

Principal Edge SMID Equity Income

31 March 2024

Strategy description

The strategy seeks a relatively high level of current income and long-term growth of income and capital by investing primarily in common stocks of small and mid-cap U.S. companies.

Strategy facts

Manager: Principal Edge

Inception: 1 March 2007

Index: Russell 2500 Value Index

Targeted number of holdings¹: 60-90

Expected turnover¹: 15-35%

Key differentiators

- **Growers, not just payers.** Dividend growers and payers have historically had higher returns with less risk than non-dividend paying stocks.
- **Powered by great companies.** A quality-first mentality removes subpar operators, helping to avoid value traps.
- **Sector neutral to help mitigate risk.** We are focused on selecting great companies, not timing sectors.

Portfolio management

Daniel R. Coleman

45 years' experience

Sarah E. Radecki, CFA

28 years' experience

Lauren C. Choi

21 years' experience

Investment philosophy

We invest in companies that we believe are high-quality with competitive advantages, financial strength, shareholder-oriented management teams, and strong or improving profitability. We focus on quality first, have the patience to invest at attractive valuations, and maintain a long-term investment horizon.

Composite performance (%)

	3M	1YR	3YR	5YR	10YR	Performance Start (1 March 2007)
Principal Edge SMID Equity Income (gross)	8.57	27.06	10.11	10.16	9.32	10.25
Principal Edge SMID Equity Income (net)	8.38	26.19	9.34	9.44	8.61	9.46
Russell 2500 Value Index	6.07	21.33	5.35	9.36	7.68	7.20

12-month rolling returns (%)

	Apr 19 - Mar 20	Apr 20 - Mar 21	Apr 21 - Mar 22	Apr 22 - Mar 23	Apr 23 - Mar 24
Principal Edge SMID Equity Income (gross)	-27.65	68.06	10.03	-4.49	27.06
Principal Edge SMID Equity Income (net)	-28.09	67.03	9.27	-5.16	26.19
Russell 2500 Value Index	-28.60	87.47	7.73	-10.53	21.33

Source: Principal Global Investors.

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

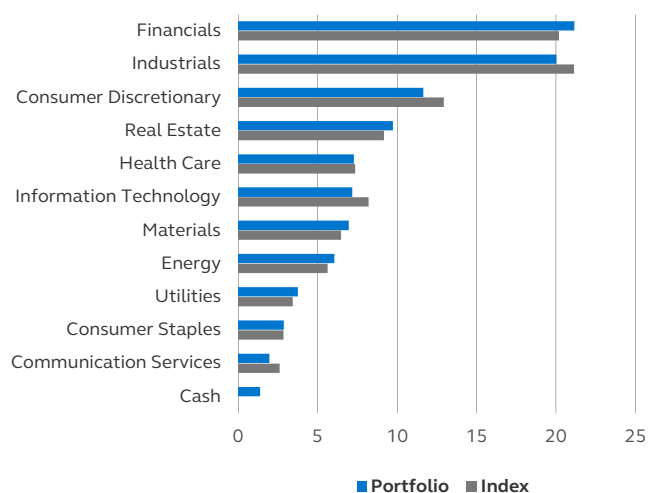
Risk Considerations

- 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 small- and 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

	Location	Sector	Portfolio	Index	Active weight ³
1 Williams-Sonoma, Inc.	United States	Consumer Discretionary	2.8	0.4	2.3
2 East West Bancorp, Inc.	United States	Financials	2.8	0.3	2.5
3 Mks Instruments, Inc.	United States	Information Technology	2.6	0.2	2.4
4 Fidelity National Financial Corp.	United States	Financials	2.4	—	2.4
5 Brunswick Corporation	United States	Consumer Discretionary	2.3	0.1	2.1
6 Diamondback Energy, Inc.	United States	Energy	2.1	—	2.1
7 Nvent Electric Plc	United States	Industrials	2.1	0.3	1.8
8 Bank Ozk	United States	Financials	2.1	0.1	2.0
9 Assured Guaranty Ltd.	United States	Financials	2.0	0.1	1.9
10 Amdocs Limited	United States	Information Technology	2.0	0.3	1.7

