

# Principal High Yield Fund

First quarter 2025

## Fund overview

The Fund seeks to provide a high level of current income by investing primarily in high yield bonds and bank loans, using an active, team-based approach to security selection.

## Morningstar overall rating:



Overall Morningstar Rating<sup>TM</sup> as of 03/31/2025 among 586 High Yield Bond Funds

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

## Ticker

Class I: PHYTX    Class C: CCHIX  
Class A: CPHYX    Class R6: PHYFX

## Portfolio management

**Mark Denkinger, CFA**

35 years of experience

**Darrin Smith, CFA**

34 years of experience

**Joshua Rank, CFA**

25 years of experience

## Fund information

|   | Fund    | Index |
|---|---------|-------|
| Fund AUM                                    | \$5.9B  | —     |
| Number of holdings                          | 476     | 1,953 |
| Dividend frequency                          | Monthly | —     |
| Average effective duration                  | 3.1     | 3.2   |
| Weighted average life to worst <sup>1</sup> | 4.6     | 4.2   |
| Average yield to maturity <sup>1</sup>      | 8.0%    | 7.8%  |
| Average coupon <sup>1</sup>                 | 6.8%    | 6.5%  |

Source: Aladdin<sup>®</sup> by BlackRock<sup>®</sup>

<sup>1</sup> Weighted average of the underlying securities in the portfolio.

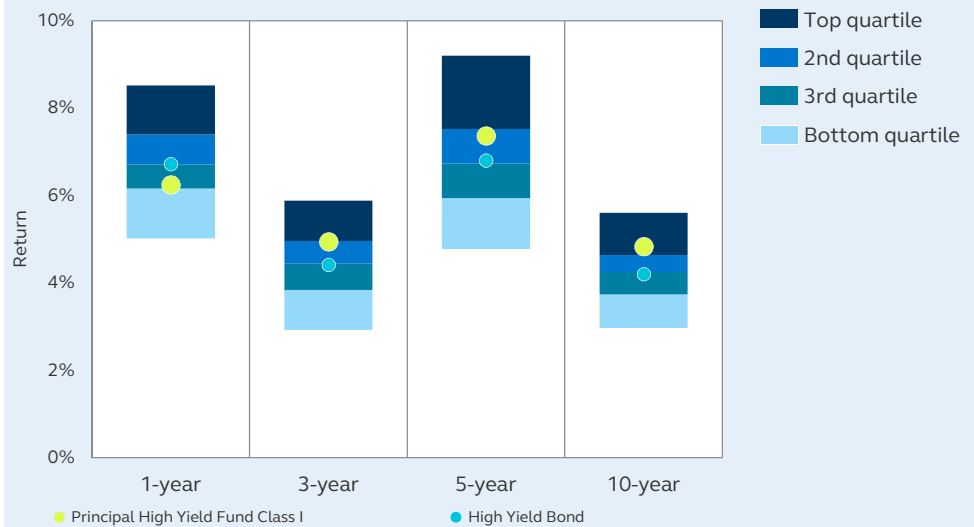
**Duration:** The sensitivity of a fixed-income investment's principal value to interest rate changes. **Weighted average life:** The average number of years for which each dollar of unpaid principal on a fixed-income security remains outstanding. **Yield to maturity:** Rate of return anticipated on a bond if held until maturity.

## A defensive high yield bond fund with a long-term focus on generating income

- Seeks to deliver attractive income and a level of downside mitigation through varying market environments.
- Independent, forward looking credit analysis to exploit ratings inefficiencies; well-defined exit strategies to minimize the cost of mistakes.
- Proprietary data science tools to challenge biases and avoid unintended risks.

## Seeking consistency in an inconsistent world

When it comes to high yield investing, active management can be key to delivering consistent returns. In relation to the Morningstar High Yield Bond category, the Principal High Yield Fund has steadily delivered long-term results.



## Why allocate to a portfolio:

- Historically, high yield bonds have provided equity-like returns with significantly lower volatility.<sup>2</sup>
- High yield bond investors may also benefit in rising-rate environments because these bonds have offered a buffer against rising rates.<sup>3</sup>
- High yield bonds offer income premiums, lower correlation to many other fixed income sources, and potential to lower overall portfolio volatility when used as part of a broader asset allocation strategy.<sup>4</sup>

<sup>2</sup> Morningstar. Returns and standard deviation of Bloomberg US Corp High Yield 2% Issuer Capped Index and S&P 500, 01/01/2001 - 12/31/2020.

<sup>3</sup> Zephyr StyleADVISOR. Oct 1993–Dec 1994, Oct 1998–Jan 2000, Mar 2004–May 2006.

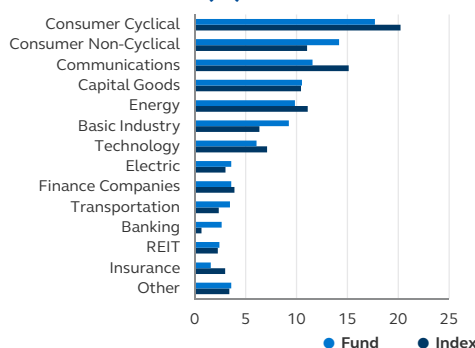
<sup>4</sup> Morningstar. Yield comparison and correlation of the following Morningstar peer categories: US Fund High Yield Bond, US Fund Intermediate Government, US Fund Corporate Bond, US Fund Intermediate Core Bond, US Fund Intermediate Core-Plus Bond, US Fund Muni National Intermediate, against the FTSE 10-year Treasury. Past performance does not guarantee future results. Asset allocation and diversification do not ensure a profit or protect against a loss.

