

# Principal Aligned SMA Blue Chip Equity

First quarter 2024

## Strategy overview

The strategy invests for the long-term in high-quality companies led by owner-operators. The strategy uses a highly active approach to U.S. large-cap equities that aims for long-term outperformance with less risk.

## Portfolio management

**K. William Nolin, CFA**  
35 years of experience

**Thomas Rozycki, CFA**  
24 years of experience

## Characteristics<sup>1,2</sup>

	Portfolio	Index
Composite AUM	\$32.0M	—
UMA/SMA AUM <sup>3</sup>	\$2.4B	—
Inception date	07/01/12	—
Number of holdings	33	440
Active share	67.7%	—
Expected turnover	15%-30%	—
Market cap <sup>4</sup>	\$807.0B	\$1,214.3B
Operating margin	31.0%	30.7%

## Top 10 holdings<sup>2,5</sup>

	% of net assets
Microsoft Corporation	11.8
Amazon.com, Inc.	8.3
Alphabet Inc.	6.2
Transdigm Group Incorporated	4.9
Brookfield Corporation	4.8
Mastercard Inc.	4.6
Visa Inc.	4.3
Progressive Corporation	4.0
Intuit Inc.	3.9
Danaher Corporation	3.5
<b>Total</b>	<b>56.3</b>

See disclosure section for additional details.

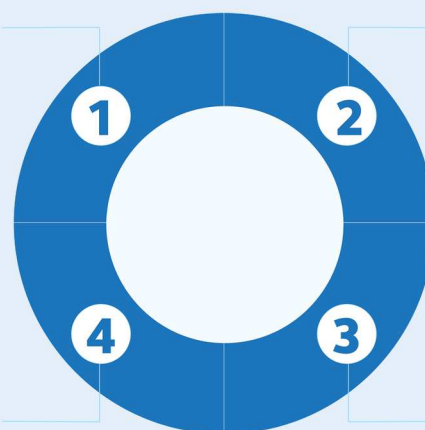
## A highly active approach that focuses on owner-operators

- A wide latitude to depart from index weights results in higher active share and more concentrated top holdings than peers.
- Aligned incentives: Owner-operators tend to be passionate and cost conscious. We believe they have longer-term outlooks and are better capital allocators.
- An experienced team with a history of delivering excess risk-adjusted returns over market cycles.

## Investing in high-quality companies led by owner-operators

**High-quality business** with a sustainable competitive advantage

Businesses with **owner-operator** management or culture



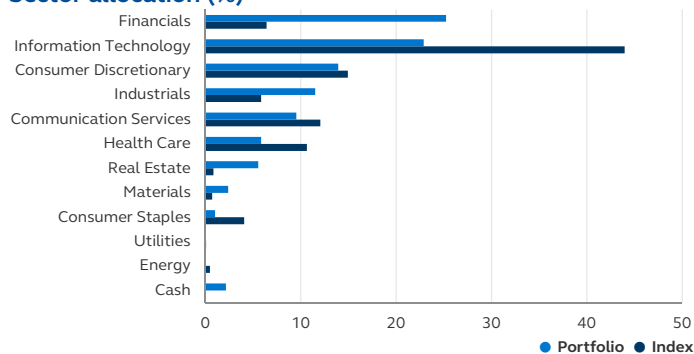
**Focused on risk reduction** throughout the entire process

**Valuation discipline** builds in a margin of safety\*

The investment strategy may not perform as intended, and you may experience a gain or a loss. \*Margin of safety is a term used for when the market price of a stock is significantly below its intrinsic value. Investing involves risk, including possible loss of principal.

## Why allocate to a portfolio:

- **Long-term U.S. equity holding:** Strategy aims to outperform large-cap indices through market cycles with less risk.
- **Complementary to indices:** The highly active approach complements passive core equity holdings because companies with large inside ownership (the owner-operators the team emphasizes) are underrepresented in indices.

Sector allocation (%)<sup>1,2</sup>

## Performance

	Composite performance (%)					
	3-month	1-year	3-year	5-year	10-year	Since inception (07/01/2012)
Principal Aligned SMA Blue Chip Equity (gross)	10.17	41.43	9.83	16.65	15.79	16.72
Russell 1000 <sup>®</sup> Growth Index	11.41	39.00	12.49	18.50	15.97	16.82
Principal Aligned SMA Blue Chip Equity (net)	9.37	37.36	6.61	13.24	12.41	13.31

Risk statistics (5-year, gross)<sup>5</sup>

	Composite
Sharpe ratio	0.7
Standard deviation	20.8
Information ratio	-0.4
Tracking error	4.6

Calendar year returns (%)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Principal Aligned SMA Blue Chip Equity (gross)	11.51	6.18	9.61	29.43	3.17	38.91	34.85	25.68	-30.09	39.83
Russell 1000 <sup>®</sup> Growth Index	13.05	5.67	7.08	30.21	-1.51	36.39	38.49	27.60	-29.14	42.68
Principal Aligned SMA Blue Chip Equity (net)	8.24	3.05	6.39	25.68	0.13	34.91	30.95	22.03	-32.22	35.80

Periods over one year are annualized. Net of fees reflects the gross returns reduced by an assumed maximum bundled fee of 3%. See disclosure section for additional details.

<sup>1</sup> Source: FactSet

<sup>2</sup> The index is the Russell 1000<sup>®</sup> Growth Index and is described below. Portfolio information is based on the strategy's model portfolio. The holdings shown do not represent all the securities purchased, sold or recommended for any advisory client and in the aggregate may represent only a small percentage of an account's portfolio holdings. Actual portfolios may differ because of account size, client-imposed investment restrictions, the timing of client investments and market, economic and individual company considerations. Securities are shown for illustrative purposes only and are not a solicitation to buy or sell any security or invest in a sector.

<sup>3</sup> May include model-only assets managed by the firm, where the firm has no control as to whether investment recommendations are accepted or the firm does not have trading authority over the assets.

<sup>4</sup> Weighted average

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

Reported FactSet data is subject to revision over time, which may result in slight differences among data points reported during the same period.

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.

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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. The methods of calculating performance of the

composite and the index may not be identical and it is not possible to invest in an index.

The SMA Aligned Blue Chip Equity (USD) composite contains fully discretionary actively managed quality growth equity portfolios. Portfolios are comprised primarily of U.S. large-cap equity companies. Portfolios will focus on investments in companies which in our opinion are high quality. The portfolios will be diversified across economic sectors and individual companies without unnecessary concentration risk. The composite is measured against the Russell 1000<sup>®</sup> Growth Index. The SMA Aligned Blue Chip Equity Max 300 bps (USD) composite was created in March 2017. Beginning December 1, 2017, performance results reflect actual returns of the SMA wrap-fee composite. Performance prior to December 1, 2017, reflects the Aligned Blue Chip Equity institutional composite and does not reflect any actual SMA portfolios.

The Russell 1000<sup>®</sup> Growth Index measures the performance of those Russell 1000<sup>®</sup> companies with higher price-to-book ratios and higher forecasted growth values. Information regarding the comparison to the Russell 1000 Growth Index is available upon request.

This strategy is only provided through separately managed accounts program sponsors. Clients should consult a financial professional before making any investment decisions. Financial professionals should consider the appropriateness of the manager, strategy and program for its clients on an initial and ongoing basis.

Wrap fee schedules are provided by independent wrap sponsors and are available upon request from the representative wrap sponsor. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. Net performance shown reflects the gross returns reduced by a maximum bundled fee which includes brokerage, custodial, and investment management expenses. Actual investment advisory fees incurred by clients may vary.

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