

Blue Chip Equity

30 September 2023

Strategy description

The strategy invests for the long-term in high-quality companies led by owner-operators and uses a highly active approach to U.S. large-cap equities that aims for long-term outperformance with less risk.

Strategy facts

Manager: Principal Aligned

Inception: 1 July 2012

Index: Russell 1000 Growth Index

Targeted number of holdings¹: 35-55

Expected turnover¹: 15-30%

Key differentiators

- A wide latitude to depart from index weights results in **higher active share and more concentrated top holdings than peers.**
- **Aligned incentives:** Owner-operators tend to be passionate and cost conscious. We believe they have longer-term outlooks and are better capital allocators.
- **An experienced team** with a history of delivering excess risk-adjusted returns over market cycles.

Portfolio management

K. William Nolin, CFA

30 years' experience

Thomas Rozycki, CFA

23 years' experience

Investment philosophy

We are long-term, completely fundamental investors. We invest in owner-operator management teams and companies we believe have sustainable competitive advantages. We're constantly focused on valuation and reducing risk.

Composite performance (%)

	3M	YTD	1YR	3YR	5YR	10YR	Performance Start (1 July 2012)
Blue Chip Equity (gross)	-2.41	19.37	26.46	4.88	11.69	14.33	15.08
Blue Chip Equity (net)	-2.56	18.84	25.72	4.28	11.10	13.77	14.50
Russell 1000 Growth Index	-3.13	24.98	27.72	7.97	12.41	14.47	15.15

12-month rolling returns (%)

	Oct 18 - Sep 19	Oct 19 - Sep 20	Oct 20 - Sep 21	Oct 21 - Sep 22	Oct 22 - Sep 23
Blue Chip Equity (gross)	11.87	34.69	30.83	-30.27	26.46
Blue Chip Equity (net)	11.36	34.09	30.16	-30.70	25.72
Russell 1000 Growth Index	3.71	37.53	27.32	-22.59	27.72

Source: Principal Global Investors.

As of September 2023. Investing involves risk, including possible loss of principal. Periods over one year are annualized. Please see disclosures for additional information on performance.

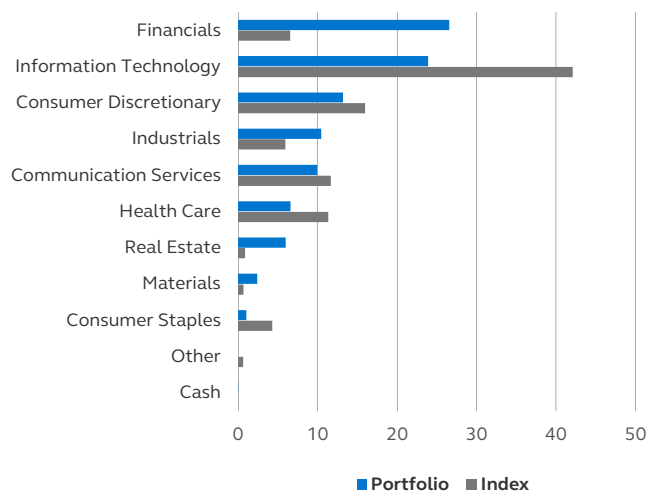
Risk Considerations

- The potential for profit is accompanied by the possibility of loss.
- 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.
- There is a risk that an investment will decline in value.

¹Investment guidelines are subject to change.

Top 10 holdings (%)²

	Sector	Portfolio	Index	Active weight ³
1 Microsoft Corporation	Information Technology	11.9	11.2	0.7
2 Amazon.Com, Inc.	Consumer Discretionary	7.8	5.5	2.4
3 Alphabet Inc.	Communication Services	7.2	6.9	0.3
4 Mastercard Inc.	Financials	4.9	1.6	3.4
5 Transdigm Group Incorporated	Industrials	4.9	—	4.8
6 Visa Inc.	Financials	4.7	1.8	2.9
7 Brookfield Corporation	Financials	4.5	—	4.5
8 Adobe Incorporated	Information Technology	4.5	1.1	3.4
9 Intuit Inc.	Information Technology	4.0	0.7	3.4
10 Danaher Corporation	Health Care	3.7	—	3.7

Sector allocation (%)²Portfolio characteristics²

	Portfolio	Index
Number of holdings	37	446
Operating margin	28.5%	25.3%
Active share ⁴	67.8%	-
Market cap (weighted average)	\$615.9B	\$975.5B
Turnover – last 12 months	1.6%	-

Composite risk statistics (gross)⁵

	3YR	5YR
Sharpe ratio	0.15	0.46
Standard deviation	21.13	21.41
Information ratio	-0.61	-0.15
Tracking error	5.09	4.70

² 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.

³ Portfolio security weight minus the benchmark security weight.

⁴ A measure of the proportion of stock weights in a manager's portfolio that differ from the index.

⁵ Source: Principal Global Investors.

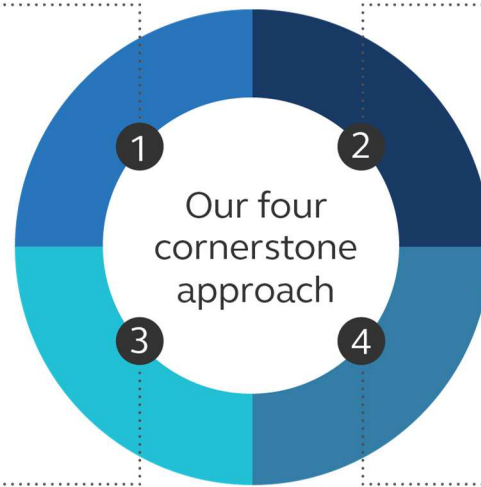
Due to rounding, figures and percentages shown may not add to the total or equal 100%. The index benchmarks are referred to for comparative purposes only and are not necessarily intended to parallel the risk or investment approach of the portfolios included in the composites and the methods of calculating performance of the composite and the index may not be identical.

Investment process overview

High-quality companies led by owner-operators

High-quality businesses
with a sustainable
competitive advantage

Businesses with **owner-operator**
management
or culture



Focused on risk reduction
throughout
the entire process

Valuation discipline
builds in a margin
of safety

- Long horizon (5-10 years) shapes what we look for
- All efforts focused on fundamental analysis of individual companies
- Quality companies, led by owner-operators, trading at a discount

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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.

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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 on 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. The holdings listed should not be considered a recommendation to purchase or sell any security and there is no assurance an investment in these securities will be profitable.

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