Principal Asset Management℠

GLOBAL LISTED INFRASTRUCTURE SECURITIES

Quarterly update

FIRST QUARTER | April 2024

Global equity markets (MSCI ACWI) returned +8.1%, driven by U.S. economic resilience and the rally in the mega-cap tech complex stemming from heightened enthusiasm around artificial intelligence. Signs of bottoming in Eurozone economic activity and the ongoing reflationary rally in Japanese equities also contributed to the risk-on mood. **Listed infrastructure stocks (FTSE Global Core Infrastructure 50/50, +1.6%) materially lagged equities as consensus expectations for the first rate cut from the Federal Reserve (Fed) moved back from March to June.** U.S. 10-year bond yields finished the quarter 33 bps higher, and fixed income delivered negative absolute returns (Barclays Global Aggregate, -2.1%).

Asian infrastructure stocks were the standout performers for the quarter (+8.8%). While a weak macro environment weighed on sentiment in China to start the quarter, mild improvements in share price performances followed new policies. The appointment of a new China Securities Regulatory Commission (CSRC) chair further buoyed sentiment, as leadership changes have historically preceded equity market recoveries. Ports drove outperformance in the Southeast Asia and India, as investors paid more attention to the re-shoring theme and sought out likely beneficiaries of potential supply chain shifts away from China.

North American infrastructure stocks performed in line with the global benchmark during the quarter (+1.5%). Consistent with global trends, strength in transportation and energy infrastructure was offset by weakness in communications infrastructure as optimism about the economic trajectory increased. Utilities also lagged modestly, though within sector, performance was more mixed. Some of the larger cap utilities saw their share prices benefit given the perception they would be differentiated beneficiaries of accelerating power demand growth, while other stocks underperformed on concerns around wildfire liabilities.

THEMES

Global equity markets rallied on the back of economic resilience and heightened enthusiasm for AI.

Listed infrastructure underperformed global equities, as resilient U.S. economic data and upside surprises to inflation forced the market to reassess its expected timing for the first Fed rate cut.

The more economically sensitive and historically higher beta listed infrastructure sectors such as energy and transportation outperformed. Communications infrastructure was the weakest performing sector, reversing the strength seen in Q4 2023.

Exhibit 1: Global listed infrastructure total returns by region

Region	Benchmark weight (%)	Total returns: Trailing three months (%)	Total returns: Trailing twelve months (%)
North America	61.6	1.5	-0.1
Asia	15.3	8.8	19.5
EMEA	11.5	0.5	6.1
Australia-Nz	5.9	-7.4	-7.0
Latin America	5.7	-2.5	9.4
FTSE Global Core Infrastructure 50/50	**100.0**	**1.6**	**3.2**

As of 31 March 2024. Source: FactSet. Returns represent the FTSE Global Core Infrastructure 50/50 Index, by region. Returns in USD. Past performance is not a reliable indicator of future return. Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index. Does not represent any investment strategy.

European infrastructure stocks (+0.5%) modestly underperformed the global opportunity set, with currency a headwind during the period. Similar to the dynamics seen in North America over the period, the repricing of rate cut expectations amidst signs of stickier than expected Eurozone inflation weighed on performance across the board. Transportation stocks were the best performing sector, and airports were a bright spot as traffic is now trending comfortably above pre-pandemic levels for some companies. Utilities delivered mixed performance, and communications infrastructure was the weakest performing sector. Renewables stocks were also notable laggards.

Latin American infrastructure stocks delivered negative returns (-2.5%) in the first quarter. Performance was generally mixed across transportation stocks, as company- and sector-specific factors were the key drivers of share price performance. The modest traffic growth outlook for 2024 as well as the upcoming presidential election weighed on Mexican airport stocks, and in Brazil, weakness in the grain harvest has raised some questions around volumes for some transportation names. In contrast, weakness in Chilean and Brazilian utilities was largely attributed to continued U.S. economic resilience and expectations for the timing of U.S. interest rate cuts being pushed back from where we started the quarter. Locally, central banks are fulling entrenched in rate cutting mode as inflation approaches target levels.

Australia/New Zealand was the weakest performing region (-7.4%), and as we saw in other international markets, currency presented a headwind. Regulatory news flow weighed on key Australian and New Zealand infrastructure stocks in both the toll road and utility sectors. The Reserve Bank of Australia (RBA) kept interest rates unchanged during the quarter as widely expected but softened its commentary regarding the forward-looking trajectory in March.

PRINCIPAL GLOBAL LISTED INFRASTRUCTURE TEAM

EMILY FOSHAG, CFA
Portfolio Manager,
Head of Listed Infrastructure
14 years investment experience

ALEX MOTTERSHEAD, CFA
Portfolio Manager
29 years investment experience

RISHIKA DAVDA, CFA
Senior Analyst
13 years investment experience

BING HAN, CFA
Senior Analyst
13 years investment experience

Performance figures referenced in commentary are presented in USD.

