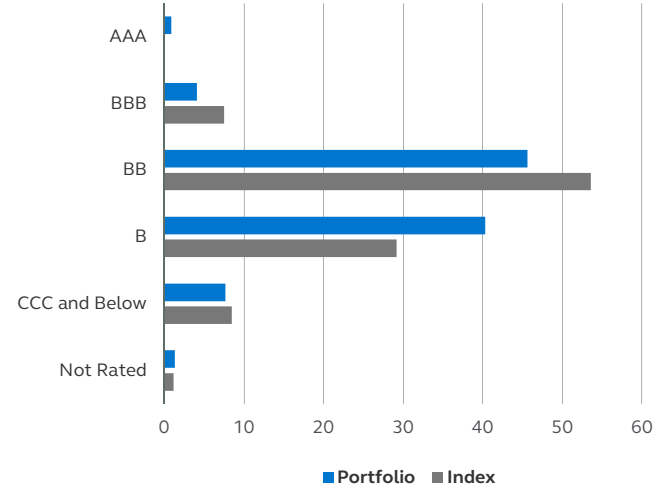
Representative portfolio top 10 issues (%)<sup>2</sup>

		Location	Sector	Portfolio
1	Tenet Healthcare Corp	United States	Consumer Non Cyclical	0.9
2	Punch Finance PLC	United Kingdom	Consumer Cyclical	0.8
3	Ladder Capital Finance Holdings Lllp / Ladder Ca	United States	Reits	0.8
4	Fertitta Entertainment Llc / Fertitta Entertainm	United States	Consumer Cyclical	0.7
5	Smyrna Ready Mix Concrete Llc	United States	Capital Goods	0.7
6	Caesars Entertainment Inc	United States	Consumer Cyclical	0.7
7	Novafives Sas	France	Industrial Other	0.7
8	Olympus Water Us Holding Corp	United States	Basic Industry	0.7
9	Consolidated Energy Finance Sa	Luxembourg	Basic Industry	0.7
10	Aethon United Br Lp / Aethon United Finance Corp	United States	Energy	0.7

Representative portfolio sector allocation (%)<sup>2</sup>



Representative portfolio quality allocation (%)<sup>2</sup>



Representative portfolio characteristics<sup>2,3</sup>

	Portfolio	Index
Yield to worst	7.8%	7.6%
Average credit quality <sup>4</sup>	B+	BB-
Average coupon	6.2%	5.9%

Composite risk statistics (gross)<sup>5</sup>

	3YR	5YR
Sharpe ratio	0.06	0.32
Standard deviation	8.13	8.92
Information ratio	1.30	0.76
Tracking error	1.29	1.51

<sup>2</sup>Source: Certain analytics powered by Aladdin® by BlackRock®. BlackRock® and Aladdin® are trademarks and service marks of BlackRock, Inc. and its affiliates (collectively, "BlackRock"). BlackRock owns all proprietary rights in the marks and in the Aladdin® by BlackRock® services. BlackRock neither approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom.

<sup>3</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.

<sup>4</sup>Not based on ratings of one rating agency. More information regarding the averaging methodology and quality distribution is available upon request. Quality allocation shown is based on ratings from S&P, Moody's, and Fitch. The Not Rated category consists of rateable securities that have not been rated by a nationally recognized statistical rating organization. AAA includes cash. 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.

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

## Investment process overview

A dynamic, time-tested, and consistent process combining macro perspective with fundamental research and analysis.



Fundamentals, Technicals, Valuations (FTV) framework instills a consistent research approach to identifying best risk/return opportunities

Independent forward-looking ratings on all invested issuers

Well-defined exit strategies help minimize capital losses

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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 ICE BofA Global High Yield Hedged to USD Index is the hedged version of the ICE BofA Global High Yield Index. The index tracks the performance of USD, CAD, GBP, and EUR denominated below investment grade corporate debt publicly issued in the major domestic or Eurobond market. Qualifying securities must have a below investment grade rating (based on the average of Moody's, S&P, and Fitch). In addition, qualifying securities must have an investment grade rated country of risk (based on an average of Moody's, S&P, and Fitch foreign currency long term sovereign debt ratings), at least one year remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of USD 100 million, EUR 100 million, GBP 50 million, or CAF 100 million. In reports issued prior to 1 January 2015 the ICE BofA Global High Yield Index was used for comparison purposes. The benchmark was changed to be more representative of the composite strategy. Information regarding the comparison to the ICE BOFA Global High Yield Hedged to USD Index is available upon request.

\*\*Prior to 1 January 2015 the benchmark used for comparison purposes for the Global High Yield strategy is the Bank of America Merrill Lynch Global High Yield Index. On 1 January 2015 the strategy benchmark was changed to the ICE Bank of America Merrill Lynch Global High Yield USD Hedged Index.

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.

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