

# Principal Edge SMA Equity Income

First quarter 2025

## Strategy overview

The strategy seeks a relatively high level of current income along with long-term growth of income and capital by investing primarily in dividend paying equity securities of U.S. large-cap companies.

## Portfolio management

**Daniel R. Coleman**

46 years of experience

**Nedret E. Vidinli, CFA**

29 years of experience

**Sarah E. Radecki, CFA**

29 years of experience

## Characteristics<sup>1,2,3</sup>

	Portfolio	Index
Number of holdings	59	870
Active share	81.1%	—
Expected turnover	15%-25%	—
Market cap <sup>4</sup>	\$277.8B	\$190.4B
Operating margin (5-year average)	20.5%	18.0%
Return on capital (5-year average)	14.2%	11.2%
Price/earnings - trailing	22.3	22.9
Price/earnings - forward	20.1	18.3
Dividend Yield - Current	2.0%	2.1%
Dividend yield - indicated <sup>4</sup>	2.2%	2.2%

## Top 10 holdings<sup>1,2</sup>

	% of net assets
Jpmorgan Chase & Co.	3.2
Costco Wholesale Corporation	3.1
Morgan Stanley	2.8
Marathon Petroleum Corporation	2.7
Parker-Hannifin Corporation	2.7
Chubb Limited	2.7
Trane Technologies Plc	2.6
Deere & Company	2.6
Kkr & Co Inc	2.6
Eog Resources, Inc.	2.5
<b>Total</b>	<b>27.5</b>

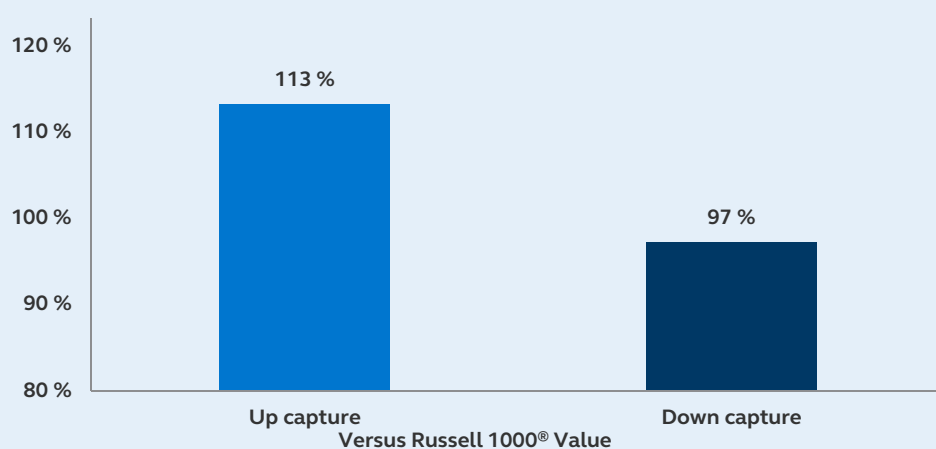
See disclosure section for additional details.

## Dividends are the hallmark of great companies

- **Growers, not just payers.** Dividend growers and payers have historically had higher returns with less risk than non-dividend paying stocks.<sup>5</sup>
- **Powered by great companies.** A quality-first mentality removes subpar operators, helping to avoid value traps.
- **Sector neutral to help mitigate risk.** We are focused on selecting great companies, not timing sectors.

