

THE CASE FOR PRINCIPAL BLUE CHIP FUND

Investing in quality companies led by owner-operators

Over 20 years ago, Principal Aligned launched the successful MidCap strategy. Over time, we noticed a trend. Many of our best investments grew beyond our MidCap mandate. These were companies with long runways in front of them—businesses getting better as they got bigger, with strong management teams, and still attractively valued.

So, in 2012, we launched Blue Chip—a large cap portfolio of our best ideas. Same people, process, and emphasis on quality companies led by owner-operators, but an expanded opportunity set.

Principal Blue Chip Fund's track record stands out in its own right. The same approach that has led to MidCap's long-term success has delivered attractive returns for Blue Chip.

A simple concept with a powerful impact

We believe owner-operators—business leaders with significant personal ownership stakes in the companies they run—have many traits that benefit long-term shareholders.

Most owner-operators—especially founders—have a genuine love for the business. They are passionate about the mission, which leads to a long-term orientation that is often missing at public companies. They are willing to invest, even if it involves short-term sacrifice. They run companies that waste less money, are more efficient at operating, and less prone to making bad empire-building acquisitions.

Their leadership results in decisions, habits, practices—the stuff that defines culture—aligning with what's best for long-term shareholder value.

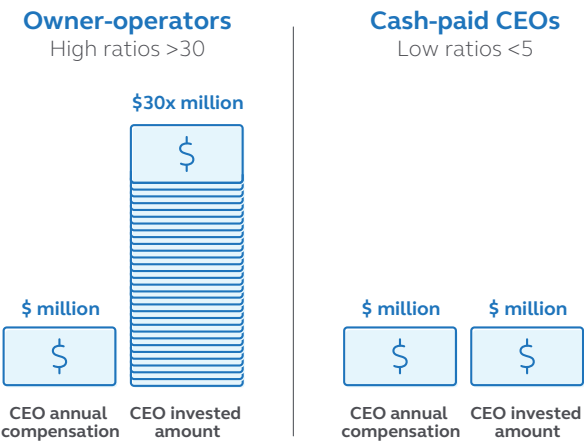


Analyst-Driven %: 100
Data Coverage %: 100
As of 02/28/2025.

Morningstar Medalist Rating™
Category: Large Growth Funds

One way to assess this alignment is by using something we call the “aligned ratio.” This measures the CEO’s ownership stake in the business relative to their annual pay. Most CEOs have single-digit aligned ratios. Owner-operators have ratios that are much larger.

ALIGNED RATIO



We’re often asked if this style of investing actually matters to returns. Several studies back this up.

- Journal of Finance**
Found significant outperformance from high-ownership firms, delivering “abnormal” returns of >4% annualized.⁽¹⁾
- The Founder’s Mentality**
Credited founders’ front-line obsession and owner’s mindset for great outperformance (figure 1).⁽²⁾
- The Outsiders**
Profiled eight owner-operator CEOs with some of the best multi-decade track records in history (figure 2).⁽³⁾

FIGURE 1: Indexed total shareholder return

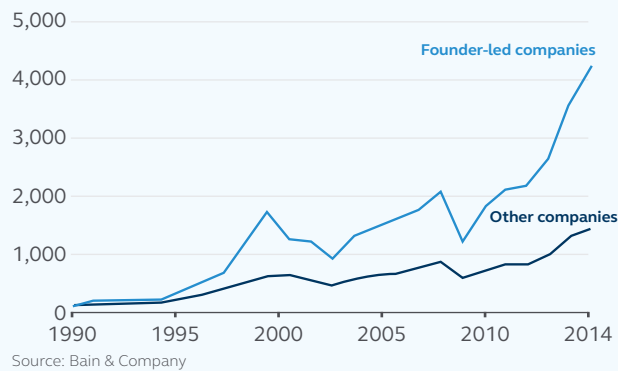
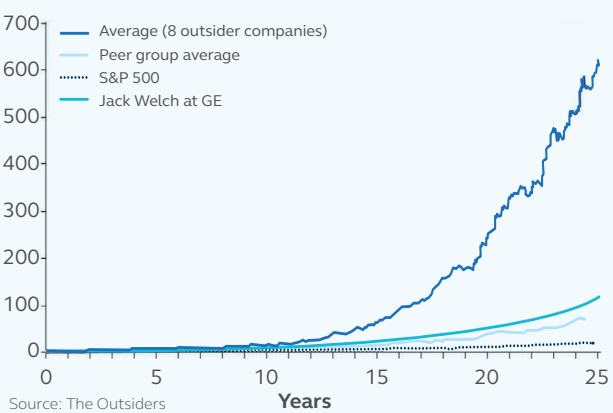


FIGURE 2: Value of \$1



Are there many owner-operators running large-cap companies?

