

Diversified International Equity

30 June 2022

Strategy description

The strategy aims to provide long-term capital growth by investing primarily in the shares of companies domiciled in developed (ex-U.S.) and emerging market countries. The strategy is research-driven and focused on bottom-up stock selection, not bold calls on macro or geopolitical conditions.

Strategy facts

Manager: Principal Global Equities

Inception: 1 April 2000

Index: Diversified International Custom Index

Available vehicles¹: CIT, IMA, U.S. Mutual Fund

Targeted number of holdings²: 100 -250

Expected turnover²: <75%

Excess return objective²: <2% annualized over three to five years

Key differentiators

- **We invest in businesses we believe are becoming better** as a result of positive change: innovators, renovators, and pacesetters.
- **We identify them ahead of the market** by recognizing potential underappreciated growth and improvement opportunities.
- **We isolate stock selection as the key driver of results**, delivering style consistency over time using a comprehensive system of checks and balances.

Portfolio management

Paul H. Blankenhagen, CFA

30 years' experience

Juliet Cohn

40 years' experience

Investment philosophy

We believe bottom-up stock selection is the most reliable and repeatable source of consistent performance. We also recognize that persistent behavioral biases and impediments to capital flows create market inefficiencies and opportunities. We seek to exploit these anomalies through focused fundamental research and disciplined risk management.

Composite performance (%)

	3M	YTD	1YR	3YR	5YR	10YR	Performance Start (1 April 2000)
Diversified International Equity (gross)	-15.65	-22.69	-21.12	2.75	3.16	6.31	4.22
Diversified International Equity (net)	-15.79	-22.93	-21.60	2.19	2.60	5.73	3.69
Diversified International Custom Index	-13.73	-18.42	-19.42	1.35	2.50	4.83	2.72
Excess gross return	-1.92	-4.27	-1.70	1.40	0.66	1.48	1.49

Calendar year returns (%)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Diversified International Equity (gross)	18.46	20.66	-1.48	0.35	1.10	29.75	-16.89	23.97	17.98	10.62
Diversified International Equity (net)	17.80	19.98	-2.03	-0.21	0.54	29.03	-17.32	23.35	17.38	9.98
Diversified International Custom Index	16.83	15.29	-3.87	-5.66	4.50	27.19	-14.20	21.51	10.65	7.82
Excess gross return	1.63	5.37	2.38	6.01	-3.40	2.56	-2.69	2.45	7.32	2.80

Source: Principal Global Investors.

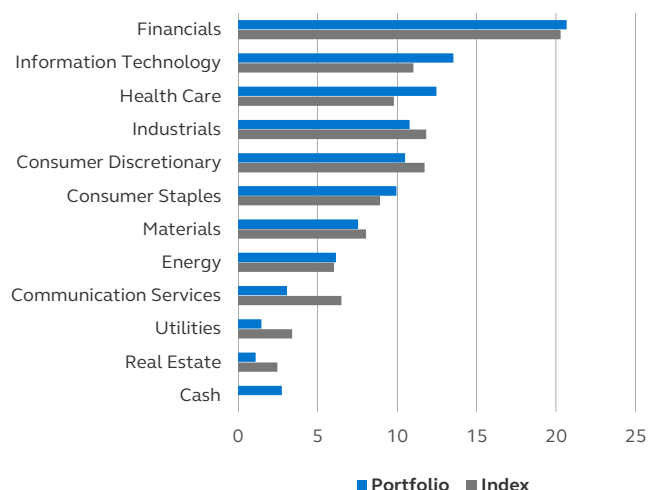
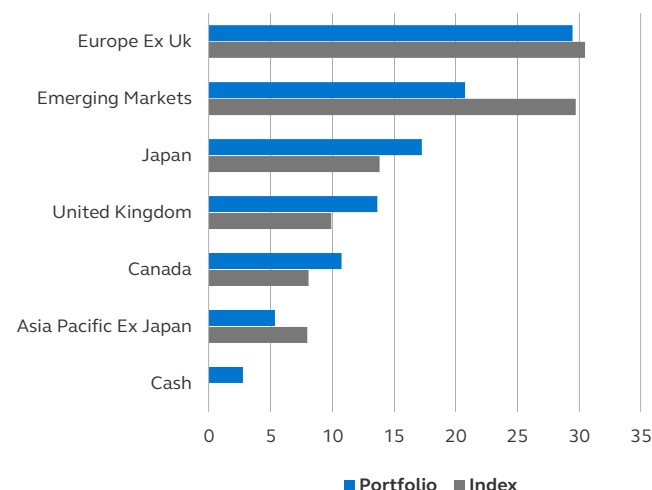
As of June 2022. Past performance does not guarantee future results. Investing involves risk, including possible loss of principal. Periods over one year are annualized. Please see disclosures for additional information on performance.

