

# Principal European Equity

31 March 2025

## Strategy description

The strategy aims to provide long-term capital growth by investing primarily in the shares of European-domiciled companies. The strategy is research driven and focused on bottom-up stock selection, not bold calls on macro or geopolitical conditions.

## Strategy facts

**Manager:** Principal Global Equities

**Inception:** 1 January 1994

**Index:** MSCI Europe NTR Index

**Targeted number of holdings<sup>1</sup>:** 75-150

**Expected turnover<sup>1</sup>:** <75%

## Key differentiators

- **We invest in businesses we believe are becoming better** as a result of positive change: innovators, renovators, and pacesetters.
- **We identify them ahead of the market** by recognizing potential underappreciated growth and improvement opportunities.
- **We isolate stock selection as the key driver of results**, delivering style consistency over time using a comprehensive system of checks and balances.

## Portfolio management

**Paul Blankenhagen, CFA**

33 years' experience

**George P. Maris, CFA**

27 years' experience

## Investment philosophy

We believe bottom-up stock selection is the most reliable and repeatable source of consistent performance. We also recognize that persistent behavioral biases and impediments to capital flows create market inefficiencies and opportunities. We seek to exploit these anomalies through focused fundamental research and disciplined risk management.

## Composite performance (%)

|                                   | 3M    | 1YR  | 3YR  | 5YR   | 10YR | Performance Start<br>(1 April 2000) |
|-----------------------------------|-------|------|------|-------|------|-------------------------------------|
| Principal European Equity (gross) | 10.20 | 6.46 | 6.14 | 13.13 | 7.43 | 5.75                                |
| Principal European Equity (net)   | 10.07 | 5.93 | 5.61 | 12.59 | 6.94 | 4.99                                |
| MSCI Europe NTR Index             | 10.48 | 6.87 | 7.32 | 13.14 | 5.67 | 4.23                                |

## 12-month rolling returns (%)

|                                   | Apr 20 - Mar 21 | Apr 21 - Mar 22 | Apr 22 - Mar 23 | Apr 23 - Mar 24 | Apr 24 - Mar 25 |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Principal European Equity (gross) | 54.73           | 0.20            | -3.32           | 16.19           | 6.46            |
| Principal European Equity (net)   | 54.09           | -0.30           | -3.80           | 15.61           | 5.93            |
| MSCI Europe NTR Index             | 44.95           | 3.51            | 1.38            | 14.11           | 6.87            |

Source: Principal Global Investors.

As of March 2025. Investing involves risk, including possible loss of principal. Periods over one year are annualized. Please see disclosures for additional information on performance.

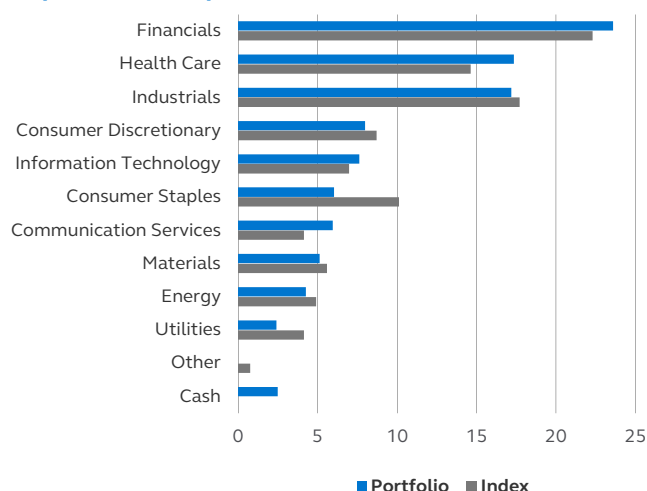
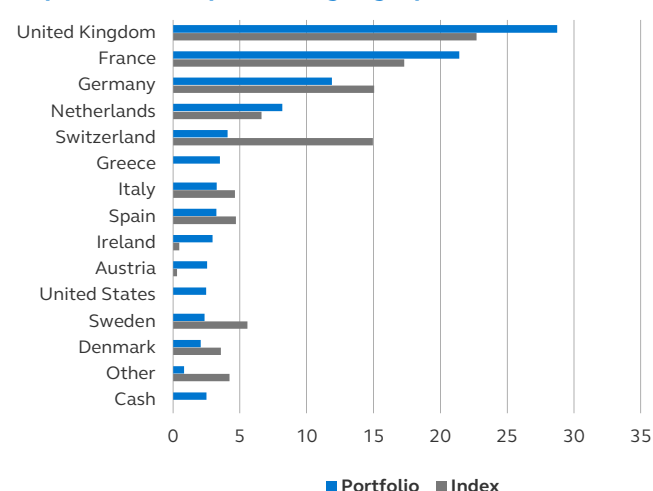
## Risk Considerations

- The potential for profit is accompanied by the possibility of loss.
- 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.
- There is a risk that an investment will decline in value.

