

Principal Diversified Real Asset Fund

Second quarter 2023

Fund overview

A multi-asset, multi-manager portfolio designed to protect purchasing power by seeking long-term total return in excess of inflation. The Fund's strategy of investing across a universe of real assets offers the potential for enhanced returns and reduced risk relative to a traditional portfolio.

Ticker

Class I: PDRDX Class R6: PDARX
Class A: PRDAX

Portfolio management

May Tong, CFA

22 years of experience

Ben Rotenberg, CFA, CAIA

30 years of experience

Jessica Bush, CFA

22 years of experience

Fund information

	Fund	Index
Fund AUM	\$3.6B	—
Number of holdings	806	586
% Equity	64.1	—
% Fixed Income	18.8	—
Weighted average duration	3.7	6.8
Sharpe ratio (3-year)	0.6	0.5
Standard deviation (3-year)	13.2	13.7

Source: FactSet and Morningstar

Duration: The sensitivity of the value of principal of a fixed-income investment to interest rate changes.

Standard deviation: Measures how widely portfolio returns have varied. **Sharpe ratio:** Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance.

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

Dynamic real asset exposure, balanced risk profile, more consistent outcome

- Strategically allocate among real return and real asset securities, beyond TIPS, commodities, and REITs.
- Blends multiple strategies to help mitigate undesired risk; designed to offer real return with lower-than-market volatility.
- Specialist managers within each asset class exploit opportunities and deliver a more consistent real asset outcome.

Portfolio allocations (as of 06/30/2023)

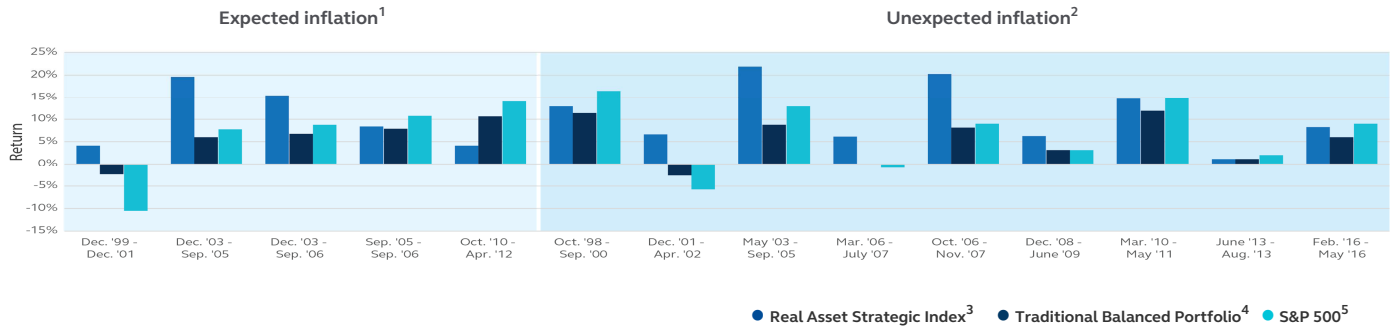
	2Q23	1Q23
Liquidity	3%	3%
Principal Asset Allocation	3%	3%
Real return	22%	21%
Floating rate debt		
Nuveen Asset Management, LLC	3%	3%
Treasury Inflation-protected securities (TIPS)		
BlackRock Financial Management, Inc.	19%	18%
Infrastructure	34%	34%
Global infrastructure		
ClearBridge Investments (North America) Pty Limited	17%	18%
Delaware Investments Fund Advisers (Macquarie)	17%	16%
Natural resources	12%	14%
Climate change		
Impax Asset Management Limited	3%	3%
Pictet Asset Management SA	2%	2%
Global natural resources		
Newton Investment Management North America LLC	7%	9%
Commodities	13%	15%
CoreCommodity Management, LLC	8%	10%
Wellington Management Company LLP	5%	5%
Real estate investment trusts (REITS)	14%	14%
Principal Real Estate-REIT	14%	14%

May not reflect current allocations or investment managers. Percentages may not add up to 100% due to rounding. Delaware Investments Fund Advisers, a series of Macquarie Investment Management Business Trust.

Why allocate to a portfolio:

- **Protect purchasing power:** The value of real assets or their income tends to rise with inflation, they can be more responsive than traditional assets
- **Diversification:** Real assets have exhibited modest correlation and little overlap with a traditional stock and bond portfolio
- **Enhance total return potential:** Valuations of the real asset equity universe are more attractive compared with the current valuations in the broad equity market

The real asset universe



¹ The time periods between 1990 and 2017 in which the Core Consumer Price Index rose in-line with expectations.

² Time periods in which the University of Michigan Consumer Survey and the Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters expected less inflation than what was realized from a year-over-year change in the Core Consumer Price Index.

Performance, rankings, & ratings

	Average annual total returns (%)									
	3-month	Year-to-date	1-year	3-year	5-year	10-year	Since inception (03/16/2010)	Expense ratio ¹⁰ (net/gross)	Expense limit expiration date	
Class I ⁶	-0.79	0.45	-0.94	8.71	3.81	3.01	4.03	0.84/0.87	12/30/2023	
Diversified Real Asset Index (Linked) ^{3,7}	-1.20	-0.10	-0.54	7.90	3.60	3.23	—	—	—	
Morningstar Category Average	1.64	5.20	6.54	5.94	3.62	4.43	—	—	—	
Morningstar rankings and ratings										
Category and number of funds in category: Global Allocation	396	394	392	376	347	255	—	—	—	
Class I percentile rankings ⁸	—	—	95	15	44	84	—	—	—	
Class I ratings ⁹	—	—	—	★★★★	★★★	★★	Overall ★★★	—	—	
Calendar year returns (%)										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Class I ⁶	5.38	2.52	-12.40	5.86	10.17	-7.90	15.01	3.97	17.34	-6.16
Diversified Real Asset Index (Linked) ^{3,7}	-1.24	0.22	-11.75	12.40	10.38	-7.27	14.86	2.08	15.87	-5.12
Morningstar Category Average	10.07	1.54	-4.15	6.04	14.79	-8.26	16.10	6.18	11.31	-12.34

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.

³ Diversified Real Asset Index (Linked) composition: January 1, 2022 and after, 15% Bloomberg U.S. Treasury TIPS Index (Includes publicly issued U.S. Treasury inflation-protected securities that meet the index criteria), 30% S&P Global Infrastructure Index (designed to track 75 companies from around the world chosen to represent the listed infrastructure industry, covering energy, transportation, and utilities), 15% S&P Global Natural Resources Index (includes 90 of the largest publicly-traded companies in natural resources and commodities businesses that meet specific investability requirements, covering 3 primary commodity-related sectors: agribusiness, energy, and metals & mining), 15% Bloomberg Commodity Index (a broadly diversified commodity price index), and 25% FTSE EPRA/NAREIT Developed Market Index (designed to represent general trends in eligible real estate equities worldwide). Before January 1, 2022, 35% Bloomberg U.S. Treasury TIPS Index, 20% S&P Global Infrastructure Index, 20% S&P Global Natural Resources Index, 15% Bloomberg Commodity Index and 10% FTSE EPRA/NAREIT Developed Market Index.

⁴ Traditional Balanced Portfolio is composed of 60% S&P 500 Index and 40% Bloomberg Aggregate Index.

⁵ S&P 500 is a market capitalization weighted index of 500 widely held stocks often used as a proxy for the stock market (Stocks)

⁶ Performance assumes reinvestment of all dividends and capital gains.

⁷ Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index.

⁸ 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.

⁹ 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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¹⁰ 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.

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

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