

## THE CASE FOR PRINCIPAL REAL ASSET FUND

# Invest like an institution with private real assets

In the past, a portfolio with private investments was only accessible to institutional investors. The **Principal Real Asset Fund** is an institutional-caliber interval fund that seeks to strategically enhance returns through immediate exposure to hard-to-access private real assets while opportunistically allocating to more-liquid, public investments.

**Investors may find private real assets an attractive addition to portfolios for many reasons, including:**

- Diversification to traditional asset classes
- Enhanced risk-adjusted return potential
- Income generation
- Inflation sensitivity

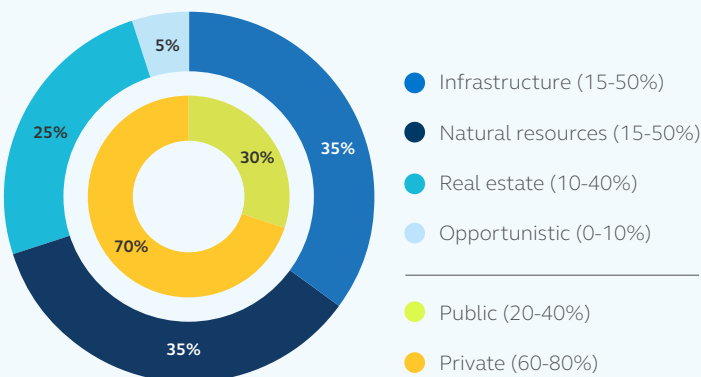
### Interval funds: Investing in private real assets made easy

An interval fund is a closed-end fund that continuously offers new shares for sale while repurchasing a percentage of investor shares at regular intervals. Since they are not traded on exchanges, they tend to be less correlated to most other stocks and bonds.

The 1940 Investment Act registered structure allows individual investors access to less-liquid private investments without the burden of high minimums and net worth requirements. Unlike private investments, which often pass through individual K-1s to the investor, interval funds provide streamlined tax reporting.

## Our expertise in real assets informs our portfolio construction process

### LONG-TERM ALLOCATION TARGETS AND RANGES



As of December 31, 2022. May not reflect current or future allocations of the Fund. The investment manager's investment philosophy and strategy may not perform as intended and could result in a loss or gain. Asset allocation and diversification do not ensure a profit or protect against a loss.

### FUND PROFILE

**Geographic focus:** Global

**Term:** Shares offered continuously

**Structure:** Interval fund

**Liquidity:** Quarterly, up to 5% of NAV

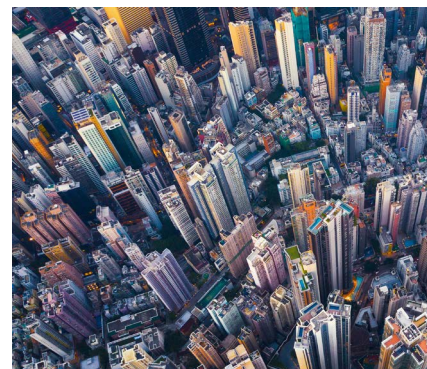
**30% public exposures allows for**

Adequate liquidity to meet four quarters of 5% redemptions, even if the public portfolio falls by ~30%

Opportunity to diversify across public real assets, accessing exposure to infrastructure, real estate, and natural resources

## Access to private real assets

The **Principal Real Asset Fund** is an actively managed multi-strategy and multi-manager real assets portfolio. Every dollar invested provides access to more than 1,500 private real asset investments and over 130 public real asset securities.



### Private infrastructure

- Exposure to traditional, digital, and climate sectors
- Stable income from long-term and regulated contracts
- Bias to mid-market underlying investments

### Private natural resources

- Portfolio of timberland (approximately 50%) and farmland (approximately 50%) diversified by region and crop type

### Private real estate

- Complete coverage of the four quadrants of real estate investing: public equity and debt, private equity, and debt
- Private equity focused on core and core-plus investments, with a bias toward multi-family and logistics
- Debt investments focused on high-quality, income-producing commercial assets

## Diversification to traditional asset classes

For investors seeking to mitigate drawdown risk and volatility while reaching their return goals, private real assets could be a compelling investment option because of their diversification benefits.