Exhibit 2: Global listed infrastructure total returns by sector

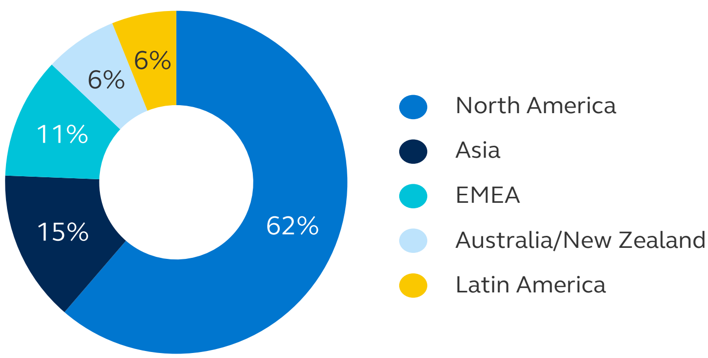
Sector	Benchmark weight (%)	Total returns: Trailing three months (%)	Total returns: Trailing twelve months (%)
Utilities	51.6	1.2	-1.6
Transportation	28.9	2.9	11.1
Energy	12.0	6.6	14.7
Communications	7.5	-8.6	-8.9
Environmental	0.0	10.8	21.5
FTSE Global Core Infrastructure 50/50	**100.0**	**1.6**	**3.2**

As of 31 March 2024. Source: FactSet. Returns represent the FTSE Global Core Infrastructure 50/50 Index, by sector. Returns in USD. For simplicity purposes, we are not showing retail outlets, conglomerate, healthcare facilities or realty services sectors. Past performance is not a reliable indicator of future return. Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index. Does not represent any investment strategy.

Global dashboard

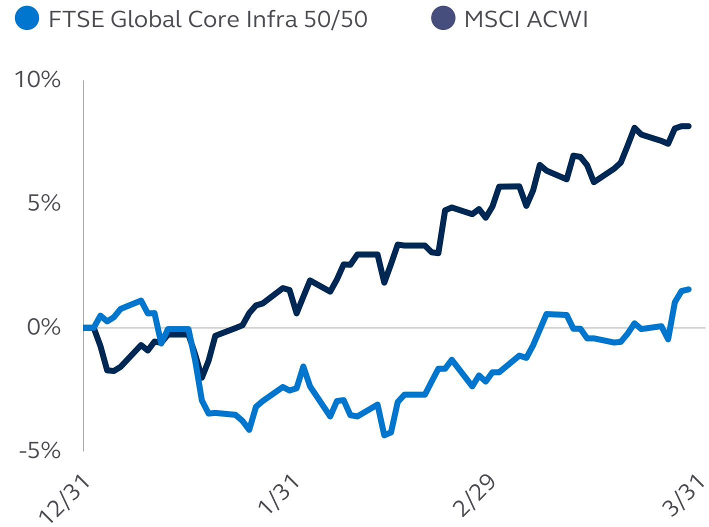
Market performance

Exhibit 3:
Global listed infrastructure regional split



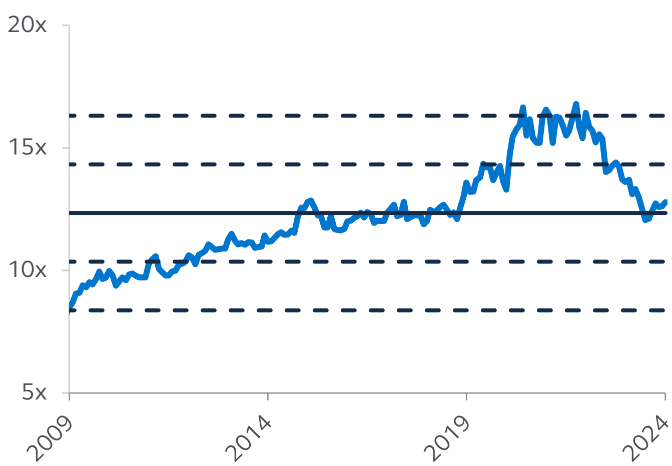
Source: FactSet, FTSE Global Core Infra 50/50 Index.

Exhibit 4:
Global listed infrastructure vs. equities returns



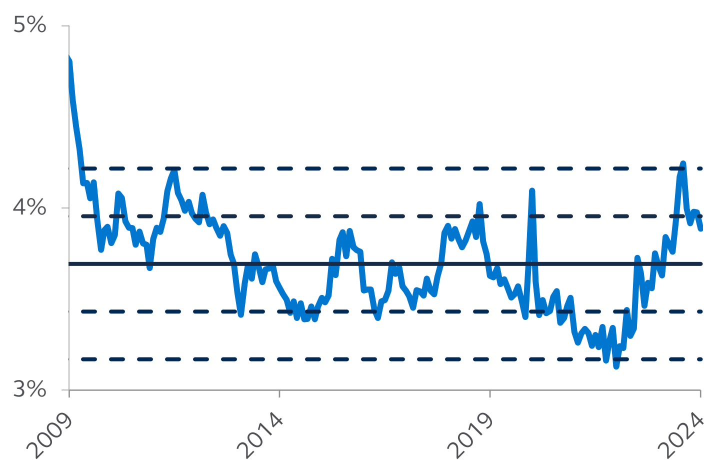
Source: FactSet, FTSE Global Core Infra 50/50, MSCI ACWI Index. Returns in USD.

