

# Principal SMA Core Fixed Income

First quarter 2025

## Strategy overview

The strategy seeks to provide a high level of current income consistent with preservation of capital.

## Portfolio management

**John R. Friedl, CFA**

27 years of experience

**Bryan C. Davis, CFA**

34 years of experience

**Jeff Callahan, CFA**

19 years of experience

**Michael Goosay**

34 years of experience

## Characteristics<sup>(1),(2),(3)</sup>

	Portfolio	Index
Composite AUM	\$3,891,304	—
Inception date	08/01/21	—
Number of holdings	55	13,783
Average effective duration	5.9	6.0
Current yield	3.7%	3.8%
Option adjusted yield to worst	4.8%	4.6%
Average yield to maturity	4.9%	4.6%

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

	% of net assets
FNMA 30YR UMBS	5.0
TREASURY NOTE	3.5
FNMA 30YR UMBS	2.8
TREASURY BOND	2.6
TREASURY BOND	2.5
TREASURY NOTE	2.4
FNMA 30YR	2.2
MARATHON PETROLEUM CORP	2.1
GOLDMAN SACHS GROUP INC/THE	2.1
US BANCORP MTN	2.1
<b>Total</b>	<b>27.4</b>

See disclosure section for additional details.

## A high-conviction, long-term approach to core bond investing

- Long-term investment horizon allows a value approach that seeks to capture total return over a full market cycle.
- A research-driven, low-turnover strategy focused on bonds with a margin of safety.\*
- Preference for bonds with asymmetric risk profiles.

## Long horizon sector allocations

Diversified sector allocations and security selections, with an emphasis on issuers with a margin of safety.

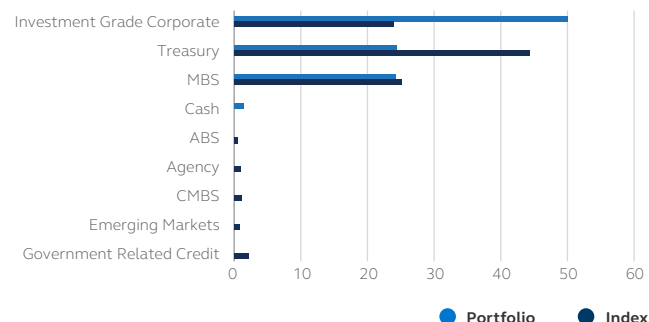
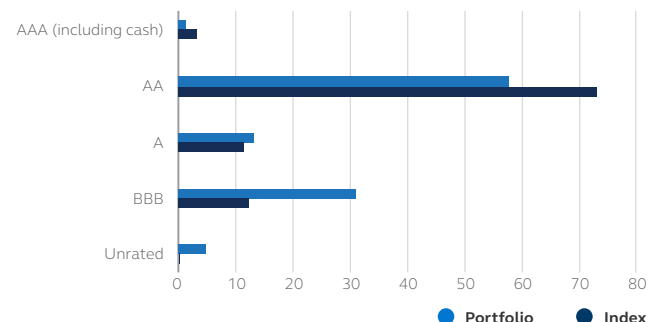
		Typical allocation ranges	Potential benefit
Core	High-quality corporate credit	50-70%	Earn credit spread from companies with a margin of safety
Diversifier/Liquidity	Agency MBS-passthroughs	15-25%	Provides liquidity to the portfolio, a spread advantage over U.S. Treasuries and has a low correlation to corporate credit
	U.S. Treasuries	10-20%	Provides liquidity to the portfolio and acts as risk diversifier against corporate credits

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

## Why allocate to a portfolio:

- Concentrated portfolio with 40-60 issues that include compelling and diversified fixed income allocations, such as Investment Grade Credit, Mortgage-Backed Securities, and U.S. Treasuries.
- Cost-effective access to active management by a tenured portfolio management team that has been managing the composite strategy since 2005.
- Strategic bias toward corporate bonds, which have historically offered more return potential and less interest rate sensitivity than Treasuries.

\*Biased towards issuers with stable cash flows, hard assets, limited ongoing capital needs, and that benefit from demographic trends.

Sector allocation (%)<sup>(1),(5),(6)</sup>Credit quality allocation (%)<sup>(1),(5),(6),(7)</sup>

## Performance

Composite performance (%)						
	3-month	1-year	3-year	5-year	10-year	Since inception (01/01/1997)
Principal SMA Core Fixed Income (gross)	2.47	4.86	0.94	0.81	2.24	5.36
Bloomberg U.S. Aggregate Index	2.78	4.88	0.52	-0.40	1.46	4.19
Principal SMA Core Fixed Income (net)	1.90	2.53	-1.30	-1.43	-0.03	3.03

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

	Composite
Sharpe ratio	-0.5
Standard deviation	7.5
Tracking error	0.5
Up/down capture ratio <sup>(8)</sup>	100.8/97.2

Calendar year returns (%)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Principal SMA Core Fixed Income (gross)	-0.46	6.03	5.18	0.56	9.67	8.83	-1.52	-12.57	6.35	1.68
Bloomberg U.S. Aggregate Index	0.55	2.65	3.54	0.01	8.72	7.51	-1.54	-13.01	5.53	1.25
Principal SMA Core Fixed Income (net)	-2.68	3.68	2.85	-1.68	7.25	6.42	-3.71	-14.54	4.00	-0.58

Periods over one year are annualized. Net of fees reflects the gross returns reduced by an assumed maximum bundled fee of 2.25%. Beginning September 1, 2021, performance results reflect actual returns of the SMA wrap-fee composite. Prior to September 1, 2021, performance reflects the Principal Fixed Income Core 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 U.S. Aggregate 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> The index is the Bloomberg U.S. Aggregate Index and is described below.

<sup>(6)</sup> Portfolio information is based on the strategy's model portfolio.

<sup>(7)</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>(8)</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.

Past performance is no guarantee of future results. Investing involves risk, including possible loss of principal. Fixed Income investments are subject to interest rate risk; when interest rates rise, the price of debt typically declines. Potential investors should be aware that Investment grade corporate bonds carry credit risks, default risk, liquidity risks, currency risks, operational risks, legal risks, counterparty risk and valuation risks.

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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. 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 Core Fixed Income (USD) composite contains all fully discretionary accounts that seek a high level of current income consistent with the preservation of capital by investing in U.S. Treasuries, Agency MBS and Investment Grade Corporate securities. The strategy seeks value by identifying long term opportunities. For comparison purposes, the benchmark is the Bloomberg U.S. Aggregate Index. The composite may consist of accounts from more than one SMA sponsor platform. The composite was created on August 01, 2021. The composite inception date is January 01, 1997.

The Bloomberg U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components including treasuries, government-related & corporate securities,

MBS pass through securities, ABS, CMBS securities; must be at least one year to final maturity (ABS > remaining avg life of 1 year), must be rated investment grade or better, and must be publically issued securities although 144A securities with registration rights are included. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. The lower limit of par outstanding is \$250 million. Information regarding the comparison to the Bloomberg U.S. Aggregate 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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