

Principal U.S. Real Estate Equity Securities

31 March 2024

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 U.S. markets.

Strategy facts

Manager: Principal Real Estate

Inception: 01 January 1998

Index: U.S. REIT LINKED INDEX¹

Available vehicles²: CIT, IMA, SMA, U.S. Mutual Fund

Targeted number of holdings³: 35-45

Expected turnover³: <100%

Key differentiators

- **Consistent and stable leadership.** Kelly Rush founded our REIT capabilities over 20 years ago and Tony Kenkel and Keith Bokota have 20 years and 14 years working on the strategy, respectively.
- **Global platform of resources.** We are a top-10 global real estate manager with capabilities across private and public equity and debt⁴.
- **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

40 years' experience

Keith Bokota, CFA

19 years' experience

Anthony Kenkel, CFA, FRM

27 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 April 2000
Principal U.S. Real Estate Equity Securities (gross)	-1.60	8.70	3.69	5.57	8.34	11.77
Principal U.S. Real Estate Equity Securities (net)	-1.78	7.89	2.91	4.88	7.69	11.10
U.S. REIT LINKED INDEX ¹	-0.49	10.18	3.97	4.10	6.52	9.66

Calendar year returns (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Principal U.S. Real Estate Equity Securities (gross)	33.53	5.23	6.78	9.98	-3.41	32.21	-2.44	41.02	-24.55	14.23
Principal U.S. Real Estate Equity Securities (net)	32.80	4.66	6.19	9.38	-3.92	31.52	-2.95	40.05	-25.13	13.38
U.S. REIT LINKED INDEX ¹	30.38	2.52	8.60	5.07	-4.57	25.84	-7.57	43.06	-24.51	13.74

Source: Principal Global Investors.

As of March 2024. Investing involves risk, including possible loss of principal. Periods over one year are annualized. Please see disclosures for additional information on performance.

¹U.S. REIT Linked Index composition: For March 1, 2024 and after, the index is 100% the FTSE NAREIT All Equity REIT Index, and for the period prior to March 1 2024, it is 100% the MSCI US REIT Index.

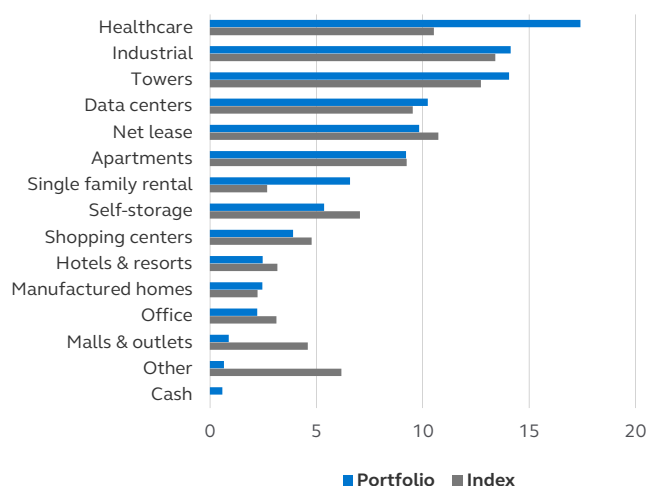
²Not all vehicles are available to investors in all jurisdictions.

³Investment guidelines are subject to change.

⁴Managers 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.

Representative portfolio top 10 holdings (%)⁵

	Location	Sector	Portfolio	Index	Active weight ⁶
1 American Tower Corporation	United States	Real estate	10.2	7.3	3.0
2 Equinix, Inc.	United States	Real estate	6.9	6.1	0.8
3 Prologis, Inc.	United States	Real estate	6.7	9.5	-2.8
4 Welltower Inc.	United States	Real estate	6.0	4.1	2.0
5 Extra Space Storage Inc.	United States	Real estate	5.4	2.4	2.9
6 Ventas, Inc.	United States	Real estate	4.9	1.4	3.5
7 AvalonBay Communities, Inc.	United States	Real estate	4.8	2.1	2.7
8 SBA Communications Corp.	United States	Real estate	3.8	1.8	2.0
9 Invitation Homes, Inc.	United States	Real estate	3.8	1.7	2.0
10 VICI Properties Inc	United States	Real estate	3.7	2.4	1.3

Representative portfolio sector allocation (%)⁵Representative portfolio characteristics^{5,7}

	Portfolio	Index
Dividend Yield Weighted Median	3.4	3.8
Free float market cap	\$38.7B	\$41.0B
Number of holdings	39.0	137.0
Leverage (net debt & preferred/total cap)	28.0%	28.9%
Price/net asset value	95.9%	96.3%
Price/funds from operations (NTM)	18.1x	16.8x
Dividend growth (NTM)	3.4%	2.9%
Earnings growth (NTM)	4.8%	2.9%
Active share ⁸	45.8%	—

Composite risk statistics (gross)⁹

	3YR	5YR
Sharpe ratio	0.05	0.18
Standard deviation	19.91	19.20
Information ratio	-0.12	0.48
Tracking error	2.32	3.09

⁵ Source: FactSet. 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.

⁶ Portfolio security weight minus the benchmark security weight.

⁷ Yields and yield related characteristics shown are only one component of performance or expected performance and are not and should not be viewed as a statement of the current or future performance of the strategy. See the gross and net performance of the strategy.

⁸ A measure of the proportion of stock weights in a manager's portfolio that differ from the index.

⁹ 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

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.

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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 NAREIT All Equity REIT Index is a free-float weighted index that contains all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property that also meet minimum size and liquidity criteria. MSCI US REIT Index is a capitalization-weighted benchmark index of most actively traded Real Estate Investment Trusts (REITs), designed to measure real estate performance.

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.

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