

## Principal Asset Allocation

### THE CASE FOR PRINCIPAL DIVERSIFIED REAL ASSET STRATEGY

# Real asset implementation through a balanced, specialist approach

Global demand for growth calls for real asset implementation. The way you implement real asset exposure matters and diversification is important. While many investors use single strategies for exposure to real assets, single strategies can be more volatile on their own and require more careful monitoring.

The **Principal Diversified Real Asset strategy** combines multiple real assets and seeks to deliver a moderate risk profile, making it easier to implement real assets in portfolios. Consider replacing single strategy exposures to real assets with a balanced portfolio of real assets.

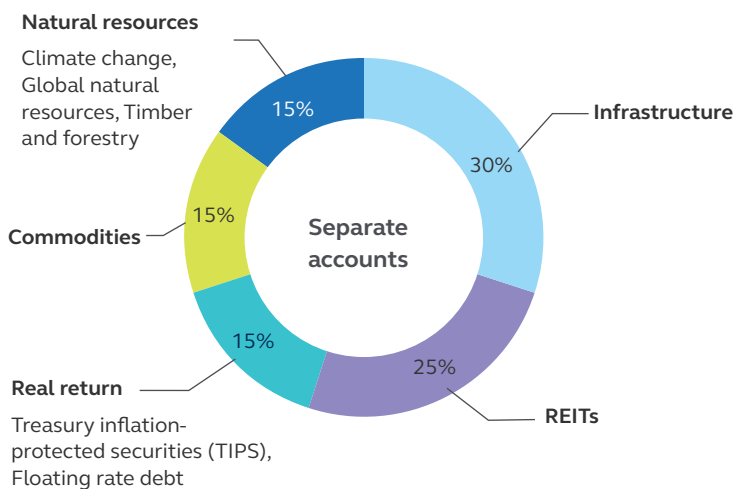
#### Real asset exposure may:

Enhance diversification through modest correlation and little overlap with a traditional balanced portfolio.

Increase total return potential because valuations may be more attractive compared to stocks across market cycles.

Protect purchasing power in environments when inflation is above trend.

#### We calibrate real asset class exposure as we seek to maximize the potential for a strong investment outcome.



We favor asset class diversification and operate with an informed-architecture approach—combining specialist managers who align with our targeted outcome.

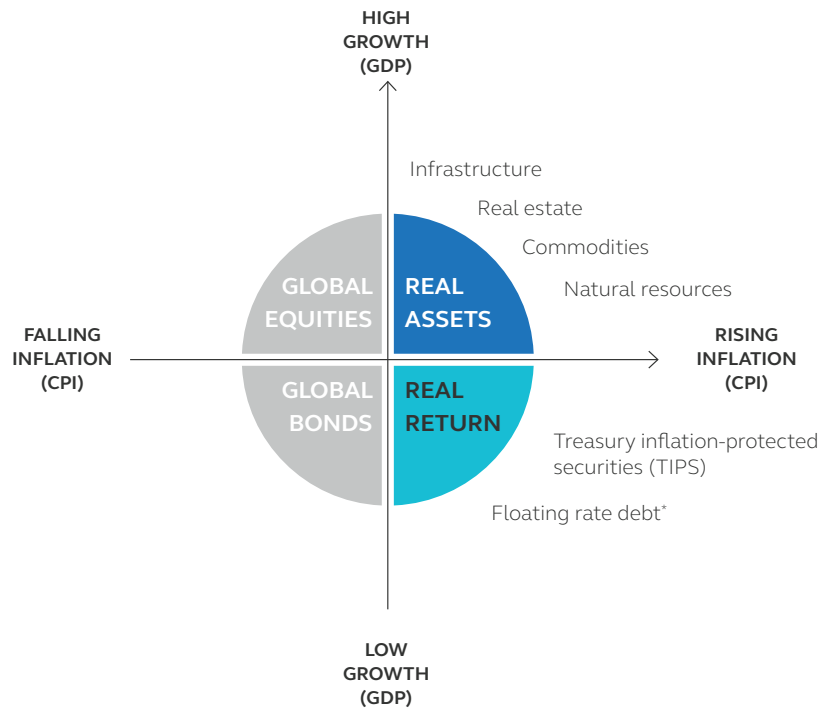
Reflects the Diversified Real Asset Strategic Index (Linked) which is the long-term allocation target of the strategy as of December 31, 2023. Actual allocations are subject to change and may differ substantially from the allocations shown. Asset allocation and diversification do not ensure a profit or protect against a loss.

