

Global Real Estate Securities

31 December 2022

Strategy description

Our strategy strives to deliver consistent and attractive risk-adjusted excess total returns, on a gross basis, over the long term. We focus on constructing benchmark-differentiated portfolios with our sources of potential alpha broadly diversified. We invest in listed equity of REITs, REOCs, and other real estate companies that own income-producing property, develop real estate assets or perform other property related activities in global markets.

Strategy facts

Manager: Principal Real Estate

Inception: 01 February 2007

Index: FTSE EPRA/NAREIT Developed NTR Index

Available vehicles¹: CIT, IMA, U.S. Mutual Fund

Targeted number of holdings²: 85-95

Expected turnover²: <100%

Key differentiators

- **Consistent and stable leadership.** Kelly Rush founded our REIT capabilities over 20 years ago and all three global PMs have led the global REIT strategy since its inception.
- **Global platform of resources.** We are a top-10 global real estate manager with capabilities across private and public equity and debt³.
- **Thoughtful portfolio construction.** A process that strives to deliver consistent excess returns by capturing frequent and diversified mispricing opportunities.

Portfolio management

Kelly D. Rush, CFA

38 years' experience

Anthony Kenkel, CFA, FRM

25 years' experience

Simon Hedger

44 years' experience

Investment philosophy

We believe that reliable and consistent alpha generation can be achieved through skill, rigorous fundamental analysis, and an emphasis on diversified, bottom-up stock selection that favors higher quality companies.

Composite performance (%)

	3M	1YR	3YR	5YR	10YR	Performance start 01 February 2007
Global Real Estate Securities (gross)	5.32	-26.27	-3.82	1.69	5.08	3.23
Global Real Estate Securities (net)	5.13	-26.83	-4.45	1.08	4.49	2.57
FTSE EPRA/NAREIT Developed NTR Index	6.85	-25.09	-4.93	-0.23	2.99	1.18
Excess gross return	-1.53	-1.18	1.10	1.92	2.09	2.05

Calendar year returns (%)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Global Real Estate Securities (gross)	7.06	17.57	2.39	1.17	15.78	-2.78	25.72	-3.21	24.64	-26.27
Global Real Estate Securities (net)	6.49	16.95	1.85	0.64	15.20	-3.27	25.09	-3.69	23.78	-26.83
FTSE EPRA/NAREIT Developed NTR Index	3.67	15.02	-0.79	4.06	10.36	-5.63	21.91	-9.04	26.09	-25.09
Excess gross return	3.39	2.55	3.18	-2.90	5.42	2.86	3.81	5.83	-1.45	-1.18

Source: Principal Global Investors.

As of December 2022. Investing involves risk, including possible loss of principal. Periods over one year are annualized. Please see disclosures for additional information on performance.

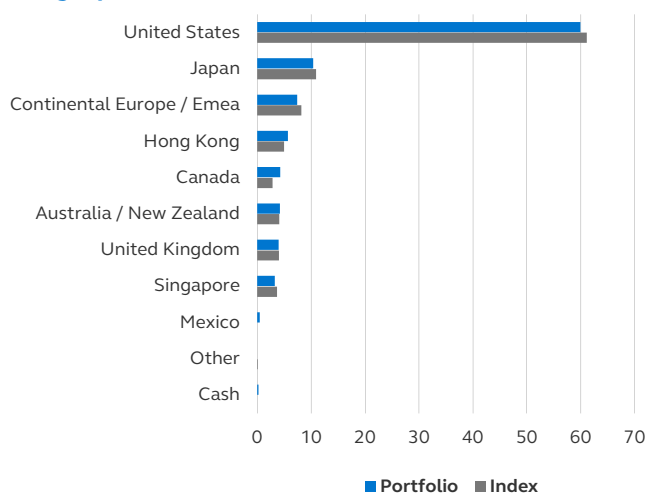
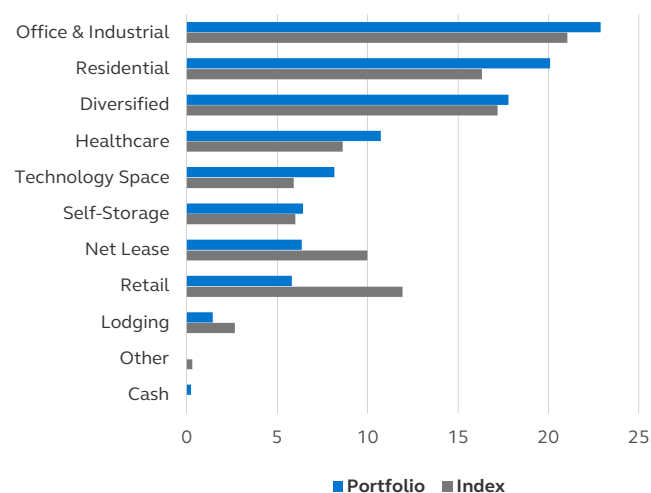
¹Not all vehicles are available to investors in all jurisdictions.

