

Principal Aligned MidCap Equity

30 June 2024

Strategy description

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

Strategy facts

Manager: Principal Aligned

Inception: 1 April 2000

Index: Russell MidCap Index

Targeted number of holdings¹: 70-100

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

35 years' experience

Thomas Rozycki, CFA

24 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 April 2000)
Principal Aligned MidCap Equity (gross)	-2.53	8.36	18.26	5.71	11.92	12.63	11.44
Principal Aligned MidCap Equity (net)	-2.68	8.04	17.56	5.08	11.31	12.07	10.92
Russell MidCap Index	-3.35	4.96	12.88	2.37	9.45	9.04	8.63

12-month rolling returns (%)

	Jul 19 - Jun 20	Jul 20 - Jun 21	Jul 21 - Jun 22	Jul 22 - Jun 23	Jul 23 - Jun 24
Principal Aligned MidCap Equity (gross)	4.98	41.67	-18.10	21.98	18.26
Principal Aligned MidCap Equity (net)	4.50	40.97	-18.60	21.26	17.56
Russell MidCap Index	-2.24	49.80	-17.30	14.92	12.88

Source: Principal Global Investors.

As of June 2024. Investing involves risk, including possible loss of principal. Periods over one year are annualized. Please see disclosures for additional information on performance.

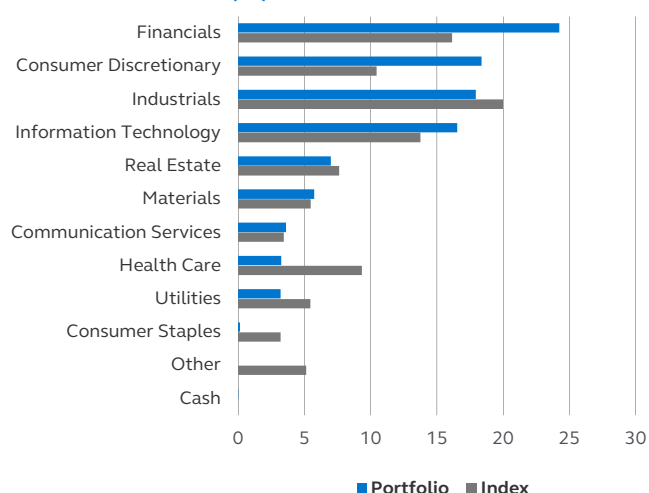
Risk Considerations

- 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.
- Equity stocks of mid-cap companies carry greater risks including that they may be more volatile and less liquid than equity stocks of larger, more established companies.

¹Investment guidelines are subject to change.

Top 10 holdings (%)²

	Sector	Portfolio	Index	Active weight ³
1 Transdigm Group Incorporated	Industrials	5.3	0.6	4.6
2 Heico Corporation	Industrials	5.0	0.2	4.8
3 Copart, Inc.	Industrials	5.0	0.4	4.6
4 Brookfield Corporation	Financials	4.8	—	4.8
5 Kkr & Co Inc	Financials	4.6	0.6	4.0
6 Hilton Worldwide Holdings, Inc.	Consumer Discretionary	4.5	0.5	4.0
7 O'reilly Automotive, Inc.	Consumer Discretionary	4.5	—	4.5
8 Brown & Brown, Inc.	Financials	3.5	0.2	3.3
9 Costar Group, Inc.	Real Estate	3.3	0.3	3.1
10 Vulcan Materials Company	Materials	3.3	0.3	3.0

Sector allocation (%)²Portfolio characteristics²

	Portfolio	Index
Number of holdings	74	807
Operating margin	22.1%	17.7%
Active share ⁴	88.9%	-
Market cap (weighted average)	\$41.9B	\$27.6B
Turnover – last 12 months	9.9%	-

Composite risk statistics (gross)⁵

	3YR	5YR
Sharpe ratio	0.12	0.45
Standard deviation	20.40	21.52
Information ratio	0.56	0.41
Tracking error	5.92	5.98

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.

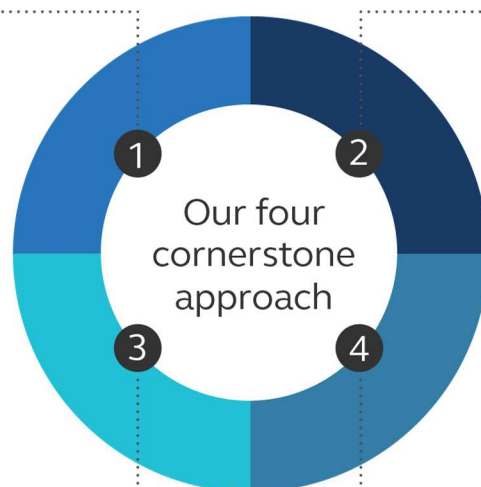
Due to rounding, figures and percentages shown may not add to the total or equal 100%. The index benchmarks are referred to for comparative purposes only and are not necessarily intended to parallel the risk or investment approach of the portfolios included in the composites and the methods of calculating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

The Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index. In reports issued prior to 1 January 2001, the S&P 500 Index was used for comparison purposes. The benchmark was changed to be more representative of the composite strategy. Information regarding the comparison to the benchmarks is available upon request. Russell Investment Group is the source and owner of the trademarks, service marks & copyrights related to the Russell indexes. Russell® is a trademark of Russell Investment Group.

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 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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