

# Spectrum Preferred and Capital Securities Income Fund

First quarter 2023

## Fund overview

The Fund seeks to provide income through a diversified portfolio of preferred and capital securities.

## Morningstar overall rating:

★★★★

Overall Morningstar Rating™ as of 03/31/2023 among 62 Preferred Stock Funds

Morningstar ratings may vary between share classes, are based on historical risk-adjusted total returns and are subject to change.

## Ticker

**Class I: PPSIX**    Class C: PRFCX  
**Class A: PPSAX**    Class R6: PPRES

## Portfolio management

### L. Phillip Jacoby, IV

41 years of experience

### Mark A. Lieb

46 years of experience

### Kevin Nugent

39 years of experience

### Fred Diaz

31 years of experience

### Bob Giangregorio

20 years of experience

### Manu Krishnan, CFA

19 years of experience

### Satomi Yarnell

13 years of experience

## Fund information

	Fund	Index
Fund AUM	\$5.6B	—
Number of holdings	292	500
Dividend frequency	Monthly	—
Average effective duration	3.0	4.7
Qualified dividend income <sup>1</sup>	60.0%	57.1%
Yield to worst	7.3%	7.4%
Average yield to maturity <sup>2</sup>	7.4%	7.6%

Source: Spectrum Asset Management

<sup>1</sup> For more detailed tax information, consult your tax attorney or accountant.

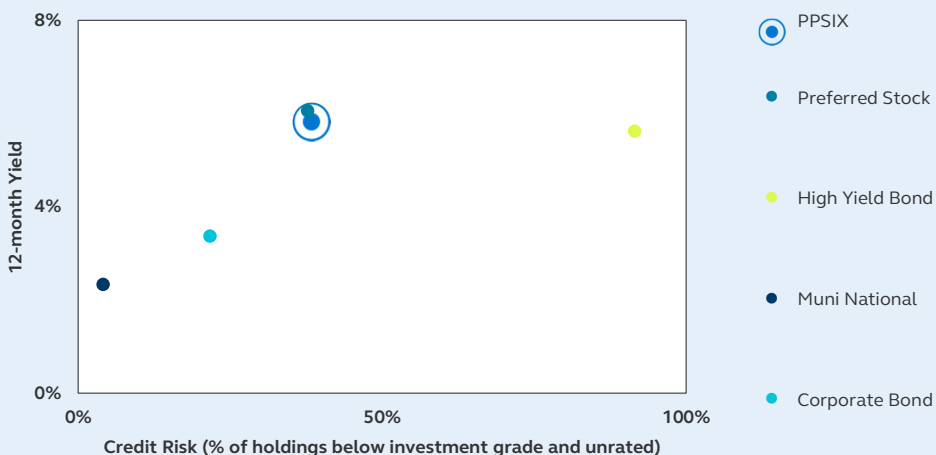
<sup>2</sup> Weighted average of the underlying securities in the portfolio.

**Duration:** The sensitivity of a fixed-income investment's principal value to interest rate changes. **Yield to worst:** The lowest potential yield that can be received on a bond without the issuer defaulting. **Yield to maturity:** Rate of return anticipated on a bond if held until maturity.

## Active management based on specialized research and dynamic security selection to manage complex global markets

- Deep and broad experience analyzing, managing, and pricing complex security structures across a variety of credit, interest rate, and regulatory conditions.
- An emphasis on capital preservation equates to higher quality and capital structure bias.
- Has delivered a low volatility profile and attractive risk-adjusted returns by selecting higher-quality and improving credits and avoiding speculative risks.

## Competitive yield relative to risk among Morningstar peer groups

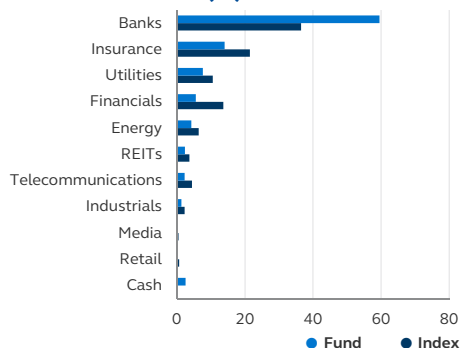


Source: Morningstar. Percentage of below investment grade and unrated holdings is as of the previous quarter-end, which is the most recent data available. Yields shown are as of the current quarter-end. 12-month yield is the sum of fund(s) total trailing 12-month interest and dividend payments divided by the last month's ending share price (NAV) plus any capital gains distributed over the same period.

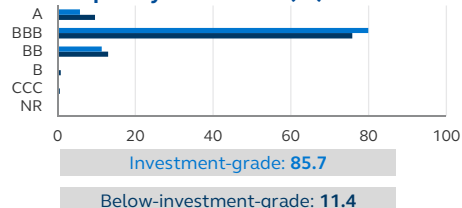
## Why allocate to a portfolio:

- Quality enhanced income, including potential for tax-advantaged income for individual U.S. taxpayers.
- Global portfolio diversification due to low correlation to other fixed income markets.<sup>3</sup>
- Attractive relative value compared with other fixed income asset classes.<sup>3</sup>
- Unique security structures, such as fixed-to-float and fixed-to-variable, offer potential for higher back-end spreads that could result in increased coupons and help manage interest rate risk.

<sup>3</sup> Morningstar. PPSIX 5-, and 10-year correlations as of 9/30/2020.