**Top 5 holdings<sup>5</sup>**

|                                | % of net assets |
|--------------------------------|-----------------|
| Principal Government Money Mar | 2.3             |
| Smyrna Ready Mix Concrete LLC  | 0.8             |
| Taseko Mines Ltd               | 0.8             |
| Lightning Power LLC            | 0.8             |
| Freedom Mortgage Holdings LLC  | 0.8             |
| <b>Total</b>                   | <b>5.5</b>      |

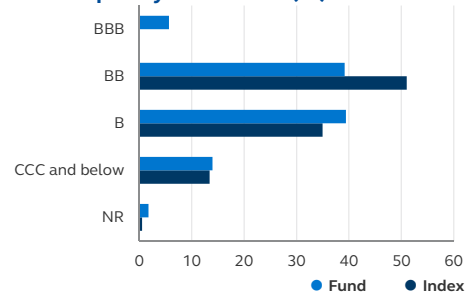
<sup>5</sup> The holdings listed do not constitute a recommendation to purchase or sell a particular security. Cash and/or derivative positions that are not part of the core investment strategy will not be reflected in the top holdings list.

**Sector allocation (%)<sup>6</sup>**



<sup>6</sup> Source: Aladdin<sup>®</sup> by BlackRock<sup>®</sup>. 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>6,7</sup>**



<sup>7</sup> Represents the middle rating of Moody's, S&P, and Fitch. When only two agencies rate a bond, the lower is used. When only one agency rates a bond, that rating is used. The ratings are an indication of an issuer's creditworthiness and typically range from AAA or Aaa (highest) to D (lowest). The NR category consists of rateable securities that have not been rated by a Nationally Recognized Statistical Rating Organization.

**Performance, rankings, & ratings**

|  | Average annual total returns (%) |               |               |               |                |  | Yields (%) <sup>15</sup>                |                               |                                      |                       |             |             |
|--|----------------------------------|---------------|---------------|---------------|----------------|--|---|-------------------------------|--------------------------------------|-----------------------|-------------|-------------|
|  | 3-month                          | 1-year        | 3-year        | 5-year        | 10-year        | Since inception <sup>13</sup> (07/28/1998) | Expense ratio <sup>14</sup> (net/gross) | Expense limit expiration date | 30-Day SEC (Unsubsidized/subsidized) | 12-month distribution |             |             |
| Class I <sup>8</sup>   | 0.60                             | 6.24          | 4.94          | 7.36          | 4.83           | 6.90                                       | 0.60/0.60                               | 02/28/2026                    | 7.04/7.05                            | 6.75                  |             |             |
| Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index <sup>9,10</sup> | 1.00                             | 7.69          | 4.98          | 7.28          | 5.01           | 6.18                                       | -                                       | -                             | -                                    | -                     |             |             |
| Morningstar Category Average   | 0.82                             | 6.72          | 4.41          | 6.80          | 4.20           | -  | -                                       | -                             | -                                    | -                     |             |             |
| <b>Morningstar rankings and ratings</b>                                    | <b>3-month</b>                   | <b>1-year</b> | <b>3-year</b> | <b>5-year</b> | <b>10-year</b> | <b>Overall</b>                             |   |                               |                                      |                       |             |             |
| Category and number of funds in category: High Yield Bond                  | 635                              | 618           | 586           | 537           | 423            | 586  |   |                               |                                      |                       |             |             |
| Class I percentile rankings <sup>11</sup>                                  | -                                | 72            | 27            | 31            | 18             | -  |   |                               |                                      |                       |             |             |
| Class I ratings <sup>12</sup>  | -                                | -             | ****          | ****          | ****           | ****                                       |   |                               |                                      |                       |             |             |
| <b>Calendar year returns (%)</b>   |                                  |               | <b>2015</b>   | <b>2016</b>   | <b>2017</b>    | <b>2018</b>                                | <b>2019</b>                             | <b>2020</b>                   | <b>2021</b>                          | <b>2022</b>           | <b>2023</b> | <b>2024</b> |
| Class I <sup>8</sup>   |                                  |               | -2.81         | 15.05         | 8.14           | -4.53                                      | 13.78                                   | 6.43                          | 5.62                                 | -8.34                 | 12.86       | 7.29        |
| Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index <sup>9,10</sup> |                                  |               | -4.43         | 17.13         | 7.50           | -2.08                                      | 14.32                                   | 7.05                          | 5.26                                 | -11.18                | 13.44       | 8.19        |
| Morningstar Category Average   |                                  |               | -4.01         | 13.30         | 6.47           | -2.59                                      | 12.62                                   | 4.91                          | 4.77                                 | -10.09                | 12.08       | 7.63        |

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>8</sup> Performance assumes reinvestment of all dividends and capital gains.

<sup>9</sup> The Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index is an unmanaged index comprised of fixed rate, non-investment grade debt securities that are dollar denominated. The index limits the maximum exposure to any one issuer to 2%.

<sup>10</sup> Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index.

<sup>11</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>12</sup> The Morningstar Rating<sup>™</sup> 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.

<sup>13</sup> Class I shares were first sold 07/28/1998. Returns for Class I shares prior to 07/28/1998, are based on performance of Class A shares adjusted to reflect the fees and expenses of Class I shares. Class A shares were first sold 04/08/1998.

<sup>14</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>15</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.

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

Fixed-income investments are subject to interest rate risk; as interest rates rise their value will decline. Lower-rated securities are subject to additional credit and default risks.

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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