

THE CASE FOR EMERGING MARKET DEBT

Looking abroad for yield

An active, total return approach may offer yield and diversification benefits while also mitigating risk

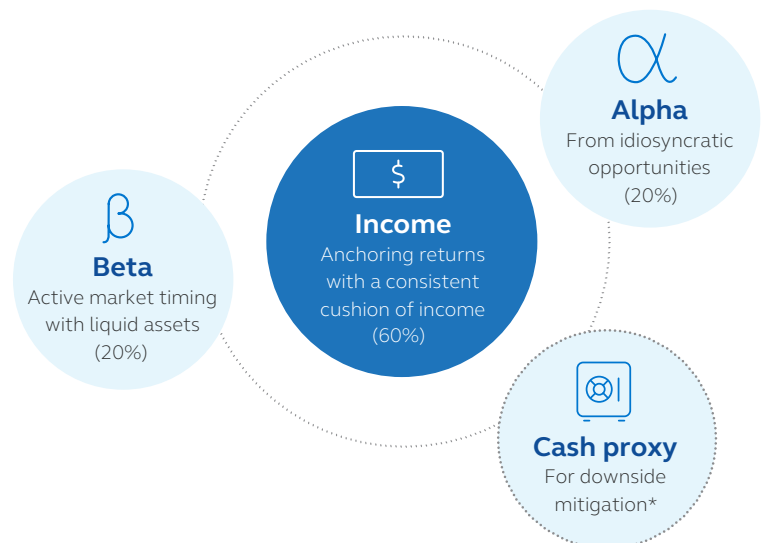
Emerging market fixed income has become too large to ignore, yet too many investors still pass on this yield and diversification opportunity. The typical approach of investing in emerging market debt (EMD) through benchmarked funds has historically failed to exploit the true sources of value in the asset class, while generating undue volatility and timing risks. Accessing through a total return strategy may be an efficient alternative to gaining EMD exposure.

Potential investor benefits

- Focus on high income with additional capital gains
- Resilient risk-adjusted return profile
- Enhanced liquidity stream

All access approach aims to participate in the upside potential of the entire EMD universe while seeking to limit downside and volatility.

Expected sources and contribution of portfolio return



The strategy may not perform as intended and could result in a loss or gain.

*Cash proxy includes defensive, short-dated EM sovereign and corporate credits, and local money market instruments. These assets have risk and may lose value.

Designed to be an “all-weather” portfolio solution that participates across the EMD market cycle.

Benefit of investing across the EMD universe:

Assesses the full EMD market cycle and allocates across U.S. dollar, sovereign or corporate credit, local currency bonds, and foreign exchange.

Innovative portfolio construction process:

Rank and optimize EMD performance drivers (cash, income, alpha, and beta assets)—with an emphasis on volatility and liquidity.

EMD expertise:

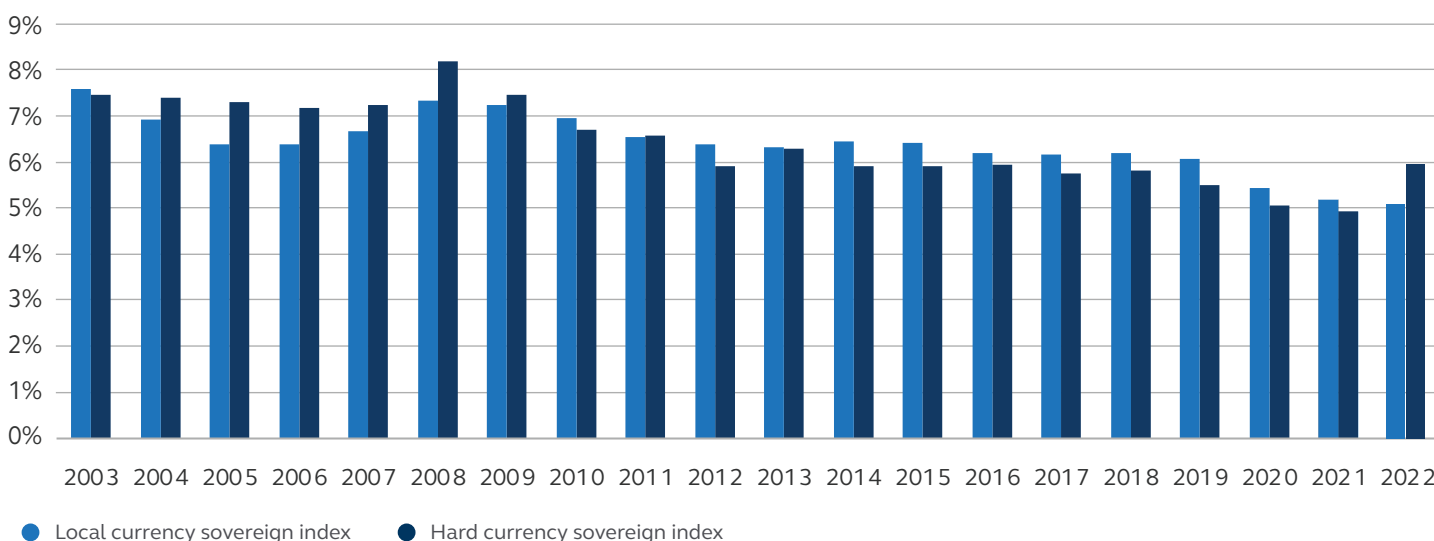
EMD-focused investment manager with extensive experience of providing solutions within the whole emerging market universe through market cycles.

