

# Principal Edge SMA SMID Dividend Income

First quarter 2024

## Strategy overview

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

## Portfolio management

**Daniel R. Coleman**  
45 years of experience

**Sarah E. Radecki, CFA**  
28 years of experience

**Lauren C. Choi**  
21 years of experience

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

	Portfolio	Index
Composite AUM	\$1.1B	—
UMA/SMA AUM <sup>4</sup>	\$3.1B	—
Inception date	03/01/07	—
Number of holdings	72	1,851
Active share	90.7%	—
Expected turnover	15-35%	—
Market cap <sup>5</sup>	\$10.8B	\$8.1B
Operating margin (5-year average)	15.8%	12.8%
Return on capital (5-year average)	14.3%	9.7%
Price/earnings - trailing	22.3	19.2
Price/earnings - forward	18.5	16.3
Dividend Yield - Current	2.2%	1.9%
Dividend yield - indicated <sup>5</sup>	2.3%	1.9%

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

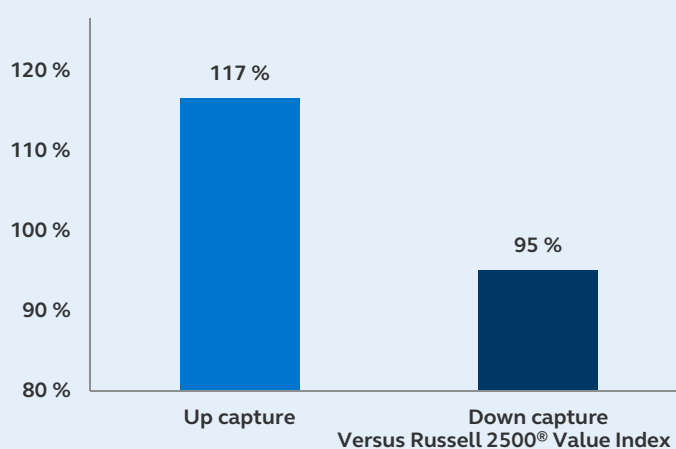
	% of net assets
Williams-Sonoma, Inc.	2.7
East West Bancorp, Inc.	2.6
Mks Instruments, Inc.	2.6
Brunswick Corporation	2.2
Acushnet Holdings Corp.	2.2
Nvent Electric Plc	2.2
Fidelity National Financial Corp.	2.2
Lincoln Electric Holdings, Inc.	2.1
Bank Ozk	2.0
Assured Guaranty Ltd.	2.0
<b>Total</b>	<b>22.8</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>6</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.

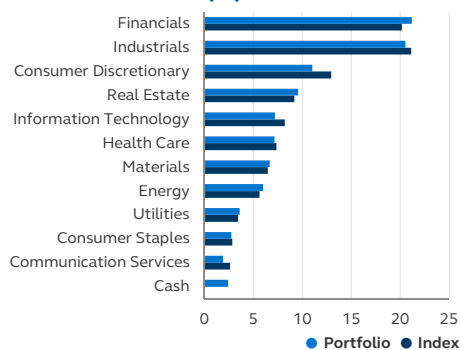
## Performance versus the index Capture ratios- since inception



03/01/2007- 03/31/2024. 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.
- **Access to well-managed companies.** Small- and mid-size companies may offer historically greater growth potential than large-cap companies and provide additional diversification, which helps to manage risk.

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

## Performance

	Composite performance (%)					
	3-month	1-year	3-year	5-year	10-year	Since inception (03/01/2007)
Principal Edge SMA SMID Dividend Income (gross)	8.71	27.09	9.77	10.13	9.10	10.32
Russell 2500 <sup>®</sup> Value Index	6.07	21.33	5.35	9.36	7.68	7.20
Principal Edge SMA SMID Dividend Income (net)	7.92	23.40	6.54	6.89	5.89	7.08

Risk statistics (10-year, gross)<sup>7</sup>

	Composite
Sharpe ratio	0.4
Standard deviation	18.3
Information ratio	0.4
Tracking error	4.0

Calendar year returns (%)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Principal Edge SMA SMID Dividend Income (gross)	8.86	-3.29	31.91	11.75	-12.16	26.16	-3.81	30.17	-11.78	19.43
Russell 2500 <sup>®</sup> Value Index	7.11	-5.49	25.20	10.36	-12.36	23.56	4.88	27.78	-13.08	15.98
Principal Edge SMA SMID Dividend Income (net)	5.66	-6.16	28.09	8.47	-14.79	22.49	-6.68	26.40	-14.42	15.94

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 2500<sup>®</sup> 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> May include model-only assets managed by the firm, where the firm has no control as to whether investment recommendations are accepted or the firm does not have trading authority over the assets.

<sup>5</sup> Weighted average

<sup>6</sup> Source: Ned Davis Research, Inc. (12/31/1984-03/31/2024). Dividends are not guaranteed.

<sup>7</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. Small- and mid-cap stocks may have additional risks including greater price volatility.

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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 SMID Dividend Income composite contains all 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 common stocks of small and mid-cap U.S. companies and specifically does not invest in master limited partnerships. For comparison purposes, the benchmark is the Russell 2500<sup>®</sup> Value Index. The composite was created on November 22, 2010. Performance prior to October 1, 2012 reflects the Small Mid Cap Value institutional composite and does not reflect actual SMA accounts. The composite inception date is March 01, 2007. The composite name changed from SMA Small Mid Cap Equity Income to SMA Small Mid Cap Value effective March 31, 2011 and then from SMA Small Mid Cap Value to SMA Small Mid Cap Dividend Income Without MLPs effective July 2012. The composite name changed from SMA Small Mid Cap Dividend Income Without MLPs to SMA SMID Dividend Income effective November 30, 2020.

Russell 2500<sup>®</sup> Value Index measures the performance of those Russell 2500<sup>®</sup> companies with lower price-to-book ratios and lower forecasted growth values. Information regarding the comparison to the Russell 2500<sup>®</sup> Value 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 their clients on an initial and ongoing basis.

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