¹Not all vehicles are available to investors in all jurisdictions.

²Investment guidelines are subject to change. There is no guarantee that the excess return objective of the strategy will be realized or achieved. Excess return objective is shown gross of fees and is relative to the benchmark.

Top 10 holdings (%)³

		Location	Sector	Portfolio	Index	Active weight ⁴
1	Novo Nordisk A/S	Denmark	Health Care	2.4	0.9	1.5
2	Taiwan Semiconductor Manufacturing Co., Ltd.	Taiwan	Information Technology	2.2	1.8	0.4
3	Astrazeneca Plc	United Kingdom	Health Care	2.1	0.9	1.2
4	Nestle S.A.	Switzerland	Consumer Staples	2.1	1.5	0.6
5	Asml Holding Nv	Netherlands	Information Technology	1.9	0.9	1.0
6	Toyota Motor Corp.	Japan	Consumer Discretionary	1.9	0.7	1.1
7	Brookfield Asset Management Inc.	Canada	Financials	1.8	0.3	1.5
8	Samsung Electronics Co., Ltd.	South Korea	Information Technology	1.7	1.1	0.6
9	Roche Holding Ltd	Switzerland	Health Care	1.7	1.1	0.6
10	Nintendo Co., Ltd.	Japan	Communication Services	1.6	0.2	1.3

Sector allocation (%)³Geographic allocation (%)³Portfolio characteristics³

	Portfolio	Index
Return on equity	14.7%	13.0%
Earnings growth ⁵	23.7%	26.0%
Earnings revisions ⁶	20.2%	9.0%
Price/earnings ⁷	15.4x	15.0x
Active share ⁸	74.1%	-
Number of holdings	144	2,269
Market cap (weighted average)	\$90.2B	\$81.2B

Portfolio risk statistics⁹

	3YR	5YR
Sharpe ratio	0.12	0.13
Standard deviation	17.71	16.04
Information ratio	0.47	0.23
Tracking error	3.01	2.82

³ 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.

⁴ Portfolio security weight minus the benchmark security weight.

⁵ Average of trailing one-year and forward one-year earnings per share (EPS) growth.

⁶ Percentage of companies with positive EPS revisions less percentage with negative EPS revisions.

⁷ Forward one-year price/earnings estimates.

⁸ A measure of the proportion of stock weights in a manager's portfolio that differ from the index.

⁹ Source: Principal Global Investors. Portfolio information is based on the strategy's composite.

Due to rounding, figures and percentages shown may not add to the total or equal 100%. Figures relating to the index are shown for comparative purposes only. The two methods of calculation may not be identical and it is not possible to invest in an index.

Investment process overview



Perspective and precision: a disciplined, repeatable approach for better fundamental outcomes

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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 MSCI ACWI ex-U.S. Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets, excluding the U.S. The index covers approximately 85% of the global equity opportunity set outside the U.S. From 1 March 2008 forward, the MSCI ACWI ex-U.S. Index returns are used. In reports issued prior to 1 March 2008, the MSCI EAFE 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.

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. 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 and their noted actual or model fee tier. Actual investment advisory fees incurred by clients may vary. Composite net returns after 1 January 2011, are inclusive of performance-based fees (where applicable). Performance-based fees are accounted for on a cash basis.

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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