Key benefits of emerging market debt: yield and diversification

Attractive yield profile

Since 2003, EM hard currency credits and local currency bonds have generated a steady income stream of around 6% USD, as per market indices.

Annual gross index yields since 2003



As of December 31, 2022. Source: JP Morgan, Principal Finisterre. Local sovereign currency bonds is represented by the JP Morgan Government Bond Index - Emerging Markets. Hard currency sovereign bonds is represented by the JP Morgan Emerging Market Bond Index Global Diversified.

Attractive diversification profile

Diversification opportunities

- Countries at varying stages of the macro cycle
- Relative-value opportunities from fundamental divergence
- Idiosyncratic opportunities from specific events

>100

countries*

50

currencies*

1,000

corporate entities*

Correlations

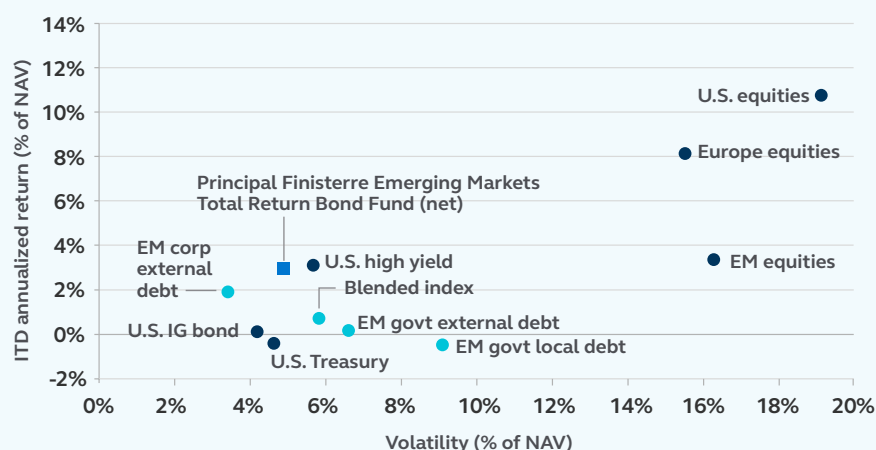
	33/33/33/ Benchmark
Bloomberg U.S. Treasury Agg	0.23
Bloomberg U.S. Agg IG	0.42
S&P 500	0.44
STOXX Europe 600	0.49
ICE BofA U.S. HY	0.70
MSCI EM	0.70
CEMBI Br Div	0.85
EMBIG Div	0.91
GBI-EM Global Div USD	0.92
33/33/33 Benchmark	1.00

As of December 31, 2022. Source: Bloomberg, JP Morgan, Principal Finisterre, *Principal Finisterre Investment Universe database. Correlation of daily returns since June 2013. Indices used: EMBIG Div: JP Morgan Emerging Markets Bond Global Diversified Index; CEMBI Br Div: JP Morgan Corporate Emerging Markets Bond Index Broad Diversified; 33/33/33 Benchmark: 33% CEMBI Broad Diversified, 33% EMBI Global Diversified, and 33% GBI-EM Global Diversified; GBI-EM Global Div USD: JP Morgan Government Bond-Emerging Markets-Global Diversified Index; ICE BofA U.S. HY: ICE BofA U.S. High Yield Index; MSCI EM: Morgan Stanley Capital International Emerging Markets Index; STOXX Europe 600: STOXX Europe 600 Index; S&P 500: S&P 500; Bloomberg U.S. Agg IG: Bloomberg U.S. Aggregate Bond Index; Bloomberg U.S. Treasury Agg: Bloomberg U.S. Treasury Aggregate Bond Index.

