

# Principal SMA California Municipal

First quarter 2024

## Strategy overview

The strategy seeks to provide a high level of income that is exempt from federal income tax and California state personal income taxes.

## Portfolio management

### James Welch

36 years of experience

### James Noble, CFA

32 years of experience

## Characteristics<sup>1,2,3,5</sup>

	Portfolio	Index
Yield to worst	3.9%	3.3%
Current yield	4.3%	4.2%
Average time to maturity	12.7	14.0
Average effective duration	4.4	6.0
Number of holdings	24	8,102
Inception date	12/01/2022	—

## Top 10 holdings<sup>2,4</sup>

	% of net assets
Los Angeles Unified School	4.8
California St Hlth Facs Fing A	4.7
Alameda Tran Auth	4.7
California St	4.7
Long Beach Ca Arpt Revenue	4.6
San Diego Cnty Ca Regl Arpt Au	4.6
San Jose Ca Arpt Revenue	4.4
Riverside Tran Auth	4.4
Matching Fund Spl Sec Corp	4.4
San Fran Water Rev	4.4
<b>Total</b>	<b>45.7</b>

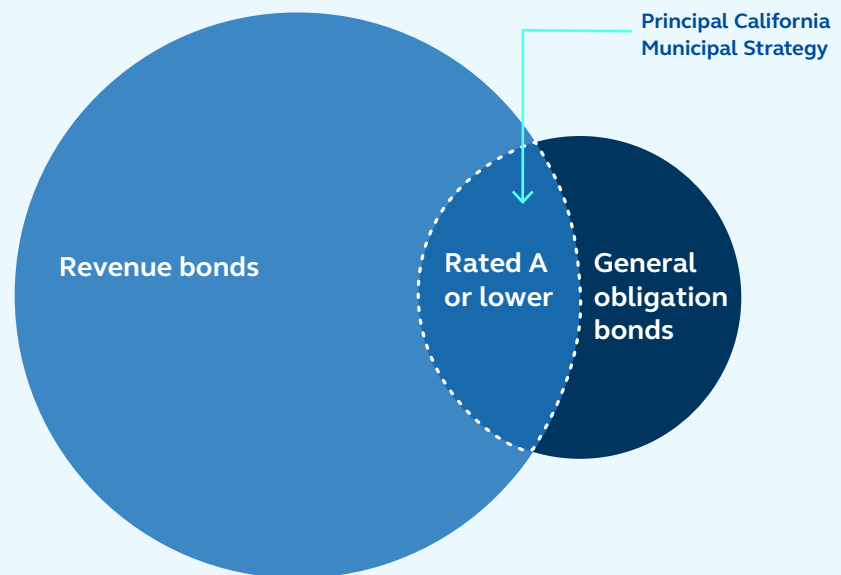
See disclosure section for additional details.

## Attractive tax-free income, singularly focused on mid-quality California municipal credit

- Active management seeks the optimal spot on the yield curve and higher exposure to bonds rated A and BBB, in an effort to maximize yield.
- Preference for revenue bonds that provide attractive relative yield and less sensitivity to business cycles.
- Ability to participate in a wide range of California issues, exploiting market and sector dislocations, through credit research.

## California Municipal opportunity set

The strategy prefers to focus on mid-quality and potentially high-yield revenue bonds within the municipal market.

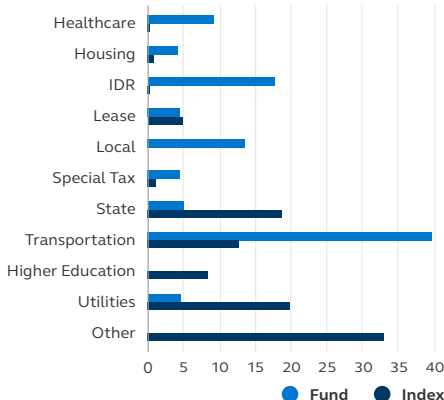


Source: Principal Global Investors.  
Allocations and investment guidelines are subject to change and may not reflect current holdings.

