

Principal Edge

Capital Appreciation

June 30, 2023

Overview

The Capital Appreciation strategy seeks long-term growth of capital by investing in common stocks of companies across the capitalization spectrum. The benchmark is the Russell 3000[®] Index. The strategy typically invests in 75-125 companies.

Philosophy & process

Edge believes in a philosophy that is:

- Long-term – we are investors, not traders, and the average holding period for a company is between three and five years
- Research driven – our investment approach focuses on using fundamental research to identify secular trends and/or outstanding, attractively priced businesses that possess strong long-term prospects and is the key to Edge's competitive advantage.
- Characterized by patience - we seek to invest in "great businesses" when they are out of favor

Annualized performance

	2Q23	One year	Three years	Five years	Ten years
Composite Gross performance	8.42	20.85	15.38	13.33	13.36
Russell 3000 Index	8.39	18.95	13.89	11.38	12.33
Gross Excess return	0.04	1.89	1.50	1.94	1.03
Net Excess Return	-0.09	1.30	0.95	1.43	0.53
Tracking error (based on gross performance)	—	2.60	2.96	2.87	2.28
Information ratio (based on gross performance)	—	0.73	0.51	0.68	0.45
Composite standard deviation (based on gross performance)	—	18.78	17.52	18.09	14.52
Benchmark standard deviation (based on gross performance)	—	19.83	18.20	19.22	15.28
Composite Net performance	8.29	20.25	14.83	12.82	12.86

Source: Principal Global Investors. Composite Returns above for a period of less than one year are not annualized. Past performance is not a reliable indicator of future performance.

Representative portfolio style characteristics

	Capital Appreciation
Strategy Assets**	\$3.5 billion
Strategy Inception	Mar-03
Number of Securities	92
Weighted. Avg. Market Cap	\$614.4 billion
Median Market Cap	\$79.1 billion
Operating Margin – 5 Year Avg.	21.98
Return on Capital – 5 Year Avg.	17.62
Sales Growth – 5 Year CAGR	11.52
Price/Earnings – Trailing	31.01
Dividend Yield – Current (Wtd Avg.)	1.36
Dividend Yield – Indicated (Wtd Avg.)	1.46
Beta	0.95
Active Share	60.06
Turnover Ratio*	46.58%

Sector distribution (%)

	Capital Appreciation
Communication Services	8.93
Consumer Discretionary	10.39
Consumer Staples	4.83
Energy	4.02
Financials	13.55
Health Care	13.27
Industrials	9.74
Information Technology	25.44
Materials	2.37
Real Estate	1.94
Utilities	2.91
Cash	2.61

Unless otherwise noted, portfolio statistics are provided by FactSet. Statistics aggregated using weighted median unless otherwise noted.

*Source: Principal Edge

**Strategy Assets includes all assets in the strategy including the Representative Portfolio.

Portfolio Style Characteristics and Sector Distribution information is based upon a representative portfolio of the Capital Appreciation strategy.

Portfolio managers



Dan Coleman

CIO/Portfolio Manager
43 years of experience



Toby Jayne, CFA

Portfolio Manager
24 years of experience

Company overview

Principal Edge, based in Seattle, Washington, is a leading manager of equity investment strategies. With a foundation dating back to 1939, Edge has a long legacy of providing straightforward investment solutions. Committed to fundamental analysis, Edge believes that quality companies make good stocks, and that attractive results can be achieved by identifying them, exercising patience to wait for attractive valuations, and investing in them long-term. Edge is an investment team within Principal Asset Management. Edge enjoys the focus of a boutique firm while leveraging the resources of a multinational organization.

Risk considerations

Past performance does not guarantee future return. Investing involves risk, including possible loss of principal. Equity investments involve greater risk, including higher volatility, than fixed-income investments.

Important Information

This material covers general information only and does not take account of any investor's investment objectives or financial situation and should not be construed as specific investment advice, a recommendation, or be relied on in any way as a guarantee, promise, forecast or prediction of future events regarding an investment or the markets in general. The opinions and predictions expressed are subject to change without prior notice. The information presented has been derived from sources believed to be accurate; however, we do not independently verify or guarantee its accuracy or validity. Any reference to a specific investment or security does not constitute a recommendation to buy, sell, or hold such investment or security, nor an indication that the investment manager or its affiliates has recommended a specific security for any client account. Subject to any contrary provisions of applicable law, the investment manager and its affiliates, and their officers, directors, employees, agents, disclaim any express or implied warranty of reliability or accuracy and any responsibility arising in any way (including by reason of negligence) for errors or omissions in the information or data provided.