Adding EMD exposure to a global portfolio may enhance the overall risk-return profile

Emerging market fixed income often sits at an optimal point in terms of risk-return profiles versus global asset classes. The Principal Finisterre Emerging Markets Total Return Bond Fund tends to display higher risk-adjusted returns than most of the major indices, including most of the EMD sub-asset classes.

Principal Finisterre Emerging Markets Total Return Bond Fund (net) - Class I



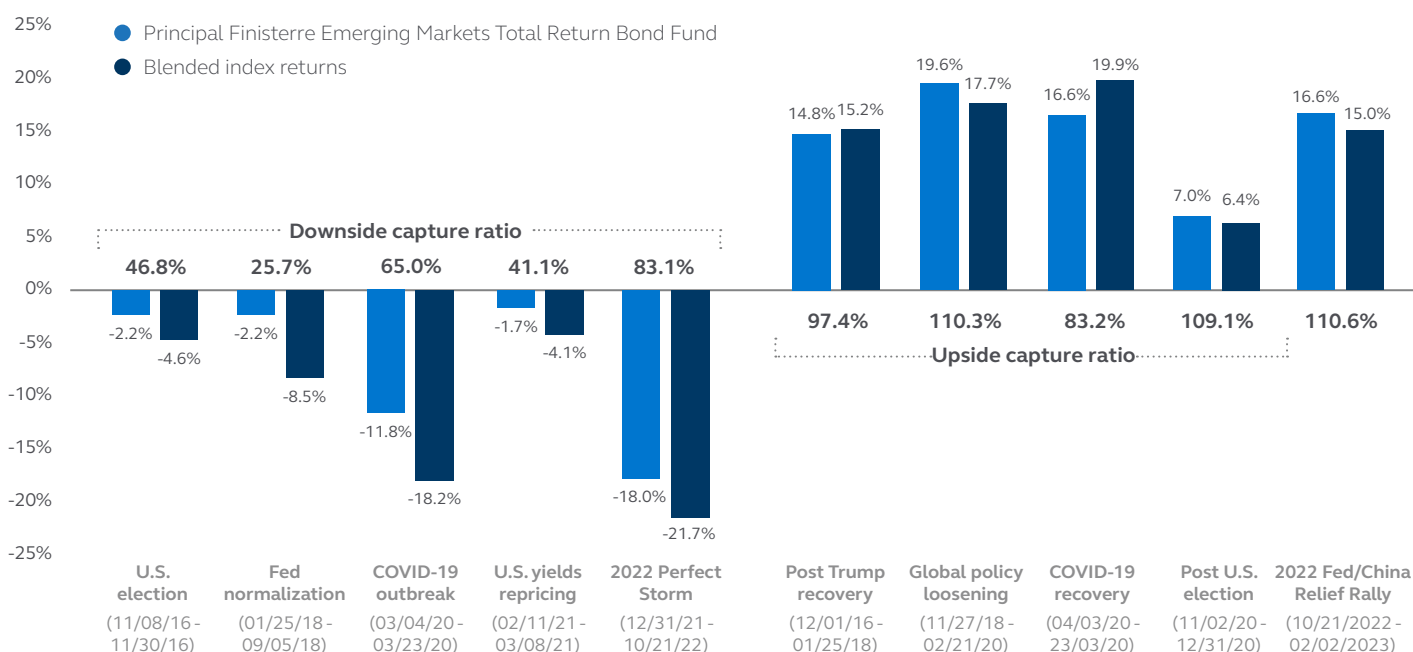
Source: Bloomberg, JP Morgan, Barclays, based on daily data from July 29, 2016 to March 31, 2023. Past performance is not indicative of future results which may vary. Indices used: EM Gov't external debt: JP Morgan Emerging Markets Bond Global Diversified Index; EM Corp external debt: JP Morgan Corporate Emerging Markets Bond Index Broad Diversified; EM Gov't local debt: JP Morgan Government Bond-Emerging Markets-Global Diversified Index; U.S. Treasury: Bloomberg U.S. Treasury Aggregate Bond Index; U.S. IG Bond: Bloomberg U.S. Aggregate Bond Index; U.S. high yield: ICE BofA U.S. High Yield Index; EM equities: Morgan Stanley Capital International Emerging Markets Index; U.S. equities: S&P 500; Europe equities: STOXX Europe 600 Index; Blended index: 33% CEMBI Broad Diversified, 33% EMBI Global Diversified, and 33% GBI-EM Global Diversified.