²Investment guidelines are subject to change.

³Managers ranked by total worldwide assets (net of leverage, including contributions committed or received, but not yet invested; REOCs are included with equity; REIT securities are excluded), as of 30 June 2022. "The Largest Real Estate Investment Managers," Pensions & Investments, 3 October 2022.

Top 10 holdings (%)⁴

		Location	Sector	Portfolio	Index	Active weight ⁵
1	Prologis, Inc.	United States	Industrial	4.5	6.8	-2.3
2	VICI Properties Inc	United States	Net lease	3.3	2.0	1.2
3	AvalonBay Communities, Inc.	United States	Apartments	3.1	1.5	1.6
4	Ventas, Inc.	United States	Healthcare	2.9	1.2	1.7
5	Extra Space Storage Inc.	United States	Self-storage	2.9	1.3	1.6
6	American Tower Corporation	United States	Towers	2.7	0.0	2.7
7	Rexford Industrial Realty, Inc.	United States	Industrial	2.7	0.7	2.1
8	Invitation Homes, Inc.	United States	Sf rental	2.7	1.2	1.5
9	Alexandria Real Estate Equities, Inc.	United States	Healthcare	2.6	1.5	1.0
10	Sun Communities, Inc.	United States	Mf homes	2.5	1.1	1.4

Geographic allocation(%)⁴Sector allocation(%)⁴Portfolio characteristics⁴

	Portfolio	Index
Dividend Yield Weighted Median	3.81	4.00
Leverage (net debt & preferred/total cap)	31.3%	32.7%
Price/net asset value	82.5%	85.9%
Price/Earnings per share (NTM)	16.0x	16.0x
Dividend growth (NTM)	5.0%	4.0%
Earnings growth (NTM)	6.0%	5.0%
Active share ⁶	55.0%	—
Number of holdings	79	381

Composite risk statistics (gross)⁷

	3YR	5YR
Sharpe ratio	-0.21	0.02
Standard deviation	21.82	18.37
Information ratio	0.40	0.76
Tracking error	2.75	2.51

⁴ 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. Unless otherwise noted, characteristics use weighted median calculation to moderate the distortive effects of reported gains/losses from nonrecurring asset sales and/or mark-to-market IFRS accounting.

⁵ Portfolio security weight minus the benchmark security weight.

⁶ A measure of the proportion of stock weights in a manager's portfolio that differ from the index.

⁷ Source: Principal Global Investors.

Due to rounding, figures and percentages shown may not add to the total or equal 100%. Figures relating to the index are shown for comparative purposes only. The two methods of calculation may not be identical and it is not possible to invest in an index.

Investment process overview

Bottom-up approach focused on stock selection to generate alpha

Fundamental research	Idea generation	Security selection	Portfolio construction
<ul style="list-style-type: none"> Specialized by geography and sector Internal proprietary views Global platform of resources <p>Weekly regional meetings cover company news, macro events, markets, and research activities</p>	<ul style="list-style-type: none"> Security analysis of fundamental quality score, relative value, and catalysts Analyst buy/sell recommendations <p>Research, models, and recommendations stored in centralized database and shared with team</p>	<ul style="list-style-type: none"> Study investment ideas through team discussions PMs identify best ideas globally <p>Formal analyst presentations and weekly portfolio manager calls</p>	<ul style="list-style-type: none"> Combine bottom-up ideas with top down macro views Size positions according to potential return and risk Robust risk and style management <p>Three global portfolio managers collaborate on portfolio decisions</p>

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. Real estate investment options are subject to risks associated with credit, liquidity, interest rate fluctuation, adverse general and local economic conditions, and decreases in real estate values and occupancy rates. International and global investing involves greater risks such as currency fluctuations, political/social instability and differing accounting standards.

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All figures shown in this document are in US dollars unless otherwise noted. Indices are unmanaged and do not take into account fees, expenses and transaction costs are not available for direct investment.

FTSE EPRA/NAREIT Developed NTR Index covers both the FTSE EPRA/NAREIT Equity REITs Index and the FTSE EPRA/NAREIT Developed ex-U.S. Index. Designed to track the performance of listed real estate companies and REITs worldwide, the series acts as a performance measure of the overall market. In reports issued prior to 10 January 2014, the FTSE EPRA/NAREIT Developed Real Estate GTR Index was used for all time periods. The benchmark was changed to be more representative of the composite strategy. Information regarding the comparison to both versions of the FTSE EPRA/NAREIT Developed Index is available upon request.

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. 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 and their noted actual or model fee tier. Actual investment advisory fees incurred by clients may vary. Composite net returns after 1 January 2011, are inclusive of performance-based fees (where applicable). Performance-based fees are accounted for on a cash basis.

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.

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