

Principal International Equity

30 September 2024

Strategy description

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

Strategy facts

Manager: Principal Equities

Inception: 1 March 2012

Index: MSCI All Country World ex-U.S. NTR Index

Available vehicles¹: IMA

Targeted number of holdings²: 30-50

Expected turnover²: 30-60%

Key differentiators

- Concentrated, core, all-weather profile.
- A focus on uncorrelated idea generation and deep fundamental analysis.
- Compelling view that excess returns are generated over time by investing in companies where free cash flow power is underestimated by the market.
- Growth and value both simultaneously essential for value creation.

Portfolio management

George P. Maris, CFA

26 years' experience

Paul Blankenhagen, CFA

32 years' experience

Investment philosophy

Our investment philosophy is focused on investing in companies where the free cash flow growth is underestimated by the market. This approach requires a deep fundamental analysis of growth opportunities to assess free cash flow generation. It also demands an understanding of valuation opportunities arising from differences in free cash flow generation expectations. We recognize that persistent behavioral biases create market inefficiencies and opportunities.

Composite performance (%)

	3M	YTD	1YR	3YR	5YR	10YR	Performance Start (1 March 2012)
Principal International Equity (gross)	7.31	18.85	33.31	5.92	10.91	8.23	9.15
Principal International Equity (net)	7.16	18.32	32.53	5.29	10.27	7.59	8.49
MSCI All Country World ex-U.S. NTR Index	8.06	14.21	25.35	4.13	7.58	5.21	5.60

Calendar year returns (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Principal International Equity (gross)	1.69	4.28	-1.17	29.45	-14.75	26.99	23.38	9.20	-21.55	22.05
Principal International Equity (net)	1.05	3.62	-1.80	28.66	-15.25	26.32	22.74	8.56	-22.03	21.33
MSCI All Country World ex-U.S. NTR Index	-3.87	-5.66	4.50	27.19	-14.20	21.51	10.65	7.82	-16.00	15.62

Source: Principal Global Investors.

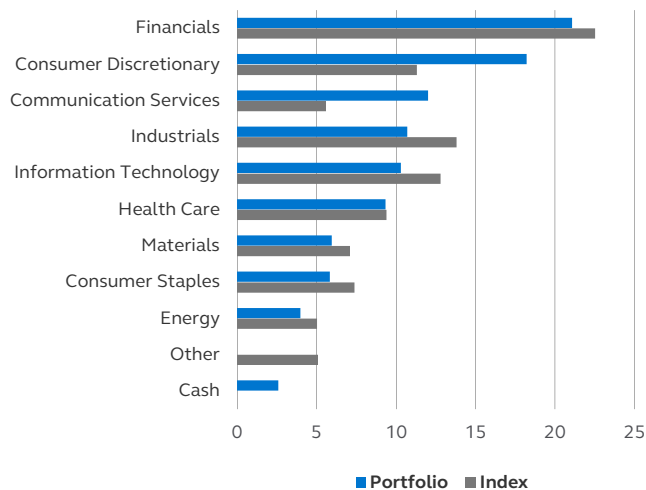
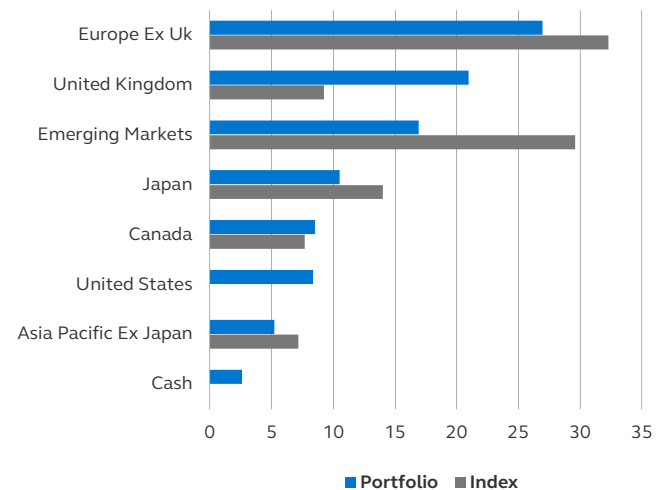
As of September 2024. Investing involves risk, including possible loss of principal. Periods over one year are annualized. Please see disclosures for additional information on performance.

¹Not all vehicles are available to investors in all jurisdictions.

²Investment guidelines are subject to change.

Representative portfolio top 10 holdings (%)³

	Location	Sector	Portfolio	Index
1 Unilever Plc	United Kingdom	Consumer Staples	4.6	0.7
2 Deutsche Telekom Ag	Germany	Communication Services	4.6	0.4
3 Bae Systems Plc	United Kingdom	Industrials	4.0	0.2
4 Sanofi	France	Health Care	4.0	0.5
5 Aia Group Limited	Hong Kong	Financials	3.9	0.4
6 Jd.Com, Inc.	China	Consumer Discretionary	3.7	0.2
7 Taiwan Semiconductor Manufacturing Co., Ltd.	Taiwan	Information Technology	3.1	2.7
8 Tencent Holdings Ltd.	China	Communication Services	3.0	1.3
9 Dollarama Inc.	Canada	Consumer Discretionary	2.9	0.1
10 Aib Group Plc	Ireland	Financials	2.9	—

Representative portfolio sector allocation (%)³Representative portfolio geographic allocation (%)³Representative portfolio characteristics³

	Portfolio	Index
Return on equity	15.8%	14.3%
Earnings growth ⁴	14.2%	9.3%
Active share ⁵	87.1%	-
Price/earnings ⁶	16.9x	17.5x
Number of holdings	42	2,094
Market cap (weighted average)	\$121.8B	\$112.4B

Composite risk statistics (gross)⁷

	3YR	5YR
Standard deviation	16.50	16.80
Information ratio	0.30	0.61
Tracking error	5.92	5.50

³ Source: FactSet. FactSet data is subject to revision over time, which may result in slight differences among data points reported during the same period.

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

⁵ Percentage of companies with positive EPS revisions less percentage with negative EPS revisions.

⁶ Forward one-year price/earnings estimates.

⁷ 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



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. International and global investing involves greater risks such as currency fluctuations, political/social instability and differing accounting standards.

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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 All Country World ex-U.S. Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets, excluding the US. Information regarding the comparison to the MSCI All Country World ex-U.S. 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.

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