Demonstrated downside mitigation

The team's unconstrained investment approach has historically captured most of the market upside, with much lower downside participation during market dislocations.

Upside/downside capture ratios

Principal Finisterre Emerging Markets Total Return Bond Fund record (gross of fees) vs. main EMD market indices



Source: Principal Finisterre. Chart reflects gross of fees performance of the Principal Finisterre Emerging Market Total Return Bond Fund Class I. The Blended Index is currently 33.3% CEMBI Broad Diversified, 33.3% EMBI Global Diversified, and 33.3% GBI-EM Global Diversified, gross of withholdings taxes, rebalanced monthly. The benchmark was changed retroactively on April 30, 2017 back to August 1, 2016. This change is due to the fact that the current benchmark more accurately reflects the investment strategies of the Fund. No leverage cost assumed. Additional information concerning this is available on request.

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Alpha opportunities from a diversified landscape

Inefficient markets and diversified EMD sub-sectors exacerbate the structural flaws of passive or benchmarked investment approaches.

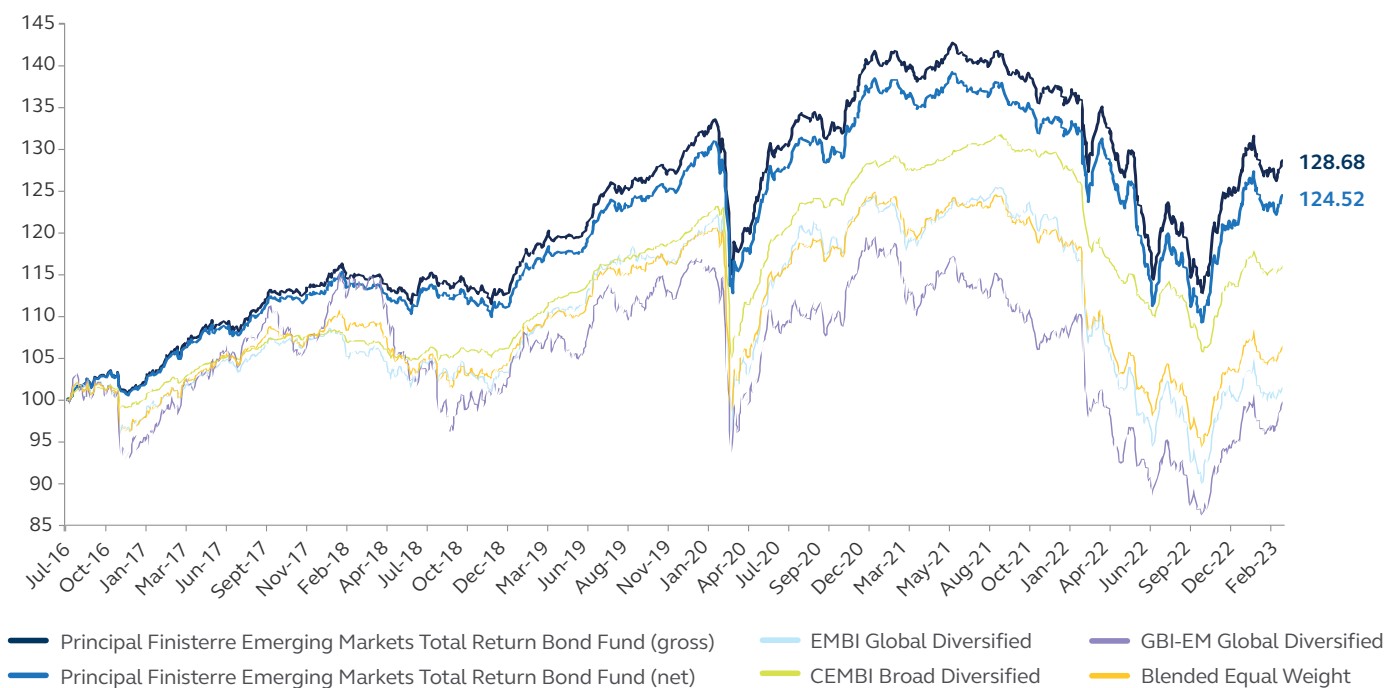
A passive index or benchmark approach...