## We seek to deliver a consistent real asset outcome

The **Principal Diversified Real Asset strategy** provides diversified exposure to publicly-listed real assets through a risk-aware portfolio construction approach.

\*Floating rate debt is not available in all vehicles and is not available outside of the U.S.

Graphic is for illustrative purposes only and reflects the views of the management team. Gross Domestic Product (GDP): A comprehensive measure of U.S. economic activity; measures the value of the final goods and services produced in the U.S. without double counting the intermediate goods and services used up to produce them. Consumer Price Index (CPI): A measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

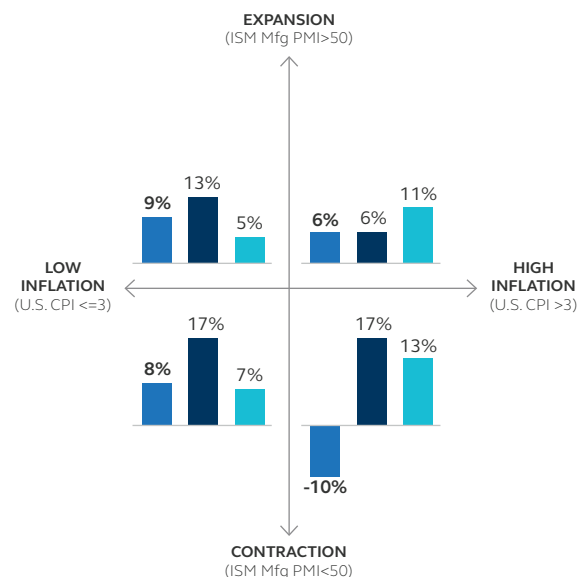
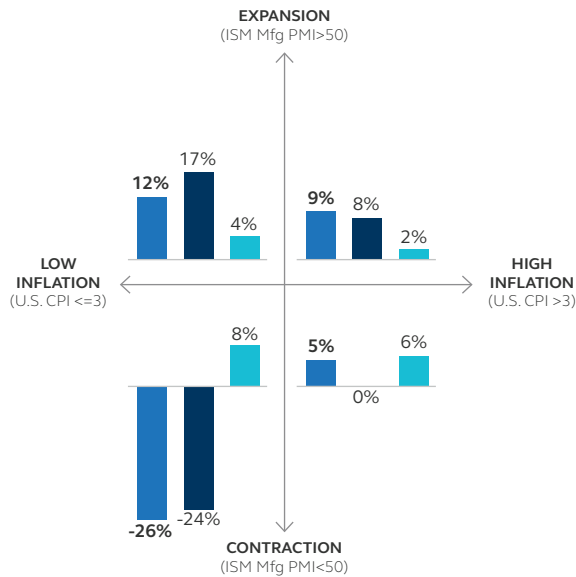