### Return correlations of private real assets versus traditional assets

		CORRELATIONS					
		1	2	3	4	5	6
PRIVATE REAL ASSETS	1 - Private farmland	1.00					
	2 - Private timberland	0.78	1.00				
	3 - Private infrastructure	0.37	0.35	1.00			
	4 - Private core real estate	0.20	0.20	-0.23	1.00		
TRADITIONAL ASSETS	5 - Global equities	0.11	0.02	0.32	-0.28	1.00	
	6 - Global fixed income	-0.14	-0.22	0.59	-0.42	0.46	1.00

Data from December 31, 2012–December 31, 2022. Source: Wilshire Compass, FactSet, and EDHEC. See Important information section for index definitions.

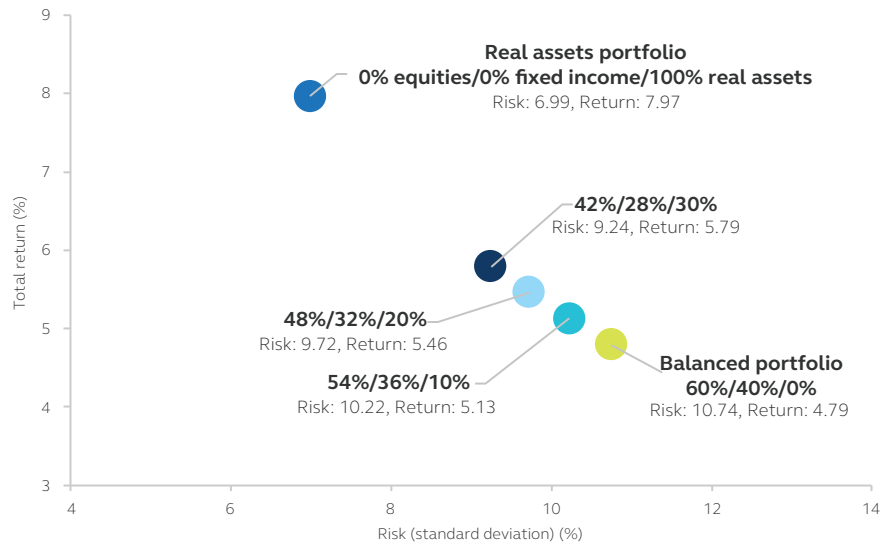
## Enhanced risk-adjusted return potential

Since 2012, a hypothetical portfolio of real assets had stronger returns and a lower risk profile than a balanced portfolio. Our analysis shows that reallocating a portion of a traditional balanced (60/40) portfolio to a portfolio of real assets increased returns while decreasing risk.

Data as of December 31, 2012 to December 31, 2022. Portfolio allocations: % equities/% fixed income/% real assets. Source: Wilshire Compass, FactSet, MSCI. For illustrative purposes only. Balanced portfolio represents index performance and is 60% equities and 40% fixed income. Hypothetical Real Asset Index is a hypothetical portfolio of 70% private and 30% public real assets. See Important information section for index definitions. Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index.