- Is mostly long at all times, consequently delivering full downside and volatility during crises.
- Leaves the investor alone to allocate among EMD sub-asset classes.
- Provides access to the income stream, but with directional risks and limited ability to lock in long-term capital gains.
- Reflects a market average, ignoring the diversity of the EMD universe.
- Creates a psychological link to the benchmark which prevents managers from monetizing strong convictions.

An unconstrained approach...

- Aims at tilting portfolio performance towards the upside, while limiting volatility and downside.
- Leaves a specialist in charge of the difficult cross-allocation to all EMD sub-sectors.
- Provides access to a steady income stream, with greater flexibility to capture capital gains and generate alpha from specific EM situations.
- Can flexibly diversify sources of portfolio returns throughout the market cycle between income, alpha, and market beta.
- Allows a focus on managing portfolio liquidity and limiting volatility at all times.

Principal Finisterre Emerging Markets Total Return Bond Fund track record vs. main EMD market indices



Source: Principal Finisterre. As of March 31, 2023. Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index. Please see disclaimers section for important disclosures relating to the presented performance. Indices used: EMBI Global Diversified: JP Morgan Emerging Markets Bond Global Diversified Index; CEMBI Broad Diversified: JP Morgan Corporate Emerging Markets Bond Index-Broad Diversified; GBI-EM Global Diversified: JP Morgan Government Bond-Emerging Markets-Global Diversified Index; Blended Equal Weight: 33% CEMBI Broad Diversified, 33% EMBI Global Diversified, and 33% GBI-EM Global Diversified. The benchmark was changed retroactively on April 30, 2017 back to August 1, 2016. This change is due to the fact that the current benchmark more accurately reflects the investment strategies of the Fund.

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Performance summary

FUND PERFORMANCE as of March 31, 2023

	Average annual total returns (%)					Sharpe ratio	Total Fund AUM
	3-month	1-year	3-year	5-year	Since inception (07/11/2016)	Since inception (07/11/2016)	
Principal Finisterre Emerging Markets Total Return Bond Inst Fund	2.84	-4.36	2.50	1.89	3.31	0.43	\$434.5M
Blended Index*	3.09	-3.06	1.19	-0.36	—	-0.01	—

Returns represent past performance and do not guarantee future results. Share price, principal value, and return will vary and you may have a gain or loss when shares are sold. Current performance may be lower or higher than quoted. For the most recent month-end performance, visit principalfunds.com.

Performance assumes the reinvestment of dividends and other earnings. The net/gross expense ratios for the Fund are 0.85%/0.85%. Where gross and net expenses differ, the investment advisor, has contractually agreed to limit the expenses of the Fund. It is expected that the expense limits will continue through the period ending February 29, 2024.

Returns for periods less than one year are not annualized.

*33.3% CEMBI Broad Diversified, 33.3% EMBI Global Diversified, and 33.3% GBI-EM Global Diversified

Institutional class shares are available only to eligible investors, including various institutional investors and investors in certain mutual fund wrap or asset allocation programs. See the prospectus for eligibility requirements.

Index performance information reflects no deduction of fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index.

EMD specialists supported by a global network

Principal Finisterre portfolio management team



DAMIEN BUCHET, CFA
Chief Investment Officer
31 years of investment experience



CHRISTOPHER WATSON, CFA
Senior Portfolio Manager
24 years of investment experience

Principal Finisterre, fully owned by Principal, was founded in 2002 to focus on the active, unconstrained management of EMD strategies. Principal Finisterre offers the unique blend of an experienced emerging markets total return team, supported by dedicated research and an extensive global research network.

The investment team consists of nine seasoned EM fixed income investment professionals, backed by a global asset manager. The team uses an innovative market segmentation and portfolio construction process that’s been forged and tested for over 20 years.

Source: Principal Finisterre. As of March 31, 2023.



Find out more about how emerging market debt can potentially benefit your portfolio by contacting your Principal Asset Management representative.

Important information

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Carefully consider a fund's objectives, risks, charges, and expenses. Visit www.PrincipalAM.com for a prospectus, or summary prospectus if available, containing this and other information. Please read it carefully before investing.

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Investing involves risk, including possible loss of principal.

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