Exhibit 5:
Global listed infrastructure enterprise value to EBITDA



Source: FactSet, FTSE. This chart illustrates the weighted average, 1st and 2nd standard deviations EV/EBITDA of the stocks in the FTSE Global Core Infra 50/50 index. The historical average represents 15 years.

Exhibit 6:
Global listed infrastructure dividend yield



Source: Principal Global Investors, FactSet, FTSE. The dividend yield percentage shown above is the weighted average, 1st and 2nd standard deviations dividend yield of the of the stocks in the FTSE Global Core Infra 50/50 index. The historical average represents 15 years.

As of 31 March 2024.
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The potential for profit is accompanied by the possibility of loss. Past performance is not a reliable indicator of future performance.

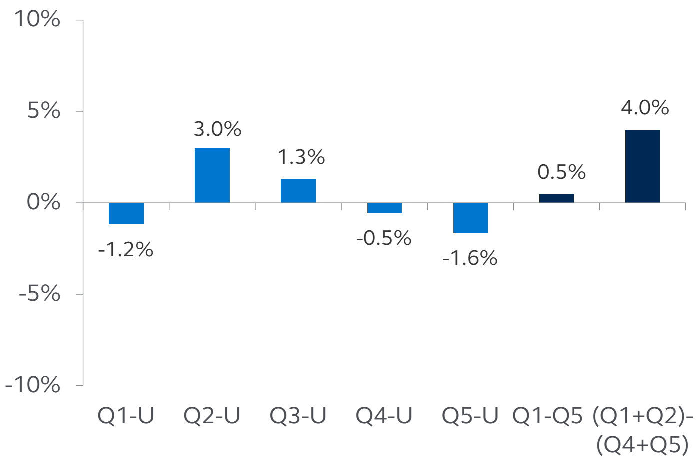
Global dashboard

First quarter style analysis

Exhibit 7:

Total return by dividend yield

Lower yielding stocks outperformed

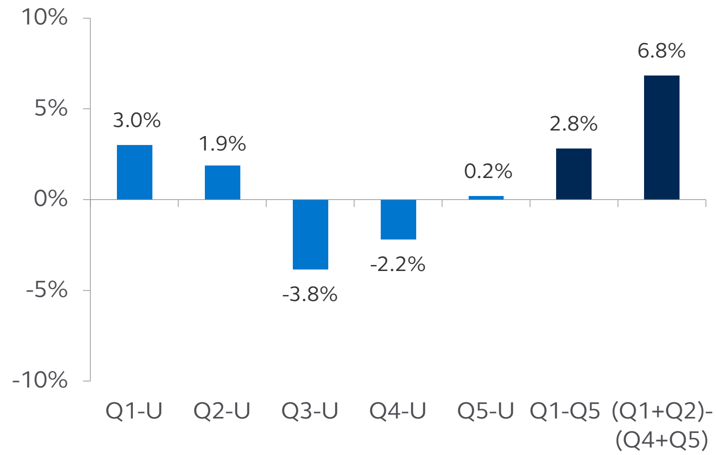


Note: Q1 = Lowest yield, Q5 = Highest yield; U=Universe mean

Exhibit 8:

Total return by market capitalization

Larger market cap stocks outperformed

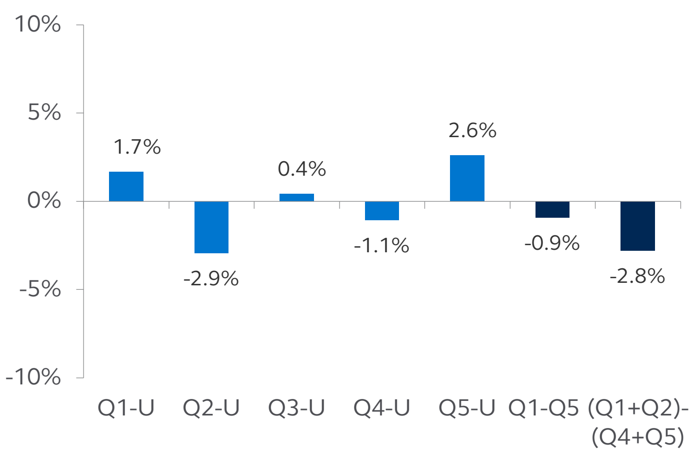


Note: Q1 = Largest market cap, Q5 = Smallest market cap; U=Universe mean

Exhibit 9:

Total return by debt to total capital

Higher levered stocks outperformed

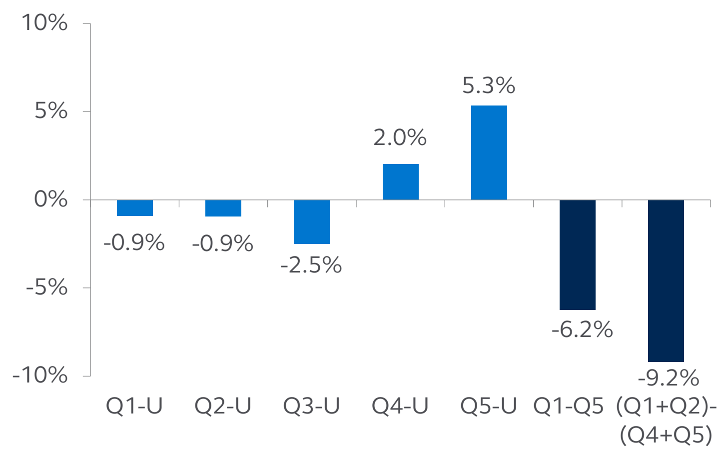


Note: Q1 = Lowest leverage, Q5 = Highest leverage; U=Universe mean

Exhibit 10:

Total return by 100-day standard deviation

Higher volatility stocks outperformed



Note: Q1 = Lowest deviation, Q5 = Highest deviation; U=Universe mean

As of 31 March 2024. Source: Principal Global Investors, FactSet, FTSE. U= Universe. Universe is all securities in the FTSE Global Core Infrastructure 50/50 Index. Quintiles based on equal number of securities. All data in USD. Returns presented in USD. Does not represent any investment strategy or reflect fees, taxes, or expenses. Investors cannot invest directly in an index.

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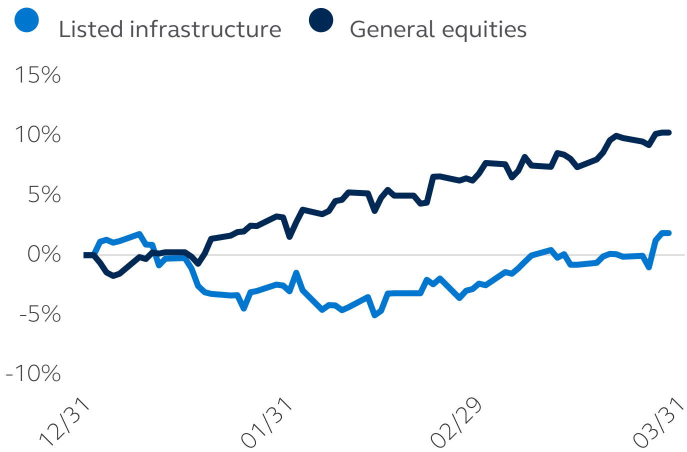
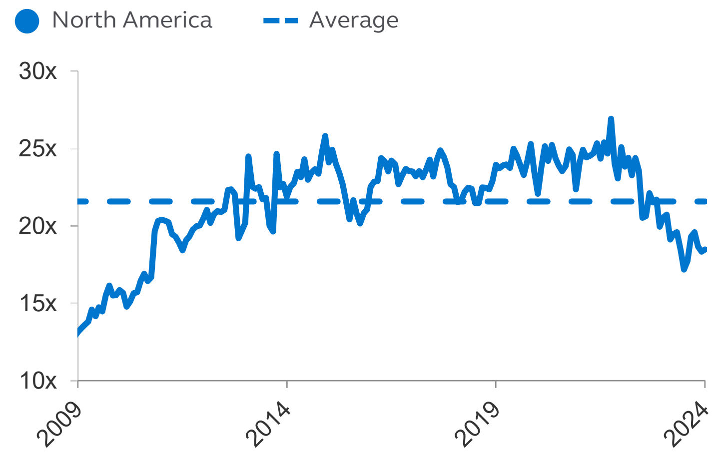
North America

Exhibit 11:
Listed infrastructure vs. general equities performance



Source: FactSet, FTSE Global Core Infra 50/50, MSCI North America. All data in local currency.

Exhibit 12:
Price to earnings*
*Includes all securities in the investable universe



Source: Principal Global Investors, FTSE, FactSet. The historical average represents 15 years.

Summary return data	(in local)	(in USD)
North American equities	10.3%	10.1%
North American listed infrastructure	1.8%	1.5%

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North American listed infrastructure stocks lagged general equity markets, with listed infrastructure's flattish return contrasting with material strength in general equity markets. Defensive sectors underperformed as optimism about the economic trajectory increased. Market expectations for the timing of interest rate cuts were pushed out as the quarter progressed.

Energy infrastructure names outperformed North American listed infrastructure (+6.5%), as the market gained a greater appreciation of some companies' strong free cash flow profiles.