Sector allocation (%)²Portfolio characteristics^{2,4}

	Portfolio	Index
Market cap (weighted average)	\$10.7B	\$8.1B
Sales growth (trailing 5-year CAGR)	8.07	6.76
Turnover – last 12 months ⁵	12.2%	-
Active share ⁶	90.8%	-
Number of holdings	74	1,851
Dividend yield (weighted average)	2.22	1.90
Beta	0.88	1.00
Price/earnings – last 12 months	22.05	19.23
Operating margin (trailing 5-year average)	15.82	12.78
Return on capital (trailing 5-year average)	14.34	9.72

Composite risk statistics (gross)⁵

	3YR	5YR
Sharpe ratio	0.39	0.36
Standard deviation	19.13	22.61
Information ratio	1.14	0.18
Tracking error	4.18	4.48

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 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.

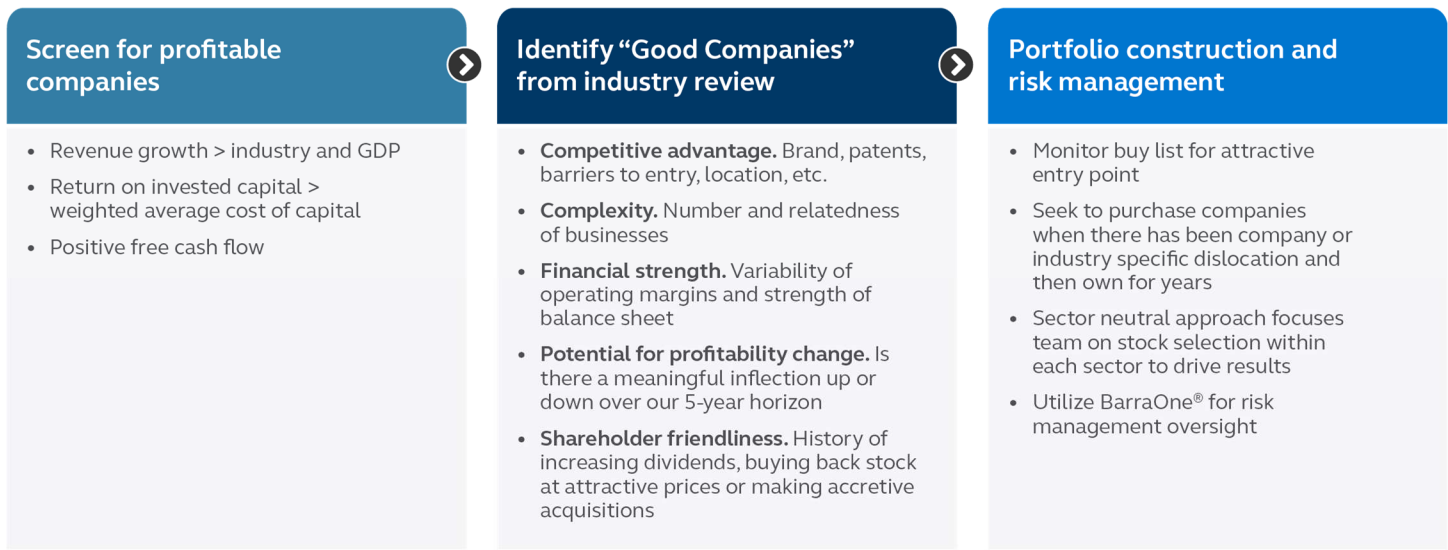
⁵ Source: Principal Global Investors.

⁶ A measure of the proportion of stock weights in a manager's portfolio that differ from the index.

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

Seek quality companies at attractive valuations



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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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