## Rising rates can influence real asset returns

**In 5 out of 8 regimes, real assets outperform stocks, bonds, or both.**

**Rising rates:** Fed rates higher or equal to last month.

**Falling rates:** Fed rates lower or equal to last month.

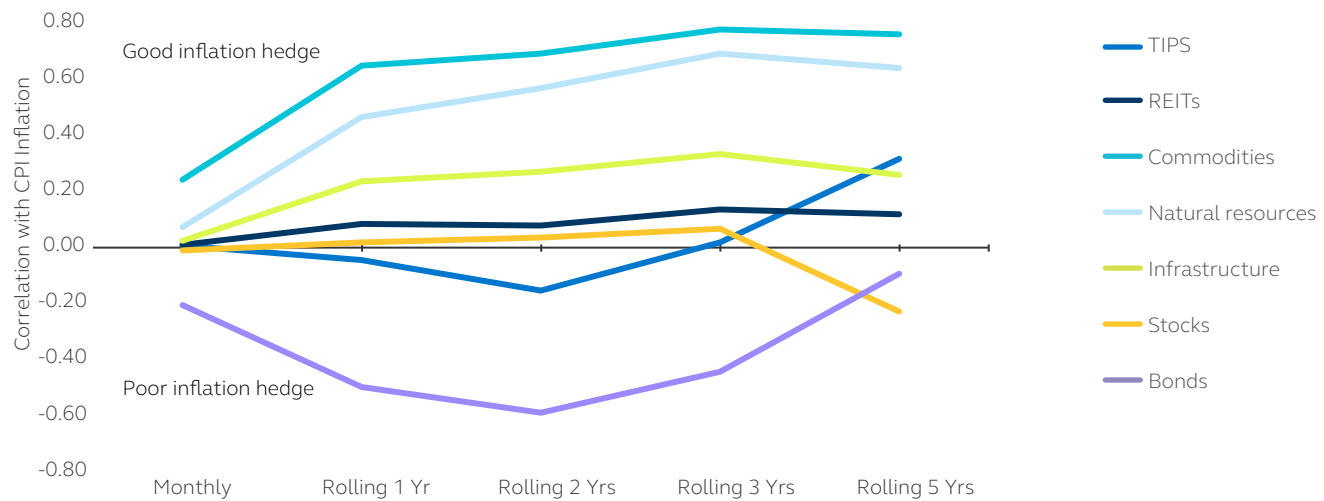


■ Average real assets ■ S&P 500 ■ Bloomberg U.S. Aggregate

As of December 31, 2023. Data since 1971. Source: Principal Global Investors. Institute for Supply Management Manufacturing Purchasing Managers' Index (ISM Mfg PMI): An index of the prevailing direction of economic trends in manufacturing sectors consisting of a diffusion index that summarizes with a number from 0 to 100, whether market conditions, as viewed by purchasing managers, are expanding (>50), staying the same (=50), or contracting (<50). Average real assets: An equal-weighted version of the S&P Global Infrastructure Index NTR (11/30/2001-12/31/2023), FTSE NAREIT All Equity REITs Index (12/31/1971-12/31/2023), Bloomberg U.S. Treasury TIPS Index (03/31/1997-12/31/2023), Bloomberg Commodity Index (01/31/1971-12/31/2023), and S&P Global Natural Resources Index NTR (11/30/2002-12/31/2023). S&P 500 Index (Stocks): A market capitalization weighted index of 500 widely held stocks often used as a proxy for the stock market. Bloomberg U.S. Aggregate Bond Index (Bonds): An unmanaged index of domestic, taxable, fixed-income securities.

## Real assets may provide attractive inflation protection

### Real and nominal assets correlation with inflation.



Source: Bloomberg, Principal Global Investors. Data as of December 31, 2023. Bloomberg U.S. Treasury Inflation Protected Securities TR Index (TIPS); Bloomberg Commodity TR Index (Commodities); FTSE EPRA/NAREIT Developed TR Index (REITs); S&P Global Infrastructure Index (Infrastructure); S&P Global Natural Resources Index (Natural resources); S&P 500 Index (Stocks); Bloomberg U.S. Aggregate Index (Bonds). Data series from August 1997 to December 2023.

Correlation, in the finance and investment industries, is a statistic that measures the degree to which two securities move in relation to each other. Correlations are used in advanced portfolio management, computed as the correlation coefficient, which has a value that must fall between -1.0 and +1.0.