Transportation names also outperformed overall North American listed infrastructure (+5.2%). Despite a soft start to the year for freight volumes due to adverse weather, volume data for the remainder of the quarter showed some signs of optimism, driving market hope for an inflection in volume data into sustained positive territory. The results season delivered company guidance for low to mid single digit volume growth expectations for the full year.

Utilities performed in line with North American listed infrastructure (+1.2%). There was a wide dispersion among individual names. Some of the larger cap utilities saw their share prices benefit given the perception they would be differentiated beneficiaries of accelerating power demand growth, while other stocks underperformed on concerns around wildfire liabilities.

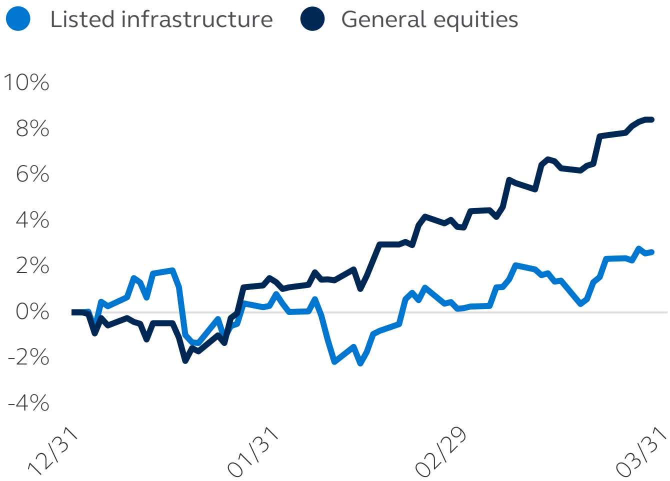
Communications infrastructure lagged listed infrastructure sector in North America during the quarter (-9.7%). This largely reflected weaking sentiment around the prospect of U.S. rate cuts early in 2024, given the long-duration nature of the sector. A weaker first half of the quarter was partially offset by slightly better second half. FY23 results season highlighted the case for optimism for an inflection in carrier activity expected in H2 2024.

Performance figures referenced in commentary are presented in USD.

EMEA

Exhibit 13:

Listed infrastructure vs. general equities performance

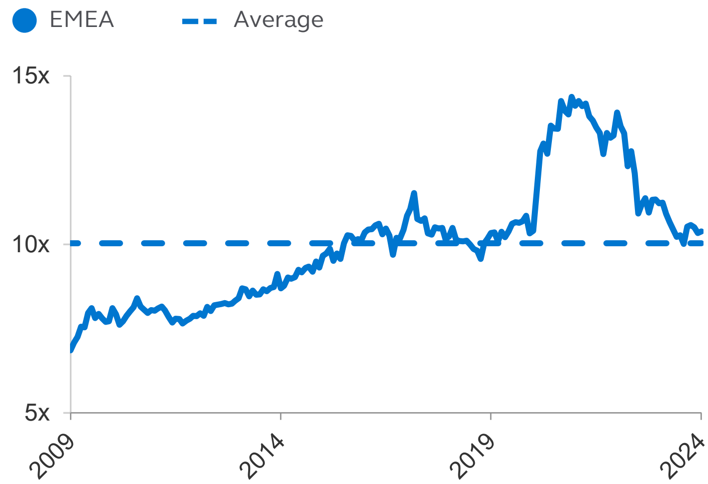


Source: FactSet, FTSE Global Core Infra 50/50, MSCI Europe. All data in local currency.

Exhibit 14:

Enterprise value to EBITDA*

*Includes all securities in the investable universe



Source: Principal Global Investors, FTSE, FactSet. The historical average represents 15 years.

Summary return data	(in local)	(in USD)
European equities	8.4%	5.4%
European listed infrastructure	2.6%	0.5%

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European listed infrastructure stocks underperformed European equities. Currency was a headwind in the region. Consistent with trends across other regions, transportation infrastructure stocks outperformed, while communications and utilities were weaker within the mix. Renewables developers were also notable laggards.

Transportation stocks were the best performing subsector in the European infrastructure market (+6.4%). The European airports drove good performance of the transportation sector in Europe. Traffic continues to grow, with many markets now comfortably ahead of pre-pandemic levels. Additional value drivers such as spending by passengers in commercial areas in airports also continue to remain robust. Through the results and capital markets day season, we saw a number of European airports upgrade guidance for either 2024 or mid-term outlook.