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

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

|    |                          | Location       | Sector                 | Portfolio | Index | Active weight <sup>3</sup> |
|----|--------------------------|----------------|------------------------|-----------|-------|----------------------------|
| 1  | Deutsche Telekom Ag      | Germany        | Communication Services | 4.5       | 1.1   | 3.4                        |
| 2  | Sanofi                   | France         | Health Care            | 4.0       | 1.1   | 2.9                        |
| 3  | Astrazeneca Plc          | United Kingdom | Health Care            | 3.8       | 2.0   | 1.8                        |
| 4  | Asml Holding Nv          | Netherlands    | Information Technology | 3.7       | 2.3   | 1.5                        |
| 5  | Royal Dutch Shell Plc    | United Kingdom | Energy                 | 3.3       | 2.0   | 1.3                        |
| 6  | Unilever Plc             | United Kingdom | Consumer Staples       | 3.2       | 1.3   | 1.9                        |
| 7  | Daimler Truck Holding Ag | Germany        | Industrials            | 2.9       | 0.2   | 2.7                        |
| 8  | Bae Systems Plc          | United Kingdom | Industrials            | 2.8       | 0.5   | 2.2                        |
| 9  | Airbus Se                | France         | Industrials            | 2.8       | 0.9   | 1.8                        |
| 10 | Roche Holding Ltd        | Switzerland    | Health Care            | 2.7       | 2.1   | 0.5                        |

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

|                                 | Portfolio | Index    |
|---------------------------------|-----------|----------|
| Return on equity                | 16.3%     | 15.2%    |
| Earnings growth <sup>4</sup>    | 6.8%      | 6.2%     |
| Active share <sup>5</sup>       | 69.9%     | -        |
| Price/earnings <sup>6</sup>     | 16.2x     | 16.2x    |
| Earnings revisions <sup>7</sup> | 9.6%      | 11.5%    |
| Number of holdings              | 67        | 399      |
| Market cap (weighted average)   | \$99.6B   | \$106.0B |

Composite risk statistics (gross)<sup>8</sup>

|                    | 3YR   | 5YR   |
|--------------------|-------|-------|
| Sharpe ratio       | 0.10  | 0.59  |
| Standard deviation | 18.08 | 17.81 |
| Information ratio  | -0.39 | 0.00  |
| Tracking error     | 3.06  | 4.65  |

<sup>2</sup> Source: FactSet. FactSet data is subject to revision over time, which may result in slight differences among data points reported during the same period.

<sup>3</sup> Portfolio security weight minus the benchmark security weight.

<sup>4</sup> Average of trailing one-year and forward one-year earnings per share (EPS) growth.

<sup>5</sup> Percentage of companies with positive EPS revisions less percentage with negative EPS revisions.

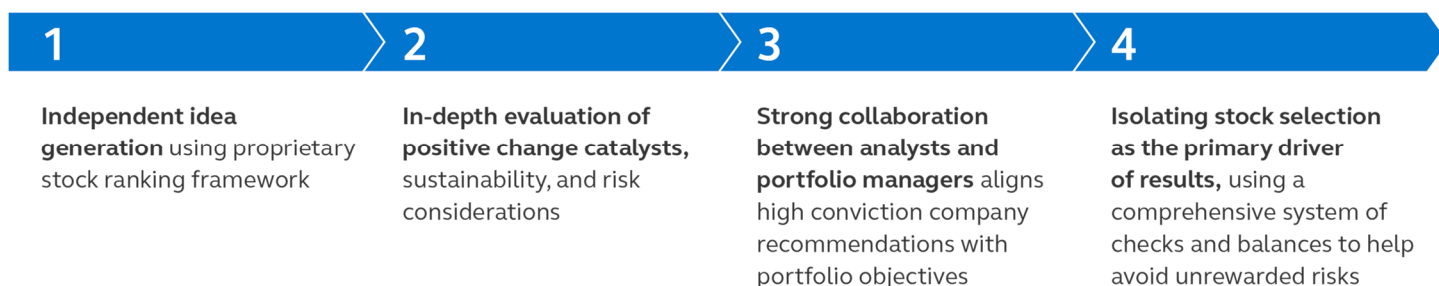
<sup>6</sup> Forward one-year price/earnings estimates.

<sup>7</sup> A measure of the proportion of stock weights in a manager's portfolio that differ from the index.

<sup>8</sup> Source: Principal Global Investors.

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.

## Investment process overview



## Perspective and precision: a disciplined, repeatable approach for better fundamental outcomes

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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 MSCI Europe Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets in Europe. Information regarding the comparison to the MSCI Europe 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. 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.

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. The holdings listed should not be considered a recommendation to purchase or sell any security and there is no assurance an investment in these securities will be profitable.

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