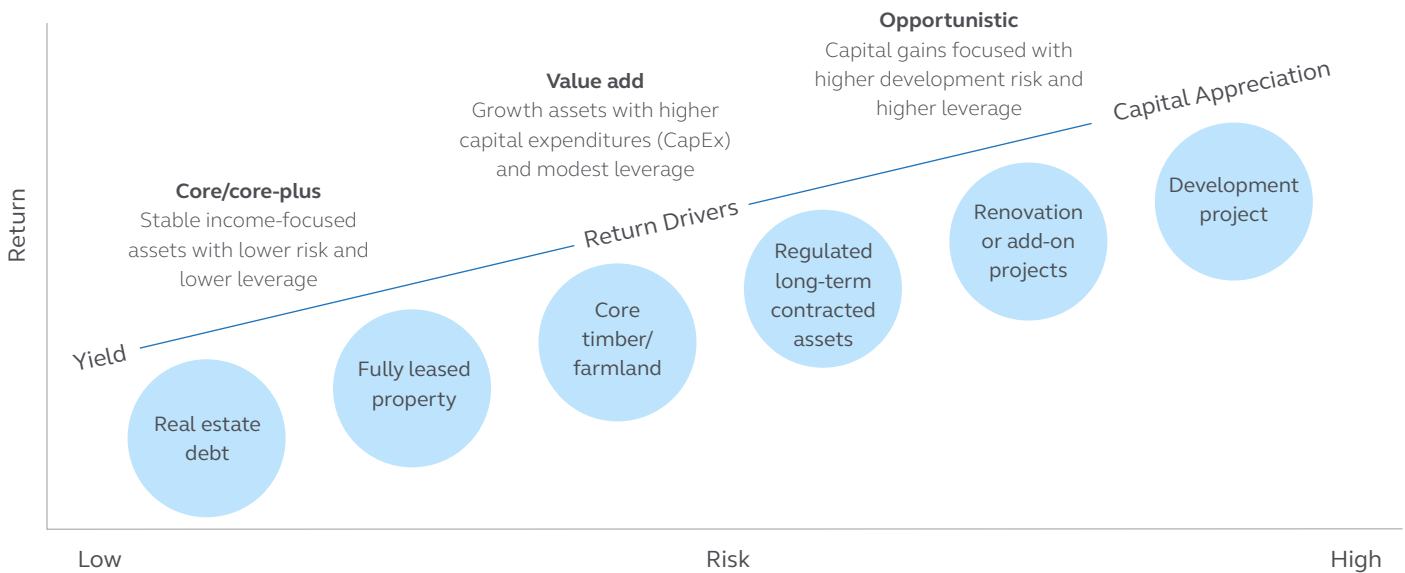
### Total return versus volatility

(Comparison reflects index performance)



## Balancing income generation and capital appreciation

We strategically construct our portfolio to generate income and long-term capital appreciation.



Shown for illustration purposes only. The chart is conceptual and reflects general assumptions used in portfolio construction. Not based on specific performance data.

### Timberland: a hard asset that can store value, pass through costs, and generate income

When there's low demand for timber, trees can be left in the ground to mature and store up value to be harvested at a future date.

When demand for timber increases, the price of timber goes up and is passed through to the buyer.

When a timber farm leases land, for example, to a wind power company to house their wind turbines, it creates contractual income.

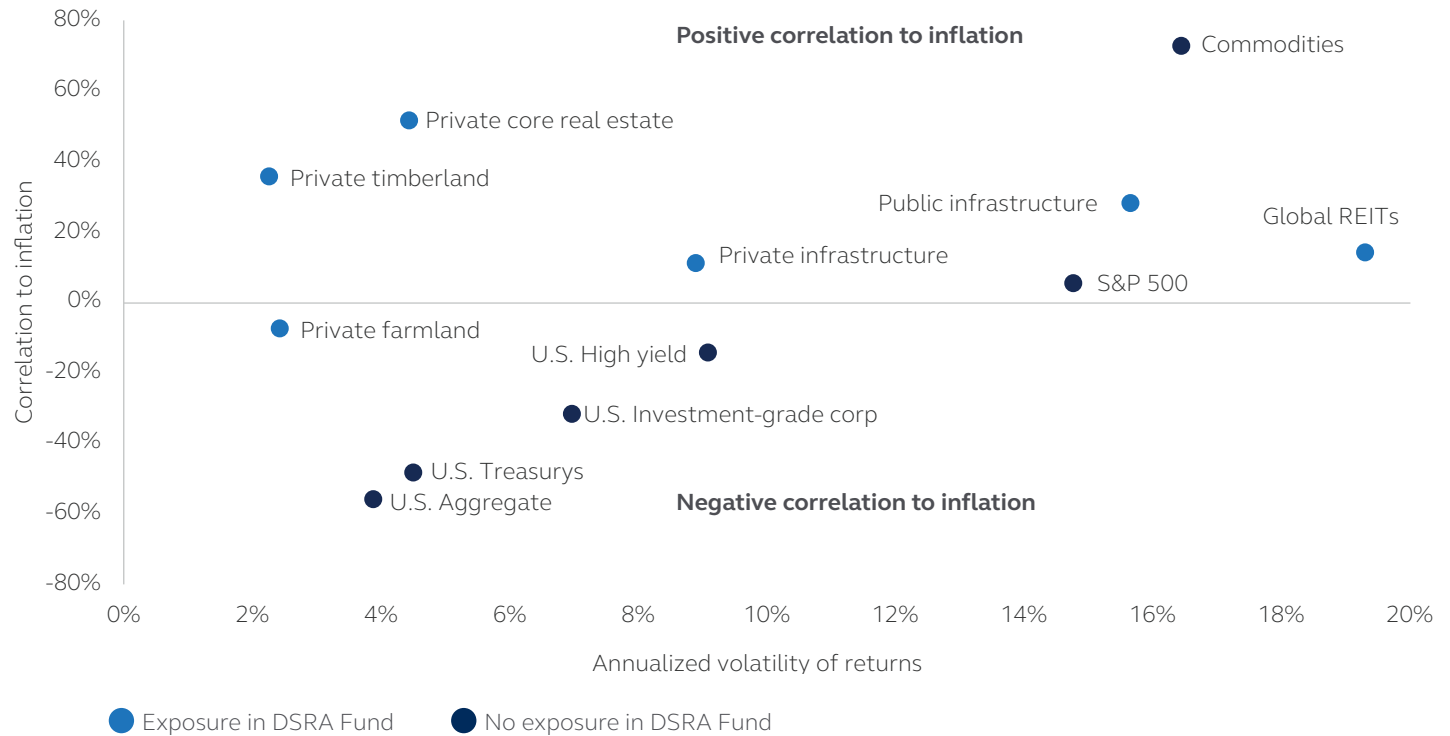
These characteristics mean timberland may help you mitigate inflation risk across market cycles and generate income for portfolios.