## Access to institutional real assets in a single portfolio

### Diversification

Enhance diversification through modest correlation and little overlap with a traditional balanced portfolio.

### Enhanced risk-adjusted returns

Enhance risk-adjusted total return potential by leveraging unique economic drivers of return.

### Purchasing power

Protect purchasing power in environments when inflation is above trend.

**Principal Diversified Real Asset strategy** is a diversified portfolio of actively- and passively-managed public real assets. We select best-in-class<sup>1</sup> specialist managers with real asset expertise:

**BLACKROCK**

**ClearBridge**  
Investments

**CORE** COMMODITY  
MANAGEMENT

**IMPAX** Asset  
Management

**MACQUARIE**

**NEWTON**  
Investment  
Management

**nuveen**  
A TIAA Company

**PICTET**  
1805

**Principal**  
Asset Management<sup>SM</sup>

**WELLINGTON**  
MANAGEMENT<sup>®</sup>

Manager selection may vary by vehicle.

## Asset allocation expertise of Principal Asset Allocation

**Our strategies are carefully constructed, monitored, and managed with the goal of meeting the target outcome.**

- \$143.6 billion in assets under management, including dynamic outcome, target date, core-satellite building blocks, and custom asset allocation.
- Strategy vehicles include dynamic outcome, target date, core-satellite building blocks, and custom asset allocation.
- More than ten years of experience managing multi-asset, multi-manager real asset strategies.<sup>1</sup>

Source: Principal Global Investors. Data as of December 31, 2023.



**We can help.** Find out more about the Principal Diversified Real Asset strategy.  
**Visit [PrincipalAM.com](https://PrincipalAM.com) or contact your Principal representative today.**

<sup>1</sup>Managers were selected using a proprietary process, characterized by a comprehensive and continuous review of all investment managers.

## Risk considerations

Investing involves risk, including possible loss of principal. Past performance does not guarantee future return. Asset allocation and diversification do not ensure a profit or protect against a loss. Real assets include but not limited to precious metals, commodities, real estate, land, equipment, infrastructure, and natural resources. Each real asset is subject to its own unique investment risk and should be independently evaluated before investing. As an asset class, real assets are less developed, more illiquid, and less transparent compared to traditional asset classes. Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Equity investments involve greater risk, including heightened volatility, than fixed income investments.

## Important information

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**Diversified Real Asset Index (Linked)** benchmark description: January 1, 2022 and after, 30% **S&P Global Infrastructure Index NTR** (designed to track 75 companies from around the world chosen to represent the listed infrastructure industry while maintaining liquidity and tradability; to create diversified exposure, the index includes three distinct infrastructure clusters: energy, transportation, and utilities), 25% **FTSE EPRA/NAREIT Developed Index NTR** (designed to represent general trends in eligible real estate equities worldwide), 15% **Bloomberg U.S. Treasury TIPS Index** (includes all publicly issued, U.S. Treasury inflation-protected securities that have at least one year remaining to maturity, are rated investment-grade, and have \$250 million or more of outstanding face value), 15% **Bloomberg Commodity Index** (a broadly diversified commodity price index distributed by Bloomberg Indexes), and 15% **S&P Global Natural Resources Index NTR** (includes 90 of the largest publicly-traded companies in natural resources and commodities businesses that meet specific investability requirements, offering investors diversified and investable equity exposure across three primary commodity-related sectors: agribusiness, energy, and metals & mining), and for the period prior to January 1, 2022, 35% **Bloomberg U.S. Treasury TIPS Index**, 20% **S&P Global Infrastructure Index NTR**, 20% **S&P Global Natural Resources Index NTR**, 15% **Bloomberg Commodity Index**, and 10% **FTSE EPRA/NAREIT Developed Index NTR**. Indices are unmanaged and do not take into account fees, expenses, and transaction costs and it is not possible to invest in an index.

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Principal Asset Allocation is an investment team within Principal Global Investors.

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