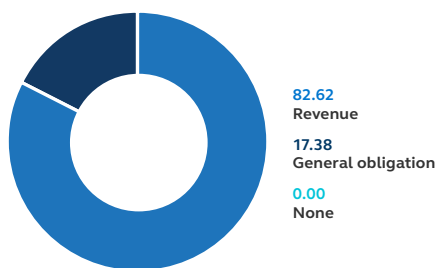
## Why allocate to a portfolio:

- Municipal bonds have provided attractive tax-equivalent yields and lower default rates than traditional investment-grade bonds.
- High conviction portfolio with low turnover allows for tax-efficient access to a broad universe of muni bonds.
- The Principal Fixed Income team's actively managed approach to municipal investing taps multiple sources of alpha, resulting in what we believe is a unique set of portfolio characteristics within the peer group.

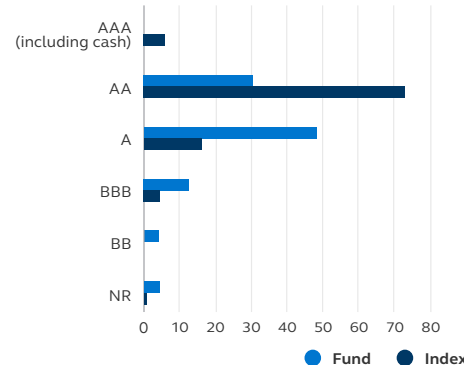
**Sector allocation (%)<sup>1,5</sup>**



**Bond allocation (%)<sup>1</sup>**



**Credit quality allocation (%)<sup>1,5,6</sup>**



**Performance**

	3-month	1-year	3-year	5-year	10-year	Since inception (01/01/2012)
Principal SMA California Municipal (gross)	0.10	4.45	-0.14	2.13	3.62	4.07
Bloomberg California Municipal Bond Index	-0.42	3.14	-0.34	1.60	2.67	2.99
Principal SMA California Municipal (net)	-0.39	2.38	-2.12	0.11	1.58	2.02

**Risk statistics (3-year, gross)<sup>4</sup>**

	Composite
Sharpe ratio	-0.4
Standard deviation	7.0
Tracking error	1.1
Up/down capture ratio <sup>7</sup>	97.2/96.1

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Principal SMA California Municipal (gross)	14.79	5.23	0.78	7.44	0.63	9.19	5.63	2.80	-9.52	6.91
Bloomberg California Municipal Index	9.96	3.51	-0.14	5.63	1.11	7.67	5.15	1.22	-8.17	6.22
Principal SMA California Municipal (net)	12.54	3.15	-1.22	5.32	-1.37	7.04	3.55	0.76	-11.33	4.81

Periods over one year are annualized. Net of Fees reflects the gross returns reduced by an assumed maximum bundled fee of 2%. Beginning April 1, 2023, performance results reflect actual returns of the SMA wrap-fee composite. Prior to April 1, 2023, performance reflects the Principal Global Fixed Income Municipal California Fixed Income institutional composite and did not reflect any actual SMA portfolios See disclosure section for additional details.

<sup>1</sup> Source: Aladdin® by BlackRock®.

<sup>2</sup> The index is the Bloomberg California Municipal Index and is described below. Portfolio information is based on the strategy’s model portfolio. Actual portfolios may differ because of account size, client-imposed investment restrictions, the timing of client investments and market, economic and individual company considerations.

<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> Source: Principal Global Investors.

<sup>5</sup> Portfolio information is based on the strategy’s model portfolio.

<sup>6</sup> Represents the middle rating of Moody’s, S&P, and Fitch. When only two agencies rate a bond, the lower is used. When only one agency rates a bond, that rating is used. The ratings are an indication of an issuer’s creditworthiness and typically range from AAA or Aaa (highest) to D (lowest). The NR category consists of rateable securities that have not been rated by a Nationally Recognized Statistical Rating Organization.

<sup>7</sup> 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.

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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 California Municipal (USD) composite contains fully discretionary retail portfolios investing primarily in municipals bonds issued from the state of California. It is measured against the Bloomberg California Municipal Bond Index. Investments are typically high quality with varying maturities. The composite was created on December 01, 2022. The composite inception date is January 01, 2012.

The Bloomberg California Municipal Bond Index tracks the California part of the Bloomberg Municipal Bond Index. The Bloomberg Municipal Bond Index represents the long-term, investment-grade tax-exempt bond market. Information regarding the comparison to the Bloomberg California Municipal Bond 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 its clients on an initial and ongoing basis.

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