This material may contain 'forward looking' information that is not purely historical in nature. Such information may include, among other things, projections and forecasts. There is no guarantee that any forecasts made will come to pass. Reliance upon information in this material is at the sole discretion of the reader.

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 on 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. Additional information on calculation of composite performance data is available on request.

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. The two methods of calculating performance of the composite and the index may not be identical. Indices are unmanaged and do not take into account fees, expenses and transaction costs are not available for direct investment.

Russell 3000 Index measures the performance of the largest 3000 U.S. companies based on total market capitalization. Information regarding the comparison to the Russell 3000 Index is available upon request.

This material is not intended for distribution to or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation.

This document is issued in: • **The United States** by Principal Global Investors, LLC, which is regulated by the U.S. Securities and Exchange Commission. • **Europe** by Principal Global Investors (Ireland) Limited, 70 Sir John Rogerson's Quay, Dublin 2, D02 R296, Ireland. Principal Global Investors (Ireland) Limited is regulated by the Central Bank of Ireland. Clients that do not directly contact with Principal Global Investors (Europe) Limited ("PGIE") or Principal Global Investors (Ireland) Limited ("PGII") will not benefit from the protections offered by the rules and regulations of the Financial Conduct Authority or the Central Bank of Ireland, including those enacted under MiFID II. Further, where clients do contract with PGIE or PGII, PGIE or PGII may delegate management authority to affiliates that are not authorised and regulated within Europe and in any such case, the client may not benefit from all protections offered by the rules and regulations of the Financial Conduct Authority, or the Central Bank of Ireland. In Europe, this document is directed exclusively at Professional Clients and Eligible Counterparties and should not be relied upon by Retail Clients (all as defined by the MiFID). • **United Kingdom** by Principal Global Investors (Europe) Limited, Level 1, 1 Wood Street, London, EC2V 7 JB, registered in England, No. 03819986, which is authorized and regulated by the Financial Conduct Authority ("FCA"). • **United Arab Emirates** by Principal Global Investors LLC, a branch registered in the Dubai International Financial Centre and authorized by the Dubai Financial Services Authority as a representative office and is delivered on an individual basis to the recipient and should not be passed on or otherwise distributed by the recipient to any other person or organisation. This document is intended for sophisticated institutional and professional investors only. • **Singapore** by Principal Global Investors (Singapore) Limited (ACRA Reg.No.199603735H), which is regulated by the Monetary Authority of Singapore and is directed exclusively at institutional investors as defined by the Securities and Futures Act 2001. This advertisement or publication has not been reviewed by the Monetary Authority of Singapore. • **Australia** by Principal Global Investors (Australia) Limited (ABN 45 102 488 068, AFS Licence No. 225385), which is regulated by the Australian Securities and Investments Commission and is only directed at wholesale clients as defined under Corporations Act 2001. • **Switzerland**, this document is marketing material and is issued in **Switzerland** by Principal Global Investors (Switzerland) GmbH. • **Hong Kong SAR (China)** by Principal Investment & Retirement Services Limited, which is regulated by the Securities and Futures Commission. This document has not been reviewed by the Securities and Futures Commission. • **Other APAC Countries/Jurisdictions**, this material is issued for institutional investors only (or professional/sophisticated/qualified investors, as such term may apply in local jurisdictions) and is delivered on an individual basis to the recipient and should not be passed on, used by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. This material is not intended for distribution to or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation.

Principal Global Investors, LLC (PGI) is registered with the U.S. Commodity Futures Trading Commission (CFTC) as a commodity trading advisor (CTA), a commodity pool operator (CPO) and is a member of the National Futures Association (NFA). PGI advises qualified eligible persons (QEPs) under CFTC Regulation 4.7.

©2023 Principal Financial Services, Inc. Principal®, Principal Financial Group®, Principal Asset Management, and Principal and the logomark design are registered trademarks and service marks of Principal Financial Services, Inc., a Principal Financial Group company, in various countries around the world and may be used only with the permission of Principal Financial Services, Inc. Principal Asset ManagementSM is a trade name of Principal Global Investors, LLC.