

# Principal U.S. Small Cap Equity

30 June 2024

## Strategy description

The strategy aims to provide long-term capital growth by investing primarily in the shares of small-cap companies domiciled in the United States. The strategy is research-driven and focused on bottom-up stock selection, not bold calls on macro or geopolitical conditions.

## Strategy facts

**Manager:** Principal Global Equities

**Inception:** 1 April 2000

**Index:** Russell 2000 Index

**Available vehicles<sup>1</sup>:** IMA, U.S. Mutual Fund

**Targeted number of holdings<sup>2</sup>:** 100 -250

**Expected turnover<sup>2</sup>:** <75%

## Key differentiators

- **We invest in businesses we believe are becoming better** as a result of positive change: innovators, renovators, and pacesetters.
- **We identify them ahead of the market** by recognizing potential underappreciated growth and improvement opportunities.
- **We isolate stock selection as the key driver of results**, delivering style consistency over time using a comprehensive system of checks and balances.

## Portfolio management

**Phil Nordhus, CFA**

34 years' experience

**Brian Pattinson, CFA**

30 years' experience

## Investment philosophy

We believe bottom-up stock selection is the most reliable and repeatable source of consistent performance. We also recognize that persistent behavioral biases and impediments to capital flows create market inefficiencies and opportunities. We seek to exploit these anomalies through focused fundamental research and disciplined risk management.

## Composite performance (%)

	3M	YTD	1YR	3YR	5YR	10YR	Performance Start (1 April 2000)
Principal U.S. Small Cap Equity (gross)	-5.35	2.08	6.86	-1.28	8.70	8.22	8.90
Principal U.S. Small Cap Equity (net)	-5.50	1.78	6.22	-1.87	8.10	7.59	8.23
Russell 2000 Index	-3.28	1.73	10.06	-2.58	6.93	7.00	7.08

## Calendar year returns (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Principal U.S. Small Cap Equity (gross)	5.82	0.70	18.31	13.79	-10.29	28.24	22.41	21.59	-19.63	16.37
Principal U.S. Small Cap Equity (net)	5.16	0.07	17.57	13.08	-10.84	27.62	21.82	20.89	-20.12	15.68
Russell 2000 Index	4.89	-4.41	21.31	14.65	-11.01	25.52	19.96	14.82	-20.44	16.93

Source: Principal Global Investors.

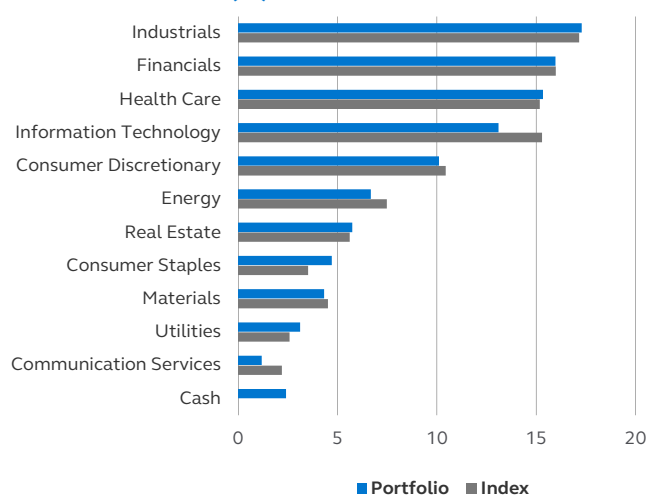
As of June 2024. Investing involves risk, including possible loss of principal. Periods over one year are annualized. Please see disclosures for additional information on performance.

<sup>1</sup>Not all vehicles are available to investors in all jurisdictions.

<sup>2</sup>Investment guidelines are subject to change.