## Inflation sensitivity

Private real assets help mitigate inflation because their values tend to rise with increasing prices allowing investors to maintain or potentially increase their purchasing power over time.

### Major asset class inflation sensitivity

Correlation to 12-month rolling Consumer Price Index (CPI), volatility is annualized, December 31, 2002 to December 31, 2022<sup>1</sup>



Data as of December 31, 2002 to December 31, 2022. Source: Bloomberg, Principal Global Investors. Inflation sensitivity is the correlation of the 12-month rolling CPI-U non-seasonally adjusted and the particular asset class. Volatility is annualized monthly returns. <sup>1</sup>Data for private asset class indices is quarterly from March 31, 2007 to December 31, 2022. See Important information section for index definitions. Indices are unmanaged and individuals cannot invest directly in an index.

## Proven multi-manager, with 10+ years of real asset experience

Investing in the **Principal Real Assets Fund** leverages our experience and relationships to gain exposure to real assets via primary, secondary, and public markets—providing investors the opportunity to achieve their long-term investment goals.



**We can help.** Find out more about the Principal Real Asset Fund.  
**Visit [principalAM.com](https://principalAM.com) or contact your Principal representative today.**

## Indices

**Private farmland:** NCREIF Farmland Property Index is a quarterly time series composite return measure of investment performance of a large pool of individual farmland properties acquired in the private market for investment purposes only.

**Private timberland:** NCREIF Timberland Property Index is a quarterly time series composite return measure of investment performance of a large pool of individual timber properties acquired in the private market for investment purposes only.

**Private infrastructure:** EDHEC infra300 Equal Weight - Private Infrastructure Index an equally weighted index designed to match the TICCS® allocations of the global unlisted infrastructure equity investment universe. It is designed to track the structure of global infrastructure market by business model, industrial activity, and corporate structure.

**Private core real estate:** NCREIF Fund Index–Open End Diversified Core Equity (NFI-ODCE) Index is a quarterly, capitalization-weighted, gross of fee, time-weighted return index of open-end real estate funds that qualify based on narrowly defined core strategies.

**Global equities:** MSCI All Country World (ACWI) Index is a market capitalization-weighted index designed to provide a broad measure of equity-market performance throughout the world and is comprised of stocks from both developed and emerging markets.

**Global fixed income:** Bloomberg Global Aggregate Bond Index measures global investment-grade debt from 24 local currency markets. This multi-currency benchmark includes treasury, government-related, corporate, and securitized fixed rate bonds from both developed and emerging markets issuers.

**Balanced portfolio** is 60% global equities (MSCI All Country World (ACWI)) and 40% global fixed income (Bloomberg Global Aggregate Bond Index).

**Hypothetical Real Asset Index** is a hypothetical real asset index. This is a diversified portfolio of 70% private and 30% public real assets. The index inception is December 31, 2006. Returns on the private indices are calculated on a quarterly basis and typically are available 1-6 months after the close of the calendar quarter. The index is composed of 35.00% Global natural resources (12.25% NCREIF Farmland Property Index, 12.25% NCREIF Timberland Property Index, 10.50% S&P Global Natural Resources Index), 35.00% Global private infrastructure (24.50% EDHEC infra300 Equal Weight Private Infrastructure Index, 10.50% S&P Global Infrastructure Index NTR), and 30.00% Global real estate (21.00% NFI-ODCE Index (gross), 9.00% FTSE/EPRA NAREIT Developed Index (net)).