Sector allocation (%)<sup>4</sup>

<sup>4</sup> Source: Spectrum Asset Management. Fund holdings and allocations shown are unaudited and may not be representative of current or future investments. Percentages may not add up to 100% due to rounding and/or inclusion or exclusion of cash.

Credit quality allocation (%)<sup>4,5</sup>

<sup>5</sup> Source: Bloomberg, Moody's, S&P, Fitch, Spectrum Asset Management. Credit quality refers to the credit ratings for the underlying securities in the Fund as rated by Standard & Poor's, Moody's Investors Service, or Fitch typically range from AAA/Aaa (highest) to C/D (lowest). If Moody's, S&P, and/or Fitch assign different ratings, the highest of the 3 ratings is used. Ratings methodologies and individual ratings can change over time. Senior debt ratings are typically several notches higher than those of preferred securities. Data from outside sources is believed to be reliable, but has not been verified.

Portfolio statistics<sup>4</sup>

Institutional/retail breakout	
\$25 par	7.4%
\$1,000 par	61.9%
CoCo	27.7%
Derivatives	0.1%
Cash	2.5%
Average price/coupon	
\$25 par	\$21.86
\$1,000 par	\$92.77
CoCo	\$90.84
Coupon structure	
Average coupon	5.9%
% Fixed-rate	7.5
% Fixed-to-floating rate	22.8
% Floating-rate	1.9
% Fixed-to-variable rate	64.9

## Performance, rankings, &amp; ratings

	Average annual total returns (%)						Yields (%) <sup>12</sup>					
	3-month	1-year	3-year	5-year	10-year	Since inception (05/01/2002)	Expense ratio <sup>11</sup> (net/gross)	Expense limit expiration date	30-Day SEC (Unsubsidized/subsidized)	12-month distribution		
Class I <sup>6</sup>	-2.10	-7.92	2.69	1.33	3.45	5.07	0.79/0.79	—	5.88/5.88	5.82		
ICE BofA US All Capital Securities Index (IOCS) <sup>7,8</sup>	1.50	-7.73	2.81	1.95	3.92	—	—	—	—	—		
Morningstar Category Average	0.40	-9.40	4.90	1.19	3.08	—	—	—	—	—		
Morningstar rankings and ratings												
Category and number of funds in category: Preferred Stock	74	72	62	56	33	—	—	—	—	—		
Class I percentile rankings <sup>9</sup>	—	29	69	47	19	—	—	—	—	—		
Class I ratings <sup>10</sup>	—	—	**	****	****	Overall ****	—	—	—	—		
Calendar year returns (%)			2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Class I <sup>6</sup>			1.81	11.54	5.04	3.72	10.50	-4.54	16.44	5.45	3.03	-10.67
ICE BofA US All Capital Securities Index (IOCS) <sup>7,8</sup>			2.67	11.96	5.43	3.81	10.55	-4.45	18.39	7.63	3.42	-14.85
Morningstar Category Average			1.11	11.44	3.18	5.66	9.78	-5.49	17.63	4.83	6.23	-14.82

Morningstar percentile rankings are based on total returns. Morningstar ratings are based on risk-adjusted returns.

**Returns represent past performance and do not guarantee future results. Share price, principal value, and return will vary and you may have a gain or loss when shares are sold. Current performance may be lower or higher than quoted. For the most recent month-end performance, visit [www.PrincipalAM.com/mutual](http://www.PrincipalAM.com/mutual).**

<sup>6</sup> Performance assumes reinvestment of all dividends and capital gains.

<sup>7</sup> The BofA US All Capital Securities Index (IOCS) tracks the performance of fixed rate, US dollar denominated hybrid corporate and preferred securities publicly issued in the US domestic market.

<sup>8</sup> Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index.

<sup>9</sup> Morningstar percentile rankings are based on total returns and do not reflect the inclusion of sales charges. If sales charges were reflected, rankings could be lower.

<sup>10</sup> The Morningstar Rating™ for funds, or "star rating," is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Morningstar ratings do not reflect the inclusion of sales charges. If sales charges were reflected, ratings could be lower.

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<sup>11</sup> The net expense ratio reflects contractual expense limits, if any, which may lower net expenses and cause the gross and net expense ratios to differ. In such cases a date is listed through which expense limits are expected to apply; however, Principal Funds and the investment adviser may mutually agree to terminate the expense limits prior to the end of the period. Returns displayed are based on net total investment expense.

<sup>12</sup> 30-Day SEC yield represents net investment income earned by a fund over a 30-day period, stated as an annual percentage. Unsubsidized yield reflects the SEC yield when some fund expenses are not waived. Subsidized yield reflects a fund's yield when all expense waivers are included. 12-month yield is based on actual distributions paid over a trailing 12-month period, stated as an annual percentage.

Returns shown for periods of less than one year are not annualized.

Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Risks of preferred securities differ from risks inherent in other investments. In particular, in a bankruptcy preferred securities are senior to common stock but subordinate to other corporate debt. Contingent capital securities (CoCos) may have substantially greater risk than other securities in times of financial stress. An issuer or regulators decision to write down, write off or convert a CoCo may result in complete loss on an investment.

Class I shares are available only to eligible investors, including various institutional investors and investors in certain mutual fund wrap or asset allocation programs. See the prospectus for eligibility requirements.

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