## Performance versus the index

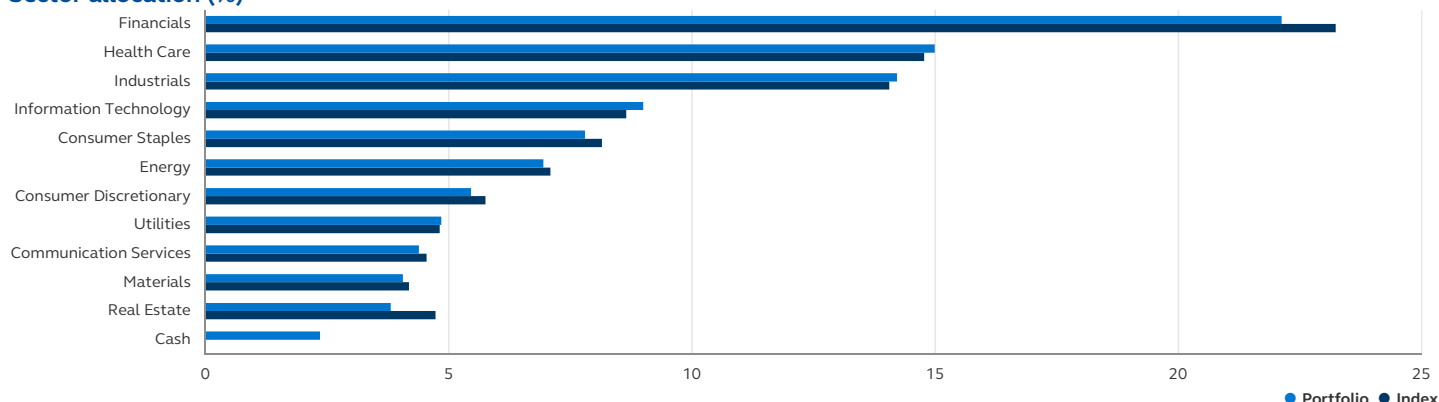
Capture ratios - 10-year, gross



04/01/2015- 03/31/2025. Source: Principal Global Investors. Capture ratios: Shows the relationship of the composite's performance to the performance of an index during a specific timeframe, as a percentage of that index's positive (upside capture) and negative (downside capture) performance. Represents quarterly returns for both composite and index returns. Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index. Portfolio information is based on the strategy's composite. Past performance does not guarantee future return.

## Why allocate to a portfolio:

- **Dividends matter.** Dividends help provide downside risk mitigation and are an important part of total return, especially in low growth environments.
- **Quality is market cycle tested.** Companies with competitive advantages, strong management teams, and a commitment to shareholder returns have proven resilient when market cycles transition and interest rates rise.
- **Patience rewarded.** The strategy has outperformed the index over the past ten-year period (as of 03/31/2025; see performance tables on back for further information).

Sector allocation (%)<sup>1,2</sup>

## Performance

	Composite performance (%)					
	3-month	1-year	3-year	5-year	10-year	Since inception (01/01/1997)
Principal Edge SMA Equity Income (gross)	0.33	7.34	7.11	16.31	10.28	9.95
Russell 1000® Value Index	2.14	7.18	6.64	16.14	8.79	8.53
Principal Edge SMA Equity Income (net)	-0.42	4.18	3.96	12.91	7.04	6.72

Risk statistics (10-year, gross)<sup>6</sup>

	Composite
Sharpe ratio	0.5
Standard deviation	15.3
Information ratio	0.5
Tracking error	2.9

Calendar year returns (%)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Principal Edge SMA Equity Income (gross)	-3.38	16.16	21.61	-4.55	29.68	7.59	24.26	-8.74	12.08	15.77
Russell 1000® Value Index	-3.83	17.34	13.66	-8.27	26.54	2.80	25.16	-7.54	11.46	14.37
Principal Edge SMA Equity Income (net)	-6.25	12.77	18.07	-7.38	25.93	4.41	20.65	-11.47	8.79	12.38

Periods over one year are annualized. Net of fees reflects the gross returns reduced by an assumed maximum bundled fee of 3%. See disclosure section for additional details.

<sup>1</sup> Source: FactSet

<sup>2</sup> The index is the Russell 1000® Value Index and is described below. Portfolio information is based on the strategy's model portfolio. The holdings shown do not represent all the securities purchased, sold or recommended for any advisory client and in the aggregate may represent only a small percentage of an account's portfolio holdings. Actual portfolios may differ because of account size, client-imposed investment restrictions, the timing of client investments and market, economic and individual company considerations. Securities are shown for illustrative purposes only and are not a solicitation to buy or sell any security or invest in a sector.

<sup>3</sup> 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.

<sup>4</sup> Weighted average

<sup>5</sup> Source: Ned Davis Research, Inc. (12/31/1984-03/31/2025). Dividends are not guaranteed.

<sup>6</sup> Source: Principal Global Investors

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. Dividends are not guaranteed.

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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. The methods of calculating performance of the composite and the index may not be identical and it is not possible to invest in an index.

The SMA Equity Income composite contains fully discretionary fee-paying accounts that seek a relatively high level of current income and long-term growth of income and capital by investing primarily in U.S. large-cap companies. For comparison purposes, the benchmark is the Russell 1000 Value Index. The composite name changed from Large Cap Value to Equity Income effective April 1, 2018. The SMA Equity Income composite was created on November 19, 2010.

Russell 1000® Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. Information regarding the comparison to the Russell 1000® Index is available upon request.

This strategy is only provided through separately managed accounts program sponsors. Clients should consult a financial professional before making any investment decisions. Financial professionals should consider the appropriateness of the manager, strategy and program for its clients on an initial and ongoing basis.

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