There are more than you might think. Typically 10-15% of the Russell 1000® is founder-led. Another 10-15% has a non-founder but significant “high aligned ratio” owner-operator in charge. In short, we can still be selective when putting together a concentrated portfolio.

Performance as of March 31, 2025

Principal Blue Chip Fund (PBCKX)

| | Average annual total returns (%) | | | | | | | |
|---|----------------------------------|--------|--------|--------|---------|------------------------------|--|-------------------------------|
| | 3-month | 1-year | 3-year | 5-year | 10-year | Since inception (06/14/2012) | Expense ratio ⁽⁴⁾ (net/gross) | Expense limit expiration date |
| Class I ^{(5),(6)} | -4.39 | 5.61 | 8.86 | 16.98 | 14.58 | 15.55 | 0.66/0.70 | 12/30/2025 |
| Russell 1000® Growth Index ^{(7),(8)} | -9.97 | 7.76 | 10.10 | 20.09 | 15.12 | – | – | – |
| Morningstar Category Average – Large Growth | -8.49 | 5.01 | 7.76 | 16.99 | 12.61 | – | – | – |

Principal MidCap Fund (PCBIX)

| | Average annual total returns (%) | | | | | | | |
|---|----------------------------------|--------|--------|--------|---------|------------------------------|--|--|
| | 3-month | 1-year | 3-year | 5-year | 10-year | Since inception (03/01/2001) | Expense ratio ⁽⁴⁾ (net/gross) | |
| Class I ^{(5),(6)} | -0.40 | 7.69 | 9.34 | 17.60 | 11.64 | 11.23 | 0.67/0.67 | |
| Russell Midcap® Index ^{(7),(8)} | -3.40 | 2.59 | 4.62 | 16.28 | 8.82 | – | – | |
| Morningstar Category Average – Mid Cap Growth | -8.18 | -2.39 | 1.17 | 12.37 | 8.56 | – | – | |

Returns represent past performance and do not guarantee future results. Share price, principal value, and return will vary and you may have a gain or loss when shares are sold. Current performance may be lower or higher than quoted. For the most recent month-end performance, visit <http://www.PrincipalAM.com>. Class I shares were first sold on 03/01/2001. Returns for I shares prior to inception dates, including since inception performance, are based on performance of the R3 Class shares adjusted to reflect the fees and expenses of respective share classes. Class R3 shares were first sold on 12/06/2000.



Want to learn more about the owner-operator led companies of the Principal Blue Chip Fund?
Contact your Principal representative and visit PrincipalAM.com.

⁽¹⁾ Von Lilienfeld-Toal, Ulf and Stefan Ruenzi. (2014). “CEO Ownership, Stock Market Performance, and Managerial Discretion.” The Journal of Finance. Pages 1, 3, 34, 36. Print.

⁽²⁾ Zook, Chris. (2016). “Founder-Led Companies Outperform the Rest — Here’s Why.” Harvard Business Review. Retrieved from: <https://hbr.org/2016/03/founder-led-companies-outperform-the-rest-heres-why>.

⁽³⁾ Thorndike, William. (2012). The Outsiders – Eight Unconventional CEOs and Their Radically Rational Blueprint for Success. Boston: Harvard Business Review.

⁽⁴⁾ The net expense ratio reflects contractual expense limits, if any, which may lower net expenses and cause the gross and net expense ratios to differ. In such cases, a date is listed through which expense limits are expected to apply; however, Principal Funds and the investment adviser may mutually agree to terminate the expense limits prior to the end of the period. Returns displayed are based on net total investment expense.

⁽⁵⁾ Performance assumes reinvestment of all dividends and capital gains.

⁽⁶⁾ These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect a portion of the fees and expenses of this share class. For time periods prior to inception date of the fund, predecessor performance is reflected. Please see the fund’s prospectus for more information on specific expenses, and the fund’s most recent shareholder report for actual date of first sale. Expenses are deducted from income earned by the fund. As a result, dividends and investment results will differ for each share class.

⁽⁷⁾ Russell 1000® Growth Index is a market-capitalization weighted index of those firms in the Russell 1000® with higher price-to-book ratios and higher forecasted growth values. The Russell Midcap® Index is a market capitalization weighted index that represents the smallest 800 companies in the Russell 1000® Index.

⁽⁸⁾ Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index.

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Class I shares are available only to eligible investors, including various institutional investors and investors in certain mutual fund wrap or asset allocation programs.

Past performance does not guarantee future results.

The Principal Blue Chip Fund received a Gold rating by Morningstar analysts. Rating for Principal Blue Chip Fund Institutional Class as of February 28, 2025.

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