Top 10 holdings (%)<sup>3</sup>

	Sector	Portfolio	Index	Active weight <sup>4</sup>
1 Insmed Incorporated	Health Care	2.4	0.4	2.0
2 Chart Industries, Inc.	Industrials	1.8	0.2	1.5
3 Taylor Morrison Home Corporation	Consumer Discretionary	1.7	0.2	1.5
4 Modine Manufacturing Company	Consumer Discretionary	1.7	0.2	1.5
5 Natera Inc	Health Care	1.5	—	1.5
6 Parsons Corporation	Industrials	1.4	0.1	1.3
7 Atkore Inc	Industrials	1.4	0.2	1.2
8 Popular, Inc.	Financials	1.4	—	1.4
9 Bj's Wholesale Club Holdings, Inc.	Consumer Staples	1.4	—	1.4
10 Manhattan Associates, Inc.	Information Technology	1.3	—	1.3

Sector allocation (%)<sup>3</sup>Portfolio characteristics<sup>3</sup>

	Portfolio	Index
Return on equity	10.1%	9.8%
Earnings growth <sup>5</sup>	12.0%	11.5%
Active share <sup>6</sup>	90.0%	-
Price/earnings <sup>7</sup>	16.8x	17.7x
Earnings revisions <sup>8</sup>	54.9%	57.9%
Number of holdings	127	1,921
Market cap (weighted median)	\$5.3B	\$3.1B

Composite risk statistics (gross)<sup>9</sup>

	3YR	5YR
Sharpe ratio	-0.21	0.28
Standard deviation	21.51	23.44
Information ratio	0.43	0.49
Tracking error	3.04	3.61

<sup>3</sup> Source: FactSet. Characteristics and weightings shown are of the representative portfolio. FactSet data is subject to revision over time, which may result in slight differences among data points reported during the same period.

<sup>4</sup> Portfolio security weight minus the benchmark security weight.

<sup>5</sup> Long term earnings per share (EPS Growth) - three-five year estimate.

<sup>6</sup> Percentage of companies with positive EPS revisions.

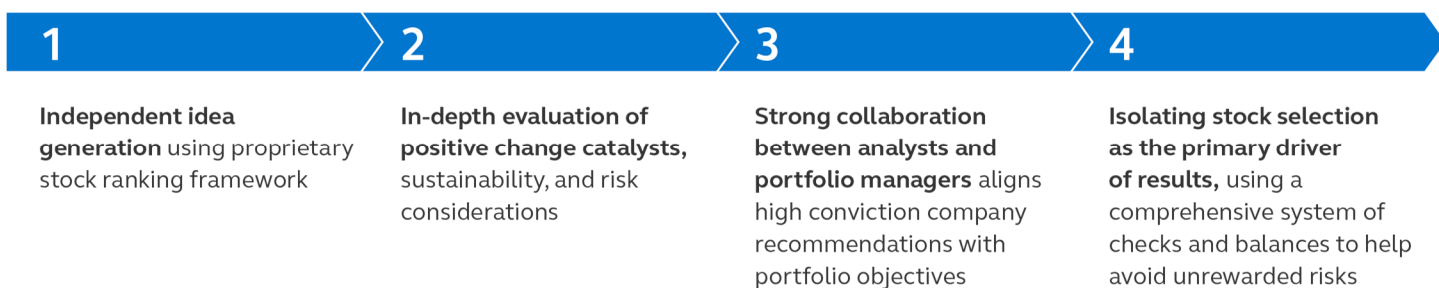
<sup>7</sup> Forward one-year price/earnings estimates.

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

<sup>9</sup> 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



## Perspective and precision: a disciplined, repeatable approach for better fundamental outcomes

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. Small-cap stocks may have additional risks including greater price volatility.

This material covers general information only and does not take account of any investor's investment objectives or financial situation and should not be construed as specific investment advice, a recommendation, or be relied on in any way as a guarantee, promise, forecast or prediction of future events regarding an investment or the markets in general. The opinions and predictions expressed are subject to change without prior notice. The information presented has been derived from sources believed to be accurate; however, we do not independently verify or guarantee its accuracy or validity. Any reference to a specific investment or security does not constitute a recommendation to buy, sell, or hold such investment or security, nor an indication that the investment manager or its affiliates has recommended a specific security for any client account. Subject to any contrary provisions of applicable law, the investment manager and its affiliates, and their officers, directors, employees, agents, disclaim any express or implied warranty of reliability or accuracy and any responsibility arising in any way (including by reason of negligence) for errors or omissions in the information or data provided.

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.

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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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