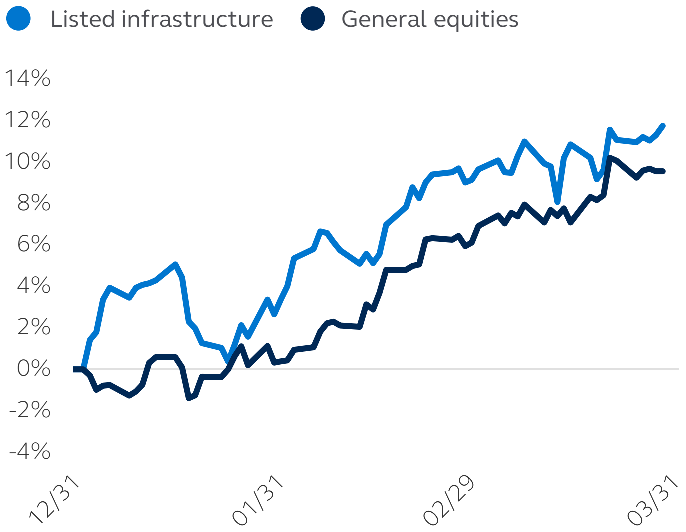
European utilities were weaker overall (-3.2%) and experienced mixed performance within the sector. UK water utilities pulled back after notable strength to end 2023, and southern European regulated names were flattish to up, largely on company specific newsflow including positive updates to capital spending plans for some companies. Within emerging Europe, Turkish stocks stood out, as ongoing hot inflation in Turkey drove local equity market flows from domestic investors.

Communication stocks underperformed (-8.7%) amidst the higher-for-longer rate narrative. As a rate sensitive sector, communications infrastructure has continued to see meaningful impact from the whipsawing of rate cut expectations. This theme continued to dominate the share price performance of these stocks despite some meaningful fundamental improvement from several names in the quarter. Balance sheet quality has been in focus, and we note the largest constituent of this sector in Europe saw its credit rating upgraded to investment grade during the quarter.

Performance figures referenced in commentary are presented in USD.

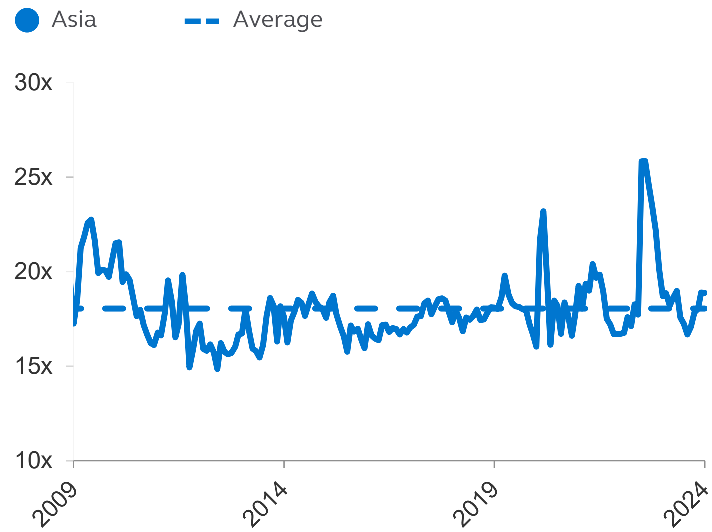
Asia

Exhibit 15:
Listed infrastructure vs. general equities performance



Source: FactSet, FTSE Global Core Infra 50/50, MSCI AC Asia. All data in local currency.

Exhibit 16:
Price to earnings*
*Includes all securities in the investable universe



Source: Principal Global Investors, FTSE, FactSet. The historical average represents 15 years.

Summary return data	(in local)	(in USD)
Asian equities	9.5%	5.3%
Asian listed infrastructure	11.7%	8.8%

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Asia listed infrastructure stocks outperformed equities, with both asset classes posting positive returns during the quarter.

Capital inflows continued to drive momentum in India. Indian equities remained a popular destination for capital flows, supported by strong corporate earnings, structural growth tailwinds, favorable policy measures, and improving ties with the West. Within infrastructure, ports were a strong contributor, in light of ongoing sector consolidation, logistics development, and strong outlooks for industrial production and cargo volume growth.

Transportation infrastructure led strong performance in Southeast Asia (+10.6%). Ports drove outperformance in the Philippines, as investors paid more attention to the re-shoring theme and sought out likely beneficiaries of potential supply chain shifts away from China. Airports drove performance in Malaysia, as the main operator inked its operating agreement with the government after multi-year discussions, providing greater revenue visibility.

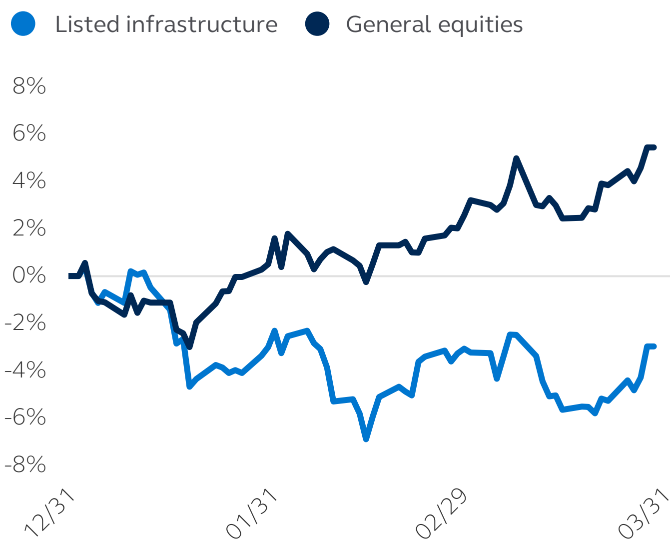
Foreign investor interest continued to support Japanese stocks (+7.5%). Favorable FX for exporters, strong earnings, and improving corporate governance continued to propel equities. Utilities outperformed in context of strong earnings and greater capital returns to shareholders. Passenger rail operators experienced incremental traffic improvements and benefitted from optimism around potential revisions to fare calculations.