**Public infrastructure:** Standard & Poor's Global Infrastructure Index is designed to track 75 companies from around the world chosen to represent the listed infrastructure industry while maintaining liquidity and tradability. To create diversified exposure, the index includes three distinct infrastructure clusters: energy, transportation, and utilities.

**Global REITs:** FTSE EPRA/NAREIT Developed Index is a free-float adjusted, market capitalization-weighted index designed to track the performance of listed real estate companies in developed countries worldwide. Constituents of the Index are screened on liquidity, size, and revenue.

**Commodities:** Bloomberg Commodity (BCOM) Index provides broad-based exposure to commodities, and no single commodity or commodity sector dominates the index. Rather than being driven by micro-economic events affecting one commodity market or sector, the diversified commodity exposure of BCOM potentially reduces volatility in comparison with non-diversified commodity investments.

**U.S. High yield:** Bloomberg U.S. Corp High Yield 2% Issuer Capped Index is an unmanaged index comprised of fixed rate, non-investment-grade debt securities that are dollar denominated. The index limits the maximum exposure to any one issuer to 2%.

**U.S. investment-grade corporate:** Bloomberg U.S. Corporate Investment Grade Index includes publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered. The corporate sectors are industrial, utility and finance, which include both U.S. and non-U.S. corporations.

**U.S. Treasurys:** Bloomberg U.S. Treasury Index measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury. Treasury bills are excluded by the maturity constraint. Separate Trading of Registered Interest and Principal of Securities (STRIPS) are excluded from the index because their inclusion would result in double-counting.

**U.S. Aggregate:** Bloomberg U.S. Aggregate Bond Index is the most widely followed broad market U.S. bond index. It measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market.

**Carefully consider a fund's objectives, risks, charges, and expenses. Contact your financial professional or visit [www.principalAM.com](http://www.principalAM.com) for a prospectus, or summary prospectus if available, containing this and other information. Please read it carefully before investing.**

Investing involves risk, including possible loss of principal.

Asset allocation and diversification do not ensure a profit or protect against a loss.

Principal Real Asset Fund is a closed-end investment company that continuously offers its shares. Investors in a closed-end fund do not have the right to redeem their shares on a daily basis at a price based on net asset value (NAV) per share. There is no secondary market for the shares, and the Fund does not expect a secondary market will develop. You may not be able to sell your shares when and/or in the amount that you desire. The Fund is structured as an interval fund, which means it conducts quarterly repurchase offers of no less than 5% of the Fund's outstanding shares at NAV. Investors should not rely on any expectation of repurchase offers being made in excess of 5%. The Fund is new and has limited operating history.

**Investors should consider the Fund's shares illiquid. The ability of investors to sell shares to access their invested capital is very limited.**

Investing in the Fund is speculative and involves a high degree of risk, including the risks associated with leverage and the risk of a substantial loss of investment.

Real estate investment options, such as real estate investment trusts (REITs) and commercial mortgage-backed securities (CMBS), are subject to risks associated with credit, liquidity, interest rate fluctuation, adverse general and local economic conditions, and decreases in real estate values and occupancy rates. Investments in companies involved in agriculture, infrastructure, natural resources and energy can be significantly affected by government policies, regulations, interest costs, surplus capacity, weather conditions, and natural disasters. Investing in derivatives entails specific risks relating to liquidity, leverage, and credit, which may reduce returns and/or increase volatility. The use of leverage increases investment exposure and has the potential to magnify losses. International and global investing involves greater risks such as currency fluctuations, political/social instability and differing accounting standards. Risk is magnified in emerging markets, which may lack established legal, political, business or social structures to support securities markets. Fixed-income investments are subject to interest rate risk; as interest rates rise their value will decline. Floating rate debt instruments are subject to credit risk, interest-rate risk, and impaired collateral risk, which means that the value of the collateral used to secure a loan held by the Fund could decline over the course of the loan. Lower-rated securities are subject to additional credit and default risks.

Due to the inherent uncertainty and subjectivity of determining the fair value of investments that do not have a readily available market value, the fair value of the Fund's private investments may differ significantly from the values that would have been used had a readily available market value existed and may differ materially from the amounts the Fund may realize on any disposition of such investments.

This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal or accounting advice. You should consult your own tax, legal and accounting advisors before engaging in any transaction.

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