China was flat (-0.8%) with incremental policy support. While a weak macro environment continue to weigh on sentiment, mild improvements followed new policies, including rate cuts by the central bank (CSRC), national team support for A-shares, incorporation of market cap management into KPIs for state owned entities, and proposals to strengthen capital market stability. The appointment of a new CSRC chair further buoyed sentiment, as leadership changes have historically preceded equity market recoveries. Within infrastructure, towers outperformed in context of investor enthusiasm around potential improvements to shareholder returns over time. Airports outperformed with ongoing traffic and retail improvements and better-than-expected new year's holiday data in travel-related categories.

Performance figures referenced in commentary are presented in USD.

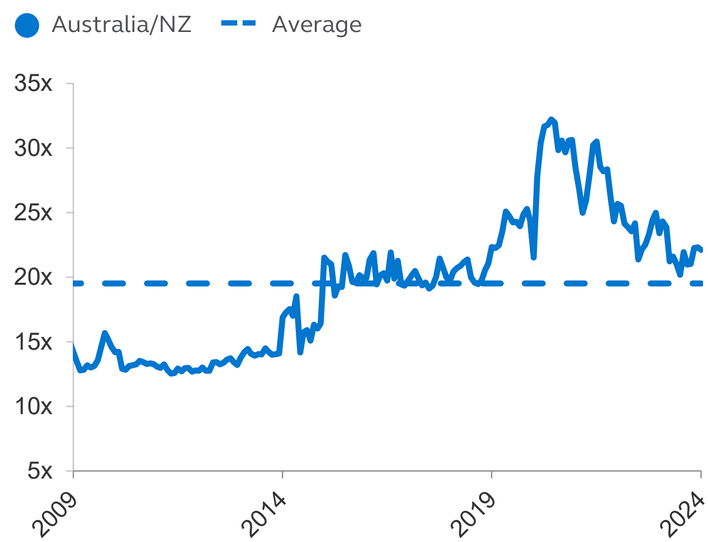
Australia/New Zealand

Exhibit 17:
Listed infrastructure vs. general equities performance



Source: FactSet, FTSE Global Core Infra 50/50, MSCI Australia. All data in local currency.

Exhibit 18:
Enterprise value to EBITDA*
*Includes all securities in the investable universe



Source: Principal Global Investors, FTSE, FactSet. The historical average represents 15 years.

Summary return data	(in local)	(in USD)
Australian equities	5.4%	0.8%
Australian/New Zealand listed infrastructure	-3.0%	-7.4%

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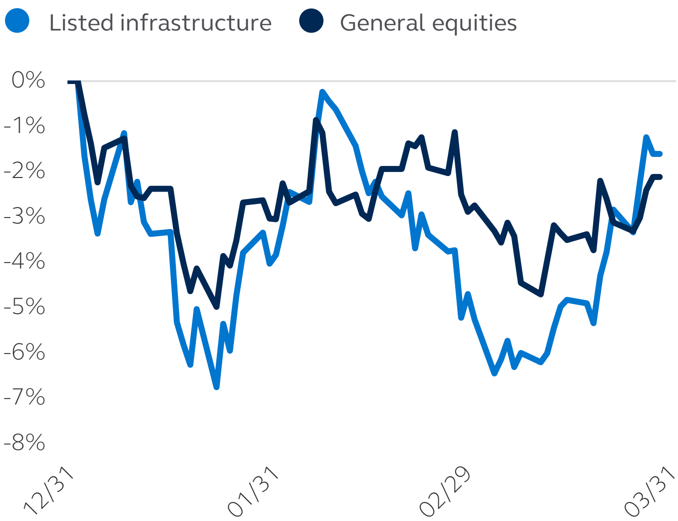
Australian/New Zealand listed infrastructure stocks underperformed equities, driven by the transportation sector.

In Australia, domestic toll roads led infrastructure underperformance, as ongoing discussions of toll reform in New South Wales raised questions around the incumbent operator's business model and created an overhang on the stock. An operator of internationally located toll roads underperformed as its Virginia asset saw opposition to its tariff increase request and as the market questioned the sustainability of the company's dividend. Energy infrastructure also underperformed in light of recently announced reviews for the potential regulation of certain unregulated or lightly regulated pipelines over time.

Airport underperformance drove New Zealand listed infrastructure. The country's main airport operator saw pushback to its aeronautical charges alongside accusations of overspending and calls for greater regulation by the country's flagship airline. The airport is also under scrutiny from the regulator with regard to input assumptions for the calculation of its target return, which creates some uncertainty for tariffs and may result in a downward adjustment in a bear case.

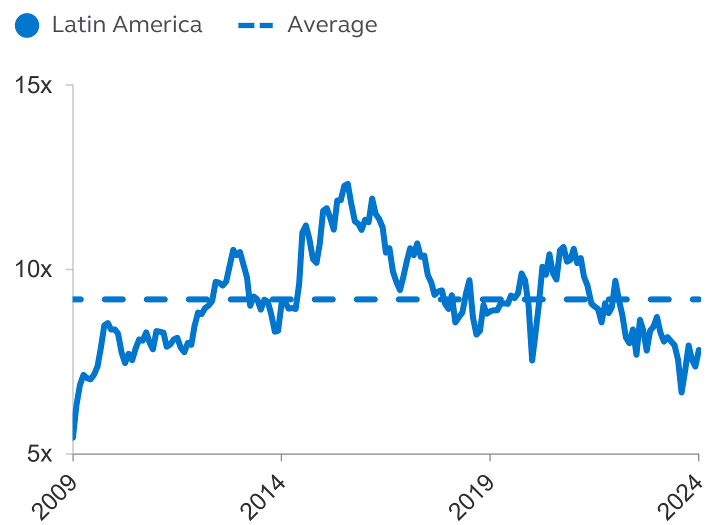
Latin America

Exhibit 19:
Listed infrastructure vs. general equities performance



Source: FactSet, , FTSE Global Core Infra 50/50, MSCI EM Latin America. All data in local currency.

Exhibit 20:
Enterprise value to EBITDA*
*Includes all securities in the investable universe



Source: Principal Global Investors, FTSE, FactSet. The historical average represents 15 years.

Summary return data	(in local)	(in USD)
Latin America equities	-2.1%	-3.9%
Latin America listed infrastructure	-1.6%	-2.5%

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Latin American infrastructure struggled modestly outperforming equities in the region and underperforming global listed infrastructure.

Brazilian and Mexican transportation names were mixed. In Brazil, weakness in the grain harvest has raised some questions around volumes for some transportation names, whilst capex budgets for these sector remain in focus. After a volatile 2023 in the Mexican airports space, culminating in a more reassuring end to the year following a positive regulatory outcome, the sector experienced some selling pressure in the first quarter overall. In part this is driven by the low or negative traffic growth outlook for 2024 given the requirement for aircraft engines to be reserviced following the Pratt & Whitney engine issues. Additionally, the market awaits political clarity in both Mexico and the U.S. in 2024. Mexico saw the first rate cut this quarter at 25bps.

Weakness across Chilean and Brazilian utilities was largely chalked up to continued U.S. economic resilience and timing of interest cuts being pushed back from where we started the quarter. This is despite the fact that Brazil continued to deliver regular reductions in the Selic rate by the country's monetary policy committee (COPOM), and the Chilean Central Bank cut interest rates by a full percentage point in January—interpreted by many as an acceleration in the pace of monetary easing as inflation in Chile approaches the Central Bank's target.

Performance figures referenced in commentary are presented in USD.

Important Notes

Risk Considerations

Investing involves risk, including possible loss of principal. Past performance is no guarantee of future results. Potential investors should be aware of the risks inherent to owning and investing in real estate, including value fluctuations, capital market pricing volatility, liquidity risks, leverage, credit risk, occupancy risk and legal risk. All these risks can lead to a decline in the value of the real estate, a decline in the income produced by the real estate and declines in the value or total loss in value of securities derived from investments in real estate. International and global investing involves greater risks such as currency fluctuations, political/social instability and differing accounting standards. Infrastructure issuers may be subject to regulation by various governmental authorities and may also be affected by governmental regulation of rates charged to customers, operational or other mishaps, tariffs and changes in tax laws, regulatory policies, and accounting standards. Some international securities may represent small and medium-sized companies, which may be more susceptible to price volatility and may be less liquid than larger companies. 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.

Important Information

Glossary of Indices

The FTSE Global Core Infrastructure 50/50 Index is designed to represent general trends in eligible listed infrastructure stocks worldwide. Performance is divided by region: Americas, EMEA (Europe, Middle East and Africa), Asia, Australia/New Zealand, and Latin America.

The MSCI Global Equity Indices are widely tracked global equity benchmarks and serve as the basis for over 500 exchanged traded funds throughout the world. The indices provide exhaustive equity market coverage for over 70 countries in the Developed, Emerging and Frontier Markets, applying a consistent index construction and maintenance methodology. The following indices in this report are part of this index series representing the following regions:

- MSCI North America
- MSCI Europe
- MSCI Asia
- MSCI Australia
- MSCI EM Latin America

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